

British Columbia Ferry Services Inc.

Performance Term 7 Submission

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Executive summary

The [Coastal Ferry Act](#) requires British Columbia Ferry Services Inc. (“BC Ferries”, “we” or “our”) to provide certain financial, operating, and planning information to the British Columbia Ferries Commissioner (“Commissioner”), the B.C. Ferry Authority (“Authority”) and the Minister of Transportation and Transit of the Province of British Columbia (“Province”) at least 18 months before the start of the next four-year performance term. Our enclosed submission is provided to support the April 1, 2028 to March 31, 2032 performance term (“PT7”).

The submission sets out information associated with BC Ferries’ core ferry services as determined by the [Coastal Ferry Services Contract](#) with the Province for the remainder of the current performance term (“PT6”) and plans to improve efficiencies for PT7. The submission also describes actions BC Ferries has taken within its control and the regulatory, funding and other considerations relevant to PT7.

While PT7 is established within a four-year regulatory cycle, many of the factors that will determine the future sustainability of the coastal ferry system extend well beyond that period. Aligned with [Charting the Course](#), the 25-year vision for coastal ferry services developed by the boards of the Authority and BC Ferries, this submission is informed by a longer planning horizon, recognizing that decisions made during PT7 will shape the cost, reliability and sustainability of the ferry system well beyond 2032. Asset renewal, infrastructure investment, financing requirements and workforce planning are long-term considerations with costs and benefits that extend over decades.

As the content of the submission is limited to matters within the scope of the existing *Coastal Ferry Act*, references to longer term initiatives are included only to the extent necessary to demonstrate how PT7 decisions support the future resilience, affordability and sustainability of the ferry system.

This submission is composed of six chapters:

Chapter 1: The Coastal Ferry System, explains the coastal ferry system, including the regulatory and governance framework, how responsibilities for service delivery, regulation, funding and public-interest stewardship are shared among participants, and the purpose of the performance term process.

Chapter 2: Sustaining Service in a Changing Operating Environment, provides information on the operating environment impacting BC Ferries, including the operational and regulatory requirements that shape service delivery and the sector-wide pressures increasing the cost and complexity of sustaining service.

Chapter 3: Outcomes During Performance Term 6 (PT6), provides information on the revenues and expenses associated with ferry services BC Ferries has provided and expects to provide in PT6.

Chapter 4: How the Current Funding Model Shapes the Choices Ahead, provides information on BC Ferries’ existing funding model and the revenue sources that support the coastal ferry system into PT7.

Chapter 5: Investments Being Advanced in Performance Term 7, provides information on the investments to sustain service reliability, renew aging vessels and terminals, improve efficiency, grow revenue and support broader public-interest objectives, including reconciliation, accessibility and environmental sustainability.

Chapter 6: Financial Requirements to Sustain Service in PT7, provides information on the revenue required to sustain service during PT7, including demand and traffic forecasts, fare sensitivity, operating and capital investment requirements, financing needs and the risks affecting the long-term sustainability of the ferry system.

A financial challenge that has been building for years

BC Ferries approaches PT7 facing a financial challenge that has been building over successive performance terms. Certain measures were adopted in previous performance terms, such as temporary funding, deferred capital investments and the extension of asset service life. These measures helped maintain affordability and manage near-term pressures but did not address the underlying costs associated with operating, maintaining and renewing the ferry system.

Under current projections, BC Ferries' debt could increase from approximately \$2 billion to over \$4 billion through PT7, subject to regulatory approval of planned investments and BC Ferries' ability to access additional borrowing. The scale of borrowing illustrates the relationship between the capital investment required to sustain service, the financing needed to support it, and the future revenues required to service that debt.

As we near the beginning of PT7 there may be less room to rely on some of the measures used in previous performance terms. The \$500 million in Fare Affordability Funding provided by the Province for the current performance term ends on March 31, 2028. Opportunities to defer investments are also becoming increasingly limited as aging and end-of-life vessels and terminals need to be renewed or replaced. At the same time, operating costs across the marine sector, including labour, fuel and maintenance, have risen significantly. These factors form the financial and operational context for the PT7 submission and the assumptions reflected in it.

Chapter 2 provides information on the operating environment impacting BC Ferries, including the operational and regulatory requirements that shape service delivery and the sector-wide pressures increasing the cost and complexity of sustaining service.

What does it take to sustain today's ferry system?

This submission focuses on sustaining the ferry services British Columbians rely on today – safely, reliably and over the long term. The services we provide, including routes and frequency, are determined by the Province through the Coastal Ferry Services Contract. Sustaining these services requires operating and maintaining the existing system, renewing aging vessels and terminals, and investing in efficiency and reliability.

The submission does not include many of the service enhancements customers and communities have asked for, including more frequent sailings or additional terminal amenities. Adding service beyond current levels would come at additional cost and would require corresponding funding. Any increase in required service levels would also need to be reflected in the Coastal Ferry Services Contract between the Province and BC Ferries and supported through the funding model and regulatory framework.

While the investments proposed for PT7 are focused on sustaining today's service levels, the submission also identifies longer-term considerations and opportunities for the coastal ferry system beyond PT7. In the lead up to PT7, BC Ferries is pursuing additional cost reductions and efficiencies, revenue opportunities and available regulatory mechanisms, while working with the Province, its Boards and other governments where appropriate.

How did we get here?

The financial challenge entering PT7 has developed over several performance terms. Affordability decisions helped protect customers from the full impact of rising costs, but they did not eliminate the underlying costs of maintaining and renewing an aging ferry system. At the same time, operating and capital requirements continued to grow as assets aged and broader sector-wide cost pressures intensified. The sections below describe how these pressures developed and the measures taken to manage them.

The pressure was evident going into the current performance term

In 2022, the BC Ferries Commissioner forecasted that average fares would need to [increase by 9.2 per cent annually during PT6](#) (April 1, 2024 to March 31, 2028) – equivalent to approximately 42 per cent over its four-year performance term – to support minimum service levels and reliability. The Province subsequently provided \$500 million in one-time Fare Affordability Funding, enabling the Commissioner to establish a PT6 annual price cap of 3.2 per cent.

This time-limited funding provided significant near-term relief for customers, but in its current form ends with PT6. The PT7 submission therefore does not assume that this one-time funding continues beyond March 31, 2028.

Chapter 3 provides information on the ferry services BC Ferries has provided and expects to provide in PT6 in relation to each regulated ferry route as required by the *Coastal Ferry Act*.

BC Ferries has also taken significant action

Alongside temporary provincial funding, BC Ferries has taken significant action within its control to reduce operating and investment requirements. In the last two years, BC Ferries has:

- Reduced or deferred more than \$3 billion in proposed long-term capital investment through project cancellations, scope reductions, and investment timing;
- Restricted exempt hiring;
- Reduced contractor support;
- Achieved fuel and other operating efficiencies; and
- Wound down non-core business functions such as BC Ferries Vacations.

These actions reduced the growth in operating and capital costs, and BC Ferries continues to identify further efficiencies and cost reductions. At the same time, the actions already taken have narrowed the options available to further reduce costs and investment without affecting service reliability, asset renewal or longer-term sustainability.

Many of the options used in the past are reaching their limits

Asset lives can only be extended where it remains safe and technically appropriate. BC Ferries can continue finding ways to operate more efficiently and reduce costs, but those savings can only partially mitigate – not eliminate – increases in the cost of operating and renewing the system.

The cost of running and renewing the ferry system continues to increase:

- Labour, maintenance, fuel and financing are more expensive;
- Inflation has pushed the cost of operating and investing in the system above earlier forecasts; and
- Constrained global shipbuilding capacity is making new vessels more expensive and increasing the time required to replace aging and end-of-life ships.

Together, these pressures mean the cost of sustaining today's ferry system – and the revenue required to support it – is significantly higher than at the beginning of PT6.

How is BC Ferries funded today?

BC Ferries relies primarily on revenue generated from customers through fares. Unlike roads, highways and bridges, where operating and capital costs are funded primarily through general taxation, the coastal ferry system is funded through a combination of:

- Regulated customer fares, which are the largest source of revenue (63%);
- Provincial funding, including Ferry Transportation Fees for contracted service on Minor and Northern routes (28%) (route groupings are defined in Appendix 1: Route groupings & visual route map);
- Federal funding, including the federal-provincial subsidy (3%);
- Commercial and ancillary revenues from customers, including catering and retail (6%); and
- Debt financing through BC Ferries corporate bond issuances to Canadian institutional investors.

Debt financing supports both capital investment and the delivery of current service. Borrowing helps finance costs over time, but it does not eliminate them. Under the current funding model, BC Ferries does not generate sufficient revenue to systematically repay debt principal as it comes due and generally refinances those obligations. As debt grows, so does the amount that must be refinanced, increasing exposure to future interest rates and financing costs. BC Ferries must also maintain sufficient revenues and financial strength to support additional borrowing and ensure it can access financing at reasonable rates.

Funding is needed to support the system as a whole

In recent years, only one of BC Ferries' routes generates enough fare revenue to cover its full cost of service. BC Ferries therefore operates and funds the 25 regulated routes as one integrated network, with revenue and funding supporting service across the system.

- Only Route 1 (Tsawwassen–Swartz Bay) consistently recovers its full cost of service through fares.
- All other routes require funding beyond the fares they generate to deliver the service levels established by the Province.
- Government funding, commercial revenue and debt financing help cover the costs that are not recovered through fares.

This is not to suggest that individual routes should be expected to recover their full costs through fares. Many routes provide essential lifeline transportation to coastal and island communities, and the funding model recognizes that public-service role. Instead, it illustrates why BC Ferries operates as an integrated ferry system, with revenues and funding supporting the delivery of service across the network rather than on a route-by-route basis.

This also means that revenues generated from all sources through PT7 must be sufficient to sustain the service requirements of the network. Chapter 4 provides information on BC Ferries' existing funding model, while chapters 5 and 6 set out the investments, operating expenses and associated financial requirements to deliver the contracted level of services through PT7.

BC Ferries does not control all of the major levers

BC Ferries is accountable for operating the ferry system safely and efficiently, but it does so within a framework established by the *Coastal Ferry Act* and the *Coastal Ferry Services Contract*. Within that framework, responsibility for the major decisions that shape the cost and funding of the system is shared among BC Ferries, the BC Ferries Commissioner and the Province. Chapter 1 provides information on how responsibilities are shared among participants in the coastal ferry system.

- BC Ferries operates the system, manages operating and capital costs, finds efficiencies, generates revenue from sources beyond fares, such as catering and retail, and allocates resources across the network.
- The BC Ferries Commissioner establishes an upper limit on system-wide average fare increases (the price cap), considers and approves major capital expenditures, and oversees BC Ferries' compliance with the regulatory

framework. In establishing price caps, the Commissioner considers BC Ferries' reasonable operating and capital costs, financing requirements and expected productivity gains.

- The Province establishes the core service levels and social programs to be provided through the *Coastal Ferry Services Contract* and determines the government funding provided in support of those services. Changes to service levels and government service fees are considered by the Commissioner in establishing the final price cap determination.

Within this framework, BC Ferries can reduce costs, find efficiencies and pursue opportunities to grow revenue, but it cannot independently increase regulated fares, change contracted service levels or determine the level of government funding available to support the system.

There are limits to the available financial levers

Within the existing funding model, when costs and available revenues no longer align, there are four principal ways to respond: take on more debt, ask customers to pay more, spend and invest less or increase government funding. Each has limits, consequences or depends on decisions outside BC Ferries' control.

1. **Take on more debt:** Borrowing helps finance needed long-term capital investment, but additional debt increases interest and financing costs that must ultimately be supported by future revenues. Additional borrowing also depends on BC Ferries maintaining the financial capacity to access debt at reasonable rates.
2. **Ask customers to pay more:** Customers are already the largest source of system revenue, accounting for approximately 63 percent of total revenue and funding. The Commissioner determines the average system-wide price cap through the performance term process.
3. **Spend or invest less:** BC Ferries has already deferred or removed billions in investment to manage costs. Further reductions would mean keeping aging vessels and infrastructure in service longer and deferring needed vessel and terminal renewal. For customers, that can mean greater risk of an aging vessel being taken out of service unexpectedly during a busy travel period, or insufficient capacity contributing to overloads and longer waits at peak times. Pushing necessary fleet and terminal renewal into future performance terms can also increase the eventual cost of those investments.
4. **Increase government funding:** Government funding can reduce the amount that needs to be recovered from customers. Decisions about the level and duration of that funding rest with governments, however, and there is currently no guarantee of additional funding beyond the amounts assumed in this submission.

The PT7 submission reflects assumptions associated with these components at the time of filing. Changes to those assumptions may affect the financial requirements considered through the regulatory process.

Work underway before PT7

The submission reflects the revenue required to sustain current service levels during PT7 based on the assumptions available at the time of filing. BC Ferries has already taken action to reduce costs, grow revenue and improve efficiency, and that work will continue as PT7 approaches.

1. Reduce costs and grow revenue beyond base fares

BC Ferries will continue to act on the levers within its control to reduce the cost of delivering service and generate more revenue from sources other than base fares. This includes:

- Further scrutiny of operating and capital expenditures;
- Workforce efficiencies;
- Fuel and energy efficiencies;
- Disciplined asset management to optimize the timing and delivery of capital investments;
- Differentiated pricing and expanded advanced booking capacity;
- Commercial services;
- Digital and other third-party advertising; and
- Other commercial partnerships and opportunities.

The initiatives identified are in various stages of design and implementation and are expected to generate millions of dollars annually in combined cost savings and additional revenue once fully operational. While helpful, they will not close the gap between revenues and costs.

BC Ferries will continue to identify potential efficiencies and cost reductions. Any changes to contracted service levels would need to be addressed through the Coastal Ferry Services Contract and applicable regulatory processes.

2. Other funding and revenue considerations

BC Ferries continues to explore opportunities that could support the long-term affordability and sustainability of the coastal ferry system, including potential approaches to diversifying revenue sources and reducing reliance on base fares. Some of these opportunities may require further analysis, customer and community engagement, government support, regulatory approval, or legislative change before they could be considered for implementation.

As this PT7 submission is limited to matters within the scope of the *Coastal Ferry Act* and the regulatory framework currently in place, potential future initiatives are not reflected in the forecasts contained in this submission.

What happens next?

The PT7 submission establishes the operating, capital and revenue requirements forecast by BC Ferries to sustain today's levels of service safely, reliably and over the long term. The Commissioner will review the submission over the coming months and develop a preliminary assessment of the price caps for PT7 under the funding assumptions available at that time. Final price caps for PT7 are expected to be established in September 2027. In parallel, BC Ferries and the Province will work together to establish the Coastal Ferry Services Contract applicable to PT7, including contracted service levels and associated provincial funding.

The submission represents the starting point in the PT7 regulatory process and is based on the assumptions available at the time of filing, including assumed outcomes of concurrent regulatory applications. Information may be updated during the review as regulatory decisions, service-contract arrangements and other material assumptions change or are confirmed. While this year-long regulatory process progresses, BC Ferries will continue to work with the Authority and the Province as the Commissioner considers the PT7 submission and determines the price caps for the next performance term.

The public will also have an opportunity to participate in the Commissioner's review and provide input.

Chapter 1: The coastal ferry system

1.1 Understanding the framework

BC Ferries is the largest operator in British Columbia's coastal ferry system, providing essential transportation services that connect people and communities across approximately 1,600 kilometres of coastline. Its network supports access to essential services, regional economies and the movement of people and goods throughout coastal British Columbia.

With 25 routes carrying more than 23 million passengers and 10 million vehicles annually, BC Ferries connects major urban centres, supports regional economies and provides an essential transportation link for many island and coastal communities where there are limited or no practical alternatives. For many in these communities, ferry service is more than discretionary transportation, it is a lifeline that supports access to healthcare, education, employment, goods, services and social connections.

BC Ferries operates within a governance and regulatory framework that shapes how services are delivered, funded and priced. While BC Ferries is an independent company, it is required to operate within a legislated regulatory framework. The [Coastal Ferry Act](#) (the "Act") is designed to provide independent economic regulation of coastal ferry services by separating Province policymaking from ferry operations, while ensuring that ferry service levels, fares, and major expenditures are subject to oversight in the public interest. The framework was intended to balance affordability for users, financial sustainability for the ferry operator, and accountability for the delivery of contracted ferry services.

Under this framework, BC Ferries does not independently determine the designated routes or minimum service levels it provides, or the regulated fares customers pay. Routes and minimum service levels are established through the [Coastal Ferry Services Contract](#) with the Province. The British Columbia Ferries Commissioner (the "Commissioner") establishes a price cap on the average level of fares that BC Ferries may charge. BC Ferries is responsible for delivering the contracted ferry services safely, reliably and efficiently, and for managing the operations and resources necessary to meet its service obligations.

At the same time, the long-term sustainability of the ferry system requires sufficient revenue and funding to support safe and reliable service, maintain sustainable debt levels and access to financing on reasonable terms, and enable the renewal and replacement of the vessels, terminals and infrastructure required to maintain safety and reliability.

This creates an important tension within the regulatory framework. Customer fares provide the largest share of BC Ferries' revenue, so when the cost of delivering service increases, a significant share of that pressure can ultimately affect customers. However, BC Ferries cannot increase regulated fares or change contracted service levels in response to rising costs; such changes require decisions through the regulatory process or amendments to the services contract with the Province.

In summary, BC Ferries is not structured as a conventional profit-maximizing transportation company, nor is it able to operate like one. While it is expected to operate efficiently and manage its operations prudently, its long-term financial sustainability depends on the regulatory framework providing sufficient revenue and funding to keep pace with the growing costs of delivering service and asset renewal. BC Ferries exists to deliver an essential public service. It does

not earn a regulated rate of return. Earnings are reinvested into operating, maintaining and renewing the ferry system to support the safe and reliable delivery of service and the long-term sustainability of the coastal ferry network.

BC Ferries enters Performance Term 7 (“PT7”) facing a financial challenge that has developed over several performance terms. As a ferry system that relies primarily on customer fares to fund operations during a performance term, rising costs can place significant pressure on the system. Over time, a range of measures helped maintain affordability and manage near-term costs, including temporary Province funding, prioritizing and deferring capital investment, extending the lives of assets where safe and technically appropriate, and finding operating efficiencies. Those measures did not eliminate the underlying cost pressures associated with maintaining service and renewing the assets required to support it. As vessels and terminals age and operating costs rise, many of the options used in the past provide less room to manage the requirements ahead. Later chapters examine in greater detail how these cumulative pressures developed and what they mean for PT7.

BC Ferries has also taken significant actions within its control to improve efficiency, manage costs, carefully prioritize required investments, and pursue additional revenue where permitted. The impacts of these actions are reflected in the operating, capital and revenue requirements presented in this submission.

This submission provides the information required by section 40 of the Act to support the establishment of price caps for PT7, including the operating, capital and revenue requirements associated with providing core ferry services. It therefore presents the baseline requirements necessary to sustain current regulated service levels, rather than a proposal for broad service enhancements or reductions.

1.2 Sharing responsibility

BC Ferries provides an essential transportation service within a complex governance framework. Responsibility for service delivery, regulation, funding and public-interest oversight is shared among multiple parties.

The governance framework reflects the scale and complexity of the service being delivered. BC Ferries serves a vast and fragmented coastal region, linking dense urban corridors, remote island communities and coastal communities across long open-water routes, narrow channels and complex tidal systems. This combination of long-distance crossings, exposed operating conditions, and numerous essential community connections creates a level of operational complexity that few other ferry systems face.

1.2.a Coastal Ferry Act sets the framework

The Act establishes the governance and regulatory framework for British Columbia's coastal ferry system. In addition to defining the roles and responsibilities of BC Ferries, the Province, the B.C. Ferry Authority and the British Columbia Ferries Commissioner, it establishes the regulatory processes through which fares are regulated, service changes are considered, major capital expenditures are reviewed, and other decisions affecting the delivery of coastal ferry services are made.

1.2.b The B.C. Ferry Authority oversees the public interest

The B.C. Ferry Authority is established under the Act to oversee the strategic direction of BC Ferries in support of the

public interest, including the public's interest in safe, reliable and affordable coastal ferry services.

As the holder of BC Ferries' sole voting common share, the B.C. Ferry Authority appoints directors to the BC Ferries Board and establishes compensation plans for BC Ferries board directors and certain executives. The Authority does not regulate fares, establish service levels, or manage day-to-day operations.

1.2.c The British Columbia Ferries Commissioner regulates the system

The Commissioner is an independent regulator established under the Act and appointed by the Lieutenant Governor in Council of British Columbia, with responsibility for regulating ferry operators in the public interest.

The Commissioner regulates ferry fares by establishing a price cap on the average level of fares that BC Ferries may charge, considers and approves or sets conditions for certain major capital expenditures, and performs other regulatory and oversight functions established under the Act. These include regulating unfair competitive advantage, conducting performance reviews, monitoring BC Ferries' adherence to the Coastal Ferry Services Contract, and approving BC Ferries' customer complaint process.

In carrying out these responsibilities, the Act requires the Commissioner to balance:

- The interests of ferry users;
- The interests of taxpayers; and
- The financial sustainability of ferry operators.

These considerations help guide the Commissioner's exercise of its regulatory responsibilities and help ensure that decisions regarding regulated fares and major capital investments are made within a framework that balances affordability, reliability and long-term sustainability.

1.2.d Coastal Ferry Services Contract defines service levels and funding

The [Coastal Ferry Services Contract](#) is the primary agreement between the Province and BC Ferries governing the delivery of regulated ferry services. It establishes the designated routes to be served, the minimum service levels BC Ferries is required to provide, and the reporting and performance requirements associated with those services.

Through the Coastal Ferry Services Contract, the Province determines the minimum level of ferry service to be provided to coastal communities throughout British Columbia. This helps ensure communities have access to a defined level of ferry service regardless of route profitability or market demand.

The Coastal Ferry Services Contract also establishes the Province's financial contribution toward the delivery of those services. This reflects the public service nature of the coastal ferry system and recognizes that many regulated routes do not recover their full cost through fares alone, but remain critical to the economic, social and cultural well-being of coastal communities.

Together, the service requirements and provincial contribution established through the Coastal Ferry Services Contract support the delivery of ferry services to coastal communities throughout British Columbia and help balance service, affordability and the long-term sustainability of the ferry system.

Our Governance | BC Ferries operates within a complex legislative and regulatory framework

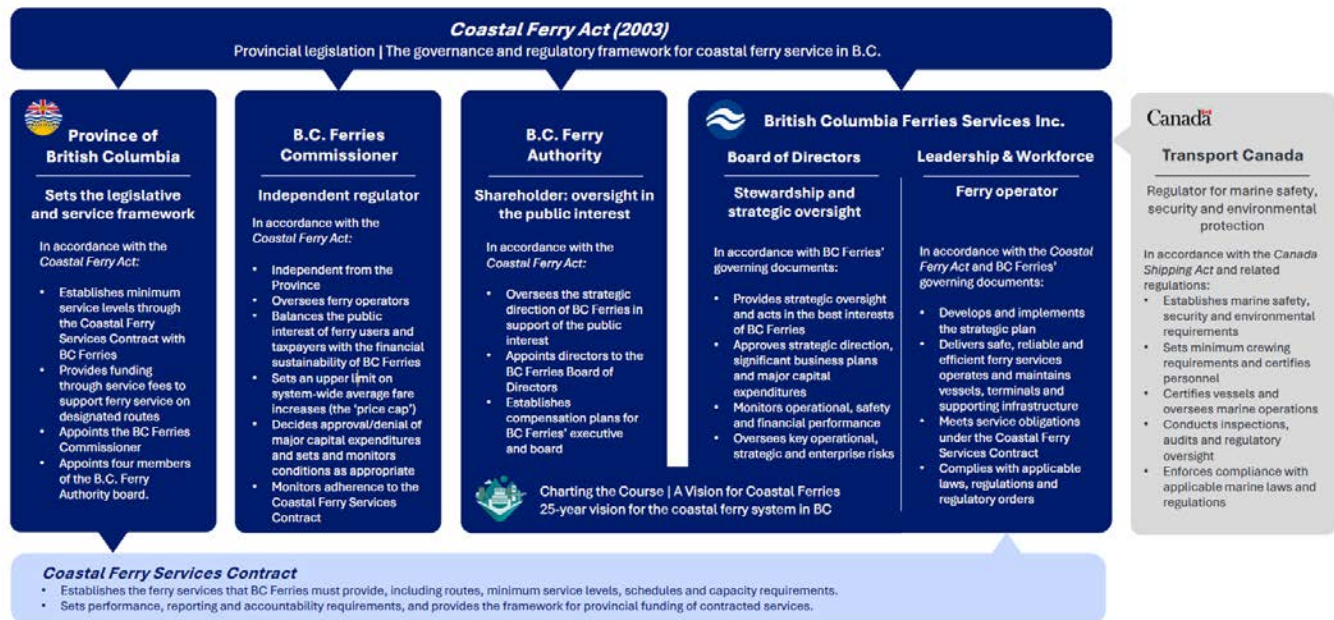


Figure 1: The Coastal Ferry System Governance Framework

BC Ferries operates within a governance framework that separates policy-setting, public-interest stewardship, regulation and service delivery responsibilities. Together, the Province, the B.C. Ferry Authority, the Commissioner and BC Ferries perform distinct but complementary roles.

The Province establishes policy, service levels and funding arrangements. The B.C. Ferry Authority provides public-interest stewardship and strategic oversight. The Commissioner provides independent economic regulation. BC Ferries delivers ferry services and manages the operations, resources and investments necessary to meet its service obligations.

While each plays a distinct role, they share responsibility for decisions that affect the affordability, reliability, long-term viability and sustainability of the coastal ferry system.

1.3 Delivering an essential public service

BC Ferries exists to serve and connect the people and the coast of British Columbia. By providing safe and reliable ferry transportation, BC Ferries helps connect people to healthcare, education, employment, family, recreation and economic opportunity while supporting the movement of goods and services throughout coastal British Columbia.

BC Ferries delivers an essential public service that supports the economic, social and cultural well-being of the communities it serves and helps ensure people and businesses remain connected regardless of geography.

The delivery of safe, reliable and sustainable ferry service depends not only on infrastructure and operations, but also

on the values that guide decision-making throughout the organization. [BC Ferries' purpose and values](#) help shape how the organization serves its customers and communities, manages its assets and workforce, and plans for the future.

[BC Ferries' Strategic Plan](#) builds on this foundation by establishing the organizational priorities that guide decision-making, investment planning and service delivery. It provides the framework through which BC Ferries seeks to deliver safe and reliable service, improve customer experience, renew critical assets, advance environmental sustainability and strengthen organizational performance over the long term.

Together, BC Ferries' purpose, values and strategic plan help ensure that day-to-day decisions and long-term investments remain aligned with its responsibility to serve coastal communities and support a sustainable and resilient ferry system for future generations.

1.4 Charting the course ahead

[Charting the Course](#) establishes a long-term vision for British Columbia's coastal ferry system that addresses today's challenges and prepares for future needs. *Charting the Course* outlines five objectives to guide decision-making in the public interest:

1. Reliable and available
2. Convenient and integrated
3. Safe and comfortable
4. Environmentally sensitive and resilient
5. Affordable and efficient

Under the collective leadership of the BC Ferries Board of Directors and the B.C. Ferry Authority Board of Directors, and informed by engagement with communities, First Nations and the public, *Charting the Course* is intended to help guide the evolution of the coastal ferry system over the long term.

Consistent with this long-term vision, this submission considers not only the requirements of PT7, but also how decisions made during the term may affect service levels, affordability, reliability, asset renewal and investment requirements in future performance terms.

The long-term direction of BC Ferries also reflects the importance of meaningful engagement and partnership with First Nations and coastal communities as services and infrastructure are planned and renewed.

1.5 Purpose of the performance term process

1.5.a The performance term framework

BC Ferries is regulated through a series of four-year performance terms established under the Act and administered by the Commissioner. Each performance term establishes the regulatory framework that will apply during the term, including the price cap that limits the average level of fares BC Ferries may charge.

Performance term six, ("PT6"), runs from April 1, 2024, to March 31, 2028. PT7 will cover the period from April 1, 2028,

to March 31, 2032.

1.5.b Developing the PT7 submission

The performance term process is a fundamental part of the regulatory framework that supports the delivery of the core ferry services established through the Coastal Ferry Services Contract while balancing the interests of ferry users, taxpayers and the financial sustainability of the ferry system. To support that process, section 40 of the Act requires BC Ferries to provide detailed information regarding those services, including service levels, fares, service fee funding, revenues, operating expenses, administrative costs, capital plans and opportunities to improve efficiency.

The Commissioner reviews this information, invites and considers public comment, and issues a preliminary determination within the regulatory framework, with proposed price caps for the upcoming performance term. Following further review of the Coastal Ferry Services Contract, additional information as needed, and public input, the Commissioner issues a final determination establishing the price caps and related determinations that will apply during the term.

Section 41 of the Act provides that price caps must be established at a level that allows BC Ferries to recover its reasonable operating, administrative and capital costs, meet its debt obligations, maintain access to borrowing at reasonable rates and achieve expected productivity gains. In carrying out this role, the Commissioner assesses the reasonableness of costs and capital expenditures and balances the interests of ferry users, taxpayers and the financial sustainability of ferry operators.

1.5.c What this submission represents

Accordingly, this submission is not a catalogue of desired projects or service enhancements. It represents BC Ferries' assessment of the baseline operating, capital and revenue requirements necessary to deliver the services it is required to provide under the Coastal Ferry Services Contract.

The submission does not include many of the service enhancements customers and communities have requested, such as additional sailings or expanded terminal amenities. Delivering service beyond current levels would require additional funding, and any increase in service levels would need to be established through the Coastal Ferry Services Contract.

At the same time, the submission considers not only the requirements of PT7, but also how decisions made during the term may affect affordability, reliability, asset renewal and the long-term viability and sustainability of the coastal ferry system.

1.6 Summary: Balancing service, affordability and sustainability

BC Ferries provides essential transportation services that connect people, communities and regional economies throughout coastal British Columbia. It operates within a governance and regulatory framework that assigns distinct responsibilities for policy-setting, public-interest stewardship, regulation, funding and service delivery.

Under this framework, BC Ferries is responsible for delivering the ferry services established through the Coastal Ferry Services Contract, while decisions regarding service levels, regulated fares and Province funding are shared among a

number of participants. Together, those decisions influence the affordability, reliability, long-term viability and sustainability of the coastal ferry system.

The performance term process is a key part of this framework. It establishes the regulatory conditions under which BC Ferries will operate during each four-year term and is intended to support the delivery of core ferry services while balancing the interests of ferry users, taxpayers and the financial sustainability of the ferry system.

The chapters that follow examine what has changed since PT6, the cost pressures, investment requirements and operational considerations reflected in this submission, and the actions BC Ferries has taken within its control to manage these challenges and support continued service delivery.

Chapter 2: Sustaining service in a changing operating environment

BC Ferries is operating in an environment characterized by aging vessels, deteriorating terminal infrastructure, rising maintenance and fuel costs, labour shortages, wage inflation, supply chain constraints, evolving environmental and transportation regulatory requirements, and growing customer and community expectations. Together, these pressures are increasing the cost and complexity of sustaining current service levels, renewing aging assets, and maintaining the long-term viability and sustainability of the coastal ferry system.

BC Ferries is not alone in facing these challenges. Ferry operators across Canada and internationally are confronting many of the same structural pressures as they work to maintain and renew complex, capital-intensive transportation networks. These trends are not temporary and reflect broader changes affecting marine transportation and infrastructure operators across many sectors and jurisdictions.

This chapter examines the environment in which those pressures are unfolding and how they are affecting the cost, complexity and long-term sustainability of ferry service. It considers the operational and regulatory requirements that shape how ferry services are delivered and the broader sector-wide pressures that are increasing the operating and capital investment required to sustain safe, reliable and affordable service.

2.1 Operational regulatory requirements affect how service is delivered

Marine transportation is one of the most highly regulated transportation sectors in the world. International Maritime Organization standards establish requirements related to vessel safety, environmental performance, security, and crew certification, while Transport Canada and other federal agencies establish and enforce Canadian requirements governing the design, construction, operation and maintenance of the ferries.

These requirements affect how ferry services are staffed, maintained and operated. Compliance requires specialized staff, training, inspections, documentation, audits, equipment upgrades, vessel modifications, environmental improvements, and prescribed maintenance activities. Because many of these requirements are mandatory, the associated costs cannot simply be avoided through operational efficiencies. Instead, they must be managed within the regulatory framework.

Across the ferry sector, regulatory requirements influence vessel design, crew complements, refit scope, inspection cycles, certification timelines and the timing of capital investments. As ferry fleets age and environmental and safety standards continue to evolve, ferry operators must make ongoing investments to maintain compliance and deliver safe and reliable services.

For BC Ferries, these obligations exist alongside other structural pressures including an aging fleet, rising maintenance costs, constrained shipyard availability, fuel-price volatility, and labour-market challenges. Meeting these requirements is essential to maintaining safe service, but they also contribute to the operating and capital requirements that must be supported through PT7.

2.2 Sector-wide pressures are increasing the cost of sustaining service

BC Ferries is operating in a period of growing tension between affordability and the realities of an aging, capital-intensive ferry system. Customers expect safe, reliable and accessible service, yet many of the vessels and supporting assets required to provide that service are approaching the end of their originally designed service lives or have already required significant investment to safely extend those service lives.

Keeping those assets in service requires increasing maintenance and investment, while replacing them requires significant long-term capital investment. These pressures are occurring alongside labour, fuel, regulatory and supply-chain pressures, increasing the overall cost of sustaining service.

The following section examines several of the key pressures affecting BC Ferries and ferry operators more broadly. Collectively, these pressures are shaping the operating and investment requirements to sustain safe, reliable services over the long term.

2.2.a Aging physical and digital infrastructure requires increasing investment to maintain reliable service

Across the marine transportation sector, ferry operators are increasingly required to replace aging physical infrastructure and supporting assets while simultaneously investing in modern digital systems and technology platforms needed to operate safe, reliable and efficient transportation networks.

A similar pattern is evident in information technology. Many public sector organizations have already made significant investments or are actively investing to replace legacy platforms that were implemented years or decades ago and are increasingly difficult to support, integrate, secure and maintain. As technology vendors discontinue support for older systems and organizations seek to improve reliability, cybersecurity, data quality, and operational efficiency, modernization of core business systems has become a necessary component of long-term infrastructure planning rather than a discretionary enhancement.

BC Ferries faces similar challenges. Key technology platforms supporting maintenance and inventory, workforce management, data management, and business operations require modernization to ensure continued reliability, regulatory compliance and operational effectiveness. These systems support the day-to-day delivery of ferry service, including how BC Ferries manages assets, deploys its workforce and provides information to customers. Maintaining reliable service therefore requires investment in both physical and digital infrastructure.

Compounding these pressures is the accelerating need to replace aging vessels. As vessels remain in service beyond their original design life, maintenance requirements become more frequent, more complex and more expensive. Operators face increasing costs associated with equipment wear, corrosion, obsolescence, longer refit periods and the growing difficulty of sourcing replacement parts. These pressures contribute to higher operating costs and reduced fleet availability.

For customers, aging assets can increase the risk of mechanical-related cancellations and service disruptions. When sailings are cancelled or delayed, the impacts extend well beyond inconvenience and can affect access to work, healthcare, education, family and other essential activities. Maintaining asset reliability is therefore important not only for operational performance, but also for the communities and customers that depend on ferry service.

For BC Ferries, this challenge is becoming increasingly significant as a growing portion of the fleet operates beyond its original design life. As of 2026, 12 vessels are 45 years of age or older. Six of those vessels serve the Major routes (route

groupings are defined in Appendix 1: Route groupings & visual route map) and account for more than half of the Major vessel fleet. Compared with large ferry operators carrying more than 1,000 passengers, BC Ferries operates the second-oldest fleet in the world (Figure 2). Older vessels typically require more intensive maintenance, longer refits and present greater reliability and scheduling risks (Figure 3 and Figure 4).

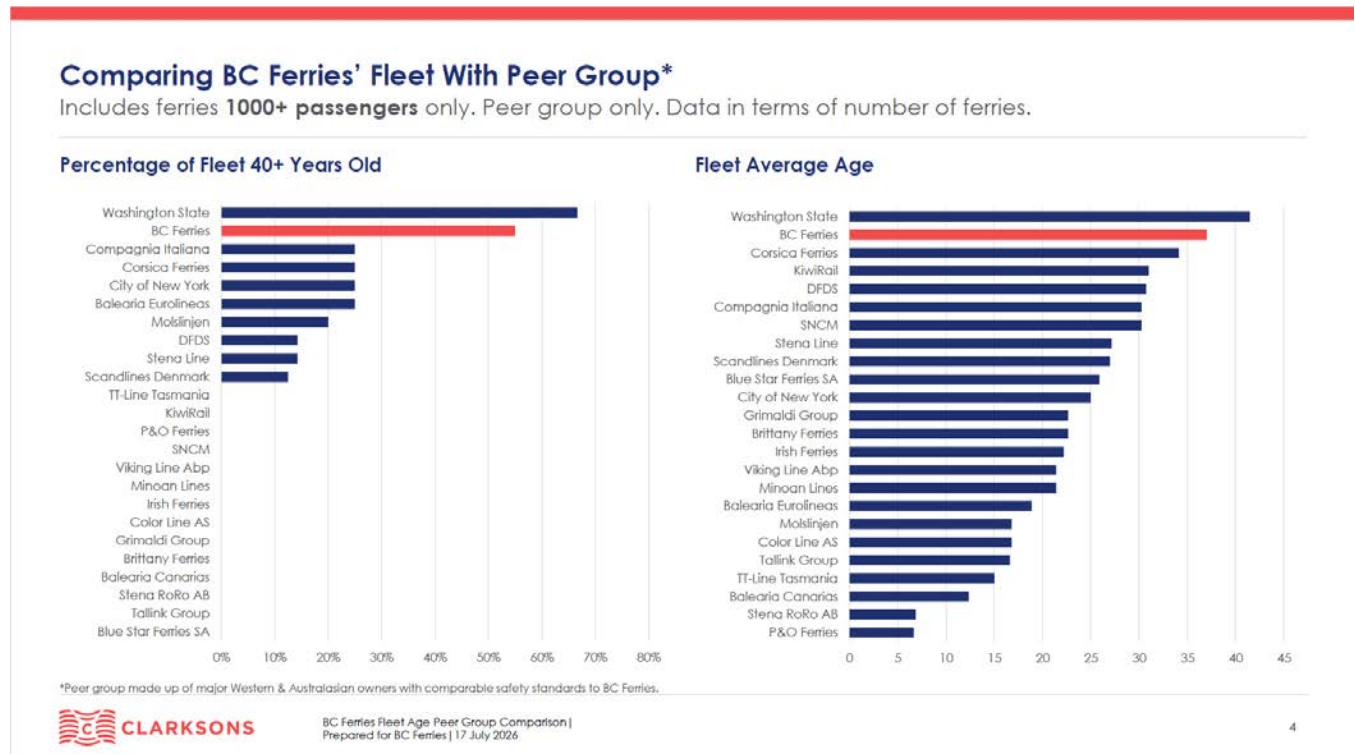


Figure 2: When compared to operators of large ferries (capable of carrying 1000+ passengers), BC Ferries operates the second-oldest fleet in the world

The implications of an aging fleet extend beyond maintenance costs. Increasingly, resources must be directed toward sustaining aging assets, reducing the flexibility to invest in vessel replacement, service improvements, capacity enhancements and other customer priorities. While deferring renewal can help manage affordability and investment requirements in the near term, it does not eliminate the need for that investment. Instead, further deferral is likely to increase maintenance requirements, contribute to reliability challenges for customers and shift the cost of renewal into future performance terms, when those costs may ultimately be higher.

In the year ended March 31 (“fiscal”) 2026, BC Ferries met minimum annual required round trips on the Major routes, despite 214 sailings being cancelled due to mechanical issues.

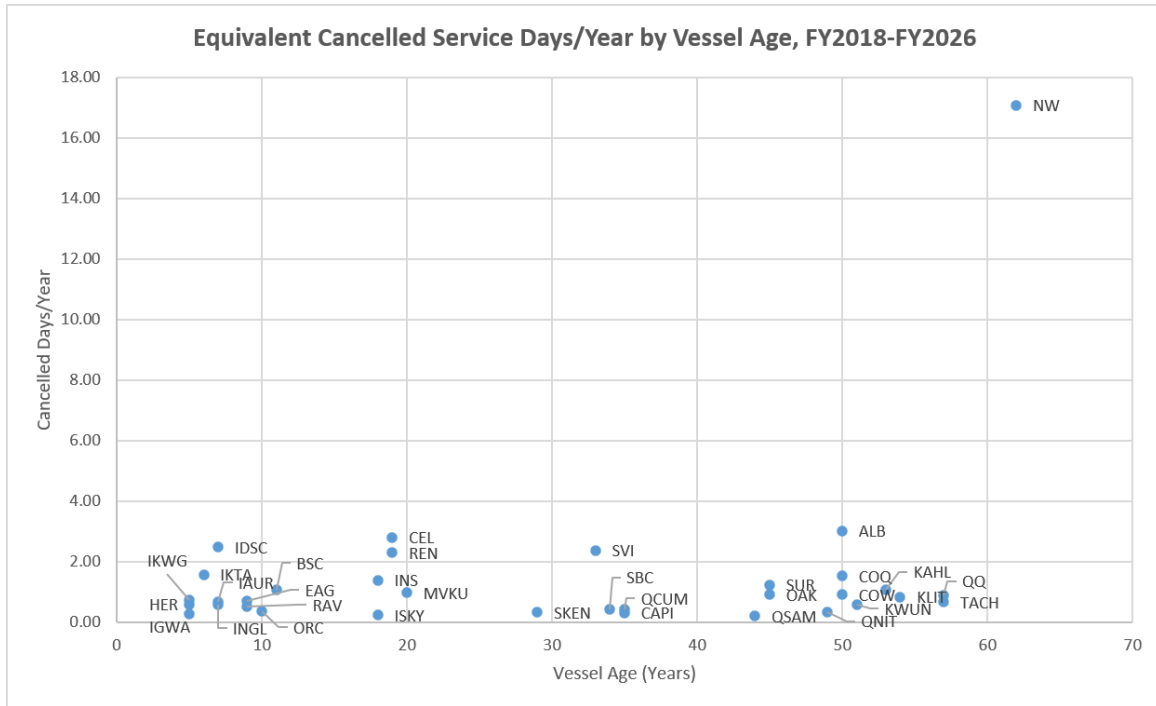


Figure 3: Equivalent cancelled service days per year by vessel age, fiscal 2018-fiscal 2026

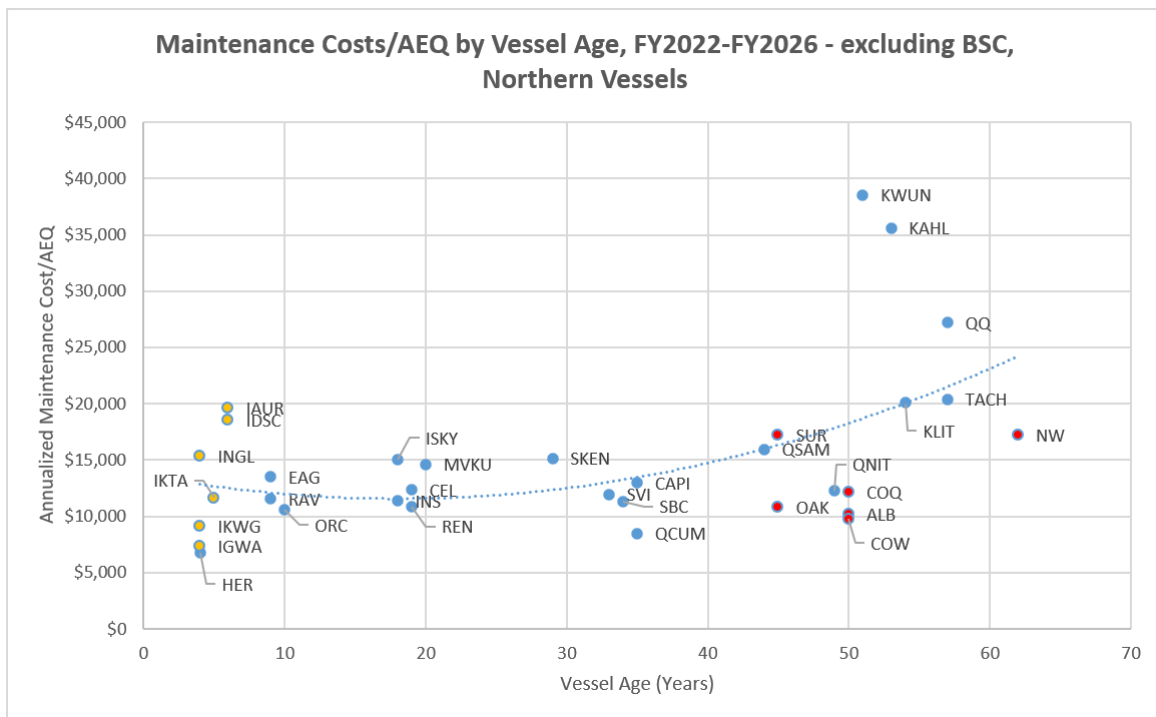


Figure 4: Maintenance costs increase as vessels age beyond their mid-life period

Figure 3 & 4 caption, continued: Technical cancellation rates (figure 3) and maintenance costs by vessel age (figure 4) exhibit patterns consistent with established reliability engineering principles. Analysis of technical cancellation data (fiscal 2018 to fiscal 2026) and maintenance cost data (fiscal 2022 to fiscal 2026) indicate that vessel age alone is not a strong predictor of reliability. Reliability has remained relatively stable across much of the fleet despite increasing vessel age, reflecting ongoing maintenance, component replacement and major lifecycle upgrades.

Periods of higher technical cancellations are often associated with major vessel modifications or system renewals, which can temporarily introduce early life failures as new or modified systems are brought into service.

Stable reliability should not be interpreted as evidence that aging vessels can be sustained indefinitely or economically. Maintaining reliability as vessels age requires significant and increasing maintenance and capital investment, particularly as major systems reach the end of their useful lives.

This pattern of increased maintenance costs, aging vessels, and the reliability impact it may have is evident across the ferry industry:

- Marine Atlantic noted an 11 percent higher repair and maintenance cost for parts, services, and additional work for its aging fleet¹.
- Washington State Ferries cites half of its fleet as being over the age of 30 years old², with five being closer to 50. In fiscal 2025, Washington State Ferries missed its reliability target³.
- Caledonian MacBrayne (CalMac, Scotland) shows record maintenance spend with a third of its fleet now reaching 30+ years old and operating beyond life expectancy⁴.

BC Ferries' PT7 strategy focuses on balancing disciplined maintenance and lifecycle investment in the existing fleet with timely vessel renewal to manage cost, reliability and service risk over the longer term. BC Ferries is also strengthening its approach through staged vessel introductions, enhanced asset condition monitoring and reliability-informed design requirements, with the objective of improving lifecycle performance and reducing service disruption associated with major vessel and system renewals.

These experiences illustrate a common industry reality: asset renewal can be deferred for a period, but the underlying need does not disappear. As assets age, maintenance requirements increase, and the eventual cost of renewal continues to rise.

2.2.b Constrained shipyard capacity increases the cost and complexity of sustaining service

Maintaining an aging fleet requires access to shipyards, specialist contractors, spare parts and other external marine service providers. Across the marine sector, these resources have become more expensive, less flexible and increasingly constrained. These pressures affect both the cost of maintaining vessels and how quickly they can be returned to service when repairs are required.

Many vessel inspections, repairs and maintenance activities require the use of a dry dock to provide access to below-

¹ Marine Atlantic Inc, *2024-2025 Annual Report*, (2025) at p 5.

² Washington (State) Department of Transportation Ferries Division, *Washington State Ferries System Facts*, (February 2025) at p 1, online: <<https://wsdot.wa.gov/sites/default/files/2025-02/WSF-FactSheet-February2025.pdf>>.

³ Washington State Department of Transportation Ferries Division, *Fiscal 2025 WSDOT Ferries Division Performance Report*, (December 2025) at pp 50, 53.

⁴ CalMac Ferries Limited, News Release, "CalMac accounts show record maintenance spend and reliability improvements" (9 April 2024), online: <<https://corporate.calmac.co.uk/en-gb/news/calmac-accounts-show-record-maintenance-spend-and-reliability-improvements/>>.

the-waterline components. However, the supply of dry dock capacity in British Columbia is limited, and shipyard schedules are booked years in advance. When unplanned or emergent repairs are required, ferry operators are constrained by dry dock availability and competing shipyard commitments.

Washington State Ferries has similarly reported⁵ rising contracted maintenance costs, higher parts and service expenses, and limited dry dock availability in Puget Sound and surrounding areas.

For BC Ferries, constrained shipyard capacity means unexpected repairs can have direct impacts on customers and communities. A recent service disruption involving the Northern Sea Wolf, which services Route 28 between Port Hardy and Bella Coola, highlights this challenge. In August 2026, the vessel was removed from service due to a mechanical failure requiring dry-dock repairs. Sailings were cancelled with the outage originally expected to last several weeks due to the limitation of available dry-dock space. The disruption required BC Ferries to implement alternative passenger and vehicle transportation arrangements. While, ultimately, an innovative in-water repair was successful in resolving the issue, it underscored that when a vessel requires unplanned dry-dock work, securing drydock space can affect how quickly the vessel returns to service.

BC Ferries is taking a proactive and strategic approach to vessel maintenance and refits through long-term shipyard partnerships, stronger project management practices and improved asset condition data through the Asset Management Information Program (additional information is provided in Chapter 5). This strategy is intended to reduce vessel downtime, improve reliability and manage the growing risks associated with rising dry dock costs, constrained shipyard capacity and an aging fleet. Improved asset condition information also supports more targeted refit programs, better lifecycle planning and greater predictability in the timing and cost of vessel interventions.

2.2.c Labour scarcity and wage pressures affect the cost and reliability of service

Transport Canada establishes the minimum number and qualifications of crew members required on every vessel through its Minimum Safe Manning regime. Canada applies these requirements through a highly prescriptive regulatory framework that often results in higher crewing complements than those required for the same ships under international minimum standards or in other comparable ferry jurisdictions. These requirements are mandatory and represent a significant and non-discretionary cost of operating ferry services.

Crew shortages are widely understood as one of the primary causes of sailing cancellations across the ferry industry. Ferry operators are competing with the broader marine industry for a limited supply of qualified deck and engineering personnel while navigating increasingly rigorous certification requirements and a workforce with a significant proportion of employees approaching retirement age. A recent study from the Canadian Marine Careers Foundation revealed Canadian operators need 8,300 new workers by 2029, equal to more than 30 percent of the active seafaring workforce.⁶

For customers, workforce availability directly affects reliability: a vessel cannot sail without the required number of qualified crew. Crew shortages can result in sailing cancellations or service disruptions that affect access to work,

⁵ Washington State Department of Transportation, 2026 *Fact Sheet: WSDOT Ferries Division*, online: https://wsdot.wa.gov/sites/default/files/2026-03/WSF-FactSheet-2026_0.pdf.

⁶ Imagine Marine, *Canadian Seafarers Pathway Study – Full Labour Market Report*, (2026), online: <https://imagine-marine.ca/canadian-seafarers-pathway-full-labour-market-report>.

healthcare, education, family and other essential activities. Maintaining a safe, reliable, and resilient workforce therefore remains fundamental to delivering dependable ferry service. Operators need to adapt to evolving service demands and industry conditions, including:

- Expanding service levels, capacity and schedules to accommodate growing passenger and vehicle volumes;
- Introducing larger replacement vessels that may require larger crew complements than the vessels they replace;
- Recruiting, training and developing qualified personnel to support workforce renewal and long-term capacity;
- Implementing workforce scheduling and operational changes aimed at reducing crew-related cancellations, turnover, fatigue, and absenteeism;
- Rebuilding staffing depth and operational resilience to reduce the risk of service disruptions caused by crew shortages;
- Increasing support resources required to serve and train a larger and more complex workforce; and
- Enhancing organizational capacity to plan and deliver capital projects, fleet renewal programs and strategic initiatives.

These challenges are not unique to BC Ferries. Washington State Ferries relies heavily on elevated overtime levels and identified crew shortages, employee attrition, additional crewing requirements and an aging workforce as key drivers of its labour challenges⁷.

In response to these conditions, Washington State Ferries expanded recruitment and workforce development efforts through maritime scholarship programs⁸, paid credentialing initiatives and partnerships with maritime academies⁹. The Washington State Legislature subsequently provided dedicated funding to increase deck and engine staffing and indicated its intent to provide ongoing annual funding to support additional crew capacity¹⁰.

Similarly, ferry operators in New Zealand reduced service levels and schedules to accelerate training and workforce development efforts in response to shortages of qualified maritime personnel.

These experiences illustrate that labour shortages have become a structural challenge across the ferry sector and that maintaining reliable service increasingly requires investment in workforce capacity, development and resilience.

BC Ferries has also invested in recruitment, retention and workforce development initiatives to address workforce shortages and improve service reliability. Comparing fiscal 2025 to fiscal 2026, crew-related cancellations declined by 42 percent, improving travel certainty for customers. While labour remains a significant operating cost and workforce-planning requirement, these actions have strengthened workforce resilience and reduced one source of service disruption. Mechanical issues and extreme weather now account for a greater volume and share of cancellations than crew availability.

⁷ “New WA Law Will Help Ferry System, but There’s Still Work to Do” (20 May 2025), online: *The Seattle Times* <www.seattletimes.com/opinion/new-wa-law-will-help-ferry-system-but-theres-still-work-to-do/>

⁸ “Washington State Ferries MITAGS Partnership in Full-Scholarship Training” (16 October 2024), online: MITAGS www.mitags.org/washington-state-ferries-mitags-partnership-in-full-scholarship-training/.

⁹ Washington State Department of Transportation, “Maritime training and credentialing program” (last visited 15 September 2026), online: WSDOT <wsdot.wa.gov/travel/washington-state-ferries/about-us/employment-washington-state-ferries/maritime-training-and-credentialing-program>.

¹⁰ “State Legislature Prioritizes Funding our Ferries” (19 March 2024), online: *Puget Sound Regional Council* www.psrc.org/about-us/media-hub/state-legislature-prioritizes-funding-our-ferries.

Sailing cancellations	Years ended March 31		
	2025	2026	Change
Sailings	196,465	197,809	1,344
Cancelled sailings by type			
Weather	1,181	463	(718)
Mechanical	1,237	715	(522)
Crew	189	110	(79)
Other*	202	144	(58)
Total cancelled sailings	2,809	1,432	(1,377)
Cancellations as percent of sailings	1.4%	0.7%	(0.7%)
Crew cancellations as percent of sailings	0.1%	0.1%	—

Figure 5: Sailing cancellations fiscal 2025-2026

*The Other category includes cancellations such as: incidents to vessels or the terminal, a traffic incident where the crew cannot get to the terminal, no demand for the sailing, or other procedural/operational reasons.

2.2.d Fuel volatility increases the cost of service while the energy transition requires long-term investment

Global fuel prices remain exposed to geopolitical conflict, supply disruption and market volatility. For ferry operators, fuel is one of the largest operating expenses and a cost largely outside of management's control. Changes in global fuel markets can have a significant impact on the cost of delivering service, and fuel-price volatility can emerge rapidly and persist for extended periods.

Recent international instability has reinforced how quickly global events can affect energy markets. In early 2026, geopolitical risk increased in the Middle East, concerns regarding the security of key shipping routes, including the Strait of Hormuz, ongoing instability related to the Russia-Ukraine conflict, and attacks on energy infrastructure all contributed to heightened volatility in oil and diesel markets. Over a relatively short period, heightened fuel price volatility increased fuel costs by approximately 20 to 40 percent.

Fuel price volatility remains a significant challenge for ferry operators whose services depend on large volumes of marine fuel. Operators employ a range of mechanisms to manage this risk and maintain service continuity, including fuel surcharges, fare adjustments, operational efficiencies, and service planning measures. Fuel-price volatility cannot be avoided but it can be managed through a combination of operational and financial measures designed to balance cost recovery, affordability, and service reliability.

BC Ferries manages exposure to fuel-price volatility through a combination of regulatory mechanisms and operational risk-management practices. Under the oversight of the Commissioner, fuel deferral accounts are used to smooth the impact of fuel price volatility on customer fares. When actual fuel costs exceed the approved assumptions, the difference may be recovered through temporary fuel surcharges. Conversely, when actual fuel costs are lower than expected, the benefit may be returned to customers through temporary fuel rebates.

This approach increases transparency and helps balance customer affordability with BC Ferries' ability to recover the

reasonable costs of delivering regulated ferry service over time. However, while these mechanisms can manage short-term volatility, they cannot eliminate the impact of sustained periods of elevated fuel prices. When fuel costs remain higher for extended periods, the cost of delivering service increases and additional revenue is ultimately required to support the same level of service.

These pressures are reinforcing the importance of reducing long-term dependence on diesel and LNG. Across the industry, ferry operators are investing in electrification, alternative fuels, and lower-emission technologies to improve energy security, reducing exposure to fuel-price volatility and meeting increasingly stringent environmental requirements. While these transitions offer long-term benefits, they also require significant upfront investment in vessels, terminals, charging infrastructure and supporting systems.

BC Ferries is pursuing this transition through investments in hybrid-electric and electric-ready vessels, expanded shore-power capability, and the gradual electrification of its fleet where operationally, technically, and financially feasible. Current Island Class vessels and the next generation of Summit Class vessels are designed to support full electrification, with shore-based charging infrastructure enabling a gradual shift away from diesel consumption. Over time, these investments are expected to reduce exposure to fuel-price volatility, support environmental objectives and improve long-term operating efficiency.

2.2.e Changing travel behaviours increase forecasting uncertainty

Travel demand continues to evolve as population growth, regional demographics, tourism patterns and rising household costs reshape travel behaviour. Transportation providers increasingly factor price elasticity into long-term forecasting, recognizing that higher travel costs can affect demand, particularly for discretionary trips.

While essential travel tends to be less sensitive to price changes, leisure- and tourism-related travel can be more responsive to changes in the overall cost of travel. This is particularly important for BC Ferries because customer fares are its largest source of revenue. Fare increases intended to generate additional revenue can also reduce travel demand, affecting the amount of revenue those increases ultimately generate.

Together, these factors create greater uncertainty around future traffic growth and revenue generation, making it more challenging to forecast demand, plan investments and ensure sufficient revenues to support the operation, renewal and long-term sustainability of the BC Ferries network.

2.2.f Reliable service requires reliable information

Customers expect ferry service to be safe, reliable, and affordable. Increasingly, they also expect ferry operators to provide timely, accurate, and easy-to-access information when service is disrupted. Across the transportation sector, communication during service disruptions has become an important part of the customer experience because customers need reliable information to make decisions when sailings are delayed, cancelled or changed.

Ferry operators around the world are investing in customer information systems, disruption communications and digital tools to improve how service information is communicated to customers. These investments range from real-time service alerts and route-specific notifications to integrated customer information platforms that support disruption management and improve the consistency of customer communications. Examples include:

- Greece's Ferryhopper Ferry Travel Alerts platform, which provides real-time cancellation, delay, and schedule

changes in a single location;^{11/}

- Auckland Transport's investments in customer information systems in response to New Zealand's Auditor General's report finding that disruptions can undermine public confidence in public transport and that customers expect clear, accurate, and timely information about planned changes and unexpected disruptions;¹² and
- Washington State Ferries route-specific rider alerts, push notifications and customer communication tools. Washington State Department of Transportation also provides ferry text alerts, app push notifications, and other travel alerts to help customers receive information directly on their devices.¹³

These examples reinforce that customer communication is no longer limited to terminal signage or broad public notices. Customers increasingly expect timely, route-specific information that helps them understand and plan around disruption.

For BC Ferries, this creates additional operating and investment requirements. Safety and reliability remain the priority, but communication, digital tools, customer alerts, and real-time information are now part of the overall service experience customers expect. Delivering those capabilities requires investment in technology platforms, data management, business processes and customer information systems.

In practical terms, customer communications contribute to system resilience. Modern tools cannot eliminate disruptions caused by weather, mechanical issues, crew constraints or shipyard availability, but they can reduce uncertainty for customers and improve how the system responds when disruption occurs. Maintaining these capabilities is therefore part of delivering reliable service and meeting customer expectations.

2.3 Summary: Sustaining service within a changing operating environment

The pressures described in this chapter are not new, nor did they begin in PT6. What has changed is their cumulative impact. Aging vessels and infrastructure require increasing investment; labour, maintenance and fuel costs have risen; regulatory requirements continue to evolve; shipyard and contractor capacity is constrained; and customers expect reliable service supported by modern information and digital tools.

Together, these pressures are increasing the cost and complexity of maintaining required service levels. They affect not only the day-to-day delivery of ferry service, but also the operating and capital investments required to maintain reliability, renew aging assets and support the long-term sustainability of the coastal ferry system.

BC Ferries is responding through fleet and infrastructure renewal, workforce initiatives, more strategic maintenance and refit planning, fuel and energy-efficiency measures, technology modernization and other actions within its control. These efforts are important and improve reliability, reduce certain costs, and limit the amount of additional revenue

¹¹ Ferryhopper, Press Release, "A first in ferry travel: Ferryhopper launches disruption platform" (13 November 2025), online: <https://www.ferryhopper.com/en/press-releases/first-in-ferry-travel-ferryhopper-launches-disruption-platform>

¹² New Zealand, Controller and Auditor-General, *Auckland Transport: Part 4 — Operational Delivery and Technology Integration*, (2025), online: <https://ao.parliament.nz/2025/auckland-transport/part4.htm>. Simpleway Global, "Auckland Transport Case Study: Modernizing Passenger Communications" (2025), online: <https://simpleway.global/our-work/auckland-transport>.

¹³ Washington (State) Department of Transportation Ferries Division, "Ferries Route Alerts", online: WSDOT <https://wsdot.wa.gov/Ferries/RouteAlerts/> and "Sign up for WSDOT travel alerts", online: WSDOT <https://wsdot.wa.gov/travel/sign-wsdot-travel-alerts>.

required to sustain service.

However, consistent with the broader PT7 challenge described throughout this submission, these actions cannot eliminate the underlying cost pressures associated with operating, maintaining and renewing a large and aging ferry system.

The result is that maintaining today's service levels requires greater operating and capital investment as BC Ferries approaches PT7. The next chapter examines what was expected entering PT6, what changes have occurred and what further changes are anticipated during the current performance term, the actions BC Ferries has taken in response, and what those developments mean for PT7.

Chapter 3: Outcomes during Performance Term 6

This chapter reviews BC Ferries' financial and operating experience during PT6 (April 1, 2024 to March 31, 2028) and explains how actual results to date have differed from those underlying the Commissioner's Order 23-04 and Report on the Final Price Cap Decision for PT6 2023-09-30 (the "[PT6 determination](#)"). It also explains how those outcomes have informed the forecast for the remainder of the performance term and the development of the PT7 submission.

3.1 PT6 assumptions and actual outcomes

3.1.a PT6 determination and funding framework

On March 31, 2023, the Commissioner's preliminary decision for PT6 was a 9.2 percent maximum annual increase in average ferry fares (equivalent to approximately 42 percent over its four-year performance term) to support minimum service levels and reliability. The Province subsequently provided \$500 million in one-time Fare Affordability Funding, enabling the Commissioner to establish a PT6 annual price cap of 3.2 percent. This PT6 funding provided significant near-term relief, but it comes to an end with PT6. This PT7 submission does not assume that this one-time funding continues beyond the end of PT6 (March 31, 2028).

The [PT6 determination](#) was based on assumptions regarding traffic, costs, investment requirements and available funding. Some outcomes have been more favourable than expected, including record traffic growth and lower fuel costs for a period of time following the elimination of the carbon tax on April 1, 2025. At the same time, several identified risks materialized and have continued to affect the cost of maintaining service and sustaining aging assets. During PT6 BC Ferries made necessary investments to maintain safety, reliability and service continuity, while pursuing new initiatives for efficiency and to generate revenue.

3.1.b Risks that materialized during PT6

Key examples of materialized PT6 risks include:

- Labour costs increased due to workforce shortages, wage pressures and actions required to stabilize marine operations.
- Maintenance costs increased as labour rates, ship repair costs and asset sustainment requirements rose.
- Capital projects experienced inflationary pressure and escalating construction costs.
- Borrowing and funding pressures increased as the cost of delivering the capital program rose faster than anticipated.
- Aging vessels and terminals required greater maintenance and life-extension investment to sustain reliability.

Collectively, these developments increased costs beyond those anticipated in the PT6 submission and associated PT6 determination.

3.1.c Financial and operating performance

Despite numerous risks materializing, the overall financial and operating results for the first two years of PT6 are

broadly consistent with the outcomes contemplated by the PT6 Final determination. Stronger traffic growth, higher Province funding recognized in the early years of the term, and lower fuel costs following the elimination of the carbon tax produced favourable variances. These benefits were largely offset by higher labour, maintenance, borrowing and asset sustainment costs.

Operating performance	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Revenue from customers	871.6	916.7	989.1	1,019.4
Revenue from government	299.8	343.1	380.4	417.1
Total revenues	1,171.4	1,259.8	1,369.5	1,436.5
Operating expenses	981.3	984.1	1,160.2	1,165.7
EBITDA	190.1	275.7	209.3	270.8
Net financing	46.8	55.3	74.0	88.2
Amortization	202.5	204.2	210.4	222.1
Loss (gain) on disposal	12.5	9.6	0.3	0.0
Net (loss) earnings (IFRS)	-71.7	6.5	-75.4	-39.6

Figure 6: PT6 actuals and updated forecasts

Overall financial results for the first two years generally aligned to forecast at the time of the PT6 submission, however the drivers of those results have evolved. Stronger-than-forecast traffic volumes, higher Province funding (recognized as revenue), and lower fuel costs following the removal of the carbon tax on April 1, 2025, had favourable outcomes compared to forecast. However, these factors were largely offset by inflationary pressures across labour, materials and supplies, and contracted services.

Revenue performance during the first two years of PT6 exceeded expectations. Traffic and fare revenue benefited from stronger population growth in coastal communities, lower inflation-adjusted fares, changing travel patterns, and the addition of sailings on key routes where demand supported incremental capacity.

While higher demand generated additional revenue, it also required additional service and associated labour, fuel, maintenance and operating support. At the same time, stronger traffic growth alone has not been sufficient to offset the increasing cost of maintaining service and sustaining aging assets.

While demand growth is expected to continue, several of the factors that contributed to unusually strong traffic and revenue growth during the early years of PT6 are expected to moderate over the remainder of the term, creating greater uncertainty around revenue forecasts for fiscal 2027 and fiscal 2028. Traffic levels may be affected by a variety of factors, such as weather, competition, transportation costs (including vehicle gasoline prices and ferry fares), economic conditions, geopolitical instability, recession, disposable income and service disruptions caused by mechanical failures or other operational events. Accordingly, forecasts for fiscals 2027 and 2028 do not assume that the favourable conditions for strong revenue growth experienced early in PT6 will continue at the same rate through the

remainder of the performance term.

3.2 Expenses

3.2.a PT6 expense results and forecast

In accordance with section 40 of the *Coastal Ferry Act*, this section provides information on the expenses BC Ferries incurred in fiscal 2025 and fiscal 2026 and reasonably expects to incur during the remaining two years of PT6. These expenses include operating, maintenance and administrative expenses, fuel costs above or below the regulatory set price, net financing expense, depreciation and amortization, and losses on the disposal or revaluation of capital assets. Figure 7 summarizes actual and forecast expenses for PT6.

Expenses	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Operating expenses (fuel at regulatory set price)	985.2	978.5	1,092.7	1,133.3
Fuel expense (below)/above set price	(3.9)	5.6	67.4	32.3
Net operating expense	981.3	984.1	1,160.2	1,165.7
Net financing expense	46.8	55.3	74.0	88.2
Depreciation and amortization	202.5	204.2	210.4	222.1
Loss on disposal & revaluation of capital assets	12.5	9.6	0.3	0.0
Total	1,243.2	1,253.3	1,444.9	1,476.1

Figure 7: Expenses fiscal 2025-26 actuals & fiscal 2027-28 forecast (\$ millions)

In fiscal 2025, total operating expenses (including depreciation and amortization) increased \$95.6 million or 9 percent compared to the prior year. Key drivers include costs for maintaining service and reliability (described further in Chapter 3.2.c), aging assets driving higher operating costs (Chapter 3.2.d) and workforce and organizational investments (Chapter 3.2.f).

In fiscal 2026, operating expenses increased \$4.5 million (less than 1 percent) compared to the prior year. This increase is primarily due to higher labour costs and higher depreciation expenses, partially offset by lower fuel and maintenance costs (lower than fiscal 2025 due in part to the cyclical nature of vessel refit activity).

Losses on the disposal and revaluation of capital assets affected actual results in fiscal 2025 and fiscal 2026¹⁴ but are not expected to be a significant expense over the remaining years of PT6.

Looking ahead, our forecasts reflect current information regarding service levels, workforce requirements, vessel and

¹⁴ For additional information, see BC Ferries' Management's Discussion & Analysis (MD&A) reports: [Fiscal 2025 MD&A](#) and [Fiscal 2026 MD&A](#), available on the BC Ferries' website.

terminal maintenance, fuel prices, project operating expenses, vessel deployments and other operating assumptions. Total expenses are projected to increase from \$1,243.2 million in fiscal 2025 to \$1,444.9 million in fiscal 2027 and \$1,476.1 million in fiscal 2028. Increases in forecast expenses are driven primarily by higher operating expenses, including the effect of fuel costs above the regulatory set price, together with rising financing expense and depreciation and amortization.

The sections that follow provide expanded discussion of PT6 expenses and principal themes.

3.2.b Expenses are reported by route group and allocated to designated routes

BC Ferries reports expenses for each designated route and summarizes those expenses by Major, Minor, Northern and Unregulated route groups. Figure 8: Total expenses by route group, fiscal 2025 to fiscal 2028 forecast (\$ millions) shows how the total expenses presented in chapter 3.2.a are distributed among the Major, Minor and Northern route groups. Route groupings are defined in Appendix 1: Route groupings & visual route map.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Majors	779.6	775.0	906.9	914.9
Minors	353.6	370.1	424.3	436.4
Northern	104.5	102.3	108.0	118.9
Unregulated	5.5	5.9	5.6	5.8
Total Expenses	1,243.2	1,253.3	1,444.9	1,476.1

Figure 8: Total expenses by route group, fiscal 2025 to fiscal 2028 forecast (\$ millions)

Expenses that are directly identifiable with a route are assigned to that route. The allocation methods for other expenses depend on the nature of the expense. Vessel costs are generally allocated based on sailing hours, while costs associated with multi-route terminals may be allocated using passenger or vehicle throughput. Other operational, administrative and corporate-support expenses are allocated using factors such as labour hours, revenue, reservation activity or the net book value of assets, where those measures reasonably reflect route use.

Appendix 2: Route statements presents the resulting expense information for each route, while Appendix 3: Route allocation methodology provides the detailed allocation methodology for each expense category.

3.2.c Maintaining service and reliability required higher operating costs

Operating expense growth in PT6 has been driven by both external cost pressures and investments required to maintain safe, reliable service. Key drivers included:

- Higher maintenance expenditures resulting from inflationary and tariff pressures, rising contractor and shipyard costs, intensifying maintenance requirements for aging assets, and higher asset retirement obligations.
- Investments in the workforce required to support service delivery, workforce sustainability, asset reliability and organizational capability.

- Information Technology investments recognized as operating expenditures rather than capital expenditures arising from change in service delivery model.

These cost increases reflect changing market conditions and actions required to maintain safety, reliability, and service continuity. As a result, operating costs have increased more quickly than anticipated at the time of the PT6 determination.

3.2.d Aging assets are driving higher maintenance requirements

Maintenance costs exceeded the PT6 determination due to the age and condition of assets, unplanned repairs, expanded refit requirements arising from asset condition assessments, and shipyard, contractor and materials cost escalation that exceeded PT6 inflation assumptions.

Previous decisions to extend asset lives and defer replacement helped manage investment and affordability requirements in earlier periods, but they also keep older assets in service longer. As those assets have continued to age, maintenance and life-extension requirements have increased. Our actual results include significant incident-related repairs and condition-based work that was not anticipated in the PT6 determination.

In fiscal 2025, maintenance costs increased by \$23.2 million, or 18 percent, compared with fiscal 2024, reflecting increased vessel refit activity, unplanned repairs, higher labour rates, and inflation affecting materials and contracted services. Fiscal 2025 also included \$11 million in incident related repair costs, driven by equipment failures and unplanned events, including a propeller-shaft failure on the Queen of New Westminster and the failure of a controllable pitch propeller on the Queen of Surrey. Both of these legacy C-Class vessels were well over 40 years old at the time these incidents occurred.

These incidents also affected service reliability. Unplanned vessel failures required additional repair work and reduced the availability of vessels needed to maintain scheduled service. Maintaining service reliability therefore required not only additional maintenance investment but also continued investment in workforce capacity and organizational capability.

Accordingly, operating costs in fiscal 2026 reflected the expenditures required to deliver the required service levels while strengthening organizational capacity. Key drivers included the continuation of workforce stabilization initiatives, expanded staffing pools to improve crew availability and service reliability, additional staffing in strategic support functions and increased service plan delivery costs to meet record traffic volumes.

Maintenance expenses vary based on the timing and scope of vessel refits and the planned and unplanned repair and maintenance activities of vessels and terminals. These expenses decreased in fiscal 2026 relative to fiscal 2025, primarily because of the cyclical nature and reduced scope of vessel refit activity and fewer critical incidents and equipment failures. However, inflation, the age and condition of fleet and terminal infrastructure, higher labour rates, deferred asset replacement, and continuing repair requirements continue to place upward pressure on maintenance costs. In addition, to manage the financial implications of significant unplanned maintenance in 2025 and ongoing maintenance input cost challenges, certain non-safety related refit scope items in 2026 were deferred to future periods. The fiscal 2027 forecast reflects increased vessel and terminal maintenance requirements, the introduction of additional vessels into service and the continued impact of inflation.

While maintenance expenditures fluctuate from year to year, we continue to see a trend of aging assets requiring

increasing maintenance and life-extension investment to remain safe and reliable.

3.2.e Aging assets and asset retirement obligations

An Asset Retirement Obligation (ARO) is a financial provision related to aging assets. AROs are recognized in BC Ferries' financial statements when legal or constructive obligations arise that require decommissioning or restoration of certain long-life assets. The amount of the provision is the present value of estimated future cashflows obligated for that decommissioning or restoration work.

In fiscal 2024, BC Ferries recognized \$69.0 million of ARO asset decommissioning costs, and the provision has since risen to \$98.9 million as at June 30, 2026. The amount is capitalized into the carrying value of these aging assets and then depreciated over their expected remaining useful lives.

ARO provisions are not intended to reflect the cost of all possible asset retirements, nor is it a reserve for every future vessel retirement. Rather, the provision is for probable and measurable legal and constructive present obligations net of estimated salvage value. As vessels reach end of life, BC Ferries may sell to another owner, dispose or recycle the vessel itself, or retain certain vessels for some other period and use.

3.2.f Workforce and organizational investments supported reliable service

Labour cost increases were driven by wage rate increases for both bargaining unit and exempt employees, together with workforce stabilization initiatives, additional staffing, training and expanded service levels. Costs also increased to support record traffic volumes, incremental sailings, improved crew availability and initiatives aimed at reducing service disruptions. In particular, investments in recruitment, retention, training and staffing depth helped improve crew availability and reduce crew-related cancellations.

Approximately 81 percent of BC Ferries' workforce are members of the BC Ferry & Marine Workers' Union (the "Union"). The Collective Bargaining Agreement ("Collective Agreement") between BC Ferries and the Union expired in October 2025, and remains in effect while the parties continue collective bargaining. Under wage re-opener provisions in the Collective Agreement, Union employees received a 7.75 percent general wage increase with retrospective application to October 1, 2023, with certain positions receiving additional special increases of up to 10.0 percent, and a further 1.65 percent general wage increase effective April 1, 2025, including limited additional special increases for certain positions. BC Ferries has included a provision for anticipated wage and benefit increases in the results for the period ended June 30, 2026¹⁵. Wage rates for employees not covered by the Collective Agreement were increased by 2.25 percent for eligible employees, effective April 1, 2026.

Other investments and initiatives that support frontline workforce sustainability have included:

- Improvements in scheduling and shift patterns, including guaranteed hours and shifts for casual employees during both our peak and shoulder seasons
- More training and development opportunities across teams, including new employee orientation expanded from 1 day to 2 days.

¹⁵ For additional information, see BC Ferries' [MD&A for Q1, Fiscal 2027](#), available on the BC Ferries' website.

Administration expenditures also increased as BC Ferries strengthened the operational and organizational capacity needed to support service delivery, including higher employee benefits, technology investments, professional services, and other supporting costs.

These investments support the capabilities required to operate and renew an increasingly complex ferry system, including workforce planning, scheduling, technology, procurement and capital delivery.

3.2.g Modernizing technology is shifting the nature of costs

Technology-related operating expenses have become a more significant component of operating costs during PT6. As technology solutions have increasingly shifted from traditional on-premise systems to software-as-a-service and cloud-based delivery models, a greater proportion of technology spend is now being recognized as operating expense rather than capital investment.

In addition, BC Ferries has begun to invest in modernizing technology platforms that support service delivery, asset management, workforce planning and customer service. The fiscal 2027 forecast (see 3.2.j below) includes operating costs associated with these modernization initiatives, as well as training and implementation costs related to new Island Class vessels.

While these investments increase operating expenses in the near term, they are intended to improve reliability, operational effectiveness and the long-term sustainability of critical business systems.

3.2.h Lower capital spending provided near-term relief

Capital spending over the first two years of PT6 was lower than forecast, reducing near-term borrowing requirements and financing costs. However, lower capital spending did not eliminate the underlying need to renew aging vessels, terminals and other infrastructure. In many cases, it shifted the timing of those investments while assets continued to age.

3.2.i Fuel volatility can quickly affect the cost of service and customer fares

Fuel is one of BC Ferries' largest and most volatile operating expenses and has a direct impact on the cost of service and customer affordability. Fuel costs are based on the volume of fuel consumed, the fuel type mix, and global market prices. BC Ferries spent \$144 million in fiscal 2026 on diesel and LNG fuel. While service levels, operating practices, and vessel technology impacts fuel consumption, BC Ferries has no ability to influence global fuel prices.

Section 41 of the Act provides the Commissioner with the authority to establish fuel deferral accounts that mitigate the impact on customers of sudden changes in fuel market prices. This fuel deferral account mechanism allows temporary fuel surcharges or rebates when actual fuel costs differ from the fuel price set by the Commissioner for the performance term. By [Order 23-04](#), the Commissioner authorized the continued use of fuel deferral accounts in PT6 and set the terms and conditions for their management.

Fuel deferral accounts manage fuel-price volatility for BC Ferries customers by smoothing the impact of fuel-cost fluctuations over time, rather than immediately embedding market price changes into base fares. It also provides transparency in the management of fuel-cost variances while helping balance customer affordability with the recovery of fuel costs required to deliver regulated ferry services.

The all-in set price established for fuel in PT6 by Order 23-04 included a charge for carbon tax. Effective April 1, 2025, the Province eliminated the carbon tax and that significantly reduced BC Ferries' delivered fuel costs. Based on fuel market conditions at the time, BC Ferries expected actual fuel prices to remain below the set price established for fiscal 2026 through fiscal 2028. Accordingly, in August, 2025, BC Ferries applied to the Commissioner to reduce the PT6 set fuel price by the amount attributable to carbon tax. The application was approved by [Order 25-02](#). Geopolitical conflict in early 2026 however, reversed that outlook, and most recent forecasts indicate that diesel prices will remain above set price for the remainder of the PT6.

During PT6, BC Ferries managed two fuel deferral accounts in accordance with the terms and conditions set by the Commissioner in Order 23-04 and subsequent Order 25-02. Figure 9 shows the balance of the PT6 fuel deferral accounts.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Other routes	(7.9)	(3.4)	24.5	9.9
Northern routes	0.03	0.6	0.4	(0.1)
Total	(7.9)	(2.8)	24.9	9.8

Figure 9: PT6 fuel deferral account balances (\$ millions) as of June 30, 2026. Due to significant global market fuel price volatility, BC Ferries will provide the Commissioner with periodic forecast updates. As of September 30, 2026, the price cap overage balance will also be transferred to the fuel deferral account per the BC Ferry Commission [Memorandum 49](#).

Date	Non-Northern routes	Northern routes
November 2022 – May 2024	4.0% surcharge	4.0% surcharge
June 2024 – May 2026	0.0%	0.0%
June 2026 – Current	5.0% surcharge	5.0% surcharge

Figure 10 summarizes the fuel surcharges implemented during PT6, including the applicable routes and implementation dates. Revenues collected through these temporary surcharges are applied directly to the fuel deferral accounts.

Date	Non-Northern routes	Northern routes
November 2022 – May 2024	4.0% surcharge	4.0% surcharge
June 2024 – May 2026	0.0%	0.0%
June 2026 – Current	5.0% surcharge	5.0% surcharge

Figure 10: Fuel Rebate/Surcharges (as a percentage of fares)

These mechanisms help smooth the fuel price volatility experienced by customers and manage fuel-cost impacts over time. However, they cannot eliminate the underlying cost of sustained increases in global fuel prices. When fuel costs

remain elevated for extended periods, the cost of delivering the same level of ferry service increases and additional revenue is ultimately required to support that service.

3.2.i.a Contributions applied to the northern fuel deferral account

The Coastal Ferry Services Contract includes a mechanism through which BC Ferries and the Province share a portion of the risk associated with fuel-price variability on the northern routes. When the average fuel price for a quarter exceeds the regulatory fuel set price by more than five cents per litre, the Province contributes to the northern fuel deferral account for the amount above that threshold. Conversely, when the average fuel price falls more than five cents per litre below the regulatory fuel set price, BC Ferries reimburses the Province from the account for the amount below the threshold.

Figure 11 summarizes actual and forecast net payments between the Province and BC Ferries under this mechanism. Positive amounts represent net payments made by the Province to BC Ferries. This arrangement provides additional protection from fuel-price volatility for northern route customers and helps moderate the impact of significant fuel-price fluctuations on fares.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Northern	0.03	0.5	7.1	3.8
Total	0.03	0.5	7.1	3.8

Figure 11: Payments to province for Northern fuel deferral account (\$ millions)

3.2.j Forecasting expenses for the remaining two years of PT6

Forecasting expenses for the remaining years of PT6 requires consideration of expected service levels, asset maintenance requirements, workforce needs, fuel costs, inflation and other operating assumptions.

The fiscal 2027 forecast incorporates continued inflationary pressure and targeted investments in service delivery, reliability, and organizational capability, while reflecting cost-management measures identified through the annual planning process.

The fiscal 2028 forecast builds on the fiscal 2027 Q1 forecast and applies inflationary growth assumptions to expense categories, where appropriate. However, the forecast is not a linear escalation of the preceding year. Project operating expenses are forecast separately for each year on a bottom-up basis through the capital planning process, reflecting the expected timing and delivery of individual projects. The forecast also incorporates known changes in service levels, vessel deployments, and other operational initiatives. In particular, the introduction of four new Island Class vessels is expected to result in a net increase in operating expenses, reflecting the operating requirements associated with their deployment in addition to underlying cost escalation.

Overall, operating expenses during PT6 are influenced by a combination of external cost pressures and investments required to maintain safe, reliable service. Labour, maintenance, administration and project operating costs increased due to wage escalation, workforce requirements, asset condition, inflation and changes in technology delivery. At the same time, fuel-price changes, efficiency initiatives, the timing of vessel refits, project delivery schedules and spending restraint reduced or deferred costs in particular years.

BC Ferries has continued to manage costs and pursue efficiencies while making the investments necessary to maintain safe and reliable service, support an aging asset base and strengthen organizational capability. Despite these efforts, operating expenses are projected to be approximately \$286 million higher than anticipated under the PT6 determination, reflecting the cumulative effect of the cost pressures described in this chapter.

3.3 Revenues

3.3.a Favorable revenue variances improved early PT6 results

BC Ferries' revenues during PT6 come from three principal sources: customer fares, ancillary commercial activities, and Province funding arrangements that support contracted service, fare affordability, social programs, and unregulated contracted routes. Together, these revenues help recover the cost of operating the ferry system and support the financial capacity required to sustain vessels, terminals, technology and other critical infrastructure.

Revenue performance in the first two years of PT6 exceeded forecast, primarily because customer traffic was higher than expected and Fare Affordability Funding was recognized as revenue. However, these favourable variances do not represent a structural improvement in the funding model. Much of the revenue performance reflected stronger than expected demand and the timing of funding recognition, while Province-related revenues remain tied to contract fees, temporary funding arrangements and policy mechanisms.

Figure 12 summarizes actual and forecast revenues by principal source during PT6. The sections that follow examine the key drivers of revenue performance, the sustainability of recent revenue growth and the implications for the remainder of PT6 and PT7

Revenues	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Regulated revenues				
Vehicle and passenger tariffs (including social program fees)	772.1	817.4	855.8	872.1
Other revenues				
Provincial ferry transportation fees (excluding social program fees)	194.0	194.0	194.0	194.0
Federal subsidy	36.9	37.8	38.5	39.7
Fare affordability funding	68.8	110.8	140.8	179.6
Ancillary revenues	88.2	93.4	95.7	97.8
Fuel surcharges & deferral contributions	5.8	0.5	39.0	47.5
Unregulated routes fee	5.5	5.9	5.6	5.8
Total	1,171.4	1,259.8	1,369.5	1,436.5

Figure 12: Revenues from all sources fiscal 2025-26 actuals & fiscal 2027-28 forecast

3.3.b Revenues from regulated sources

3.3.b.a Strong traffic supported fare revenue, but future growth depends on demand and capacity

Figure 13 presents fare revenue for fiscal 2025 and fiscal 2026 and forecast fare revenue for the remaining two years of PT6, summarized by Major, Minor, and Northern Routes.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Majors	641.0	675.7	704.3	723.6
Minors	110.1	118.9	126.6	124.8
Northern	21.0	22.9	24.9	23.8
Total	772.1	817.5	855.8	872.1

Figure 13: Fiscal 2025-26 actual & fiscal 2027-28 forecast fare revenue

Revenue performance in the first two years of PT6 exceeded forecast, driven primarily by stronger than expected traffic growth. Higher demand increased fare revenue across the system and contributed positively to overall financial performance. Traffic and fare revenue benefited from stronger population growth in coastal communities, lower inflation-adjusted fares, changing travel patterns and additional sailings on Major routes where demand supported incremental capacity.

However, higher demand on the Major routes also required additional service and associated labour, fuel, maintenance and operating support. More importantly, stronger traffic growth alone has not been sufficient to offset the increasing cost of maintaining service and sustaining aging assets.

The outlook for continued strong revenue performance for fiscal 2027 and fiscal 2028 is less certain. While demand is expected to remain strong, traffic levels continue to be influenced by a range of factors, including weather, competition, transportation costs (including vehicle fuel prices and ferry fares), economic conditions, geopolitical instability, disposable income and vessel availability. Forecasts therefore do not assume that the favourable conditions experienced during the first two years of PT6 will continue at the same rate through the remainder of the performance term.

As a result, the remaining PT6 revenue forecast begins from a historically high traffic base but is subject to greater uncertainty than the first two years of actual results might suggest.

Over the longer term, demand for ferry travel is expected to remain resilient, but BC Ferries' ability to accommodate additional demand is increasingly constrained by vessel availability, terminal capacity during peak periods and the time required to renew aging assets. Strong demand therefore does not, on its own, resolve the PT7 financial challenge: serving that demand also requires sufficient vessels, terminals, people and investment.

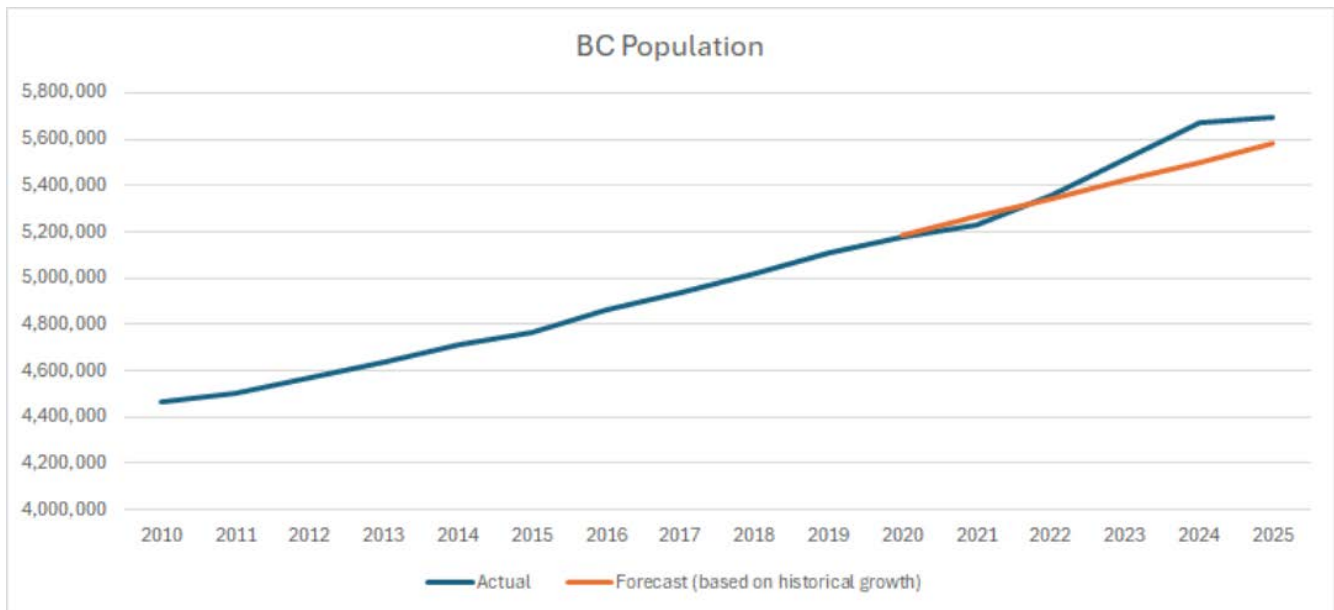


Figure 14: Higher than expected population growth, fiscal 2023-26

3.3.b.b Changing travel patterns contributing to strong traffic demand

For the PT6 forecast, tourism activity was expected to continue normalizing toward pre-COVID patterns. Actual travel behaviour has been more uneven. Overall tourism activity remains below pre-COVID levels in some categories, while fewer Canadians have been travelling outside the country. Beginning in early 2025, uncertainty in the Canada-U.S. trade relationship also contributed to weaker business and consumer confidence. Statistics Canada reported that Canadian-resident return trips from the U.S. declined year-over-year for 15 consecutive months through March 2026. These developments may have contributed to stronger domestic travel demand, although the specific impact on BC Ferries traffic is difficult to isolate.

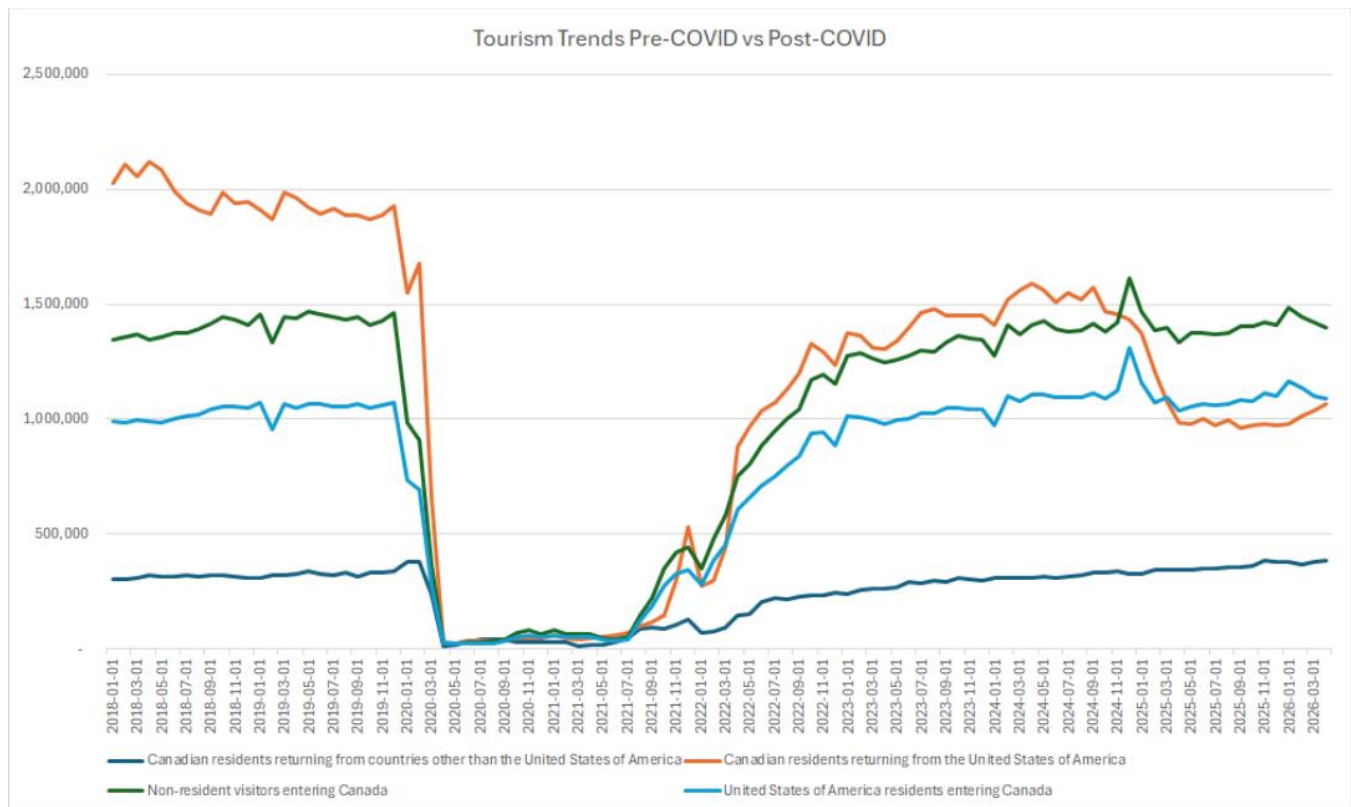


Figure 15: Tourism trends pre-COVID vs. post-COVID

3.3.b.c Lower inflation-adjusted fares likely contributed to stronger traffic

Fares have generally increased at or near the PT6 price caps. However, when measured against inflation, BC Ferries fares are lower in real terms than they were before the COVID-19 pandemic. This decline in inflation-adjusted fares likely contributed to traffic growth during PT6 by making ferry travel relatively more affordable than assumed in the PT6 determination.

This relationship is important for PT7 because fare levels can influence customer travel choices and demand, particularly for discretionary travel. Traffic forecasts for the remainder of PT6 and PT7 therefore need to consider the potential effects of fare increases on customer demand.

Figure 16 Figure 16 illustrates how indexed passenger and vehicle fares lagged inflation after March 2020.

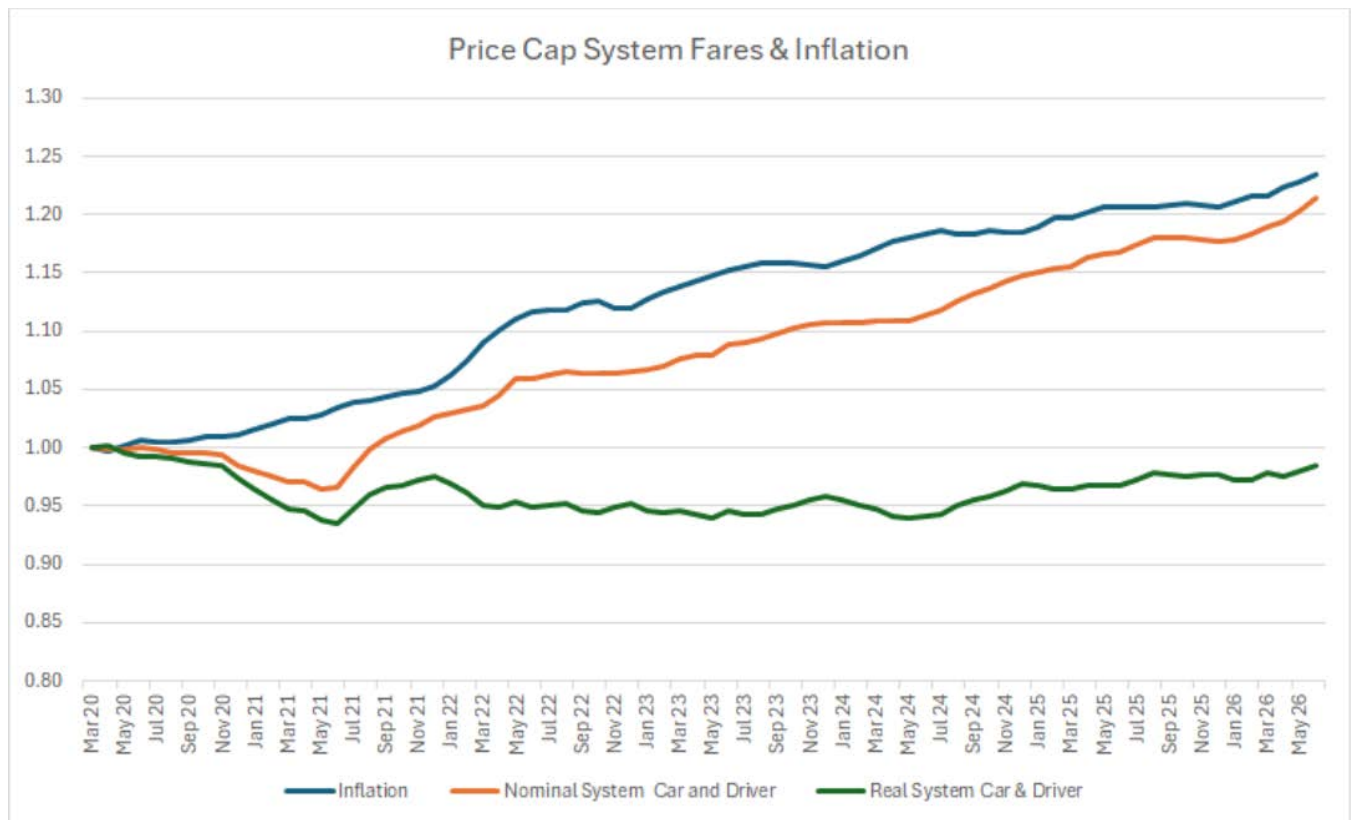


Figure 16: Price cap system fares & inflation March 2020-May 2026

3.3.b.d Additional sailings generated revenue while meeting customer demand

In the first two years of PT6, additional sailings on certain routes beyond the minimum service levels (as agreed to in the Coastal Ferry Services Contract) supported revenue growth where capacity was available and demand was sufficient to justify incremental service, particularly on the Major routes. These sailings generated additional fare and ancillary revenue, but also required corresponding labour, fuel, maintenance and operating support costs.

This highlights an important feature of the ferry system: stronger demand can generate additional revenue but accommodating that demand typically requires additional service and associated operating costs.

BC Ferries exceeded contracted core service level requirements in both fiscal 2025 and fiscal 2026, delivering 90,685 round trips in fiscal 2025 and 91,274.5 round trips in fiscal 2026. Most additional round trips were delivered on Major routes, where incremental demand supported increased service.

BC Ferries expects to continue meeting or exceeding core service levels through the remainder of PT6, subject to approved temporary adjustments associated with major construction projects or extraordinary operating circumstances.

3.3.b.e BC Ferries remained within the regulated price-cap framework

The price cap applies to the weighted average of fares charged for each ‘unit’ of passenger and vehicle traffic carried. Total fare revenue therefore reflects the interaction of traffic volumes, traffic mix, fare levels and revenue-management activities within the allowable price cap.

Major routes account for the largest share of fare revenue, followed by minor and northern routes. Changes in fare revenue during PT6 reflect changes in passenger and vehicle traffic, the mix of traffic carried, and annual fare adjustments made in accordance with the Commissioner’s PT6 determination.

All routes	Allowable price cap index	Actual price compliance index
Q1 Fiscal 2025	100.83	100.80
Q2 Fiscal 2025	101.91	101.35
Q3 Fiscal 2025	102.59	102.47
Q4 Fiscal 2025	103.20	103.10
Q1 Fiscal 2026	104.04	104.22
Q2 Fiscal 2026	105.89	105.41
Q3 Fiscal 2026	106.50	105.51
Q4 Fiscal 2026	106.50	106.50
Q1 Fiscal 2027	107.39	108.40

Figure 17: Price cap compliance performance

BC Ferries has remained compliant with the price cap framework throughout PT6 and has not exceeded the allowable price cap for more than three consecutive quarters. Pricing and revenue-management initiatives have been

implemented within that framework to provide customers with a range of fare choices, manage demand and maximize the use of available capacity. As a result, revenue performance reflects both customer demand and fare adjustments within the regulatory framework established by the Commissioner.

In September 2026, BC Ferries applied to the Commissioner for approval to transfer the accumulated Price Cap overage balance to the Fuel Deferral Account. The Commissioner approved the transfer, in its [Memorandum 49](#) recognizing the exceptional fuel cost environment and allowing BC Ferries to restore price cap compliance while reducing the fuel deferral balance and associated pressure on future fuel surcharge recovery.

3.3.c Commercial and ancillary revenues modest contributors

BC Ferries earns ancillary revenue from catering and retail activities, parking, drop-trailer hostling, rent, advertising and other commercial activities.

These revenues contribute to the overall revenues available to support ferry service. However, ancillary revenues remain modest relative to the overall cost of operating, maintaining and renewing the ferry system.

Net catering and retail revenue is the largest component of ancillary revenue and is influenced by passenger traffic, customer spending, pricing, service quality, product offerings and broader economic conditions. In fiscal 2026, net catering and retail revenue increased by \$3.3 million, or 5 percent, compared with fiscal 2025, reflecting higher passenger traffic and increased average spending per passenger.

The fiscal 2027 forecast reflects the latest annual budget and quarterly forecast information, including expected passenger volumes, customer spending, pricing and known changes affecting parking and other ancillary services. For fiscal 2028, ancillary revenues are generally forecast using expected passenger traffic and longer-term growth assumptions, adjusted for known changes where applicable.

While ancillary revenues provide an important contribution to overall financial performance, their scale is not sufficient to offset the broader operating and capital requirements associated with sustaining ferry service. As a result, customer fares and Province funding remain the primary sources of revenue supporting the ferry system.

3.3.d Government funding supports service and affordability during PT6

Government funding is provided through provincial and federal arrangements that support contracted ferry service, fare affordability, social program discounts, fuel-related mechanisms and the operation of unregulated contracted routes. These revenues are not discretionary commercial income, but form part of the funding framework established to support the delivery of ferry services.

These funding arrangements help offset the cost of service, support Province programs delivered through the ferry system and reduce the amount that would otherwise need to be recovered through customer fares. The table below summarizes these funding sources over PT6, including Ferry Transportation Fees under the Coastal Ferry Services Contract, Fare Affordability Funding, the federal subsidy, social program reimbursements and other provincial contributions.

Provincial ferry transportation fees and other contributions	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Core ferry transportation fees	168.8	166.8	165.6	166.4
Seniors discount reimbursement	25.2	27.2	28.4	27.7
Ferry transportation fees	194.0	194.0	194.0	194.0
Fare affordability funding	68.8	110.8	140.8	179.6
Federal contract	36.9	37.8	38.5	39.7
Social program fees	13.0	15.2	15.8	16.0
Unregulated ferry routes fees	5.5	5.9	5.6	5.8
Northern fuel deferral account contributions	0.0	0.5	7.1	3.8
Total provincial ferry transportation fees and other contributions	318.4	364.1	401.9	439.0

Figure 18: Summary of province revenue sources (\$ millions)

3.3.d.a Provincial Service Fees & Provincial Seniors' Discount

Provincial service fees are primarily provided through the Coastal Ferry Services Contract and support contracted ferry service, including funding associated with the provincial seniors' discount. For minor and northern routes, Ferry Transportation Fees are allocated by the proportional net loss by route and are not driven by traffic volumes in the same way as fare revenue.

The Coastal Ferry Services Contract provides eligible British Columbia seniors with free passenger travel from Monday through Thursday, excluding statutory holidays, as well as on Remembrance Day, on designated routes other than the northern routes. Eligible seniors travelling on the northern routes receive a 33 percent discount throughout the week.

\$30 million of the annual Ferry Transportation Fees is available to fund the seniors' discount. The amount attributed to the program reflects actual usage, while any unused portion remains within Ferry Transportation Fees supporting contracted ferry service. Revenue associated with seniors' travel is classified as fare revenue for price cap compliance reporting and as vehicle and passenger revenue in BC Ferries' financial statements.

Utilization of the seniors' discount has increased and continues to represent a significant portion of the available annual allocation. In fiscal 2026, the seniors' component was \$27.1 million, leaving \$2.9 million within the annual maximum. The forecast climbs to \$28.4 million in fiscal 2027 before declining to \$27.7 million in fiscal 2028. The year-over-year decline reflects lower forecast senior traffic due to annual factors like 2 easter long weekends falling in fiscal 2027 and none in fiscal 2028.

The following table presents the total Ferry Transportation Fees, including the contracted-service component and the funding associated with the seniors' discount by route group, actual and forecast during PT6.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Majors	17.6	18.9	19.8	19.9
Minors	131.0	129.9	129.4	129.2
Northern	45.4	45.2	44.8	45.0
Total	194.0	194.0	194.0*	194.0

Figure 19: Ferry transportation fees fiscal 2025-26 actuals & fiscal 2027-28 forecast

*Subject to rounding

3.3.d.b Fare Affordability Funding contributed to PT6 determination

In March 2023, the Province and BC Ferries entered into a contribution agreement providing \$500 million of Fare Affordability Funding for PT6. The funding was considered by the Commissioner for the PT6 determination and supported the fare affordability initiative of limiting annual average fare increases to 3.2 percent.

Fare Affordability Funding is recognized as revenue over PT6 on a systematic basis in accordance with the terms of the funding agreement. The amount recognized increases over PT6 under the applicable recognition schedule. The following table presents actual and forecast Fare Affordability Funding recognized as revenue by route group during PT6 based on estimated reductions in tariff revenue associated with maintaining fares below levels that would otherwise have been required in PT6.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Majors	57.2	92.1	117.1	149.0
Northern	1.8	2.8	3.8	5.0
Minors	9.9	15.8	20.0	25.5
Total	68.8	110.8	140.8	179.6

Figure 20: Provincial fare affordability funding fiscal 2025-26 actuals & fiscal 2027-28 forecast

3.3.d.c Provincial social programs

BC Ferries provides discounted travel on behalf of the Province for students travelling to and from school, persons with disabilities, and people travelling under the Ministry of Health Medical Travel Assistance Program. The Province reimburses BC Ferries for the tariff revenue associated with these discounts.

Although these reimbursements originate from the Province, they replace fares that would otherwise have been paid by eligible customers and are therefore treated as tariff revenue for price index purposes. The following table presents actual and forecast social program fees by route group for PT6.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Majors	5.7	7.3	7.5	7.8
Northern	1.2	1.4	1.5	1.4
Minors	6.1	6.5	6.8	6.8
Total	13.0	15.2	15.8	16.0

Figure 21: Provincial social programs fiscal 2025-26 actuals & fiscal 2027-28 forecast

3.3.d.d Provincial service fees for unregulated routes

Under the Coastal Ferry Services Contract, certain ferry routes are operated by independent contractors under contracts administered by BC Ferries without oversight by the Ferries Commissioner. The Province provides funding for the amounts BC Ferries pays to these operators, and the related fees therefore offset the corresponding costs recorded in operating expenses.

The following table presents actual service fees for fiscal 2025 and fiscal 2026 and forecast fees for the remaining two years of PT6. Unregulated route fees decrease slightly between fiscal 2026 and fiscal 2027 due to one-time technology costs incurred in fiscal 2026.

	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Service fee	5.5	5.9	5.6	5.8

Figure 22: Provincial Service Fees for Unregulated Routes Fiscal 2025-26 Actuals & Fiscal 2027-28 Forecast

3.3.d.e Federal subsidy

The federal subsidy is provided under the Canada-British Columbia Coastal Ferry Subsidy Agreement and made available to BC Ferries through the Coastal Ferry Services Contract.

The annual amount is adjusted based on the Consumer Price Index (“CPI”) for British Columbia and allocated to route groups according to the Ferry Transportation Fee allocation. The following table presents actual subsidy revenue for fiscal 2025 and fiscal 2026 and forecast revenue for the remaining two years of PT6.

Routes	Fiscal 2025 actual	Fiscal 2026 actual	Fiscal 2027 forecast	Fiscal 2028 forecast
Majors	–	–	–	–
Minors	27.1	27.7	28.4	29.2
Northern	9.8	10.1	10.2	10.5
Total	36.9	37.8	38.5	39.7

Figure 23: Federal subsidy fiscal 2025-26 actuals & fiscal 2027-28 forecast

3.4 Overall outlook for PT6 and implications for PT7

Several favourable items improved early results, including stronger traffic, earlier recognition of Fare Affordability Funding and lower fuel costs after carbon tax removal. At the same time, labour, maintenance, project operating expenses and other costs required to support service have increased beyond what was anticipated when PT6 forecasts were developed. As a result, the outlook for the balance of PT6 has become more challenging.

The cost pressures are expected to persist through the balance of PT6, while some of the favourable revenue conditions are less certain or are already built into the forecast. As a result, the overall financial outlook for the end of PT6 is weaker than contemplated in the PT6 determination, despite stronger than expected revenue. Current projections indicate cumulative IFRS net earnings over PT6 will deteriorate by approximately \$200 million relative to the PT6 determination, with operating expense growth more than offsetting favourable revenue performance. Total revenues are forecast to exceed expectations by approximately \$159 million; however, operating expenses are projected to be approximately \$286 million higher. These cost pressures, including labour, maintenance, asset sustainment and technology requirements, are expected to continue beyond PT6.

3.4.a BC Ferries continues to act within the areas it controls

BC Ferries is continuing to take action within the areas it controls to manage costs, improve productivity, stabilize the workforce, prioritize capital investment, and increase revenue. These actions have reduced or avoided costs and improved service outcomes, but they have not been sufficient to offset the combined effect of higher operating costs and growing asset-renewal requirements.

The PT6 determination included an expectation that BC Ferries would achieve annual productivity improvements of 1 percent. BC Ferries has continued to pursue that objective in an environment where several risks identified entering

PT6 materialized simultaneously, including higher maintenance and capital costs, workforce requirements and aging-asset pressures.

3.4.a.a Capital Plan reductions limit near-term requirements

As we prepare for PT7, BC Ferries undertook a significant rationalization of its long-term capital program to balance affordability, borrowing capacity, and system reliability. We have since reduced or deferred more than \$3 billion of planned capital spending through project eliminations, scope reductions, life-extension initiatives, and the rephasing of major investments. These decisions were made in part to manage affordability and financing requirements while protecting investment most closely tied to safety and reliability. Further details about these reductions are contained in Appendix 4: 12-year capital reductions & deferrals.

3.4.a.b Refocus on core operations

BC Ferries wound down its Vacations Fulfillment Centre as part of a broader effort to reduce costs and focus resources on its core mandate of providing safe, reliable and affordable ferry service. The decision reflected changing customer booking behaviour and the availability of third-party online travel platforms, while allowing BC Ferries to continue supporting tourism through destination marketing partnerships and its core digital channels. The downtown Vancouver Vacations Centre was closed as of November 1, 2024 and hotel bookings through BC Ferries were discontinued in 2025, as the investment in technology required to remain competitive with other travel search engines was cost prohibitive.

3.4.a.c Operating model review identified improvement opportunities

As part of its commitment to improving organizational effectiveness and long-term financial sustainability, BC Ferries completed an enterprise-wide Operating Model Review during PT6. The review examined organizational structures, accountabilities, spans of control and decision-making practices across the organization. Findings identified opportunities to better align functions with strategic priorities, strengthen accountability, centralize selected activities, and improve operational efficiency.

Recommended structural changes will be rolled out through the balance of PT6. The resulting changes, together with workforce optimization initiatives and other efficiency measures, are expected to support more effective service delivery, improve resource utilization and enhance the organization's ability to respond to future operational and financial challenges.

3.4.a.d Workforce stabilization improved service reliability

During PT6, BC Ferries invested in stabilizing its workforce to improve service reliability and reduce crew-related disruptions. This included training employees and filling previously vacant positions, as well as implementing initiatives designed to reduce turnover and absenteeism.

Notable among these initiatives are the Casual Guarantee Program, which provides a minimum number of shifts during peak and off-season for casual staff, and investments in additional roles to support a transition to Day-for-Day hours of work in the Northern Gulf Island operations.

To further support workforce stabilization in PT6, BC Ferries made investments to create a robust corporate HR structure with a focus on increased recruitment and workforce planning capability. The company also increased partnerships with educational institutions and increased the Marine Education Program budget to develop employees and operationalize career progression and succession planning.

3.4.a.e BC Ferries strengthened support functions

After several years of declining investment, BC Ferries needed to address fundamental gaps in non-frontline roles with three material adjustments. First, an arbitrated wage settlement applied to all bargaining unit staff. Second, phased increases to exempt staff following an external independent review that determined many employees were being paid below-market. And third, a concerted effort was made to build necessary capacity in non-frontline functions such as human resources, information technology and public affairs. Since the adjustments, wage growth has aligned with comparable wage indices. Filling these gaps better enables the company to address strategic priority areas designed to improve overall efficiency of operations.

3.4.a.f Growing revenues

Throughout PT6, BC Ferries pursued opportunities to increase revenue and improve asset utilization while operating within the constraints of the regulatory framework. Revenue management initiatives expanded the use of differentiated pricing, with emphasis on the Major routes (routes 1, 2, and 30), and also increased structural expansions of advance booking capacity on Route 3 and Route 17, with further plans for Route 11 in the near term. This has provided customers with greater affordability options by adding volume to BC Ferries' lowest cost "Saver" fares, while helping to optimize demand across available capacity.

At the same time, BC Ferries focused on growing non-regulated revenues through commercial retail, advertising, and partnership opportunities. These initiatives leveraged existing assets and infrastructure to generate incremental revenue that supports the affordability and sustainability of the ferry system

Examples include:

- Enhanced onboard food and beverage offerings through the Seascapes dining lounge on select Spirit class vessels in fiscal 2026.
- Growth in commercial services and increased service fees in fiscal 2026.
- Expansion of digital advertising opportunities across the fleet to a higher-revenue advertising format. This format will be expanded across Coastal Class vessels as refit schedules allow.
- Strategic partnerships that support integrated travel options for customers, such as a collaboration with Wilson's Transportation to expand their end-to-end charter bus service on Route 1.

These initiatives demonstrate BC Ferries' continued focus on generating revenues to alleviate pressure on customer fares.

3.5 Summary: Outcomes during Performance Term 6

Taken together, the PT6 experience will shape the starting point for PT7. Strong demand demonstrated the importance of ferry service and generated additional revenue but serving that demand also required additional service and operating support. Temporary Fare Affordability Funding helped protect customers from larger fare increases, but it is not assumed to continue beyond PT6. BC Ferries took action to manage costs, improve workforce reliability, prioritize investment and generate additional revenue, but the underlying cost of operating and renewing the network continued to grow.

Some of the measures to reduce or defer costs used in previous performance terms are also reaching their practical limits. Important vessel, terminal and technology investments cannot continue to be deferred without increasing maintenance requirements, reliability risks or future renewal costs. At the same time, labour, maintenance and other operating requirements have established a higher starting point for the next performance term.

Forecasting requirements for PT7, therefore, must consider the impact of several operating and investment requirements materializing at the same time. Efficiencies, stronger revenues and previous trade-offs helped mitigate those requirements, but they did not eliminate the need for that investment to sustain service going forward.

PT7 forecasting has been informed directly by this experience. The submission reflects the operating and investment requirements BC Ferries believes are necessary to sustain today's service safely, reliably and over the long term, rather than assuming favourable conditions will continue or that required investments can be deferred indefinitely.

Chapter 4: How the current funding model shapes the choices ahead

BC Ferries provides an essential transportation service connecting communities, supporting economic activity, and serving as a critical link in the provincial transportation network.

Unlike roads and highways, however, BC Ferries relies primarily on revenue paid directly by customers through fares. This means increases in the cost of maintaining service can translate into significant affordability pressure unless they are offset by efficiencies, other revenues, Province funding or changes within the regulatory framework.

Regional transit providers in BC, like BC Transit and TransLink, typically receive most of their funding through local taxation policies, such as property tax, vehicle registration fees, fuel tax, parking, real estate transaction tax, and/or sales tax in addition to customer fares. They may also receive dedicated provincial or federal funding for large infrastructure projects.

BC Ferries operates under a hybrid cost-recovery model where the primary revenue source is fares paid by customers. Provincial service fees are the second largest revenue source. Smaller proportions of revenues are sourced from government grants, commercial services and catering and retail sales.

The following section describes BC Ferries' current funding framework.

4.1 Customer fares are the largest source of revenue

Customer fares are the largest source of funding for BC Ferries and are regulated through a price cap established by the British Columbia Ferry Commission. Every four years, the Commissioner determines the maximum average annual fare increase that may be applied during a performance term. While the price cap does not set individual fares, it establishes the overall limit on average fare increases across regulated ferry services.

Because the cap is based on an average, BC Ferries has flexibility to structure individual fare changes differently across routes, customer groups and fare products, provided the overall weighted average remains within the approved limit. This flexibility allows BC Ferries to support customer choice, offer differentiated pricing (such as Saver fares) and manage demand while operating within the regulatory framework.

The price cap determination applies to regulated tariff revenues, including passenger fares, vehicle fares and advance booking fees. Other sources of revenue, such as parking, retail, commercial vehicle hostling, and catering and advertising, are not subject to the cap, but directly impact the calculation and establishment of the cap.

In establishing the price cap, the Commissioner determines the level of revenue required to recover the reasonable costs of delivering the services established under the Coastal Ferry Services Contract. These costs include vessel and terminal operations, labour, fuel, maintenance, administration, capital investments and financing costs at reasonable borrowing rates. These costs are projected 6 years into the future using inflation estimates. The Commissioner also considers forecast traffic demand, expected productivity improvements, affordability impacts and BC Ferries' long-term financial sustainability.

Importantly, the price cap framework is intended to support the safe and reliable delivery of the service levels established under the Coastal Ferry Services Contract. It is not designed to independently fund service expansions, additional capacity, new routes or infrastructure investments beyond those service obligations. Where communities seek additional sailings, larger vessels, expanded capacity or new infrastructure that create incremental net costs beyond the Coastal Ferry Services Contract, additional funding sources or policy and regulatory decisions may be required. These are generally not changes BC Ferries can make on its own. Past investments funded by debt have limited the availability and viability of future debt-funded investments.

The price cap determination therefore plays a central role in balancing affordability with the revenue required to maintain and renew the assets needed to deliver service. Because customer fares are BC Ferries' largest revenue source, that balance becomes increasingly difficult when the cost of maintaining service grows faster than the revenues available under this framework.

4.2 Province funding supports contracted service and customer affordability

Currently the four vehicles by which BC Ferries receives government funding are:

1. **Coastal Ferry Services Contract ferry transportation fees:** The Coastal Ferry Services Contract stipulates the number of round trips that must be provided by BC Ferries for each regulated route in exchange for specified fees (ferry transportation fees) paid by the Province of British Columbia. BC Ferries does not receive additional fees for extra sailings above what is required in the Coastal Ferry Services Contract.
2. **Federal-Provincial subsidy:** Under the terms of the Coastal Ferry Services Contract, BC Ferries receives an annual subsidy from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia ("Federal-Provincial subsidy"). The amount of this payment is adjusted annually based on the CPI for British Columbia.
3. **Periodic government grants:** Following COVID, the Province and Federal Government jointly provided \$308 million in "Safe Restart Funding" dedicated to offsetting expected 2020–21 and 2021–22 operational deficits caused by COVID-19 drops in ridership, allowing core service levels to continue and supporting fare affordability. During PT6, the Province committed \$500 million over the four-year term to support the fare affordability and GHG emissions reductions initiatives. These are temporary funding measures rather than permanent additions to BC Ferries' ongoing revenue base. No future government funding beyond existing commitments is assumed in this submission.
4. **Social program fees:** The Province provides reimbursements or program maximums for discounted fares to students travelling to and from school, senior citizens, persons with disabilities and persons travelling under the Ministry of Health Medical Travel Assistance Program ("MTAP").

Government funding covers approximately 30 percent of BC Ferries' operating revenue through government funding (Figure 24 and Figure 25), with the remaining 70 percent generated primarily through customer fares and commercial activities. However, these figures reflect operating income only and exclude debt issuances for capital financing. Because operating revenues do not cover asset and infrastructure needs, including fleet and terminal renewals, BC Ferries relies heavily on commercial debt financing to fund capital investments. In contrast, peer publicly-owned ferry entities frequently benefit from direct government capital grants or taxpayer general obligation debt to cover major asset expenditures.

	BC Ferries Canada	WSF¹⁶ USA	Calmac¹⁷ Scotland	Jadrolinija¹⁸ Croatia	Fjord 1¹⁶ Norway
Entity	Independent public service provider	Government (Washington State Dept. of Transportation)	Public sector entity	Public sector entity	Private, commercial company
Passengers / year	~23 million	~20 million	5 million	12.7 million	~20 million
Vehicles / year	~10 million	~9 million	1.5 million	3.8 million	~10 million
Operating Funding Fares & Commercial / Government	~70% Farebox, ~30% Gov't	~50% Farebox, ~50% Gov't	100% Farebox	~65% Farebox, ~35% Gov't	~10% Farebox, ~90% Gov't
Capital Funding Ongoing From Government	0%, primarily debt funded	100% funded	~78% funded	15-85%, based on capital type	0%, primarily profit funded
Borrowings Outstanding (CAD)	\$2.1 billion	\$nil, held by Government	\$nil, held by Government	>\$0.1 billion	Private, unavailable
Characteristics	Longer crossings, variable sea conditions, five major terminals (significant scale and terminal complexity).	Urban / commuter corridors & longer island/cross-Sound routes; predominantly protected Puget Sound waters	Routes range from 35 minutes to 2.5 hours using smaller vessels and "island-hopping" short crossings.	Mix of commercially viable routes (driven by summer tourism) and state-mandated unprofitable routes for lifeline access.	High-frequency, predominantly short fjord crossings (many <10 km); extensive terminal infrastructure

Figure 24: Sample ferry operators, comparable by vehicle volumes or entity structure

¹⁶ Washington State Ferries and Fjord1 revenue and funding sources are approximate estimates compiled from publicly available annual reports, government budget materials, regulatory filings and other public disclosures. Because operators report funding, fare revenue, operating subsidies, concession payments and capital contributions differently, figures should be interpreted as indicative.

¹⁷ CalMac Ferries Limited, *Strategic Report, Directors' Report & Financial Statements for the Year Ended 31 March 2025*, (2025) at p 5, online: <https://www.calmac.co.uk>

¹⁸ Jadrolinija, *Financial Statements and Independent Auditor's Report*, (2025), online: <https://www.jadrolinija.hr/download/5dbcd99739b32e9a4d7bde34f4c33117>

	BC Ferries	BC Transit ¹⁹	TransLink ²⁰
Entity	Independent public service provider	B.C. Public Sector Entity (Crown Corporation)	B.C. Public Sector Entity (Regional Transportation Authority)
Customer Revenue	~70%	~17%	~28%
Government Revenue	~30%	~70% (Provincial: ~35%, Local: ~35%)	~61% (Provincial/Federal: ~17%, Local: ~44%)

Figure 25: Public Transit Funding Comparables, excluding debt funding

Percentages for BC Transit and TransLink do not total 100 percent because “other” revenue categories are excluded for presentation purposes.

Fiscal 2026 Revenue by Source

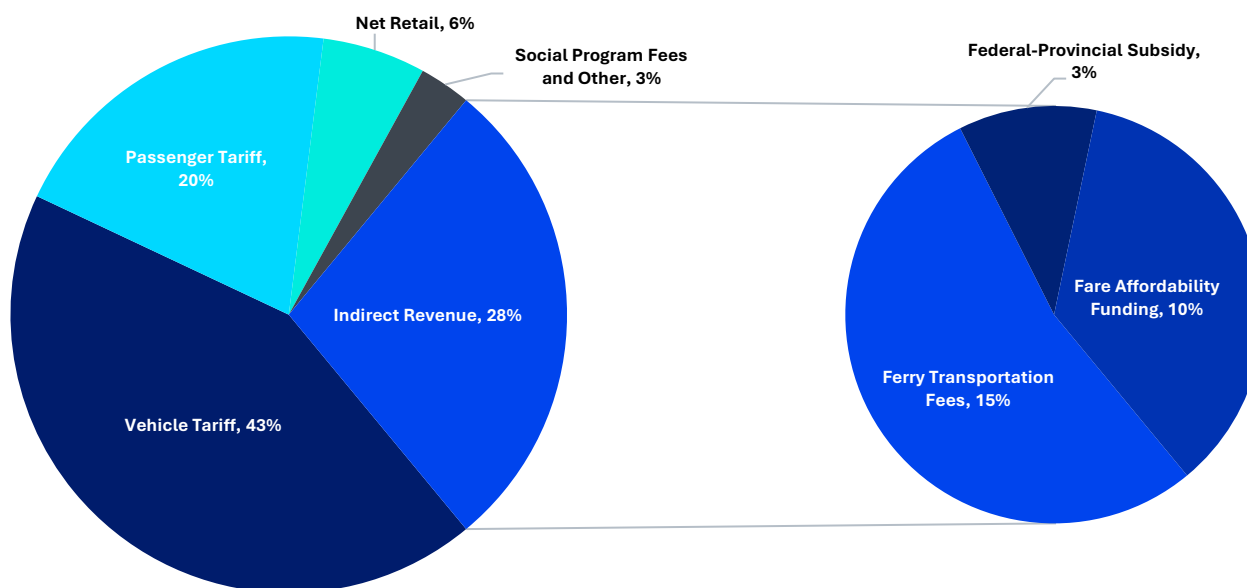


Figure 26: BC ferries' fiscal 2026 revenue by source

¹⁹ BC Transit, 2025/26 Annual Service Plan Report, (August 2026) at p 15, online: <https://www.bctransit.com/wp-content/uploads/2026/08/bct-2025-26.pdf>

²⁰ TransLink, 2025 Year-End Financial and Performance Report (Vancouver: South Coast British Columbia Transportation Authority, 2026), online: https://www.translink.ca/-/media/translink/documents/about-translink/corporate-reports/quarterly_reports/2025/2025-year-end-financial-and-performance-report.pdf.

4.3 Existing funding tools and the cost of sustaining service

BC Ferries' funding and price cap framework is designed to support the delivery of contracted services required by the Province. However, with significant asset renewal requirements, infrastructure reaching the end of its service life, contracted maintenance and construction costs increasing due to higher inflation and cost escalation, and customer demand growing beyond contracted service levels, the framework is increasingly challenged in supporting both current service delivery and the long-term renewal of the ferry system.

BC Ferries can manage costs, pursue efficiencies, prioritize investments and grow revenue within the areas it controls. It cannot, however, independently increase regulated fares, change contracted service levels or routes or determine Province funding. This means increasing costs and investment requirements must be managed within a framework where several of the major levers involve decisions by the Commissioner or the Province.

PT 6 illustrated this challenge. The Commissioner determined that average fares would need to increase by 9.2 percent annually to support the reasonable costs of delivering contracted services, maintaining system reliability and balancing affordability as much as possible. Recognizing the affordability impact of those increases, the Province provided temporary Fare Affordability Funding during PT6, enabling the Commissioner to set a significantly lower price cap of 3.2 percent per year.

The Fare Affordability Funding provided significant near-term relief for customers, but it did not eliminate the underlying cost of maintaining and renewing the network. When temporary funding ends, the revenue it replaced must again come from fares, other revenues, additional government funding or a combination of those sources. At the same time, operating and asset-renewal requirements have continued to increase.

4.3.a Ongoing government funding and system costs have grown at different rates

A key challenge is that BC Ferries' ongoing funding arrangements have not kept pace with the cost of operating and renewing a large, aging, asset-intensive transportation system.

4.3.a.a Ferry Transportation Fees have remained relatively stable while service costs have increased

Ferry Transportation Fees under the Coastal Ferry Services Contract help support the delivery of contracted service levels, particularly on routes that do not recover their full costs through fares. However, these payments have not increased at a rate commensurate with the growth in major cost drivers, including labour, fuel, maintenance, financing, regulatory compliance and asset renewal requirements.

In addition, BC Ferries receives no incremental service fee funding for sailings operated above the contracted minimum in the Coastal Ferry Services Contract to accommodate customer demand. Outside of the Major Routes, additional sailings often do not recover their full costs and would otherwise create further pressure on the system's finances. This means that meeting demand beyond minimum contracted levels can improve service for customers while also increasing the amount that must be supported from fares or other revenues.

4.3.a.b The federal subsidy represents a smaller share of the cost of service than it once did

Since the Federal-Provincial subsidy agreement was established almost 50 years ago, BC Ferries' costs have grown at more than twice the rate of federal funding. As a result, federal support now represents a significantly smaller

proportion of system costs than when the agreement was originally established.

4.3.a.c Demand for the seniors' program is approaching the current funding limit

Social programs support important public-policy objectives. BC Ferries is reimbursed by the Province for discounted travel for students, persons with disabilities and customers travelling under the Medical Travel Assistance Program. As described in Chapter 3.3.d.a: Provincial Service Fees & Provincial Seniors' Discount, demand for the Seniors' Discount program is approaching the annual \$30 million funding allocation established under the Coastal Ferry Services Contract.

4.3.b New revenue tools would require decisions beyond BC Ferries

At the same time, BC Ferries is limited in its ability to generate new revenue streams beyond those contemplated within its existing legislative and regulatory framework. BC Ferries cannot unilaterally introduce new funding mechanisms, fees, or commercial revenue opportunities where they conflict with the requirements of the Coastal Ferry Act, the service obligations established under the Coastal Ferry Services Contract, or the regulatory oversight of the Commissioner. Depending on the nature of the revenue opportunities, implementation may require regulatory approval, amendments to service agreements, changes to provincial policy, or legislative amendments. As a result, options commonly used by other transportation providers, such as dedicated infrastructure or capital improvement fees, route-specific surcharges, taxation-based funding sources, or broader commercial development authorities, are not available or require lengthy approvals beyond BC Ferries' direct control. This limits the organization's flexibility to offset rising costs through alternative revenues and places greater reliance on customer fares, government funding, and the pacing of investments to support the long-term sustainability of the coastal ferry system.

4.3.c Previous investment trade-offs helped protect affordability but reduced future flexibility

Capital prioritization, life-extension strategies and investment deferrals have been used alongside other measures to manage affordability and financing requirements. These choices reduced the amount that needed to be recovered from customers in the near term, but they did not eliminate the underlying investment requirement.

They also involved trade-offs. Projects intended to expand capacity, improve terminals, reduce congestion or improve the customer experience were delayed, reduced in scope or removed as resources were concentrated on higher-priority safety, regulatory and reliability requirements. For communities and customers, this means some improvements they reasonably expect have taken longer to deliver or are not included in the current investment plan.

As BC Ferries enters PT7, its network faces a more difficult balance than in prior performance terms. The actions taken to manage costs in PT5 and PT6 helped address near-term affordability but shifted some costs and investment requirements into future periods. There is now less room to continue making those trade-offs. Older assets require more maintenance, life-extension scopes are less certain than replacement projects, and further deferrals would increase the risk to reliability and increase the eventual cost of renewal.

Deferring investment therefore does not avoid the cost; it can shift a larger cost to future performance terms and future customers.



Figure 27: Investment pacing and deferrals to maintain affordability over time have pushed investment needs into the period now approaching.

4.4 Important investments are required to sustain reliability and manage future cost risks

Deferrals and investment pacing helped manage affordability and protect the most critical safety and reliability requirements in earlier performance terms. But the ability to rely on those measures is increasingly limited.

Today, the consequences of those decisions are becoming increasingly visible. Aging vessels, terminals and technology systems are placing greater pressure on reliability, maintenance costs, operational flexibility, and long-term sustainability. Investments that could once be delayed are now increasingly necessary to maintain safe, reliable service.

4.4.a Aging Major vessels affect reliability and network resilience

The clearest example is in the Major Vessel fleet. The vessels serving Routes 1, 2, 3, and 30 are among the oldest and most heavily utilized in the system, carrying the majority of customers and generating most of BC Ferries' operating revenue (helping offset losses on all other routes). As vessels age, maintenance costs increase and reliability declines,

creating risks not only to service delivery but also to the revenue base that helps support the broader ferry network. The Summit Class program addresses a portion of this challenge by replacing four aging vessels and improving resilience on Major routes. However, the remaining legacy vessels continue to represent a significant risk to future costs and operational disruption.

A similar pattern exists across terminals and marine infrastructure. To manage affordability pressures, BC Ferries removed or deferred significant investments by extending the life of existing assets and prioritizing only the most critical safety, regulatory and condition-based work. While these decisions reduced near-term funding requirements, they also limited investments in expanded terminal capacity, congestion relief, customer experience, and future operating efficiency. As infrastructure continues to age, maintaining reliability increasingly requires investments that were previously deferred.

4.4.b Critical technology is now part of maintaining efficient, reliable service

Technology investments tell the same story. Historically, BC Ferries under-invested in many of the systems needed to effectively manage a large, asset-intensive transportation network. As a result, legacy technology is now constraining workforce management, asset reliability, operational decision-making, customer communications, and productivity. Investments in asset management, workforce systems, and core business technology are no longer discretionary improvements. They are foundational requirements for maintaining reliable operations and supporting future efficiencies.

4.4.c Workforce stability is required to maintain reliable service

Workforce investments reflect a similar reality. Labour is BC Ferries' largest operating expense, and significant investments were made during PT6 to stabilize staffing, improve retention, and support service reliability following the pandemic. While these actions increased costs, they also reduced workforce-related disruptions and strengthened operational resilience. Entering PT7, the focus shifts from rebuilding the workforce to preserving those gains. As with vessels, terminals, and technology, investments in workforce stability are increasingly required to maintain reliable service rather than enhance it.

4.4.d External requirements can add cost without adding service

Compounding this challenge, some of the financial pressures facing the ferry system are driven by factors beyond BC Ferries' direct control. Regulatory changes, policy decisions and external cost-recovery initiatives can increase operating costs and administrative requirements without changing service levels or customer demand. Examples include evolving Transport Canada Safe Manning Requirements, potential municipal cost-recovery initiatives, and policy decisions affecting unregulated ferry services.

Recent changes to the Island Class minimum crew requirements by Transport Canada, which increased crew complements from five to six, illustrate how regulatory decisions can create significant new operating costs without corresponding increases in service. Similarly, the potential conversion of unregulated routes to regulated service could expand BC Ferries' responsibilities and costs without corresponding long-term funding.

Collectively, these pressures reduce the flexibility available to manage affordability through cost containment, investment pacing, or deferrals.

4.5 Summary: How the current funding model shapes the choices ahead

Over the next decade, BC Ferries must address a set of interconnected requirements to sustain current service: sustaining aging major route vessels, maintaining terminal and berth infrastructure, modernizing the technology foundations that support asset and workforce reliability, and preserving the service stability restored during PT6.

These requirements are occurring at the same time. Together, they increase the revenue and investment required to maintain service while also increasing affordability pressures for customers.

The investments included in PT7 sustain the services BC Ferries provides today. They focus on safety, regulatory compliance, asset renewal, reliability and the systems required to operate the network effectively. Many service enhancements customers and communities have requested are not included as they would require further increases in revenue and potentially put additional pressure on customer fares.

Further reducing these investments will not eliminate the underlying need. It will likely increase maintenance requirements, potentially put safety and reliability at risk, have a significant impact to service, and could shift larger replacement or emergency repair costs to future performance terms and future customers.

The following chapters describe the investments required through PT7 and the actions BC Ferries is taking to reduce costs, improve efficiency, grow revenue and reduce the amount ultimately required from customer fares or other sources.

Chapter 5: Investments being advanced in Performance Term 7

Chapter 5 sets out BC Ferries' proposed PT7 investments required to sustain the ferry services British Columbians rely on today. As outlined in the preceding chapters, the combination of aging vessels and terminals, rising operating and maintenance costs, and investments deferred in previous performance terms has reduced the flexibility to postpone important renewal work without increasing reliability risks and future costs.

The PT7 proposal is therefore centered on sustaining existing service levels, maintaining critical assets, supporting the workforce and systems required for safe and reliable operations, and reinforcing the long-term resilience of the ferry network.

This proposal reflects a series of deliberate trade-offs. Specifically, BC Ferries has prioritized:

- the sustainment of critical assets over discretionary enhancements;
- limiting customer enhancements to areas where there is a clear service, reliability, customer or economic need;
- advancing investments and initiatives that can reduce costs, generate additional revenue or make better use of existing assets; and
- targeting workforce, customer experience, accessibility, reconciliation and environmental investments where they are required to sustain service or deliver important public-interest outcomes.

The PT7 investment plan is organized around four priorities that reflect the choices required to sustain today's service while balancing affordability and long-term sustainability. These include:

Service Levels & Reliability: Maintaining safe and dependable service and managing key operating risks;

Cost-Saving Initiatives: Improving efficiency and reducing operating expenditures;

Growing Revenues: Identifying opportunities to increase non-tariff and alternative revenue sources; and

Aligning with Public Interest: Advancing reconciliation, environmental outcomes, accessibility and customer outcomes as part of the PT7 investment plan.

Together, the investments described in this chapter are intended to maintain today's system, reduce future cost pressures and avoid larger reliability risks in future performance terms.

5.1 Meeting public interest objectives

This proposal is not a service-expansion plan. It does not assume new routes or additional contracted service levels. Limited capacity-related investments are included only where they align with changes agreed to in the Coastal Ferry Services Contract, are necessary to address core reliability, renewal or operational requirements, or where they can improve the financial sustainability of the network.

Not every desirable investment can proceed in PT7, and adding further investments without corresponding revenue or funding would increase affordability pressure on customers.

To ensure public interest is addressed within the PT7 investment plan, each initiative was aligned to an objective in *Charting the Course*, the 25-year vision for coastal ferry services jointly developed by the boards of the B.C. Ferry Authority and BC Ferries.

12-year (F27-F38) Capital Spend by Charting The Course Objective

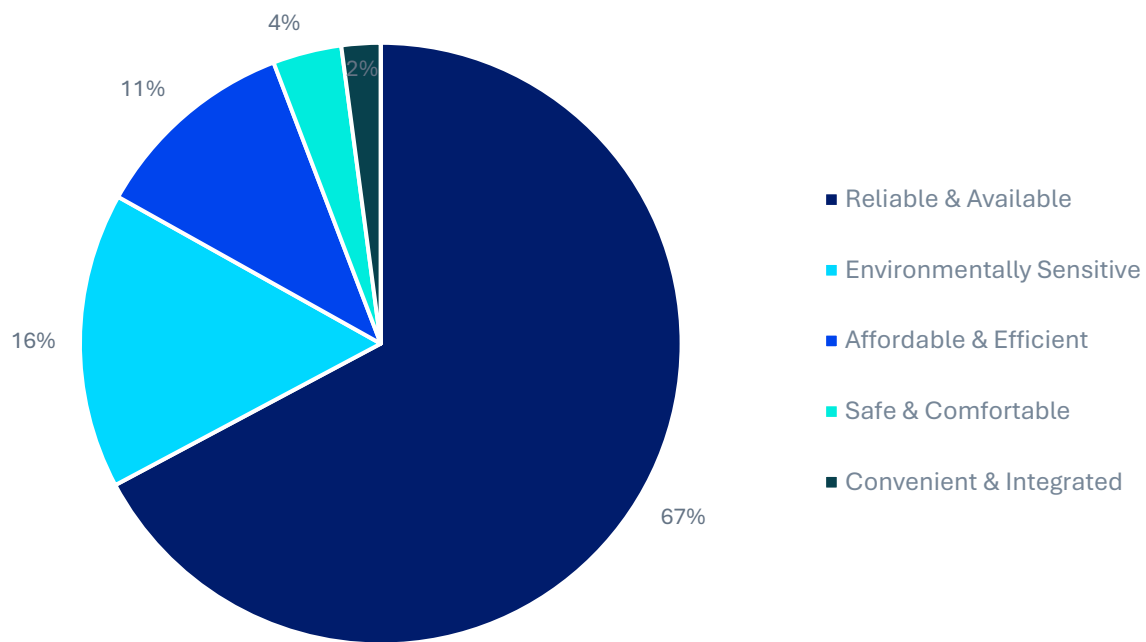


Figure 28: Capital Plan spend by Charting the Course objective (fiscal 2027-fiscal 2038)

5.2 Service levels & reliability

5.2.a Maintaining service and reliability requires targeted investment

In PT6, BC Ferries received approval from the BC Ferries Commissioner to proceed with four New Major (now referred to as Summit Class) Vessels to replace four end-of-life legacy vessels: Queen of Alberni, Queen of New Westminster, Queen of Coquitlam, and Queen of Cowichan. This approval addressed the most urgent renewal need on the Major routes while recognizing that the system is already facing significant cost pressures from aging vessels and terminals, higher maintenance and refit costs, labour pressures, inflation, and the debt required to fund a large capital program.

The four Summit Class vessels are expected to enter service beginning in 2029, at approximately six-month intervals, and will support improved reliability and capacity on Route 1 (Tsawwassen–Swartz Bay) and Route 30 (Tsawwassen–

Duke Point). Replacing the oldest Major vessels is an essential reliability measure: these vessels are increasingly difficult and costly to maintain, and unplanned outages on the Major routes can have broad impacts for customers, communities, and system revenues.

Currently, decisions on additional New Major Vessels are deferred to PT8 (April 1, 2032 to March 31, 2036). This approach avoids the immediate borrowing and debt-servicing costs that would come with advancing the full New Major Vessel replacement program at once.

As part of this phased approach, Queen of Oak Bay and Queen of Surrey will be life-extended and retained in service until their planned retirements in 2036 and 2037. These life extensions are not a substitute for eventual replacement; rather, they are a retirement strategy that helps sequence major vessel renewals, preserve affordability for customers, and avoid adding further pressure to PT7 debt expectations. The strategy carries some residual reliability risk because older vessels are more exposed to obsolete technology, higher maintenance needs, and potentially costly repairs. However, it allows BC Ferries to focus PT7 investment on the most urgent terminal and berth replacements while maintaining a pathway to complete the next phase of New Major Vessel decisions in PT8.

5.2.b Holistic route planning

BC Ferries' PT7 preparation includes holistic route planning to assess how service, operating, and investment decisions could support a more financially sustainable coastal ferry system. This work provides a structured way to explore opportunities to improve efficiency, better align service with demand, and manage future capital requirements while continuing to protect essential ferry service.

This work establishes a framework for evaluating the ferry system through multiple lenses, including financial sustainability, service efficiency, operational delivery, customer and community needs, and long-term investment requirements. This balanced approach ensures that any potential service changes the Province may consider could be assessed not only for their financial impact, but also for their ability to support reliable service, preserve important connections, make effective use of vessels and terminals, and respond to the needs of the communities that depend on the coastal ferry system.

A range of potential approaches were explored, from lower-disruption efficiency improvements to broader changes that could affect how service is planned, delivered, and supported over time. Opportunities to better match service with demand, improve the use of existing assets, manage operating costs, and consider how future investments could be prioritized or adapted were noted and used to understand the potential benefits, impacts, and trade-offs associated with different levels of change.

This work found that service, operating, and capital adjustments can help improve efficiency, but there are few opportunities for significant savings without fundamentally changing the coastal ferry system. It provides information for continued discussion with the Province, regulators, and other partners on how best to balance service expectations, affordability, public funding, capital investment, and the long-term sustainability of coastal ferry service.

5.2.c Additional, profitable sailings

BC Ferries uses a disciplined framework to determine when additional sailings should be added on routes beyond contracted service levels. These runs are considered only when there is clear evidence of unmet customer demand

and when the added sailing is expected to generate more revenue than it costs to operate. In practice, this means assessing whether high utilization, sailing waits, reservation demand, seasonal peaks, and customer travel patterns indicate that an extra sailing would attract enough incremental traffic to be financially positive.

The key conditions for adding these sailings are:

- available vessel and crew capacity;
- terminal readiness;
- sufficient customer demand; and
- a positive net revenue expectation after accounting for added fuel, labour, maintenance, terminal, and other operating costs.

These conditions are typically met on the Major routes, where sailings generally exceed contracted levels as shown in Figure 29: BC Ferries has consistently met minimum contracted service levels on Major routes, adding anywhere from 300-1000 extra round trips per year. BC Ferries also considers the extent to which an additional sailing would attract new demand versus divert traffic from existing sailings and adjusts the incremental travel and revenue accordingly.

The benefits of these additional, profitable sailings are twofold: for BC Ferries, they generate incremental revenue where demand is strongest, helping offset cost pressures and support affordability across the broader coastal ferry system. For customers, they add capacity at times when it is most needed, improving access, reducing sailing waits, increasing travel choice, and supporting more reliable movement between major population centres.

It is important to note, however, that even though these additional sailings improve service, generate additional customer revenue, and make better use of available assets, they are operated above the minimum service levels established in the Coastal Ferry Services Contract. This means, if these conditions are met, there are no additional Ferry Transportation Fees associated with the additional sailings. BC Ferries will continue to evaluate and implement these additional runs in PT7 where the conditions are met as they provide a practical way to improve customer access and reliability while strengthening system revenues.

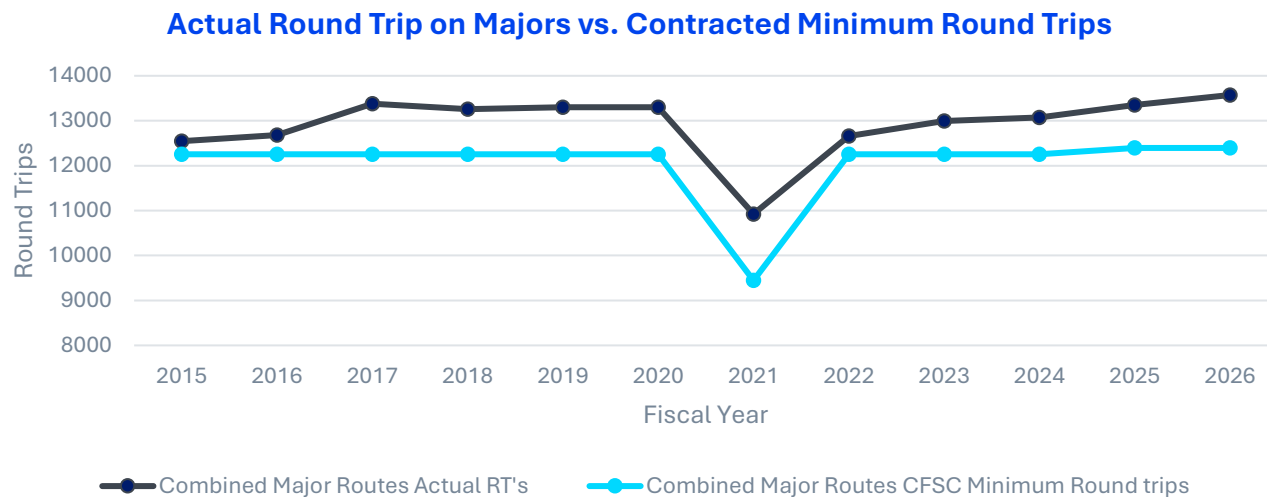


Figure 29: BC Ferries has consistently met minimum contracted service levels on Major routes, adding anywhere from 300-1000 extra round trips per year.

5.3 Cost saving initiatives

5.3.a Maintaining critical terminal and berth infrastructure can avoid higher future costs

The reliability of ferry service depends on well-maintained and functioning marine assets. While aging assets can continue to operate safely, allowing them to deteriorate into poor condition increases the risk of service disruptions and more costly interventions.

During PT6, BC Ferries invested in critical infrastructure projects that could no longer be delayed. In PT7, the focus shifts to preserving asset conditions, reducing the number of assets in poor condition, and avoiding the higher costs and reliability risks associated with deferred maintenance.

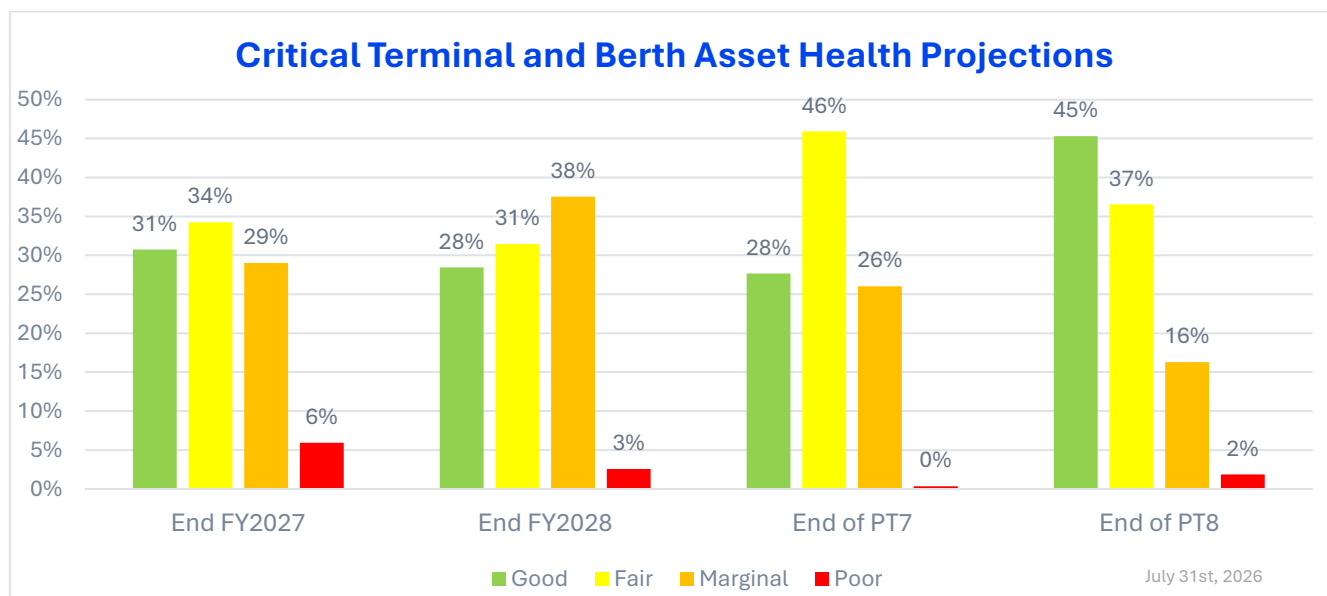


Figure 30: Current health designation and future projections are dynamic as new information is received on the asset or capital project intervention is delayed or accelerated. These projections are accurate as of July 31, 2026.

The terminal project portfolio includes 158 projects across all 47 terminals, addressing marine and upland infrastructure needs throughout PT7, with most investments concentrated in the first two years. Major projects include berth and uplands structure replacements projects at Horseshoe Bay and Langdale, alongside significant renewal work at Departure Bay, Tsawwassen, Nanaimo Harbour, and BC Ferries’ Fleet Maintenance Unit. Routine life-extension work to maintain safety, reliability, and asset condition will also occur at 36 other terminals.

5.3.b Operating efficiencies can reduce costs

Reducing operational expenditures is an ongoing focus for BC Ferries as every efficiency gained helps protect affordability, reliability, and the long-term sustainability of the coastal ferry system. As operating costs continue to rise through labour, fuel, maintenance, inflation, and the complexity of running an aging asset base, BC Ferries must continue to look for practical ways to deliver service more efficiently without compromising safety or essential service levels. The initiatives in this section focus on areas where BC Ferries can have an impact—by improving how resources are planned, deployed, and managed across the business. Together, they support a disciplined approach to cost control, helping to offset unavoidable cost pressures and the ability to invest in the vessels, terminals, people, and systems required to sustain reliable service through PT7 and beyond.

5.3.b.a Workforce optimization is expected to reduce ongoing labour costs

In PT6, BC Ferries made significant investments to stabilize its workforce through hours of work changes, strategic cross training of employees, and through the creation of guaranteed hours and flexible shift arrangements for casual employees.

BC Ferries entered two separate wage reopener negotiations, increased allowances for Licensed Officers (marine officers holding Transport Canada certifications) and increased support for employees working in remote locations,

which resulted in substantial additional labour cost growth due to Bargaining Unit wage increases.

This overall increase in labour costs underlines the need to address labour cost inefficiencies. Workforce optimization activities during PT7 will take place across the strategic, functional, and operational layers of BC Ferries, and can be broadly categorized:

- activities to reduce known, legacy inefficiencies;
- activities to detect and address unknown legacy inefficiencies; and
- activities to identify and realize new efficiencies.

As PT7 progresses and optimization opportunities increase in complexity and scope, the enterprise workforce optimization function will be supported through improved change management. Advancing optimization beyond the elimination of workforce inefficiencies will be achieved through investment in data systems and analytical modeling capabilities. These investments will allow accurate forecasting of workforce needs in the future, while monitoring and addressing variances in workforce costs.

5.3.b.b Energy management can reduce both costs and emissions

BC Ferries continues to advance a comprehensive energy management program aimed at reducing operating costs from energy consumption and supporting provincial climate objectives.

Energy consumption is the total amount of energy used by BC Ferries in the form of diesel, LNG, electricity, gasoline and other energy carriers. Energy consumption represents BC Ferries' second-largest operating expense, totaling more than \$146.5 million in fiscal 2026. Energy consumption from vessels accounts for more than 98 percent of BC Ferries' current annual energy use, making vessels the primary focus for reducing costs and GHG emissions. Managing energy consumption is an important way to improve long-term affordability and financial sustainability as energy prices continue to fluctuate. The energy management program aims to combine strategic procurement, vessel efficiency and shifting to energies with lower GHG emissions.

The first pillar of the energy management program is to secure long-term supply agreements for diesel and achieve price security through a fixed discount, alongside just and reasonable rates for regulated products such as LNG and electricity. BC Ferries has secured a long-term agreement for diesel which is estimated to generate approximately [REDACTED] in annual savings (based on historical fuel prices).

Vessel efficiency is the second pillar of the program, aimed at reducing both costs and GHG emissions. The scope of work within vessel efficiency includes advancing the overall composition, design, onboard energy efficiency optimization, and technology of the fleet. BC Ferries' ongoing fleet renewal strategy helps enable a gradual, continuous upgrade to vessels capable of using lower-emission energies such as biodiesel and electricity. In addition to adopting these cleaner fuels, the new vessels are designed to be more efficient in fuel and energy consumption, replacing less efficient legacy vessels.

The third pillar of the energy management program is shifting to energy sources with lower GHG emissions. BC Ferries continues to pursue a multi-energy and technology pathway approach and will expand and execute its energy portfolio strategy in the short term. Given the high uncertainty in the lower-GHG diesel market, BC Ferries recognizes the need to broaden its energy portfolio while maintaining an energy-agnostic strategy that preserves flexibility as technologies, markets and infrastructure evolve. BC Ferries will continue conducting lower-GHG diesel trials to decarbonize the

existing fleet—including exploring the use of biodiesel and hydrogenation-derived renewable diesel (HDRD) and their blends, while expecting the electricity component of the energy portfolio to grow in the longer term as the reliance on fossil fuels decreases.

The energy management program is expected to reduce both costs and GHG emissions while supporting BC Ferries' goal of achieving fiscal sustainability and advancing decarbonization

5.3.b.c Modern workforce systems are required to improve productivity

The Human Resources Transformation Program is a significant workforce systems and process transformation for BC Ferries. It will modernize the tools and practices used to recruit, schedule, support, manage and pay employees across the organization.

These capabilities are important not only to workforce stability but to the productivity improvements contemplated in PT7. Better workforce information, scheduling and processes will help BC Ferries deploy employees more efficiently and manage labour costs more effectively. BC Ferries' recent application to the Commissioner to advance this program was approved in Order 26-02.

5.3.b.d Better asset data can reduce maintenance costs and improve reliability

The Asset Management Information Program will replace the system that supports the planning, scheduling and execution of maintenance across BC Ferries' vessels and terminals.

BC Ferries manages a significant annual program of inventory, maintenance and refit activity. Better information about asset condition, maintenance requirements and inventory will support more effective planning, improve productivity and help BC Ferries make better decisions about when assets should be maintained, renewed or replaced. For context, BC Ferries manages up to a quarter of a billion dollars annually in spares, inventory and maintenance and refit activity. A recent application to the Commissioner to advance this program was approved in Order 26-03.

5.4 Growing revenues

Growing revenues is an important part of BC Ferries' PT7 response. BC Ferries has a responsibility to pursue commercially reasonable opportunities to generate additional revenue and make better use of existing assets. Every additional dollar generated from these sources reduces the amount that must otherwise come from base fares or other funding.

These opportunities will contribute to the solution, but they will not generate enough revenue on their own to address the full PT7 requirement.

Revenue growth is pursued through two complementary approaches: 1) increasing regulated tariff revenues and 2) expanding non-regulated ancillary revenues. Within tariff revenues, BC Ferries seeks to stimulate incremental discretionary travel and use transparent, differentiated pricing to optimize demand within available capacity. To grow non-regulated ancillary revenues, BC Ferries will pursue products and services that complement its core transportation business, as well as commercial partnerships that leverage the value of its vessels, terminals, and other assets. Together, these initiatives support a more diversified and resilient funding model while helping sustain affordability, reliability and long-term financial sustainability.

5.4.a Growth in regulated tariff revenues: More advance bookings and differentiated fares can improve customer choice and revenue

Advance bookings provide BC Ferries with greater visibility into future demand, allowing a smoother distribution of traffic across the schedule and reducing peak-period congestion and sailing waits.

In PT7, the organization plans to advance this initiative across select routes that have the infrastructure, staffing, and demand available by:

- making more advance booking space available so customers have greater certainty when planning their travel;
- expanding Saver Fares and other lower-cost fare options to additional routes and sailings, giving customers more affordability choice and flexibility; and
- improving the movement and handling of commercial drop-trailer traffic on Major routes to make better use of available vessel and terminal space.

5.4.b Growth in non-regulated ancillary revenues: commercial opportunities can generate additional non-fare revenue

In PT7, BC Ferries will focus on growing non-regulated revenues by further expanding commercial drop yard operations including tentatively planned improvements in Nanaimo to support Route 30 and potential expansion at Swartz Bay to increase drop-trailer capacity on Route 1.

BC Ferries will also enhance food, beverage and retail offerings on the new Summit Class vessels, including the introduction of Seascapes and other modern onboard services. In addition, the organization will continue to grow advertising revenues through third-party advertising opportunities on vessels and at terminals.

5.5 Aligning with public interest

The initiatives included in this section recognize that sustaining ferry service involves more than maintaining physical assets. BC Ferries also has responsibilities and commitments related to reconciliation, environmental stewardship, accessibility and customer experience. Given the affordability pressures entering PT7, these investments are targeted to areas where they meet important obligations, support service delivery or advance priority outcomes for customers, communities, First Nations and the Province.

5.5.a Reconciliation requires sustained relationships, meaningful participation and organizational capacity

BC Ferries operates across the traditional territories and waterways of many coastal First Nations and has identified meaningful reconciliation as a continuing strategic priority. This means early and meaningful engagement, development and maintenance of strong relationships and building internal capacity to understand and respond to the interests of First Nations.

The organization has five Board-endorsed Indigenous Relations goals that also align with *Charting the Course* and BC Ferries' Strategic Plan:

1. Building mutually respectful relationships with First Nations communities;
2. Supporting local First Nations culture and communities;
3. Fostering internal cultural awareness and capacity building;
4. Supporting project-based consultation and engagement requirements; and
5. Seeking economic participation of First Nations communities through BC Ferries' operations.

These goals move BC Ferries toward a relationship-based approach that anticipates change, aligns decision-making, and embeds reconciliation into how BC Ferries operates. This requires a deliberate and consistent approach to developing long-term relationships with First Nations that is grounded in respect, transparency, reciprocity, and early, meaningful engagement, recognizing that strong relationships are foundational to successful consultation, collaboration, and future partnership opportunities.

Recent assessment and planning work has reinforced that achieving these goals requires more than incremental improvements in existing practices. It requires a clear, coordinated path forward that advances both the internal organizational changes necessary to embed reconciliation across the enterprise and the sustained, external relationship development needed to build trust, partnership, and shared outcomes with First Nations.

Internally, this includes establishing governance and accountability structures, proactively considering the changing legal landscape, strengthening leadership commitment, building cultural humility and organizational capability, and integrating reconciliation objectives into business planning, capital planning, operational decision-making, and executive performance reporting.

Fiscal realities require careful stewardship of limited organizational resources, but they do not diminish BC Ferries' commitment to advancing reconciliation. BC Ferries is establishing a clear path forward that prioritizes meaningful progress, embeds reconciliation into the way BC Ferries plans, operates, and makes decisions, ensures that progress continues through focused priorities and takes a deliberate, long-term approach.

5.5.b Environmental investments support long-term sustainability and service reliability

BC Ferries is taking additional measures to mitigate the impacts on marine life by introducing whale detection technology on two vessels in fiscal 2027. Detection devices would be initially trialed on northern route vessels, with consideration to expand to other routes.

As part of ongoing equipment and procedure modernization efforts, BC Ferries has begun trialing a new containment boom system in fiscal 2027 to strengthen on-water spill response capability. Containment booms are floating barriers used to help control and contain oil spills on the water. While BC Ferries already maintains containment boom systems across the network, past incidents have demonstrated opportunities to improve deployment effectiveness and containment reliability during larger spill events. The new system is designed to connect directly to vessels and create a watertight seal against the hull, helping to contain spills closer to the source, limit the spread of pollutants in the marine environment, and improve overall recovery effectiveness. This initiative forms part of BC Ferries' broader efforts to advance spill response best practices and modernize environmental response capability across terminals and vessels.

Looking ahead, electrification will remain a key part of how BC Ferries will work to reduce its environmental impact while maintaining reliable and affordable service. The plan includes investments to electrify two routes — Nanaimo

Harbour-Gabriola Island and Campbell River-Quadra Island — after four new Island Class vessels enter service. These new vessels include enhancements to support full battery-electric operation, such as larger energy storage systems, auxiliary systems, and upgraded electrical connections. These vessels will retain onboard diesel engines for flexibility on routes without shore charging infrastructure.

The design of the Summit Class, which will use hybrid electric propulsion systems that combine batteries and diesel are designed to lower emissions today while providing flexibility as charging infrastructure continues to develop.

Biofuels will play an important short-term role in reducing BC Ferries' emissions, because they can be used in existing vessels without major engine changes. BC Ferries will continue to explore compatible biofuels and blends that can help lower GHG emissions. Together, these steps reflect a practical, phased approach to reducing environmental impacts as the ferry system is renewed and modernized.

5.5.c Targeted customer and accessibility investments address the most important service needs

BC Ferries is advancing targeted customer experience and accessibility initiatives to reduce customer effort and improve the consistency, safety, and functionality of the terminal and vessel experience while remaining disciplined about affordability.

PT7 customer-facing investment is focused on four areas where existing conditions most directly affect the travel experience:

1. Optimizing vehicle throughput
2. Improving the foot-passenger experience
3. Increasing public transit integration
4. Maintaining customer-facing assets such as seating, signage, washrooms, and other terminal and vessel amenities.

Through this work, BC Ferries is evaluating terminal capacity and the level of service across locations to address the four focus areas. Factors such as vehicle capacity, throughput and reservation compatibility, traffic overflow, customer reach, facility condition, and community impact were used to prioritize where investment is most needed.

Recognizing limited investment capacity, BC Ferries is focusing PT7 investments on addressing terminal capacity at Langdale, Snug Cove, and Earls Cove terminals that service Routes 3, 7, 8, and 13. It is also looking at targeted customer-facing improvements at Fulford Harbour, Crofton, Nanaimo Harbour and Earls Cove terminals that service Routes 4, 6, 19 and 7.

From a digital customer experience perspective, BC Ferries is modernizing the technologies and business processes supporting its booking-to-loading ecosystem. This initiative will streamline the overall experience for both customers and staff so that BC Ferries can better respond to evolving customer, operational and regulatory requirements while reducing technology complexity and maintenance overhead.

5.6 Summary: Investments being advanced in Performance Term 7

The PT7 investment plan is focused on sustaining the ferry services British Columbians rely on today. It prioritizes the

renewal and maintenance of critical vessels, terminals and supporting systems, while targeting investments that improve reliability, efficiency and the long-term resilience of the coastal ferry system. It is not a broad service-expansion plan and many desirable service and customer enhancements are not included because they would require additional funding.

BC Ferries has substantially reduced and prioritized the investment requirements in response to affordability and financing pressures. Within the remaining plan, investments are concentrated on maintaining service and reliability, reducing costs, improving the use of existing assets and growing revenues. This includes phased fleet and terminal renewal, improved maintenance and asset information, workforce optimization, energy management and modernization of critical workforce and customer systems.

Throughout PT7, BC Ferries will continue to pursue revenue opportunities within its control, including additional sailings where they are financially positive, differentiated pricing and advance bookings, and expanded commercial and ancillary activities. These initiatives are expected to help offset cost pressures and reduce reliance on base fares or other funding, but they will not on their own address the full PT7 financial requirement.

At the same time, the investment plan recognizes broader public-interest responsibilities. Targeted investments in reconciliation, environmental sustainability, accessibility and customer experience are being advanced. Together, the PT7 investments reflect a disciplined balance between maintaining reliable service today, managing affordability and positioning the coastal ferry system for longer-term sustainability.

Chapter 6: Financial requirements to sustain service in PT7

6.1 Maintaining today's service requires significantly more revenue through PT7

BC Ferries uses a long-term financial forecast model to translate operating, service, and capital plans into an integrated financial forecast for the PT7 submission and price cap setting process. The model connects the services BC Ferries plans to provide and the investments required to support them with the estimated revenues, operating costs and financing requirements over the forecast period and beyond.

The forecast draws on several principal inputs developed through BC Ferries' established planning processes. These include the most recent quarterly forecasts (as of June 30, 2026) for operating expenses, traffic, and revenue; the long-term traffic forecast; the Capital Plan; and long-range vessel maintenance plans. For the years beyond the detailed planning period, the model applies longer-term assumptions such as inflation, wage rate and benefit growth, and fuel prices. It also determines the expected financial impacts of planned projects, programs, service changes and vessel deployments.

The model brings these inputs and assumptions together to assess revenue needed to fund BC Ferries' plans over the PT7 period. The model does not replace the operational, service, asset, or capital planning processes that produce its inputs; rather it provides a consistent financial framework for assessing their combined effect.

6.2 Revenue & traffic outlook

BC Ferries' capital and operating plans set out the resources and investments required to sustain the current level of service stipulated in the current Coastal Ferry Services Contract through PT7. Financing plans are also incorporated to distribute costs over time while respecting critical financial measures.

Consistent with past performance term submissions, forecasts are based on funding commitments that have been confirmed at the time of filing. Accordingly, traffic demand forecasts for PT7 reflect current Provincial funding levels, excluding the Fare Affordability Funding, and do not incorporate any future Provincial funding that has not yet been approved or committed. Federal funding is assumed to continue under the existing long-term contract, and other ancillary revenues, such as catering and retail, are forecasted to escalate at their historical rates.

With customer tariff revenues the dominant revenue source, traffic forecasts are an essential underpinning to overall revenue forecasts. Traffic forecasts are subject to various factors and consideration of multiple scenarios for changes in population growth, economic conditions, and tourism trends.

6.2.a Price elasticity and fare sensitivity

Traffic forecasts require moderation by elasticity assumptions for customer price sensitivity: increases in fares can be expected to cause reductions in traffic, and larger increases are expected to result in larger reductions in traffic. The overall effect of higher fares leading to reductions in traffic is referred to as price elasticity of demand, or, more simply, "elasticity."

Fares are the direct cost that travelers pay for ferry service and are one of the primary factors influencing travel decisions, including when, where, and how frequently people travel by ferry. The extent of this price-elastic response depends heavily on trip purpose. Essential travelers—such as island residents commuting for medical care, work, or freight distribution—exhibit relatively inelastic demand due to higher reliance on ferries. Island communities and the Sunshine Coast depend on transportation from mainland Greater Vancouver for deliveries of food, building materials, pharmaceuticals, and other essential supplies and products, and so higher ferry fares not only impact direct travel costs but they can also contribute to inflationary pressures for coastal communities. Conversely, discretionary travelers, including vacationers and day-trippers, demonstrate higher price sensitivity and more immediate ability to adjust plans. For these discretionary market segments, higher fares increase the total cost of travel relative to alternative local leisure activities, leading consumers to reduce trip frequency, shorten their stay, or choose alternative onshore destinations.

BC Ferries' long term forecasting model evaluates a range of fare scenarios using assumptions for traffic demand, inflation, price elasticity, other revenue sources and current funding commitments. The model is calibrated to generate the total revenue required to support essential capital investment and ongoing service delivery across the network for the forecast period. As provincial funding commitments for PT7 are finalized, BC Ferries can further assess the implications for customer fares and associated elasticity-driven changes in demand.

6.2.a.a Elasticity assumptions

Price elasticity of demand measures the sensitivity of passenger and vehicle traffic volumes to changes in fares. In transport economics, elasticities are expressed as negative values, indicating that price increases lead to volume reductions. Applying price elasticity in regulatory forecasting requires navigating significant uncertainty, particularly when evaluating a wide spectrum of potential fare adjustments – ranging from routine inflationary increases to substantial multi-year fare restructuring.

To establish robust model parameters, BC Ferries relies on internally estimated historical route models alongside external benchmark research conducted by InterVISTAS.

Internal model estimates: Econometric estimations based on historical network data yield route- and vehicle-specific elasticities. On Major routes, demand is relatively inelastic, with mean elasticities of -0.24 for private vehicles and -0.22 for passengers. On Minor routes, demand exhibits greater sensitivity and variance, with mean elasticities of -0.31 for private vehicles (ranging from -0.17 to -0.47) and -0.25 for passengers (ranging from -0.10 to -0.37).

Elasticities

Fares	Private vehicles			Passengers		
	High	Mean	Low	High	Mean	Low
Majors	-0.26	-0.24	-0.23	-0.23	-0.22	-0.21
Minors	-0.47	-0.31	-0.17	-0.37	-0.25	-0.10

Figure 31: Internal Estimates: Major & Minor Route Elasticity Factors

InterVISTAS Industry Benchmarks: InterVISTAS' broader review of transport literature and cross-jurisdictional ferry systems identified a wider potential elasticity spectrum, spanning from a minimum response of -0.23, an industry

average of -0.44, to a maximum extreme of -1.18.

Elasticity Type	Avg	Min	Max
Overall	-0.44	-0.23	-1.18

Figure 32: InterVISTAS Transport & Cross-Jurisdiction Elasticity Spectrum

6.2.a.b Elasticity uncertainty and forecast risk

The wide range between internal historical baselines (-0.23 to -0.31) and upper-bound industry benchmarks (-0.44 to -1.18) highlights inherent estimation uncertainties that must be explored:

- **Historical observation boundaries:** Historical econometric models are estimated within relatively narrow fare adjustment bands (typically annual increases of 1.5 percent to 5.0 percent). Applying these point estimates to potentially larger fare increases forces models to extrapolate far beyond observed historical experience.
- **Asymmetry and non-linear threshold effects:** Consumer behaviour rarely responds linearly to price changes. While small, incremental fare increases are often absorbed without significant lifestyle adjustments, large fare shocks hit psychological "affordability thresholds." At higher price points, travel demand can transition rapidly from inelastic to highly elastic as consumers alter vacation destinations, relocate or consolidate trips.
- **Trip purpose and substitute availability:** Elasticity varies significantly across route types and travel segments. Commuters, essential island freight and medical travelers have limited geographical or modal substitutes, keeping short-term elasticity low (-0.10 to -0.23). Discretionary tourists and casual day-trippers have numerous leisure alternatives, exhibiting much higher price sensitivity (approaching or exceeding -1.0).

6.2.a.c Modeling alternative fare scenarios

Because a single elasticity point estimate cannot accurately capture traffic responses across all pricing environments, forecasting frameworks generally adopt a tiered modeling approach tailored to the magnitude of the proposed fare change.

Modeling small annual fare increases

- **Recommended Range:** Lower-bound inelastic range (-0.20 to -0.35), aligning with internal historical estimates (-0.22 to -0.24 for Majors; -0.25 to -0.31 for Minors).
- **Economic Rationale:** Small, routine price adjustments generally remain below consumer perception thresholds and do not trigger structural behavioural changes. A 3 percent fare increase evaluated at an elasticity of -0.24 results in a minor traffic volume reduction of approximately -0.72 percent, which is easily absorbed within natural seasonal traffic fluctuations. In this domain, standard constant-elasticity point models can provide a reliable forecast.

Modeling large annual fare increases

- **Recommended Range:** Dynamic or scaled elasticity range, moving from the industry average (-0.44) toward upper-bound benchmarks (-0.70 to -1.18) as fare increases scale higher.
- **Economic Rationale:** Large price changes can have pronounced impacts on real household budgets and can result in traffic or volume reductions that erode the revenue benefit targeted by the price increase.

Figure 33, below, provides an illustration of customer price sensitivity modeling. In the graph, fares are assumed to start from an indexed value of 100 and increase at different simulated levels: grey shaded area models 5 percent per year price cap increases during the four years ending 2032, while the blue shaded area models 15 percent per year price cap increases during the four years ending fiscal 2032. Using the modeled inputs for elasticity and macro-economic factors relevant to traffic, traffic forecasts decline more significantly for higher price cap scenarios. Confidence intervals (and uncertainty) also widens for larger changes in fares, as represented by the shaded areas.

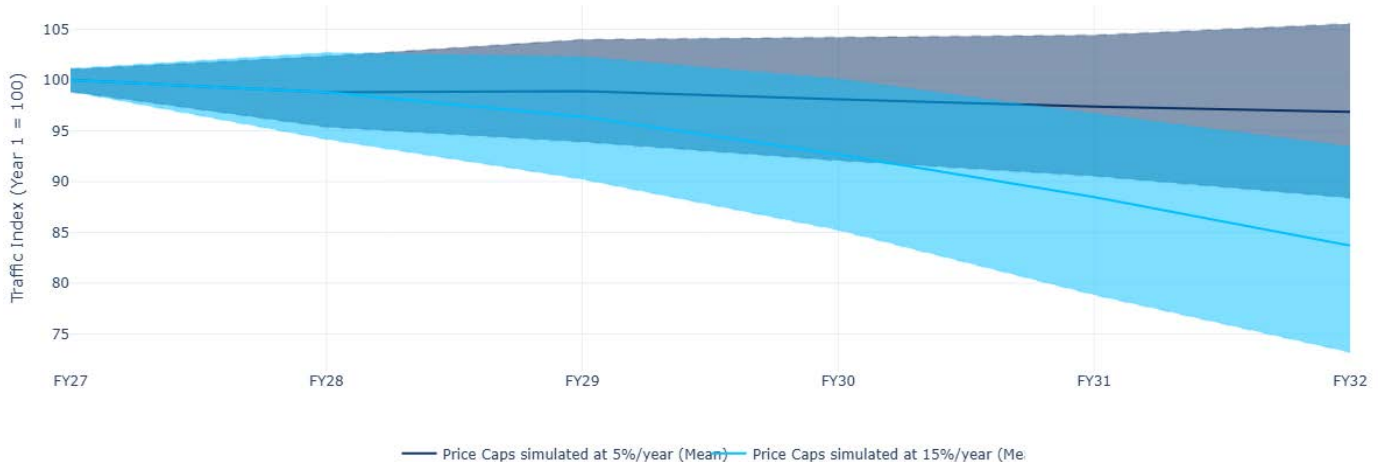


Figure 33: Illustrating Customer Price Sensitivity (Elasticity) Modeling in Traffic Forecasts

The modelling suggests that larger increases in price caps will have more significant impacts on price sensitive customers, resulting in a smaller base of customers contributing to revenues – an effect that can further pressure fares.

6.2.b Macroeconomic and demand drivers

6.2.b.a Inflation and traffic forecasting

Inflation influences ferry travel primarily by eroding real household disposable income. When general price inflation outpaces wage growth, consumer purchasing power declines, forcing households to allocate a larger share of their budgets toward essential living expenses such as housing, food, and utilities. As a result, discretionary spending on discretionary travel is curtailed.

The Consumer Price Index measures broad-based price changes across the economy, capturing the rate at which general living costs rise. In econometric traffic modeling, CPI is also critical for deflating nominal financial inputs, allowing price elasticities and revenue metrics to be evaluated in real, inflation-adjusted terms.

The general inflation forecast models broad price growth rising at an annualized rate of 1.93 percent per year (+10.05 percent cumulative for F27-F32). This projection is directly anchored to the Bank of Canada's 2.0 percent annual inflation target. This trajectory reflects a return to structural economic stability following the elevated inflationary spike experienced between 2021 and 2023. By transitioning from recent inflationary distortions back toward pre-COVID historical norms (~2.16 percent per year from 2015–2019), the forecast provides a stable, real-dollar foundation for evaluating long-term travel demand.

Bank Of Canada July 2026 Monetary Policy Report															Bank Of Canada Target
Q4 F26			Q1 F27			Q2 F27			Q3 F27			Q4 F27			F28 - F32
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
3.0%	1.8%	2.4%	2.8%	3.2%	3.1%	2.7%	2.5%	2.5%		2.40%			2.20%		2.50%

Figure 34: Bank of Canada's forecasted inflation rates



Figure 35: Inflation forecast

6.2.b.b Employment in traffic forecasting

Employment serves as a primary proxy for regional economic health and household earning capacity, influencing ferry traffic through two distinct channels. First, labour force participation directly underpins non-discretionary traffic, such as daily worker commutes and local commercial supply routes required to sustain coastal businesses. Second, labour market stability creates a positive income effect, strengthening household financial confidence and elevating discretionary leisure travel, weekend trips, and family visits.

Over the upcoming six-year forecast period, the baseline employment forecast projects steady, modest labour market expansion, advancing at an annualized growth rate of 0.55 percent per year (+2.77 percent cumulative). This represents a moderated growth trajectory compared to the pre-COVID expansion rate of ~1.03 percent per year observed between 2015 and 2019. Following the severe labour market contraction in early 2020 and the subsequent rapid recovery through 2025, employment levels have stabilized. The current baseline forecast deliberately adopts a prudent, conservative stance rather than projecting a continuation of post-pandemic recovery surges, reflecting broader structural shifts such as demographic aging. For regulatory comparison, this baseline path remains more conservative than the BC Government Labour Force Outlook, which projects a 0.98 percent annualized growth rate (+5.01 percent cumulative) over the same window. Grounding traffic models in the conservative baseline ensures demand projections are not overly reliant on aggressive labour force expansion.

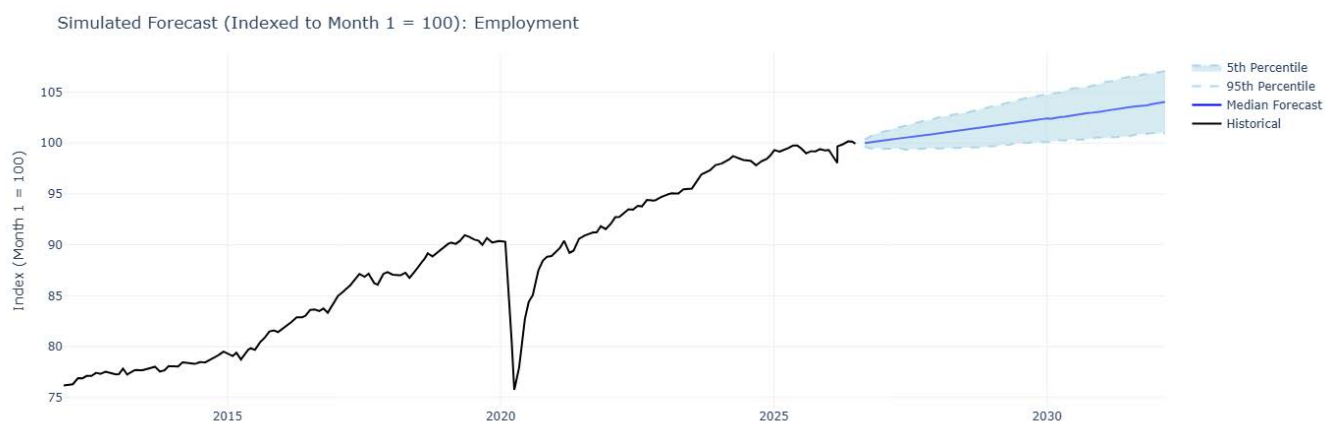


Figure 36: Employment forecast index

6.2.b.c Population growth in traffic forecasting

Population growth serves as the fundamental demographic engine driving long-term baseline demand for coastal ferry transportation. As the permanent population in service coverage areas expands, it expands the underlying pool of residents requiring essential passenger and vehicle transport. Unlike discretionary travel drivers that fluctuate with short-term business cycles, population growth exerts a persistent, structural upward pull on non-discretionary traffic segments, including local commuting, healthcare travel, and household supply movements.

BC Stats is most recently forecasting²¹ the BC population to decrease in 2026 followed by a recovery to 1 percent annual growth for 2028 to 2032. This growth is much lower than experienced in 2022-2024 but is a return to the long run average growth experienced from 2000-2012. The population forecasts are very sensitive to changes in immigration policy by the Federal government. The high population growth from 2022-2024 was largely driven by immigration. Immigration levels have since been lowered significantly, and there is some uncertainty around when immigration levels may be allowed to increase.

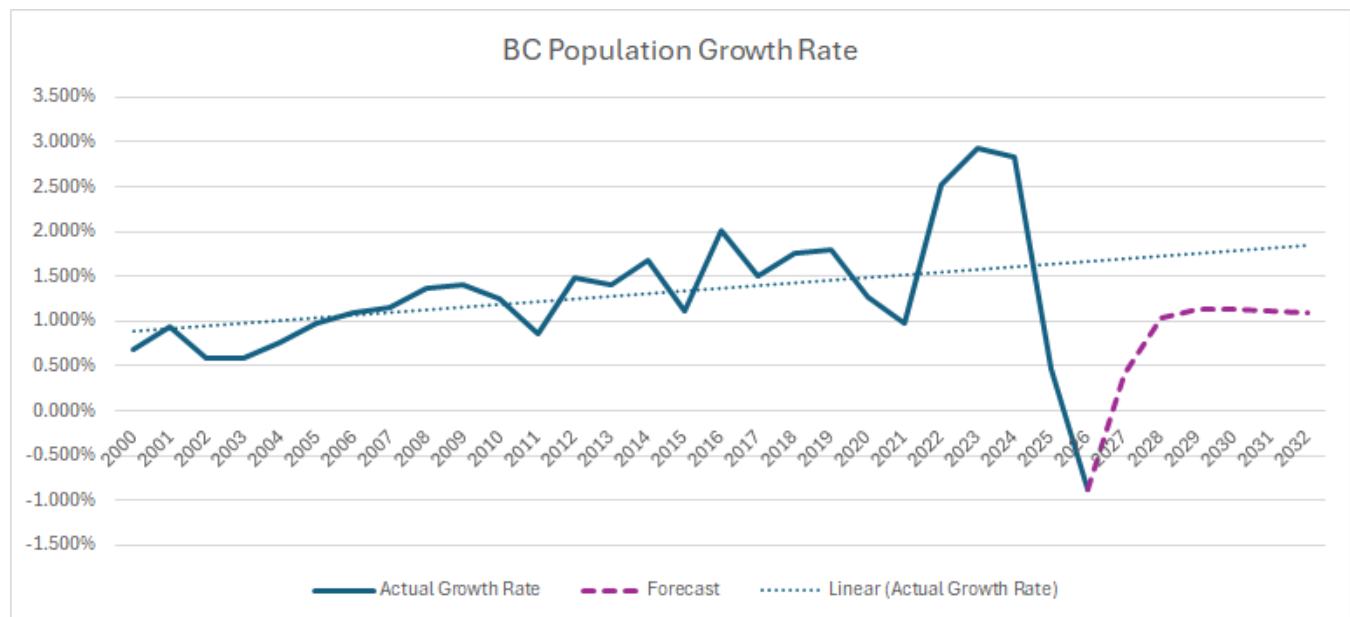


Figure 37: BC population growth rate

²¹ <https://bcstats.shinyapps.io/popApp/> forecast dated May 20, 2026

6.2.b.d Fuel prices in traffic forecasting

In the context of customer price sensitivity, the decision to travel with a vehicle is influenced by the aggregated travel cost comprising both the ferry fare and the fuel consumed driving to, from, and beyond the terminals. Consequently, sustained increases in retail gas prices raise the total marginal cost of an auto-based trip. In response, households may alter their travel behaviour by consolidating discretionary driving trips, reducing overall travel frequency, or opting for modal shifts—such as walking aboard as foot passengers rather than paying to transport a vehicle—which directly impacts vehicle-to-passenger ratios across routes.

Over the forecast window, retail vehicle gas prices are projected to experience gradual, low-single-digit growth, rising at an annualized rate of 1.94 percent per year (+10.09 percent cumulative F27-F32). Although the forecast appears to suggest a transition toward stability following a decade of significant volatility, it merely represents a long-run average of a volatile forecast as outlined. Given that fuel market price history demonstrates volatility, wide “uncertainty bands” are included on the graph. Between 2015 and 2019, fuel prices experienced cyclical fluctuations averaging an upward trend of ~4.39 percent per year, before collapsing during 2020 lockdowns and subsequently surging to peak levels in 2022 amid global energy market dislocations. The baseline forecast moves away from these acute historical price shocks, assuming normalized energy market conditions and projecting steady price growth that broadly aligns with long-term inflation.



Figure 38: Gas prices forecast

6.2.b.e Tourism

Inbound tourism measures non-resident visits into British Columbia from international and cross-border US markets. Inbound visitors demonstrate a particularly high propensity for peak-season and long-haul ferry travel, making them a key driver of high-margin seasonal demand on major coastal routes. Because non-resident travel behaviour is governed by external drivers—such as foreign exchange rates, foreign economic conditions, and international flight capacity—incorporating inbound tourism isolates external demand shocks from local domestic economic trends.

Inbound tourist travel is projected to expand significantly over the forecast period, growing at an annualized rate of 4.66 percent per year (+25.58 percent cumulative). This growth rate is substantially stronger than the pre-COVID historical baseline of ~2.19 percent per year recorded between 2015 and 2019.

Following the severe collapse of international travel during border closures in 2020, inbound volumes underwent a multi-year recovery phase that fully restored baseline travel volumes prior to the current regulatory term. The accelerated growth path projected through the forecast window reflects the continued normalization of global long-haul travel, further boosted by major regional events, including Vancouver hosting FIFA World Cup matches—which temporarily elevate non-resident travel demand.



Figure 39: Tourism in forecast index

Outbound tourism captures the volume of British Columbia residents traveling to international destinations, providing a dual indicator of consumer behaviour. On one hand, strong outbound travel signals robust household financial confidence, rising disposable income, and a willingness to allocate spending toward discretionary leisure. On the other hand, outbound international travel serves as a direct economic substitute for domestic leisure trips. When international travel is accessible and affordable, local leisure budgets are directed abroad. Conversely, when international travel becomes constrained or costly, BC residents substitute overseas trips with domestic "staycations" across coastal BC, providing a net uplift to local ferry traffic.

Over the forecast period, outbound tourism is projected to grow at a moderate pace of 2.01 percent per year (+10.45 percent cumulative). This positive trajectory represents a clear shift from the pre-COVID period between 2015 and

2019, when outbound travel was essentially stagnant (-0.04 percent per year). Following the sharp drop and multi-year recovery of cross-border travel between 2020 and 2025, the forecast projects steady, organic growth driven by stable household incomes and normalized international travel patterns. Importantly, because outbound growth (~2.0 percent annually) is projected to remain lower than inbound tourism growth (~4.7 percent annually), the net external travel balance remains favorable for coastal ferry traffic.



Figure 40: Tourism out forecast index

6.2.c Service capacity constraints

An important structural feature of the econometric demand forecasting framework is that it generates unconstrained latent demand projections based solely on macroeconomic drivers, demographic trends, and relative pricing elasticities. The models do not explicitly incorporate physical vessel or sailing schedule capacity limits. In higher fare scenarios, where significant tariff increases exert a strong price-elastic dampening effect on discretionary passenger and vehicle volumes, unconstrained demand projections remain within existing network capacity.

Conversely, under lower-fare or strong economic expansion scenarios, unconstrained demand models project traffic growth that may exceed available deck space during peak seasonal sailing windows. In these growth scenarios, physical capacity constraints become limits on traffic that can be serviced. As sailings reach maximum load factors during high-demand periods, excess latent demand cannot be absorbed, resulting in extended wait times, travel suppression, or peak-to-off-peak time-of-day shifting. Consequently, unconstrained model outputs under high-growth assumptions should be interpreted as maximum potential travel demand rather than realized traffic, requiring secondary operational capacity adjustments when evaluating peak-period revenue and service delivery requirements.

6.2.d Summary

Customer traffic forecasts will vary depending on fare assumptions (price cap scenarios) due to elasticity impacts, and from changes in the macro-economy. A generally stable base of traffic can be forecasted under current economic conditions, with higher confidence in modeled results for smaller changes in annual fares.

6.3 Operating cost forecast: What is required to deliver service

BC Ferries' operating cost forecast begins with the company's internal planning processes, including the annual operating budget, quarterly forecasts, service planning, asset planning, and approved project and program plans. These processes establish the base forecast for major operating expense categories, including labour, fuel, maintenance, administration, project expenditures and other operating costs.

The long-term financial model extends those base assumptions across the PT7 period using simple assumptions, such as inflation rates, known wage and benefit assumptions, expected fuel price and consumption changes, and the anticipated operating cost impacts of approved or planned projects and initiatives. The model therefore reflects the company's current operating plans while applying a consistent framework for projecting costs beyond the detailed budget and forecast period.

While the forecast reflects current plans and known changes, longer-term costs will evolve as personnel, priorities, operating conditions, and other circumstances change in ways that cannot reasonably be predicted. The model therefore provides a consistent view of the expected financial effects of current plans, rather than a fixed prediction of future decisions and conditions.

6.3.a Operations labour forecast

The long-term operations labour forecast is based on planned service levels, workforce requirements, wage assumptions, benefit costs, and known operational changes as key inputs. Budget holders review year-to-date results, remaining spend plans, and forecast assumptions through the forecast process, with the output of that work being the annual budget or quarterly forecast.

Compared to PT6, the PT7 operations labour forecast reflects a higher cost base driven by wage escalation, collective agreement outcomes, workforce stabilization initiatives, and the staffing levels required to support reliable operations. Initiatives such as guaranteed shifts, cross-training, and other workforce stabilization measures have been used to help address labour shortages and improve service reliability, while also increasing the labour cost base entering the PT7 period.

After the first forecast year, the model grows operations labour using wage and benefit growth assumptions that are informed by long-term historical wage growth trends in British Columbia, rather than by short-term fluctuations in recent annual wage settlements or inflation.

Beyond inflationary growth, operations labour requirements will be affected by vessel deployment plans, and other operational initiatives and route-specific service changes where included in BC Ferries' approved plans. Some initiatives, like the HR Transformation Project, are expected to reduce operational labour through more efficient crew scheduling and higher employee retention. Others, like the Summit Class vessels replacing the C and V class vessels and the implementation of 2-ship operations on route 6, will increase labour costs due to higher crew levels. Overall, total labour costs are forecast to exceed the rate of inflationary wage growth due to these initiatives.

6.3.b Operations fuel forecast

The operations fuel forecast is based on the expected fuel consumption required to deliver the service plan and the

fuel price assumptions used in the forecasting process. Fuel costs are reviewed as forecasts are updated, including consideration of changes in fuel set prices, fuel consumption, regulatory treatment, and known initiatives that may affect energy use over the forecast period.

6.3.b.a Diesel market

The ongoing Russia-Ukraine war and the USA-Iran conflict, that began in late February 2026, have contributed to significant fuel market price volatility. The forward curve for diesel has trended toward much higher prices, indicating expectations of cost escalation into the future while short term pricing remains headline-driven on geopolitical events.

BC Ferries' forecasts reference the following inputs to estimate "all-in" (total) diesel pricing:

- Base Commodity price forecast (Vancouver Diesel Rack Ultra-Low Sulphur Diesel (ULSD))
- Less: Prepayment and volume discounts (per BC Ferries' current fuel supply contract);
- Plus: Locational basis (spread between Vancouver Diesel Rack ULSD and NY Harbour ULSD);
- Plus: Bridging costs (delivery of fuel to terminals);
- Plus: Taxes (fuel, excise, and GST).

There is uncertainty whether ongoing global conflicts will continue to challenge or worsen the diesel supply chain into PT7. The base diesel commodity price forecast was determined from a combination of market data that averages forward prices from recent 'low conflict periods' with the more expensive 'high conflict' period that resulted after the US-Iran conflict escalated in February 2026. The current diesel forecast for PT7 is based on the period from June 2, 2025 to March 31, 2026 using:

- ULSD forward curve average price in \$USD/gallon (daily average for period),
- USD/CAD forward curve average rate (daily average for the period).

These inputs and assumptions were used to produce a forecasted all-in price of diesel for fiscal 2028. Subsequent years then escalated by 2 percent per year.

In this type of high-volatility market environment it is prudent to provide the Commissioner with updates as material changes in global market forward fuel prices change. This will mitigate risk of the regulatory set price for diesel being significantly higher (or lower) than the market prices once PT7 initiates on April 1, 2028.

6.3.b.b Natural gas market

Forecasted natural gas prices have remained at the lower end of the market pricing range; however, they continue to reflect the seasonal pattern of higher prices during the winter months and lower prices during the summer months, driven by fluctuations in demand. Forecast natural gas pricing for PT7 is based on the following inputs for all-in LNG pricing:

- Natural Gas Base Commodity Price (based on the SUMAS benchmark per natural gas purchase contract)
- Plus: Liquefaction charges, tanker fees, hauling, marketing, process fees;
- Plus: Taxes and other (GST and administration fee).

Forecasted Sumas Natural Gas commodity incorporates the average forward curve from April 2026 to June 2026 converted to CAD up fiscal 2031; fiscal 2032 forward is escalated by 2 percent. LNG inputs including liquefaction, tanker fees, and hauling have been escalated by 2 percent from today's pricing.

6.3.b.c Electricity

Electricity rates in British Columbia are regulated by the British Columbia Utilities Commission through processes intended to provide rate transparency and stability. As BC Ferries advances terminal electrification and vessel charging infrastructure, we will continue to engage with BC Hydro to evaluate rate structures and programs that align with future charging requirements. In addition to conventional tariff options, BC Ferries will assess opportunities to participate in demand-side management initiatives, such as load curtailment and other grid-support programs, that may help reduce operating costs while supporting electricity system reliability. While future electricity prices remain subject to regulatory and utility decisions, BC Ferries expects electrification to provide greater long-term energy cost certainty relative to conventional marine fuels.

Forecasted pricing for electricity is modeled using the peak demand and consumption on the Demand Transition and Large General Service BC Hydro rate schedules, applicable to the Island Class program.

6.3.c Maintenance forecast

The maintenance forecast reflects planned vessel, terminal, and other asset maintenance activity required to support safe and reliable service. It is informed by the annual budget and forecast processes, long-range asset planning, refit activity, inflationary assumptions, and known changes in the condition or use of fleet and terminal assets.

The projections reflect increasing vessel and terminal maintenance requirements, additional vessels entering service, and inflationary pressures affecting labour, materials, and contracted services. Maintenance costs have also been influenced by the age and condition of fleet and terminal assets, including the need for additional repairs, life-extension activities, and other work required to maintain safe and reliable operations.

Beyond inflationary growth, maintenance requirements will be affected by asset renewal plans, vessel deployment decisions, and other asset management initiatives. Some initiatives, such as the Asset Management Information Program, are expected to improve maintenance planning, asset visibility, and long-term maintenance efficiency. These initiatives are necessary to partly mitigate maintenance cost pressures that may arise with the expansion of the fleet, larger vessels, and the complexity of the assets being maintained.

6.3.d Administration forecast

The administration forecast is developed through the annual operating budget and forecast processes for corporate and support functions. It reflects expected labour and benefit costs, professional services, software and cloud-related costs, and other support costs needed to sustain corporate functions and deliver approved strategic and operational priorities.

The projections reflect higher labour and benefit costs, software and cloud-related costs, professional services costs, and other support function expenditures. The forecast also reflects targeted investments required to modernize enabling functions and support BC Ferries' operating model transformation. These investments focus on standardizing processes, improving data quality, replacing aging systems, reducing manual administration and strengthening organizational capabilities needed to support safe, reliable and cost-effective services over the long term.

6.3.e Information technology (IT) operating expense & Software as a Service (SAAS)/cloud shifts

Project operating expenses are identified through the annual operating and capital planning processes where project costs are treated as operating expenses rather than capital expenditures. These expenses are forecast based on the planned timing and delivery of the related projects.

The projections reflect higher operating costs associated with shifting technology solutions from traditional on-premise systems to software-as-a-service and cloud-based solutions. This reflects a change in the mix and accounting treatment of technology spending rather than an increase in the overall IT project portfolio. Longer term, this increase in project operating expenses is offset by lower depreciation.

6.3.f Contingency

BC Ferries' fiscal 2027 forecast includes a general contingency of [REDACTED], largely to guard against potential fluctuations in traffic levels and corresponding changes in revenues as well as to protect against potential workforce pressures and unforeseen maintenance events.

6.4 Capital Plan

6.4.a PT7 12-year Capital Plan

The Capital Plan outlines BC Ferries' planned infrastructure investments over the next twelve years, spanning fiscal 2026 through fiscal 2038. The first six years ending in PT7 (fiscal 2032) will directly impact the PT7 price cap determination and are the primary focus, while the latter six years from fiscal 2033 to fiscal 2038 represent an indicative investment outlook. Investments are aligned to BC Ferries' updated strategic goals, with the bulk supporting asset sustainment and other critical asset renewal.

The Capital Plan already reflects significant scope reduction and minimal flexibility for further deferral of investments without significant risk to meeting the *Coastal Ferry Act* performance obligations. By extending the life of existing assets where it is safe and practical to do so, rather than proceeding with higher-cost replacements, future flexibility to further reduce investment plans is limited. In addition, more than \$3 billion of investment previously contemplated has been removed, reduced or moved beyond the fiscal 2038 planning horizon in response to affordability and funding constraints. Further reductions would increasingly involve accepting higher maintenance costs, greater reliability risk or moving necessary investment — and potentially higher costs — to future performance terms.

The outlook beyond PT7 is considered illustrative, reflecting the inherent uncertainty associated with longer-term capital planning. Project scope, timing, costs, and delivery assumptions will continue to be refined as planning advances and will be revisited in future regulatory submissions.

The following chart reflects the projected annual spend by asset category by year, while reflecting cumulative spend of \$4.4 billion in the first six years, rising to cumulative spend of almost [REDACTED] by the end of the 12-year outlook. The four years of PT7 are highlighted in yellow.

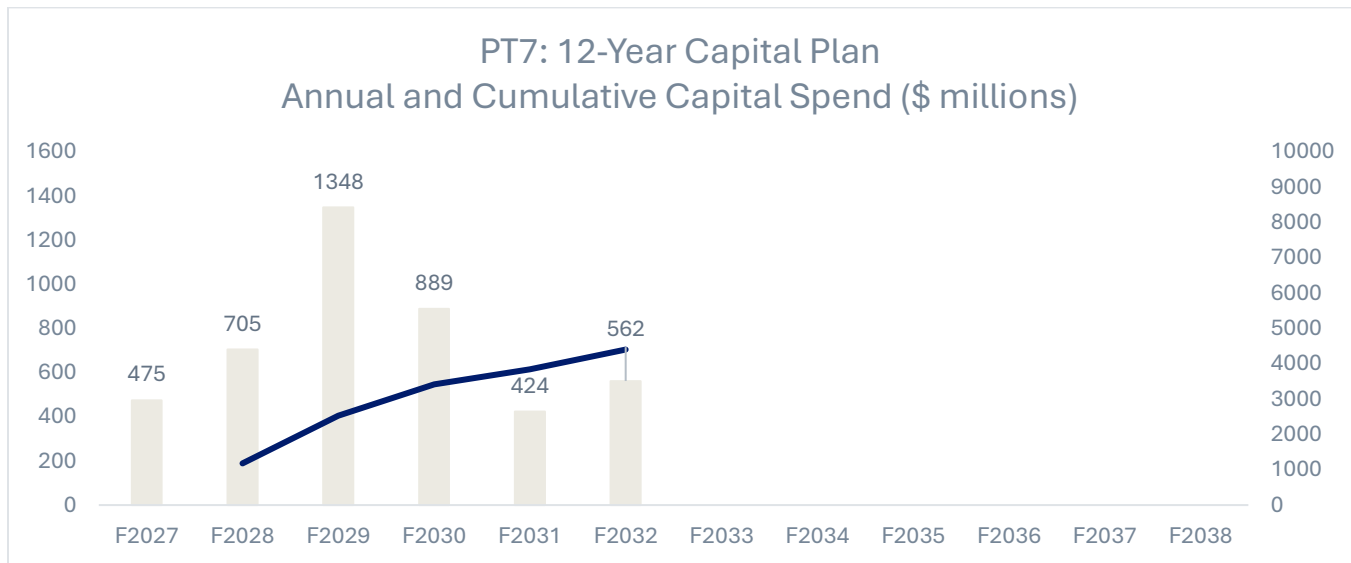


Figure 41: PT7 12-year Capital Plan

HLIP = Horseshoe Bay & Langdale infrastructure program

MOI = Major overhauls & inspection (portion of vessel refits that may be capitalized under IFRS)

BC Ferries' Fleet Renewal Program is a long-term investment program focused on replacing aging vessels and upgrading the infrastructure needed to support them. The program includes the delivery of new Summit Class and Island Class vessels, life extension and replacement of older assets, and related terminal projects such as berth upgrades and electrification infrastructure. By renewing critical assets, the program aims to improve safety, reliability, service capacity, operational resilience, and environmental performance while ensuring the ferry system can continue to meet future customer demands. The Fleet Renewal Program represents [REDACTED] in the first six years through PT7 [REDACTED] driven mainly by Summit Class Phase 1 (four ships) and Summit Terminal Electrification. Of that [REDACTED] has already been approved through section 55 submissions for Summit Phase 1 (Order 25-01), Island Class Phase 3, and minor terminal electrifications (Order 23-05).

In the six years following PT7, Fleet Renewal spend is projected [REDACTED], representing completion of Island Class Phase 4 (three ships), Summit Class Phase 2 (two ships), and replacement of two northern vessels—Northern Sea Wolf and Kwuna.

The chart below reflects the same 12-year Capital Plan but with Fleet Renewal excluded to highlight the remaining distribution of the Capital Plan. Excluding Fleet Renewal results in a flatter residual investment profile, with peak investment spending in fiscal 2029 for the Horseshoe Bay Program, fiscal 2034 for the Tsawwassen North and South Breakwater Replacement, and fiscal 2037 for Coastal Class Mid-Life Upgrades. These are all discussed further in 6.4.b Major capital investments.

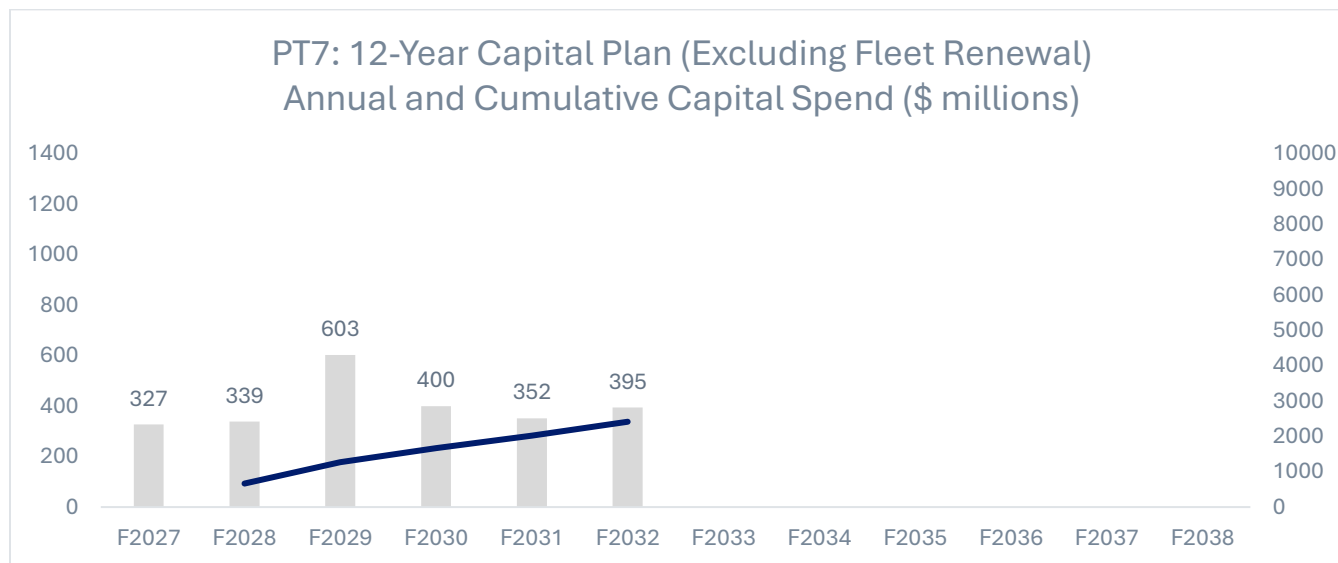


Figure 42: PT7 12-year Capital Plan - excluding fleet renewal

Horseshoe Bay and Langdale Infrastructure Program (HLIP) is a dedicated program established to plan and oversee major infrastructure renewal and upgrades at both Horseshoe Bay and Langdale terminals, reflecting high complexity and significant operational impact. Key drivers are age and condition as well as requirements driven by fleet deployment. Berths at both terminals will need to be compatible with larger vessels to support the planned introduction of Summit Class Phase 1 vessels in fiscal 2030 to 2032. This will enable Coastal Class vessels to be redeployed to Route 2 and subsequently to Route 3 in fiscal 2036 when Summit Class Phase 2 vessels enter service. The program activities are expected to occur largely within the first six years, accounting for [REDACTED] of spend in that period.

Terminals expenditures include investments in terminal and maintenance facility infrastructure that fall outside of Fleet Renewal and HLIP, as well as renewal of automotive, machinery and equipment. Life extension of assets is assumed unless not feasible due to condition or deployment needs. A noticeable uptick of terminal spend is projected in PT8, largely due to the planned replacement of the Tsawwassen North and South breakwater and construction of a new berth at Duke Point – both programs are still to be validated and refined.

More than half of the existing vessel and Major Overhauls & Inspection (MOI) portfolio relates to the portion of regulatory refits that may be capitalized under IFRS. The balance consists mainly of capital projects, including milestone upgrades at the quarter, mid, and three-quarter-life stages to renew critical vessel systems and complete other upgrades where practical and affordable. The long-term outlook in PT8 and PT9 reflects increased spend as more vessels reach these milestone upgrade points. BC Ferries is planning a transition to condition-based asset management, which is expected to generate efficiencies long-term.

The IT portfolio consists of software and hardware renewal, as well as business transformation programs involving delivery of system upgrades along with associated process improvements to enhance corporate capability. Past underinvestment in technology and business transformation has necessitated upgrading legacy systems and capabilities that are essential for operations, administration, and customers. This drives a higher spend in late PT6 and

early PT7. Beyond PT7, advances in technology and related project plans remain highly uncertain, with cash flows reflecting an assumed sustainment level of investment.

The Capital Plan includes portfolio contingency to prudently address delivery uncertainty, cost escalation, scope refinement and emerging risks across BC Ferries' vessel, terminal and technology investments. Given the age and complexity of BC Ferries' asset base, combined with the limited flexibility remaining in the Capital Plan, portfolio contingency helps protect essential renewal work from disruption while supporting disciplined delivery of the approved Capital Plan.

6.4.a.a Strategy

This year's planning process introduced five goals to guide development of the Capital Plan. These Strategic Goals are:

Renew and modernize critical assets: Includes generational investments in fleet modernization and the capacity expansion to serve future populations, a robust and proactive assessment of asset condition and risk to allow for rationalized maintenance, as well as expanded data and analytics capabilities to help shape and inform investment decisions and performance.

Invest in the team: Recognizes that BC Ferries' critical assets are useless without an engaged and appropriately skilled workforce, equipped with the appropriate tools and processes to recruit, onboard, schedule and performance manage the teams that make public service viable.

Achieve financial sustainability: Acknowledges the organization's challenged fiscal position, driven by higher operating costs, transformational capital investments and the need to maintain affordability, with a focus on optimizing fuel and labour, improving utilization of available capacity via discounting and demand shaping, and pursuing ancillary revenue growth where feasible.

Build trust and advance reconciliation: Seeks to evolve how BC Ferries engages with the communities it serves by deepening understanding of community needs and planning concerns and strengthening communication of planned changes and advancing meaningful reconciliation by building trust and partnership with the First Nations on whose lands and waters BC Ferries operates.

Champion end-to-end customer experience: Commits BC Ferries to improving the experience of customers and with a particular focus on their entire journey, from sailing information through to destination arrival and considering the variety of modes of travel that customers may use.

Project investments are now categorized as either asset sustainment or initiatives aligned to these five strategic goals. While the framework is still being implemented, it has helped inform planning decisions and provides a useful lens for reviewing the Capital Plan.

Approximately 80 percent of forecast spend over the 12-year period is directed to asset sustainment and the renewal and modernization of critical assets under Goal 1, with the balance spread across three of the other four goals.

The following charts show how forecast investment aligns with strategy over the first six and last six years of the Capital Plan:

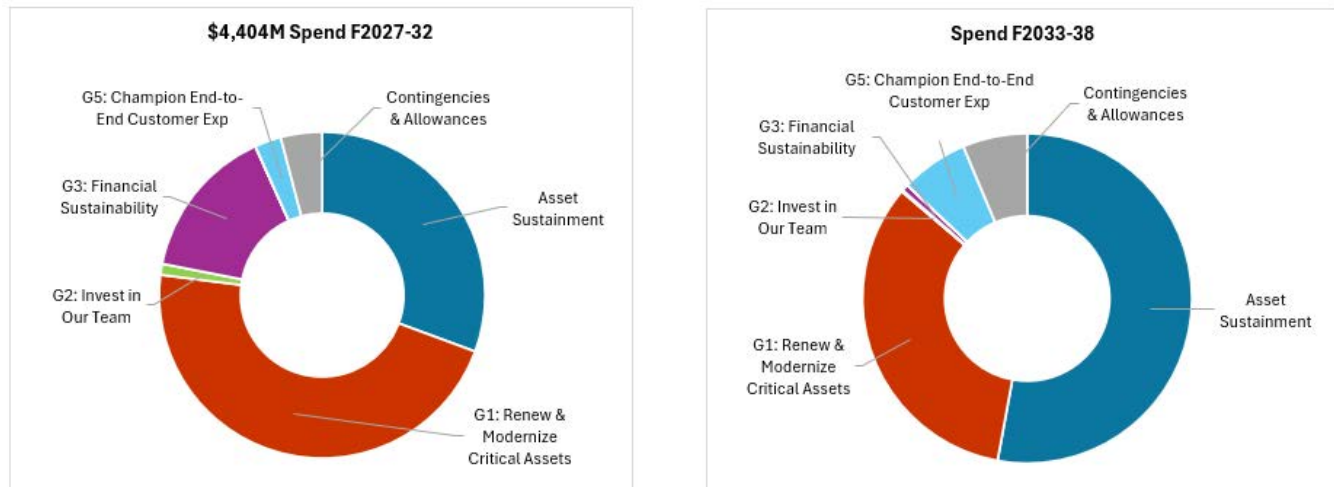


Figure 43: PT7 Capital Plan & strategic goal allocation for fiscal 2027-32 & fiscal 2033-38

Over the first six years, Goal 1 accounts for nearly half the spend, driven primarily by fleet renewal. Other major investments include Summit terminal electrification under Goal 3; the booking-to-loading end-to-end solution and reservation enablement at minor terminals under Goal 5; and HR transformation under Goal 2.

In the longer-term outlook, asset sustainment accounts for the majority of spend, including major investments such as Tsawwassen breakwater replacements and Coastal Class MLUs. Goal 1 is second highest as Fleet renewal programs continue. Electrification investment drops off (Goal 3), while investment in terminal customer amenities increases under Goal 5.

6.4.a.b Escalation Assumption for Capital Projects

Actively managed projects (i.e. with funding released) are forecast by project teams inclusive of inflation. They are estimated in current year values and escalated using the following rates:

- Terminal and Existing Vessel investments assume a [REDACTED]
- Shipbuilding projects assume a [REDACTED] reflecting recent market pricing and the competitive dynamics of the global shipbuilding industry, which is less exposed to localized labour, contractor capacity, and infrastructure cost pressures than terminals and existing vessel projects.
 - IT projects [REDACTED]

6.4.a.c Interest during construction and funding

Throughout section 6.4.a PT7 12-year Capital Plan, the Capital Plan is presented as the total investment—capital and project operating costs combined—while excluding interest during construction (IDC) and external funding offsets, unless otherwise noted. The table below demonstrates how the plan changes when IDC and external funding impacts

are considered:

\$ Millions	Fiscal 2027	Fiscal 2028	Fiscal 2029	Fiscal 2030	Fiscal 2031	Fiscal 2032	Fiscal 2033	Fiscal 2034	Fiscal 2035	Fiscal 2036	Fiscal 2037	Fiscal 2038	Total
Capital & Project Opex													
Plus: IDC													
Less: Funding													
Plan net of IDC and funding													

Figure 44: Capital Plan with IDC & less external funding

IDC is forecast in the Capital Plan in accordance with BC Ferries' borrowing policy, which capitalizes interest for projects with capital spend greater than [REDACTED]. IDC depends heavily on actual capital spend, cash flow timing, and asset capitalization dates, making longer-term estimates more uncertain. Over the first six years of the plan, projected IDC totals [REDACTED]:

- Summit Class Phase 1 (vessels 1-4) - \$ [REDACTED]
- Summit Terminal Electrification Program - \$ [REDACTED]
- Horseshoe Bay marine and uplands - \$ [REDACTED]

6.4.a.d External funding

A number of funding arrangements are in place for ongoing Fleet Renewal programs – they are not included in the \$8.9 billion Capital Plan but are disclosed as a “below the line” reduction to the plan. Included in the funding offset is the grant value of the below-market interest rate loans with Canada Infrastructure Bank (CIB). While not a cash inflow, the grant value of the loans is recognized as a reduction from capital for accounting purposes and therefore reflected as a reduction (accounting representation of the economic benefit of receiving financing at below-market rates).

Program funding is summarized in the table and descriptions below.

External Funding (\$ million)	Prior Years	F2027	F2028	F2029	F2030	F2031	F2032	F2033	F2038	Subtotal F2027-38	Total All Yrs
Island Class Phase 3											
Island Class Terminal Electrification											
Summit Class Phase 1											
Summit Terminal Electrification											
Total Funding											

Figure 45: Capital program funding

Island Class Phase 3 and Electrification program is in execution with several funding arrangements. The program has recognized [REDACTED] (for all years) includes, approximately:

- [REDACTED] Province of BC Part 3 Agreement*
- [REDACTED] Clean BC Commercial Vehicle Pilots Program (CVP)
- [REDACTED] BC Hydro contributions
- [REDACTED] BC Ferries' Carbon Reduction Investment Account (CRIA)*
- [REDACTED] CIB loan – grant recognition

**Part 3 Agreement and CRIA funding involves the sale of carbon credits with assumed values [REDACTED]*

Summit Class Phase 1 program funding of [REDACTED] was realized with the first milestone payments in fiscal 2026. Summit Terminal Electrification Program funding includes a [REDACTED]

6.4.b Major capital investments

Section 55 (2) of the Act requires BC Ferries to obtain the Commissioner's approval prior to incurring a major capital expenditure over a specific threshold. In accordance with that section, BC Ferries will need to obtain the Commissioner's approval for projects in the Capital Plan that meet the criteria.

In accordance with section 64.1 of the Act, information on the anticipated amount, proposed timing and type of capital asset for each planned major capital expenditure is outlined in this section and the accompanying Capital Plan Schedules in Appendix 5: Capital Plan schedule, as well as with an overview of the options considered and rationale for the expenditures. For the purposes of section 64.1, we have used the criteria provided in Order 26-01 for identifying anticipated "major capital expenditures". Of the \$4.4 billion in the first six years of the Capital Plan, approximately [REDACTED] is for projects that meet the threshold for a major capital expenditure as provided in Order 26-01 and have preparations underway for section 55 submission. An additional [REDACTED] of the Capital Plan is for major capital expenditures that have already received approval by the Commissioner.

The following tables summarize major projects included in the 12-year Capital Plan outlook. Approved or submitted projects are identified for completeness. Projects with planned execution occurring predominantly in PT6 or PT7 (denoted in blue) are discussed in greater detail, while projects occurring largely in PT8 and PT9 (denoted in grey) are noted at a high level.

Major Projects in 12-Year Capital Plan (\$millions)	Section 55	Total Spend (All Yrs)	PT6 (2 Yrs)	PT7 (4 Yrs)	PT8 (4 Yrs)	PT9 (2 Yrs)
Fleet Renewal						
Island Class Phase 3 (4 vessels)	Approved					
Island Class Terminal Electrification (routes 19 & 23)	Approved					
Summit Class Phase 1 (4 vessels)	Approved					
Summit Terminal Electrification Program (2 routes)	PT6					
Summit Class Phase 2 (2 vessels)	PT7					
Island Class Phase 4 (3 vessels)	PT7					
Kwuna Replacement	PT7					
Northern Sea Wolf Replacement	PT8					
Intermediate Vessel Replacements (3 vessels)	PT9					
HLIP						
Horseshoe Bay Replace Elevated Structures	PT6					
Horseshoe Bay Replace Berth 3	PT6					
Horseshoe Bay Replace Berth 2	PT6					
Horseshoe Bay Replace Berth 1	PT6					
Existing Vessel						
Northern Adventure Mid-Life Upgrade	PT6					
Northern Expedition Mid-Life Upgrade	PT8					
Coastal Class Mid-Life Upgrades (3 vessels)	PT8					
Terminal						
Fleet Maintenance Unit	Approved					
Departure Bay - Berth 3 Replace Ramps, Towers, Abutment	PT7					
Tsawwassen - North and South Breakwater Replacement	PT7					
Swartz Bay - Foot Passenger Building Customer Improvements	PT8					
Duke Point - New Berth 2	PT8					
IT						
Asset Management Information Program Phase 1	Approved					
HR Transformation Program Phase 2	Approved					
Booking-to-Loading End-to-End Solution	PT7					
Total Major Projects Spend						

Figure 46: Major projects in 12-year Capital Plan

Major Projects Spend in First Six Years (\$millions)	PT6 (2 Yrs)	PT7 (4 Yrs)	6 Yr Total
Total Capital Plan			
Major Projects:			
Total Major Projects Spend			
% of Total Capital Plan			
Major Projects Approved			
% of Total Capital Plan			
Major Projects Pending Submission			
% of Total Capital Plan			

Figure 47: Major project spend in first six years

6.4.b.a Fleet Renewal

The scope of Fleet Renewal can be generally categorized into three distinct programs:

1. Summit Class Program
2. Island Class Program
 - a. Phase 3
 - b. Phase 4
3. Other shipbuilding

6.4.b.a.1 Summit Class Program

This Program delivers new Major route vessels to replace the aged C-Class vessels and enables terminal electrification on Route 1 and Route 30. The program consists of 3 main projects:

Summit Class Shipbuilding Phase 1:

This project is currently in implementation, following the section 55 approval by Commissioner Order 25-01, in March 2025. The project encompasses the replacement of four aging Major vessels, the Queen of Alberni, Queen of New Westminster, Queen of Cowichan, and Queen of Coquitlam, with new Summit Class vessels that will operate on Routes 1 (Tsawwassen–Swartz Bay) and 30 (Tsawwassen–Duke Point). BC Ferries executed the shipbuilding contract in May 2025, and the project has progressed into detailed design, with steel cutting for the first vessel scheduled for the third quarter of fiscal 2027. The first vessels are expected to enter service beginning in fiscal 2030.

Summit Terminal Electrification Project:

Major Terminal Electrification is a strategic infrastructure program that will enable fully electric operation of BC Ferries' future Summit Class vessels on Routes 1 and 30 by providing shore-based charging capability at Tsawwassen, Swartz Bay, and Duke Point terminals. The project includes significant upgrades to terminal electrical systems, charging infrastructure, and associated BC Hydro transmission and substation enhancements required to deliver sufficient electrical capacity to the terminals. Together, these investments will support the transition from hybrid diesel-electric operation to full battery-electric service, reducing greenhouse gas emissions, improving energy efficiency, and advancing BC Ferries' long-term decarbonization objectives.

Summit Class Shipbuilding Phase 2:

Summit Class Phase 2 includes the replacement of the Queen of Surrey and Queen of Oak Bay, the final two C-Class vessels serving the Major routes. The project is expected to begin in late PT7, with shipyard contract signing in early PT8 and delivery of the replacement vessels in advance of vessel retirements in 2036 and 2037.

6.4.b.a.2 Island Class Program

The Capital Plan includes the continuation of the Island Class Program. Six Island Class vessels were delivered and placed into service under Phases 1 and 2 in 2019 and 2021, establishing a new vessel class for the minor routes. Phases 3 and 4 continue this program through the delivery of additional vessel and terminal assets in two stages. Phase 3 is currently in implementation, with asset delivery planned in PT6. Phase 4 projects remain in the concept stage, with approvals anticipated in late PT7 and asset delivery expected in PT8.

Phase 3:

Island Class Shipbuilding:

The Island Class Phase 3 project will deliver four electric-ready Island Class vessels to support service on Routes 19 and 23. These vessels will replace the Quadra Queen II and Tachek, enabling the retirement of aging assets, and facilitate two-vessel Island Class service is established on Route 6 (Crofton–Vesuvius). In addition to renewing critical infrastructure, the project will enhance operational resilience across the minor route network by providing an additional Island Class vessel that can be deployed for refit relief service and operational contingencies as required.

Island Class Terminal Electrification:

Island Class Terminal Electrification project scope includes charging infrastructure installation shoreside on Route 19, Nanaimo Harbour to Gabriola, and Route 23, Campbell River to Quadra Island. With electricity upgrades at the property line, BC Ferries can fully electrify the four Island Class vessels providing service on these routes, reducing reliance on diesel fuel and substantially decreasing carbon emissions.

Terminal Infrastructure:

To support the introduction of island class vessel service on Routes 24 (Quadra Island–Cortes Island) and 6 (Crofton–Vesuvius), the associated terminal infrastructure projects include berth reconstructions, trestle replacements, pontoon and wingwall upgrades, and other marine works necessary to accommodate Island Class vessel operations. These investments will modernize critical terminal assets, improve operational reliability, and provide the infrastructure required to support enhanced service levels on both routes.

Phase 4:

Island Class Shipbuilding:

The Island Class Phase 4 project contemplates the delivery of three additional Island Class vessels to replace the MV Klitsa, MV Quinsam, and MV Quinitsa, continuing BC Ferries' long-term strategy to renew and standardize the minor route fleet. Capital approval is anticipated in the latter part of Performance Term 7, with vessel delivery and entry into service planned during Performance Term 8.

Terminal Infrastructure:

There are five placeholder terminal infrastructure projects identified to support future deployment of Island Class vessels across the Minor route network. The proposed works include berth modifications at Denman East and Hornby Island, berth replacements at Chemainus and Thetis Island, and terminal upgrades at Penelakut Island. These investments will ensure terminal infrastructure is compatible with Island Class operations and will be advanced in alignment with the planned delivery and deployment schedule of future Island Class vessels through the end of PT8.

6.4.b.a.3 Other shipbuilding

Kwuna replacement:

A unique vessel in BC Ferries' fleet, the Kwuna operates on Route 26, Skidegate to Alliford Bay, and features integrated ramps at both ends of the vessel to facilitate direct-to-shore loading rather than a traditional raised berth. The Kwuna replacement is expected to be designed with the same berthing concept and will be replaced in fiscal 2035.

Northern Sea Wolf replacement:

The Northern Sea Wolf operates on Route 28 and provides service between Port Hardy (Bear Cove) and Bella Coola

with stops at Bella Bella (McLoughlin Bay), Shearwater and Ocean Falls. The vessel is due to retire in 2037, with the replacement vessel construction completed in fiscal 2035.

6.4.b.a.4 Fleet Renewal scope changes from PT6

Relative to PT6, the Fleet Renewal portfolio has two notable changes:

- The Summit Class program assumed a 7-ship build, introducing a 12th Major route vessel into the fleet. To support the additional vessel, PT6 also included investment in an additional berth, Tsawwassen Berth 2A, which is no longer required or reflected in the PT7 Capital Plan with only 6 ships being proposed.
- Major route electrification was not included in the PT6 capital plan. PT7 includes the electrification of Route 1 and 30, a significant step towards reducing BC Ferries' reliance on diesel consumption and materially reducing the carbon emissions from Major route operations.

6.4.b.b Horseshoe Bay and Langdale Infrastructure Program (HLIP)

HLIP has been organized as a dedicated program to establish central planning and oversight of infrastructure renewal at Horseshoe Bay and Langdale, grouped into three streams:

- HSB marine – Replacement of three berths
- HSB upland – Replacement of the transfer deck and control tower, ground improvements and utility upgrades. Options under review to re-construct elevated holding areas
- LANG – life-extension and strengthening, followed by replacement, as well as utility upgrades

A program definition report is in progress to define the overall scope, sequencing, and estimated cost range of HLIP and to support a business case and section 55 application expected in fiscal 2028. While the program is still being developed, funding is expected to be released through stage gates during execution.

6.4.b.c Existing vessels

6.4.b.c.1 Northern Adventure mid-life upgrade

The Northern Adventure was built in 2004. BC Ferries purchased the vessel used and completed retrofits before its introduction to service in 2007. Upgrades to maintain the vessel's service life and safety standards are required around the midpoint of its operational life in PT7. Options to improve critical asset reliability and enhance customer amenities will be considered as well. The project is currently in early pre-implementation stage preparing for asset condition assessments to develop scope requirements and options.

6.4.b.c.2 Other major projects in PT8 and PT9

- Coastal Class Mid-Life Upgrades (3 ships): Vessels were built in 2007/2008 and are scheduled to undergo mid-life upgrades when the ships are around the 30-year mark.
- The Northern Expedition Mid-Life Upgrade: Vessel was built in 2009 and is scheduled to undergo mid-life upgrades approaching the 30-year mark.

6.4.b.d Terminals and facilities

6.4.b.d.1 Fleet Maintenance Unit (FMU) Site Redevelopment

BC Ferries' section 55 application was approved in October 2022 with supplemental filings approved May 2023 and February 2026 (Order 22-02B). The project involves modernization of BC Ferries' strategically important and aging

maintenance facility in Richmond to increase fleet support capacity, improve efficiency and safety, and provide resilient infrastructure capable of supporting current and future vessel maintenance needs. The project is in execution with completion expected in fiscal 2028.

6.4.b.d.2 Departure Bay – Berth 3 replace ramps, towers, and abutment

This is a future terminal infrastructure renewal project that will replace aging Berth 3 marine structures that are approaching the end of their service life. The project will renew critical loading infrastructure and support future fleet deployment requirements, including compatibility with Summit Class vessels.

BC Ferries is currently assessing marine assets across Departure Bay to determine the condition-based and operational upgrades required to support long-term service delivery and future vessel deployment. This work will inform the scope, sequencing, timing, and cost of future berth infrastructure investments, including the replacement of Berth 3 ramps, towers, and abutment.

6.4.b.d.3 Other major terminal projects in PT8 and PT9

- Tsawwassen North and South Breakwater Replacement: Condition-based project to replace assets providing critical protection from berths 3, 4, and 5. This work follows a 10-year life extension of the breakwaters completed in PT6.
- Duke Point New Berth 2: Future terminal development initiative intended to add berth capacity at Duke Point, supporting fleet renewal, terminal electrification, operational resiliency, and long-term service growth on the Major route network.
- Swartz Bay Foot Passenger Building Customer Improvements: An upgrade to the foot passenger building, may include improvements to passenger flow and capacity.

6.4.b.e Information Technology

6.4.b.e.1 Asset Management Information Program (AMIP) Phase 1

AMIP Phase 1 modernizes BC Ferries' core asset and maintenance management system by replacing the unsupported Maximo 7.6 platform, improving asset and inventory data quality, standardizing maintenance processes, and strengthening the information systems used to manage vessels, terminals, and supporting infrastructure. The project is intended to improve maintenance planning, inventory visibility, operational reliability, and cost efficiency while establishing the foundation for future asset management capabilities. BC Ferries' section 55 application to the Commissioner was approved in Order 26-03.

6.4.b.e.2 Human Resource Transformation Program (H RTP) Phase 2

H RTP modernizes BC Ferries' human resources, workforce scheduling, timekeeping, payroll, and people management capabilities by replacing aging legacy systems, standardizing processes, and implementing modern cloud-based platforms. The program is intended to improve workforce planning, labour utilization, data quality, employee experience, and operational resilience while providing the foundation for a more effective and sustainable People & Safety operating model. BC Ferries' section 55 application to the Commissioner to advance this program was approved in Order 26-02.

6.4.b.e.3 Booking-to-loading end-to-end solution

A strategic modernization initiative to transform BC Ferries' booking-to-loading ecosystem by optimizing the technologies and business processes that support passenger and vehicle advance bookings, ticketing, terminal

operations, staging, and vessel loading/unloading. The project will rationalize business capabilities across advance booking, point of sale, terminal logistics, and supporting systems to reduce duplication, simplify the technology landscape & architecture, and establish clear accountability for how core business functions are delivered.

By creating a more streamlined architecture, BC Ferries will be better positioned to respond quickly to evolving customer, operational, and regulatory requirements while reducing technology complexity and maintenance overhead. The future-state solution will improve customer experience, enhance operational efficiency, strengthen data and reporting capabilities, and ensure compliance with passenger accounting, dangerous goods, and other regulatory requirements. The initiative will provide a scalable foundation to support future growth, service reliability, and operational excellence.

6.4.b.e.4 Other major projects in PT8 and PT9

Information technology plans in PT8 and PT9 remain inherently uncertain. Cash flows for this period reflect an assumed sustainment level of investment rather than defined project scopes, making individual project-level discussion premature.

Acknowledging this, there are currently two projects identified in the Capital Plan with anticipated cash flows that meet the major project threshold.

- IT – Terminal Efficiency Physical Infrastructure: Early concept intended to install infrastructure in support of terminal end-to-end solution which may include, for example, terminal facility modifications, signage, vehicle and foot passenger processing equipment.
- IT – Capital Plan Allowance: This is not a project and instead is intended to capture cash flows to meet an overall portfolio sustainment spend in the outlook.

6.5 Leverage, borrowing plans & debt service

Debt issued at favourable interest rates provides a funding source that helps to alleviate near-term fare pressures while asset renewal is underway. Debt service costs are partly offset by interest earnings from permitted investments for cash balances.

BC Ferries' long-term forecast model consolidates all planned expenditures using an integrated framework that estimates monthly cash inflow and outflow forecasts. This cash profile is evaluated and borrowing plans are developed with focused consideration to the Debt Service Coverage Ratio (DSCR) and the Leverage Ratio. These ratios are the two key constraining measures to protect fundamental financial sustainability and compliance under the Master Trust Indenture (MTI). The MTI, entered into in 2004 with Computershare Trust Company of Canada as trustee for bondholders, secures and governs BC Ferries' borrowings and establishes common security and a set of common covenants for the benefit of lenders.

In forecasting scenarios for preparing this PT7 submission, the DSCR is not permitted to reduce below 1.5X and the Leverage Ratio is constrained to a maximum of 82.5 percent by the end of PT7, however the modeling permits it to increase above 82.5 percent on a temporary basis to support capital expenditures necessary for large infrastructure renewals.

BC Ferries actively manages its debt composition to minimize debt service expenses by using a range of debt instruments with diversified maturities and provisions. Vessel and terminal assets have long expected lives, often exceeding many decades, such that long-term debt (i.e., 30-year bonds) can be an appropriate financing option depending on the market environment and risk profile. The planned debt mix includes a syndicated Credit Facility, amortizing loans, Senior Secured Bonds for terms up to 30 years, and below-market interest rate financings from the Canada Infrastructure Bank (CIB) that directly support new electric-ready Summit vessels and Major route terminal electrifications, as well as new electric-ready hybrid-Island Class vessels and terminal electrifications.

As of June 30, 2026, BC Ferries has aggregate borrowings of \$2.1 billion, a DSCR of 3.06X, and a Leverage Ratio of 78 percent. Through PT7, debt is forecasted to increase significantly to fund operating losses and required capital replacements. To remain financially sustainable through this asset renewal cycle, increased revenues are necessary to support the borrowing plan. Fleet and terminal investments will also increase the asset base and support an expanded balance sheet and capital structure.

The most pertinent risks to the borrowing plan are (1) risk of generating insufficient revenues enabling the borrowing plan and investments to proceed and (2) risk of rising market interest rates for BC Ferries debt.

6.6 Risk considerations for PT7 submission

6.6.a Operating context and risk landscape

BC Ferries operates in a complex and changing environment shaped by rising demand, regulatory and funding uncertainty, affordability pressures and increasing expectations from customers, communities, Indigenous Nations, government and other stakeholders. These pressures are intensifying while inflation, supply chain constraints, labour market challenges and global economic volatility are increasing both operating and capital costs. The result is a more constrained planning environment, where service expectations continue to rise while the funding and delivery capacity required to meet those expectations remains under pressure.

Internally, BC Ferries is managing a large, geographically dispersed, capital-intensive system with limited redundancy and a growing backlog of renewal needs. Workforce risks remain significant, including recruitment, retention, succession planning, leadership development and the capacity of employees to support major change while sustaining day-to-day operations. Aging vessels, terminals and technology platforms continue to place pressure on reliability, capital planning and execution. Financial sustainability is also a key concern, as projected debt servicing costs increase, and the current revenue model is not sufficient on its own to support the scale of investment required without continued government support.

Major transformation initiatives are intended to improve long-term capability, resilience and service outcomes, but they also introduce execution risk in an already capacity-constrained organization. At the same time, expectations for transparency, engagement and evidence-based decision-making continue to grow. This is particularly important for the Province, First Nations, coastal communities, customers and the public, all of whom have a direct interest in the performance and sustainability of the ferry system.

Together, these internal and external pressures point to a central PT7 challenge: the system must invest to sustain safe, reliable and resilient service, while the existing funding model and short regulatory planning horizon incentivize capital

deferral over investment and limit the ability to address long-term needs at the required pace. Managing this risk landscape will require disciplined prioritization, clearer alignment between service expectations and funding capacity along with sustained partnership with government and stakeholders.

6.6.b A more concentrated risk profile

BC Ferries enters PT7 with a more concentrated risk profile. The system is being asked to carry more demand, renew aging infrastructure, modernize core business systems and maintain reliable service within a constrained funding framework. Recent mitigation efforts have improved near-term performance in some areas. They have not changed the underlying pressure on the system.

6.6.c Capacity constraints across people, systems & delivery

Workforce capacity remains one of the most important constraints on service reliability and organizational execution. Targeted recruitment, training and employee development have helped reduce crew-related cancellations. Workforce planning has also improved the short-term outlook. The longer-term challenge is different. Planned service expansion, demographic pressures, succession needs and leadership development requirements will increase demand for skilled employees. BC Ferries must continue building workforce capacity while ensuring employees can absorb transformation activity without compromising safe and reliable day-to-day operations.

6.6.d Rising expectations and uncertain demand

Public confidence depends on reliability, affordability, transparency and visible progress on major investment decisions. The tolerance for missed sailings, delays and travel uncertainty remains limited because ferry service is essential to many coastal communities. BC Ferries continues to manage expectations through centralized communications, regional engagement and targeted messaging. These efforts support customers, communities, First Nations, government and other stakeholders. Public trust depends on disciplined planning, credible procurement, effective operational decision-making, and a clear connection between service expectations and available funding.

Technology risk is increasingly central to operational resilience. Aging and fragmented systems create complexity and limit adaptability. They also contribute to inconsistent data and manual workarounds where systems are not well integrated. Safe, reliable and efficient service now depends on stronger technology interdependence, but the current architecture remains difficult to adapt and scale.

Work is underway to strengthen change management, testing, disaster recovery and system integration. These are necessary improvements. They do not remove the execution risk created by legacy platforms. Core operational, customer, financial and asset management processes still depend on systems that were not designed for the current scale or complexity of the business.

Customers and communities served have modern expectations regarding technology and access to information. Recent communication improvements are helping address perceptions of reliability and performance, particularly when customers experience missed sailings, delays or uncertainty about travel plans. Overall customer satisfaction is improving, having reached an overall satisfaction level of 4.18/5.00 as reported through the most recent survey commissioned as part of the Coastal Ferry Services Contract. Even so, reliability, on-time performance, affordability and capacity constraints continue to shape the customer experience. Differentiated fare options may help manage

demand and respond to different price sensitivities. They do not remove the need to invest in capacity, reliability and service resilience.

Demand conditions add further complexity. Traffic volumes have rebounded strongly. Vehicle traffic has reached historic highs on parts of the network. Population growth is steady, as is the continuing role of ferry service in tourism, local economies, supply chains and daily travel. However, future demand remains uncertain. Travel behaviour may be affected by interest rates, inflation, cost of living pressures, cross-border travel patterns, labour availability and broader economic conditions. This creates planning risk. Investment decisions must be made now to address long-lived asset needs, even though demand patterns may shift over the regulatory period.

6.6.e Capital renewal and system resilience

Indigenous relations are central to long-term system planning and capital delivery. BC Ferries operates within the territories of 82 First Nations. Its operations, terminal projects, marine activity, procurement, employment and environmental stewardship intersect with Indigenous lands, waters, rights, interests and priorities. Early and sustained engagement is essential to advancing vessel, terminal and marine infrastructure projects. Without it, project timelines, approvals, scope and community support may be affected. BC Ferries has expanded its Indigenous Relations team and is advancing efforts that strengthen relationships, support reconciliation and identify shared opportunities with Indigenous partners.

Asset condition and capital delivery remain among the most significant risks for PT7. Historical underinvestment in terminal infrastructure continues to drive increased capital requirements. Incomplete condition information for some assets adds to that pressure. These legacy issues affect reliability, resilience, safety and regulatory compliance. They also constrain the ability to deliver terminal projects at the pace required to support the broader system. BC Ferries is undertaking more comprehensive condition assessments and asset health evaluations, particularly for critical terminal infrastructure. This work is improving the evidence base for capital prioritization; it is also clarifying the scale of renewal need across the network.

As Major terminal investment programs ramp up, several delivery risks will require active management. These include delivery capacity, project integration, permitting, Indigenous engagement, seismic risk, and operational coordination.

Standardization of marine terminal infrastructure remains an important strategic focus. Over time, it can improve flexibility, interoperability and lifecycle cost management. The immediate challenge is more practical. BC Ferries must sequence and resource an expanding capital program while minimizing operational disruption and avoiding further deferral of critical renewal work.

Service reliability is where many of these risks converge. BC Ferries is experiencing fewer service cancellations related to crew availability. This reflects progress in addressing short-term staffing challenges. However, aging assets, limited fleet redundancy, constrained maintenance windows and historical deferrals in capital investment continue to pose significant risk to service reliability. Given the replacement investment needs and constrained funding capacity, these pressures will persist in both the near and long term. Future service levels will remain limited by vessel availability and the gradual timing of fleet renewal. BC Ferries also has limited ability to add redundancy before new assets enter service.

6.6.f Aligning service, investment and financial sustainability

Taken together, these risks reinforce the importance of the long-term planning approach reflected throughout this submission. BC Ferries must continue investing in fleet renewal, terminal infrastructure, workforce planning, technology modernization, First Nations engagement and operational resilience to support future service delivery. Achieving these objectives will require ongoing consideration of service expectations, investment priorities, affordability and financial sustainability as BC Ferries responds to evolving customer, community and regulatory needs.

6.7 Summary: Financial Requirements to Sustain Service in PT7

The PT7 financial forecast brings together the operating, capital, service and financing requirements necessary to sustain current ferry service. It is based on the service levels, investments, funding commitments and other information known at the time of filing.

The revenue required to fund this level of service is affected not only by the cost of delivering service, but also by customer demand and the relationship between fares and traffic (price elasticity). Higher fares can reduce traffic, particularly for discretionary travel, which can reduce the additional revenue generated by fare increases. Demand is also influenced by population, employment, inflation, tourism and broader travel costs, while physical vessel and terminal capacity can constrain the amount of demand the system can ultimately accommodate.

As BC Ferries prepares to enter PT7, operating requirements remain elevated. Labour, fuel, maintenance, administration and technology costs reflect the higher cost base required to sustain reliable service and support an aging and increasingly complex system. The Capital Plan similarly reflects significant renewal requirements after more than \$3 billion of previously contemplated investment was removed, reduced or deferred. Most of the remaining investment is required to renew assets approaching end of life, maintain reliability or meet safety and regulatory requirements.

Financing will help distribute the cost of this renewal over time, but borrowing does not eliminate the underlying revenue requirement. Debt is forecast to increase significantly through PT7 as required capital investments are advanced, increasing the importance of sufficient revenues to support borrowing and debt service while maintaining financial sustainability.

Taken together, the PT7 forecast underscores the importance of the rate-setting determination in balancing the investment required to sustain a safe and reliable coastal ferry system with customer affordability and the long-term financial sustainability of the system.

Appendix 1: Route groupings & visual route map

Route groupings

Grouping	Routes
Major The four busiest routes linking Metro Vancouver with Vancouver Island and the Sunshine Coast.	Route 1: Tsawwassen to Swartz Bay Route 2: Horseshoe Bay to Departure Bay Route 3: Horseshoe Bay to Langdale Route 30: Tsawwassen to Duke Point
Minor The 18 regional connectors serving the Gulf Islands and Inter-Island networks.	Route 4: Swartz Bay to Fulford Harbour (Salt Spring Island) Route 5: Swartz Bay to Sourthern Gulf Islands Route 6: Crofton to Vesuvius (Salt Spring Island) Route 7: Earls Cove to Saltery Bay Route 8: Horseshoe Bay to Snug Cove (Bowen Island) Route 9: Tsawwassen to Southern Gulf Islands Route 12: Mill Bay to Brentwood Bay Route 13: Langdale to Gambier Island and Keats Island Route 17: Comox to Powell River Route 18: Powell River to Texada Island Route 19: Nanaimo Harbour to Gabriola Island Route 20: Chemainus to Thetis Island and Penelakut Island Route 21: Buckley Bay to Denman Island Route 22: Denman Island to Hornby Island Route 23: Campbell River to Quadra Island Route 24: Quadra Island to Cortes Island Route 25: Port McNeill to Malcolm Island and Cormorant Island Route 26: Haida Gwaii Inter-Island (Skidegate to Alliford Bay)
Northern The routes serving the central and north coast of British Columbia.	Route 10: Port Hardy to Prince Rupert, including McLoughlin Bay and Klemtu Route 11: Prince Rupert to Haida Gwaii (Skidegate) Route 28 / 28A: Port Hardy to Central Coast (Bella Coola), including Ocean Falls and Shearwater



Routes, Destinations and Terminals

- 1 Tsawwassen – Metro Vancouver (Tsawwassen) to Victoria – Vancouver Island (Swartz Bay)
- 2 West Vancouver – Metro Vancouver (Horseshoe Bay) to Nanaimo – Vancouver Island (Departure Bay)
- 3 West Vancouver – Metro Vancouver (Horseshoe Bay) to Gibsons – Sunshine Coast (Langdale)
- 4 Fulford Harbour – Salt Spring Island (Fulford Harbour) to Victoria – Vancouver Island (Swartz Bay)
- 5 Victoria – Vancouver Island (Swartz Bay) to Southern Gulf Islands
- 6 Vesuvius Bay – Salt Spring Island (Vesuvius) to Crofton – Vancouver Island (Crofton)
- 7 Earls Cove – Sunshine Coast (Earls Cove) to Powell River – Sunshine Coast (Saltery Bay)
- 8 West Vancouver – Metro Vancouver (Horseshoe Bay) to Bowen Island – Metro Vancouver (Snug Cove)
- 9 Tsawwassen – Metro Vancouver (Tsawwassen) to Southern Gulf Islands
- 10 Port Hardy – Vancouver Island (Bear Cove) to Prince Rupert – North Coast (Prince Rupert)
- 11 Prince Rupert – North Coast (Prince Rupert) to Skidegate – Graham Island (Skidegate)
- 12 Brentwood Bay (Brentwood Bay) to Mill Bay – Vancouver Island (Mill Bay)
- 13 Gibsons – Sunshine Coast (Langdale) to New Brighton – Gambier Island (New Brighton) to Keats Landing – Keats Island West (Keats Landing)
- 14 Powell River – Sunshine Coast (Westview) to Comox – Vancouver Island (Little River)
- 15 Powell River – Sunshine Coast (Westview) to Blubber Bay – Texada Island (Blubber Bay)
- 16 Nanaimo – Vancouver Island (Nanaimo Harbour) to Descanso Bay – Gabriola Island (Descanso Bay)
- 17 Chemainus – Vancouver Island (Chemainus) to Thetis Island (Preedy Harbour) to Penelakut Island (Penelakut Island)
- 18 Denman Island West (Denman Island West) to Buckley Bay – Vancouver Island (Buckley Bay)
- 19 Denman Island East (Gravelly Bay) to Hornby Island (Shingle Spit)
- 20 Campbell River – Vancouver Island (Campbell River) to Quathiaski Cove – Quadra Island (Quathiaski Cove)
- 21 Heriot Bay – Quadra Island (Heriot Bay) to Whaletown – Cortes Island (Whaletown)
- 22 Port McNeill – Vancouver Island (Port McNeill) to Sointula – Malcolm Island (Sointula) to Alert Bay – Cormorant Island (Alert Bay)
- 23 Skidegate – Graham Island (Skidegate) to Alliford Bay – Moresby Island (Alliford Bay)
- 24 Port Hardy – Vancouver Island (Bear Cove) to Bella Coola – Central Coast (Bella Coola)
- 25 Seasonal Direct Summer Service
- 26 Central Coast Connector [McLoughlin Bay (Bella Bella), Ocean Falls, Bella Coola, Shearwater]
- 27 Tsawwassen – Metro Vancouver (Tsawwassen) to Nanaimo – Vancouver Island (Duke Point)

Appendix 2: Route statements

The following notes are applicable to the route statements attached in the remainder of this appendix.

Effective April 1, 2024, the Coastal Ferry Services Contract was amended for PT6, formalizing ferry transportation fees for the four-year term which commenced April 1, 2024 and ends March 31, 2028. The maximum annual ferry transportation fee is \$194 million which includes \$30 million to reflect a notional amount for the Senior Discounts. For the purposes of annual route statements, Seniors Discounts are applied to all Designated Routes based on actual usage of the discounts on each route. The unused portion of the notional amount is allocated to Designated Routes based on the same proportion of the annual ferry transportation fee received by each route.

The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Moreover, as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances. Fuel surcharge was removed effective June 1, 2024.

Included in the Fuel Surcharge in the above statement are fuel surcharges applied against tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs.

During the year ended March 31, 2026, the Province paid \$0.5 million (March 31, 2025: less than \$0.1 million) for fuel price recovery on the Northern Routes.

The Commissioner approved the creation of a Carbon Reduction Investment Account (CRIA) which is funded through the sale of carbon credits, earned through activities such as purchase of natural gas and use of LNG and electrification usage. Within IFRS earnings, proceeds from sale of carbon credits are allocated and recorded to each Route where LNG and vessel shore power was consumed. Under regulatory reporting, BC Ferries deferred the net revenue from the sale of carbon credits and reported the proceeds in the CRIA. The CRIA will be used to partially fund further corporate infrastructure investments identified in its Clean Futures plan and progress greenhouse gases emission projects.

Some components of the operating expenses and fuel costs (over) under for fiscal 2025 were restated to correct the allocation to routes.

The overall impact of the restatements on Net Regulatory Earnings (Loss) for fiscal 2025: increased net earnings \$0.7 million on Major Routes, and increased net loss \$0.3 million and \$0.4 million on Northern and Minor Routes, respectively.

British Columbia Ferry Services Inc.
Route Statement
Corporate Total - All Routes
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	759,073	802,275	828,008	856,108
Ancillary Revenue	88,031	91,478	95,690	97,763
Social Program Fees	13,043	15,162	15,834	16,036
Contracted Routes Fee	5,513	5,876	5,625	5,794
Total Operating Revenue	865,660	914,791	945,157	975,701
Total Operating Expenses	985,196	978,506	1,092,725	1,133,334
Earnings (Loss) from Operations	(119,536)	(63,715)	(147,568)	(157,633)
Depreciation and Amortization	(202,468)	(204,218)	(210,441)	(222,147)
Net Financing Expense	(46,815)	(55,332)	(74,033)	(88,243)
Cost of Capital	(249,283)	(259,550)	(284,475)	(310,389)
(Loss) Gain on Disposal and Impairment of Capital Assets	(12,531)	(9,636)	(251)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(381,350)	(332,901)	(432,294)	(468,022)
Ferry Transportation Fees	194,014	193,990	193,919	194,046
Fare Affordability Funding	68,833	110,756	140,823	179,600
Federal-Provincial Subsidy Agreement	36,924	37,834	38,546	39,703
Net Regulatory Earnings (Loss)	(81,579)	9,679	(59,006)	(54,673)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	3,860	(5,566)	(67,431)	(32,342)
Fuel Surcharges Collected	5,757	-	31,938	43,679
Fuel Price Risk Recoveries Receivable from the Province	27	510	7,111	3,777
Tariffs in Excess of Price Cap	-	20	11,961	-
Deferred Carbon Reduction Investment Account	207	1,893	-	-
Net IFRS Earnings (Loss)	(71,728)	6,536	(75,427)	(39,559)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.
Route Statement
Major Routes
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	635,248	668,418	686,800	715,803
Ancillary Revenue	75,124	78,306	83,598	86,588
Social Program Fees	5,733	7,280	7,471	7,766
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	716,105	754,004	777,869	810,158
Total Operating Expenses	634,876	626,084	708,197	730,361
Earnings (Loss) from Operations	81,229	127,920	69,672	79,796
Depreciation and Amortization	(116,460)	(111,568)	(112,665)	(116,833)
Net Financing Expense	(20,826)	(25,637)	(39,799)	(46,452)
Cost of Capital	(137,286)	(137,205)	(152,464)	(163,285)
(Loss) Gain on Disposal and Impairment of Capital Assets	(10,421)	(8,020)	(134)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(66,478)	(17,305)	(82,926)	(83,488)
Ferry Transportation Fees	17,593	18,917	19,778	19,920
Fare Affordability Funding	57,199	92,102	117,093	149,042
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	8,314	93,714	53,945	85,473
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	3,023	(3,710)	(46,142)	(21,277)
Fuel Surcharges Collected	4,664	-	26,461	36,191
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	13	9,998	-
Deferred Carbon Reduction Investment Account	-	1,052	-	-
Net IFRS Earnings (Loss)	16,001	91,069	44,261	100,387

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

01 : Tsawwassen - Swartz Bay

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	300,833	322,384	326,462	338,713
Ancillary Revenue	35,863	37,933	41,451	41,900
Social Program Fees	1,979	2,228	2,256	2,341
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	338,675	362,545	370,169	382,954
Total Operating Expenses	257,662	251,683	290,056	296,776
Earnings (Loss) from Operations	81,013	110,862	80,114	86,178
Depreciation and Amortization	(51,320)	(48,276)	(47,390)	(46,712)
Net Financing Expense	(10,179)	(12,040)	(16,768)	(18,566)
Cost of Capital	(61,499)	(60,316)	(64,158)	(65,278)
(Loss) Gain on Disposal and Impairment of Capital Assets	(4,929)	(3,857)	(56)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	14,585	46,689	15,899	20,900
Ferry Transportation Fees	7,171	7,787	8,182	8,229
Fare Affordability Funding	26,723	43,081	54,774	69,503
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	48,479	97,557	78,855	98,632
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	2,831	1,727	(15,192)	(6,884)
Fuel Surcharges Collected	2,192	-	12,535	17,273
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	8	4,804	-
Deferred Carbon Reduction Investment Account	-	1,049	-	-
Net IFRS Earnings (Loss)	53,502	100,341	81,001	109,021

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

02 : Horseshoe Bay - Nanaimo

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	143,406	145,205	146,728	157,247
Ancillary Revenue	17,021	16,780	18,028	19,162
Social Program Fees	1,574	1,945	1,965	2,106
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	162,001	163,930	166,721	178,516
Total Operating Expenses	148,957	146,826	160,721	163,419
Earnings (Loss) from Operations	13,044	17,104	6,001	15,096
Depreciation and Amortization	(26,911)	(24,676)	(24,407)	(24,182)
Net Financing Expense	(3,156)	(4,054)	(8,651)	(9,611)
Cost of Capital	(30,067)	(28,730)	(33,057)	(33,793)
(Loss) Gain on Disposal and Impairment of Capital Assets	(2,357)	(1,743)	(27)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(19,380)	(13,369)	(27,084)	(18,696)
Ferry Transportation Fees	4,690	4,835	4,976	5,044
Fare Affordability Funding	13,379	21,498	27,318	34,878
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	(1,311)	12,964	5,210	21,225
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	74	(1,955)	(10,476)	(4,963)
Fuel Surcharges Collected	1,151	-	5,731	7,914
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	4	2,071	-
Deferred Carbon Reduction Investment Account	-	1	-	-
Net IFRS Earnings (Loss)	(86)	11,014	2,536	24,176

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

03 : Horseshoe Bay - Langdale

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	54,240	56,535	58,338	59,214
Ancillary Revenue	8,390	8,958	8,653	8,909
Social Program Fees	1,437	2,118	2,186	2,218
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	64,067	67,611	69,177	70,341
Total Operating Expenses	78,260	79,200	85,343	85,654
Earnings (Loss) from Operations	(14,193)	(11,589)	(16,166)	(15,314)
Depreciation and Amortization	(13,928)	(13,447)	(14,576)	(16,389)
Net Financing Expense	(1,917)	(2,461)	(5,135)	(6,515)
Cost of Capital	(15,845)	(15,908)	(19,711)	(22,903)
(Loss) Gain on Disposal and Impairment of Capital Assets	(932)	(719)	(17)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(30,970)	(28,216)	(35,895)	(38,217)
Ferry Transportation Fees	2,073	2,235	2,340	2,296
Fare Affordability Funding	4,855	7,811	9,930	12,420
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	(24,042)	(18,170)	(23,625)	(23,500)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	30	(866)	(5,232)	(2,422)
Fuel Surcharges Collected	377	-	2,188	2,976
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	1	837	-
Deferred Carbon Reduction Investment Account	-	1	-	-
Net IFRS Earnings (Loss)	(23,635)	(19,034)	(25,832)	(22,946)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

30 : Nanaimo - Tsawwassen

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	136,769	144,294	155,272	160,629
Ancillary Revenue	13,850	14,635	15,465	16,618
Social Program Fees	743	989	1,064	1,101
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	151,362	159,918	171,801	178,348
Total Operating Expenses	149,997	148,375	172,077	184,512
Earnings (Loss) from Operations	1,365	11,543	(276)	(6,164)
Depreciation and Amortization	(24,301)	(25,169)	(26,292)	(29,550)
Net Financing Expense	(5,574)	(7,082)	(9,245)	(11,760)
Cost of Capital	(29,875)	(32,251)	(35,537)	(41,310)
(Loss) Gain on Disposal and Impairment of Capital Assets	(2,203)	(1,701)	(33)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(30,713)	(22,409)	(35,846)	(47,474)
Ferry Transportation Fees	3,659	4,060	4,280	4,351
Fare Affordability Funding	12,242	19,712	25,071	32,241
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	(14,812)	1,363	(6,495)	(10,883)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	88	(2,616)	(15,242)	(7,008)
Fuel Surcharges Collected	944	-	6,007	8,028
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	2,286	-
Deferred Carbon Reduction Investment Account	-	1	-	-
Net IFRS Earnings (Loss)	(13,780)	(1,252)	(13,445)	(9,863)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.
Route Statement
Minor Routes
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	104,061	112,382	118,119	117,951
Ancillary Revenue	7,079	7,444	6,303	6,544
Social Program Fees	6,075	6,489	6,845	6,841
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	117,215	126,315	131,267	131,337
Total Operating Expenses	263,220	268,852	301,319	306,836
Earnings (Loss) from Operations	(146,005)	(142,537)	(170,053)	(175,499)
Depreciation and Amortization	(69,478)	(75,812)	(80,173)	(87,656)
Net Financing Expense	(20,420)	(23,359)	(28,095)	(34,782)
Cost of Capital	(89,898)	(99,171)	(108,269)	(122,439)
(Loss) Gain on Disposal and Impairment of Capital Assets	(1,720)	(1,312)	(95)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(237,623)	(243,020)	(278,416)	(297,938)
Ferry Transportation Fees	131,017	129,877	129,380	129,150
Fare Affordability Funding	9,870	15,825	20,135	25,513
Federal-Provincial Subsidy Agreement	27,081	27,689	28,377	29,228
Net Regulatory Earnings (Loss)	(69,655)	(69,629)	(100,524)	(114,046)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	1,282	(759)	(14,577)	(7,133)
Fuel Surcharges Collected	814	-	4,664	6,361
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	3	1,651	-
Deferred Carbon Reduction Investment Account	207	840	-	-
Net IFRS Earnings (Loss)	(67,352)	(69,545)	(108,786)	(114,818)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

04 : Swartz Bay - Fulford Harbour

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	7,546	8,233	8,368	8,215
Ancillary Revenue	286	279	41	15
Social Program Fees	469	495	503	494
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	8,301	9,007	8,912	8,724
Total Operating Expenses	16,983	17,256	18,281	18,566
Earnings (Loss) from Operations	(8,682)	(8,249)	(9,369)	(9,842)
Depreciation and Amortization	(4,022)	(3,424)	(3,382)	(3,893)
Net Financing Expense	(776)	(884)	(1,194)	(1,542)
Cost of Capital	(4,798)	(4,308)	(4,576)	(5,435)
(Loss) Gain on Disposal and Impairment of Capital Assets	(121)	(96)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(13,601)	(12,653)	(13,949)	(15,276)
Ferry Transportation Fees	7,674	7,377	7,197	7,218
Fare Affordability Funding	723	1,160	1,474	1,827
Federal-Provincial Subsidy Agreement	1,577	1,562	1,507	1,553
Net Regulatory Earnings (Loss)	(3,627)	(2,554)	(3,771)	(4,679)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	8	(205)	(1,206)	(558)
Fuel Surcharges Collected	56	-	303	406
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	118	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(3,563)	(2,759)	(4,556)	(4,832)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
05 : Swartz Bay - Gulf Islands
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	6,961	7,285	7,753	7,946
Ancillary Revenue	1,283	1,119	984	1,164
Social Program Fees	558	606	645	661
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	8,802	9,010	9,382	9,771
Total Operating Expenses	38,170	37,133	41,678	38,899
Earnings (Loss) from Operations	(29,368)	(28,123)	(32,296)	(29,128)
Depreciation and Amortization	(9,710)	(9,449)	(10,600)	(9,817)
Net Financing Expense	(3,177)	(3,277)	(3,744)	(3,889)
Cost of Capital	(12,887)	(12,726)	(14,344)	(13,707)
(Loss) Gain on Disposal and Impairment of Capital Assets	(142)	(82)	(11)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(42,397)	(40,931)	(46,650)	(42,835)
Ferry Transportation Fees	21,045	21,189	21,149	21,252
Fare Affordability Funding	661	1,078	1,377	1,708
Federal-Provincial Subsidy Agreement	4,470	4,655	4,752	4,895
Net Regulatory Earnings (Loss)	(16,221)	(14,009)	(19,373)	(14,980)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	429	131	(2,743)	(1,328)
Fuel Surcharges Collected	57	-	314	428
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	106	-
Deferred Carbon Reduction Investment Account	-	212	-	-
Net IFRS Earnings (Loss)	(15,735)	(13,666)	(21,696)	(15,880)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
06 : Vesuvius Bay - Crofton
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	6,285	7,225	7,648	7,574
Ancillary Revenue	18	21	20	14
Social Program Fees	377	405	429	425
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	6,680	7,651	8,097	8,012
Total Operating Expenses	9,669	10,120	14,108	19,032
Earnings (Loss) from Operations	(2,989)	(2,469)	(6,011)	(11,020)
Depreciation and Amortization	(3,029)	(2,615)	(3,475)	(8,578)
Net Financing Expense	(274)	(287)	(1,235)	(3,394)
Cost of Capital	(3,303)	(2,902)	(4,710)	(11,973)
(Loss) Gain on Disposal and Impairment of Capital Assets	(97)	(81)	(3)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(6,389)	(5,452)	(10,724)	(22,993)
Ferry Transportation Fees	3,533	3,225	3,720	3,722
Fare Affordability Funding	598	961	1,223	1,528
Federal-Provincial Subsidy Agreement	683	628	1,191	1,227
Net Regulatory Earnings (Loss)	(1,575)	(638)	(4,589)	(16,516)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	3	(79)	(550)	(496)
Fuel Surcharges Collected	48	-	277	376
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	108	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(1,524)	(717)	(4,754)	(16,636)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

07 : Saltery Bay - Earls Cove

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	8,136	8,833	9,204	8,992
Ancillary Revenue	444	471	461	493
Social Program Fees	295	324	338	330
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	8,875	9,628	10,002	9,815
Total Operating Expenses	20,609	21,733	23,100	26,231
Earnings (Loss) from Operations	(11,734)	(12,105)	(13,098)	(16,416)
Depreciation and Amortization	(3,243)	(3,156)	(3,101)	(3,412)
Net Financing Expense	(899)	(979)	(1,085)	(1,351)
Cost of Capital	(4,142)	(4,135)	(4,186)	(4,763)
(Loss) Gain on Disposal and Impairment of Capital Assets	(129)	(102)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(16,005)	(16,342)	(17,288)	(21,179)
Ferry Transportation Fees	9,792	9,508	9,302	9,341
Fare Affordability Funding	740	1,189	1,512	1,968
Federal-Provincial Subsidy Agreement	2,079	2,085	2,028	2,089
Net Regulatory Earnings (Loss)	(3,394)	(3,560)	(4,446)	(7,781)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	14	(315)	(1,772)	(839)
Fuel Surcharges Collected	55	-	321	428
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	128	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(3,325)	(3,875)	(5,770)	(8,192)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
08 : Horseshoe Bay - Snug Cove
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	11,873	12,829	13,360	13,549
Ancillary Revenue	568	701	260	303
Social Program Fees	859	903	940	954
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	13,300	14,433	14,560	14,806
Total Operating Expenses	22,869	22,909	24,621	26,861
Earnings (Loss) from Operations	(9,569)	(8,476)	(10,061)	(12,055)
Depreciation and Amortization	(5,125)	(5,397)	(5,074)	(4,795)
Net Financing Expense	(908)	(1,136)	(1,778)	(1,909)
Cost of Capital	(6,033)	(6,533)	(6,852)	(6,704)
(Loss) Gain on Disposal and Impairment of Capital Assets	(194)	(153)	(6)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(15,796)	(15,162)	(16,919)	(18,758)
Ferry Transportation Fees	9,324	8,710	8,391	8,407
Fare Affordability Funding	1,161	1,871	2,381	2,942
Federal-Provincial Subsidy Agreement	1,893	1,810	1,687	1,737
Net Regulatory Earnings (Loss)	(3,418)	(2,771)	(4,461)	(5,672)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	12	(317)	(1,789)	(848)
Fuel Surcharges Collected	86	-	517	703
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	1	195	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(3,320)	(3,087)	(5,538)	(5,817)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

09 : Tsawwassen - Gulf Islands

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	18,220	19,303	19,858	20,106
Ancillary Revenue	2,613	2,864	2,570	2,608
Social Program Fees	268	294	302	306
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	21,101	22,461	22,731	23,019
Total Operating Expenses	29,871	30,968	37,609	35,578
Earnings (Loss) from Operations	(8,770)	(8,507)	(14,879)	(12,558)
Depreciation and Amortization	(8,301)	(7,617)	(10,675)	(12,187)
Net Financing Expense	(2,661)	(2,941)	(3,683)	(4,841)
Cost of Capital	(10,962)	(10,558)	(14,358)	(17,028)
(Loss) Gain on Disposal and Impairment of Capital Assets	(316)	(230)	(15)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(20,048)	(19,295)	(29,251)	(29,586)
Ferry Transportation Fees	10,756	10,195	9,859	9,896
Fare Affordability Funding	1,622	2,638	3,356	4,411
Federal-Provincial Subsidy Agreement	2,147	2,084	1,951	2,009
Net Regulatory Earnings (Loss)	(5,523)	(4,378)	(14,085)	(13,269)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	474	512	(1,191)	(583)
Fuel Surcharges Collected	168	-	728	1,014
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	1	275	-
Deferred Carbon Reduction Investment Account	-	206	-	-
Net IFRS Earnings (Loss)	(4,881)	(3,659)	(14,273)	(12,838)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

12 : Mill Bay - Brentwood

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	2,313	2,506	2,669	2,580
Ancillary Revenue	5	6	5	4
Social Program Fees	7	5	5	5
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	2,325	2,517	2,679	2,590
Total Operating Expenses	5,096	3,876	5,029	4,917
Earnings (Loss) from Operations	(2,771)	(1,359)	(2,350)	(2,328)
Depreciation and Amortization	(992)	(1,227)	(1,580)	(1,575)
Net Financing Expense	(121)	(194)	(552)	(626)
Cost of Capital	(1,113)	(1,421)	(2,131)	(2,201)
(Loss) Gain on Disposal and Impairment of Capital Assets	(34)	(27)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(3,918)	(2,807)	(4,483)	(4,529)
Ferry Transportation Fees	1,939	1,862	1,829	1,458
Fare Affordability Funding	190	304	387	475
Federal-Provincial Subsidy Agreement	354	344	326	336
Net Regulatory Earnings (Loss)	(1,435)	(297)	(1,942)	(2,260)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	1	(25)	(141)	(69)
Fuel Surcharges Collected	20	-	92	124
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	37	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(1,414)	(322)	(1,953)	(2,206)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
13 : Langdale - Gambier Island - Keats Island
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	193	205	221	234
Ancillary Revenue	22	22	41	42
Social Program Fees	10	20	22	23
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	225	247	283	298
Total Operating Expenses	878	899	1,090	1,125
Earnings (Loss) from Operations	(653)	(652)	(808)	(827)
Depreciation and Amortization	(11)	(9)	(14)	(12)
Net Financing Expense	-	-	(5)	(5)
Cost of Capital	(11)	(9)	(19)	(17)
(Loss) Gain on Disposal and Impairment of Capital Assets	(3)	(3)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(667)	(664)	(827)	(844)
Ferry Transportation Fees	415	414	411	325
Fare Affordability Funding	23	37	47	61
Federal-Provincial Subsidy Agreement	74	75	73	76
Net Regulatory Earnings (Loss)	(155)	(138)	(295)	(382)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	(29)	(44)	(73)	(35)
Fuel Surcharges Collected	1	-	9	12
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	3	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(183)	(182)	(356)	(405)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

17 : Comox - Powell River

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	14,650	15,899	17,602	16,816
Ancillary Revenue	1,657	1,761	1,750	1,797
Social Program Fees	1,121	1,223	1,354	1,294
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	17,428	18,883	20,706	19,907
Total Operating Expenses	23,575	26,219	32,163	32,035
Earnings (Loss) from Operations	(6,147)	(7,336)	(11,457)	(12,128)
Depreciation and Amortization	(5,673)	(6,973)	(6,297)	(6,085)
Net Financing Expense	(1,935)	(2,818)	(2,204)	(2,418)
Cost of Capital	(7,608)	(9,791)	(8,501)	(8,503)
(Loss) Gain on Disposal and Impairment of Capital Assets	(254)	(201)	(7)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(14,009)	(17,328)	(19,965)	(20,631)
Ferry Transportation Fees	8,048	7,570	7,295	7,309
Fare Affordability Funding	1,349	2,174	2,766	3,482
Federal-Provincial Subsidy Agreement	1,603	1,536	1,446	1,490
Net Regulatory Earnings (Loss)	(3,009)	(6,048)	(8,458)	(8,350)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	338	317	(862)	(422)
Fuel Surcharges Collected	117	-	655	883
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	1	226	-
Deferred Carbon Reduction Investment Account	-	158	-	-
Net IFRS Earnings (Loss)	(2,554)	(5,572)	(8,439)	(7,889)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
18 : Texada Island - Powell River
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	1,652	1,752	1,846	1,855
Ancillary Revenue	17	13	22	5
Social Program Fees	169	173	182	183
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,838	1,938	2,050	2,043
Total Operating Expenses	9,657	8,497	9,421	9,654
Earnings (Loss) from Operations	(7,819)	(6,559)	(7,370)	(7,612)
Depreciation and Amortization	(3,051)	(2,489)	(2,432)	(2,709)
Net Financing Expense	(973)	(1,012)	(845)	(1,073)
Cost of Capital	(4,024)	(3,501)	(3,277)	(3,782)
(Loss) Gain on Disposal and Impairment of Capital Assets	(27)	(21)	(3)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(11,870)	(10,081)	(10,651)	(11,394)
Ferry Transportation Fees	7,409	7,422	7,491	7,519
Fare Affordability Funding	177	281	357	444
Federal-Provincial Subsidy Agreement	1,580	1,637	1,760	1,813
Net Regulatory Earnings (Loss)	(2,704)	(741)	(1,042)	(1,617)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	4	(77)	(443)	(215)
Fuel Surcharges Collected	13	-	71	94
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	25	-
Deferred Carbon Reduction Investment Account	53	40	-	-
Net IFRS Earnings (Loss)	(2,634)	(778)	(1,389)	(1,739)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

19 : Gabriola Island - Nanaimo Harbour

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	7,062	7,686	8,051	8,141
Ancillary Revenue	44	40	35	17
Social Program Fees	471	505	529	535
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	7,577	8,231	8,615	8,693
Total Operating Expenses	17,783	19,145	21,245	20,020
Earnings (Loss) from Operations	(10,206)	(10,914)	(12,630)	(11,327)
Depreciation and Amortization	(5,608)	(6,721)	(8,863)	(8,709)
Net Financing Expense	(2,466)	(2,831)	(3,202)	(3,460)
Cost of Capital	(8,074)	(9,552)	(12,064)	(12,169)
(Loss) Gain on Disposal and Impairment of Capital Assets	(110)	(88)	(8)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(18,390)	(20,554)	(24,702)	(23,496)
Ferry Transportation Fees	10,881	11,407	11,364	11,394
Fare Affordability Funding	714	1,145	1,456	1,797
Federal-Provincial Subsidy Agreement	2,200	2,388	2,290	2,359
Net Regulatory Earnings (Loss)	(4,595)	(5,614)	(9,592)	(7,945)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	8	(174)	(963)	(412)
Fuel Surcharges Collected	51	-	302	405
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	113	-
Deferred Carbon Reduction Investment Account	-	80	-	-
Net IFRS Earnings (Loss)	(4,536)	(5,708)	(10,140)	(7,952)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

20 : Thetis Island - Penelakut Island - Chemainus

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	1,523	1,618	1,700	1,756
Ancillary Revenue	6	3	3	4
Social Program Fees	249	269	283	292
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,778	1,890	1,986	2,051
Total Operating Expenses	6,953	6,244	7,396	7,520
Earnings (Loss) from Operations	(5,175)	(4,354)	(5,410)	(5,469)
Depreciation and Amortization	(1,725)	(1,655)	(1,871)	(1,654)
Net Financing Expense	(325)	(380)	(651)	(660)
Cost of Capital	(2,050)	(2,035)	(2,522)	(2,313)
(Loss) Gain on Disposal and Impairment of Capital Assets	(26)	(19)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(7,251)	(6,408)	(7,934)	(7,782)
Ferry Transportation Fees	3,956	3,917	3,874	3,890
Fare Affordability Funding	165	266	339	411
Federal-Provincial Subsidy Agreement	833	851	850	876
Net Regulatory Earnings (Loss)	(2,297)	(1,374)	(2,871)	(2,605)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	2	(46)	(256)	(126)
Fuel Surcharges Collected	13	-	71	97
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	23	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(2,282)	(1,420)	(3,033)	(2,634)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

21 : Denman Island - Buckley Bay

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	4,207	4,523	4,738	4,723
Ancillary Revenue	22	16	20	12
Social Program Fees	306	329	345	344
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	4,535	4,868	5,102	5,078
Total Operating Expenses	10,548	11,795	9,328	8,436
Earnings (Loss) from Operations	(6,013)	(6,927)	(4,225)	(3,358)
Depreciation and Amortization	(2,570)	(3,158)	(3,623)	(3,148)
Net Financing Expense	(844)	(1,025)	(1,266)	(1,252)
Cost of Capital	(3,414)	(4,183)	(4,889)	(4,400)
(Loss) Gain on Disposal and Impairment of Capital Assets	(66)	(52)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(9,493)	(11,162)	(9,119)	(7,758)
Ferry Transportation Fees	4,802	4,741	4,696	4,703
Fare Affordability Funding	433	696	884	1,135
Federal-Provincial Subsidy Agreement	949	963	958	987
Net Regulatory Earnings (Loss)	(3,309)	(4,762)	(2,581)	(933)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	1	(26)	(126)	(61)
Fuel Surcharges Collected	29	-	184	243
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	70	-
Deferred Carbon Reduction Investment Account	-	1	-	-
Net IFRS Earnings (Loss)	(3,279)	(4,787)	(2,453)	(751)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
22 : Hornby Island - Denman Island
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	2,116	2,306	2,463	2,473
Ancillary Revenue	9	23	13	13
Social Program Fees	21	19	20	20
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	2,146	2,348	2,496	2,506
Total Operating Expenses	5,871	6,817	8,137	7,020
Earnings (Loss) from Operations	(3,725)	(4,469)	(5,641)	(4,514)
Depreciation and Amortization	(1,948)	(1,949)	(2,305)	(3,575)
Net Financing Expense	(446)	(586)	(825)	(1,421)
Cost of Capital	(2,394)	(2,535)	(3,130)	(4,996)
(Loss) Gain on Disposal and Impairment of Capital Assets	(31)	(25)	(3)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(6,150)	(7,029)	(8,773)	(9,509)
Ferry Transportation Fees	3,419	3,437	3,486	3,353
Fare Affordability Funding	170	273	347	480
Federal-Provincial Subsidy Agreement	718	745	821	845
Net Regulatory Earnings (Loss)	(1,843)	(2,574)	(4,119)	(4,831)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	1	(28)	(139)	(72)
Fuel Surcharges Collected	13	-	215	307
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	36	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(1,829)	(2,602)	(4,007)	(4,596)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
23 : Quadra Island - Campbell River
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	6,823	7,408	7,734	7,713
Ancillary Revenue	27	26	38	26
Social Program Fees	534	548	572	571
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	7,384	7,982	8,344	8,309
Total Operating Expenses	19,629	21,179	21,774	20,785
Earnings (Loss) from Operations	(12,245)	(13,197)	(13,430)	(12,476)
Depreciation and Amortization	(5,757)	(6,822)	(6,778)	(8,876)
Net Financing Expense	(2,716)	(3,144)	(2,457)	(3,524)
Cost of Capital	(8,473)	(9,966)	(9,235)	(12,399)
(Loss) Gain on Disposal and Impairment of Capital Assets	(99)	(76)	(7)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(20,817)	(23,239)	(22,672)	(24,875)
Ferry Transportation Fees	8,740	9,257	9,186	9,214
Fare Affordability Funding	683	1,095	1,391	1,755
Federal-Provincial Subsidy Agreement	1,772	1,947	1,811	1,866
Net Regulatory Earnings (Loss)	(9,622)	(10,940)	(10,284)	(12,041)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	7	(156)	(896)	(357)
Fuel Surcharges Collected	52	-	291	393
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	116	-
Deferred Carbon Reduction Investment Account	104	96	-	-
Net IFRS Earnings (Loss)	(9,459)	(11,000)	(10,772)	(12,005)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
24 : Cortes Island - Quadra Island
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	1,285	1,374	1,346	1,474
Ancillary Revenue	5	13	5	3
Social Program Fees	168	184	180	197
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,458	1,571	1,531	1,674
Total Operating Expenses	6,358	6,081	7,883	9,818
Earnings (Loss) from Operations	(4,900)	(4,510)	(6,352)	(8,144)
Depreciation and Amortization	(3,112)	(5,766)	(6,493)	(3,807)
Net Financing Expense	(337)	(288)	(2,113)	(1,514)
Cost of Capital	(3,449)	(6,054)	(8,607)	(5,321)
(Loss) Gain on Disposal and Impairment of Capital Assets	(21)	(17)	(12)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(8,370)	(10,581)	(14,970)	(13,465)
Ferry Transportation Fees	6,355	6,412	6,785	6,737
Fare Affordability Funding	137	221	281	353
Federal-Provincial Subsidy Agreement	1,373	1,436	1,836	1,891
Net Regulatory Earnings (Loss)	(505)	(2,512)	(6,068)	(4,484)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	3	(68)	(484)	(257)
Fuel Surcharges Collected	11	-	177	257
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	22	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(491)	(2,580)	(6,354)	(4,484)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

25 : Alert Bay - Sointula - Port McNeill

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	2,286	2,465	2,562	2,718
Ancillary Revenue	17	37	20	9
Social Program Fees	151	148	154	163
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	2,454	2,650	2,736	2,891
Total Operating Expenses	10,920	10,387	10,629	10,971
Earnings (Loss) from Operations	(8,466)	(7,737)	(7,893)	(8,080)
Depreciation and Amortization	(3,759)	(6,074)	(3,095)	(3,008)
Net Financing Expense	(1,309)	(1,306)	(1,076)	(1,197)
Cost of Capital	(5,068)	(7,380)	(4,171)	(4,204)
(Loss) Gain on Disposal and Impairment of Capital Assets	(36)	(28)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(13,570)	(15,145)	(12,068)	(12,284)
Ferry Transportation Fees	8,872	9,163	9,301	9,347
Fare Affordability Funding	233	286	365	493
Federal-Provincial Subsidy Agreement	1,899	2,033	2,167	2,233
Net Regulatory Earnings (Loss)	(2,566)	(3,663)	(234)	(211)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	4	(118)	(699)	(333)
Fuel Surcharges Collected	17	-	101	138
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	35	-
Deferred Carbon Reduction Investment Account	50	47	-	-
Net IFRS Earnings (Loss)	(2,495)	(3,734)	(797)	(406)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
26 : Skidegate - Alliford Bay
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	930	932	998	1,086
Ancillary Revenue	36	29	15	15
Social Program Fees	42	39	42	45
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,008	1,000	1,054	1,147
Total Operating Expenses	7,781	7,594	7,827	9,367
Earnings (Loss) from Operations	(6,773)	(6,594)	(6,773)	(8,220)
Depreciation and Amortization	(1,842)	(1,311)	(517)	(1,818)
Net Financing Expense	(253)	(271)	(181)	(706)
Cost of Capital	(2,095)	(1,582)	(698)	(2,524)
(Loss) Gain on Disposal and Impairment of Capital Assets	(14)	(11)	(1)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(8,882)	(8,187)	(7,471)	(10,744)
Ferry Transportation Fees	4,057	4,071	4,046	4,065
Fare Affordability Funding	91	150	192	243
Federal-Provincial Subsidy Agreement	877	910	920	948
Net Regulatory Earnings (Loss)	(3,857)	(3,056)	(2,313)	(5,489)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	2	(41)	(244)	(121)
Fuel Surcharges Collected	7	-	38	53
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	15	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(3,848)	(3,097)	(2,504)	(5,557)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.
Route Statement
Northern Routes
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
Tariff Revenue	19,764	21,475	23,090	22,353
Ancillary Revenue	5,828	5,728	5,788	4,631
Social Program Fees	1,235	1,393	1,517	1,428
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	26,827	28,596	30,396	28,413
Total Operating Expenses	81,587	77,694	77,565	90,323
Earnings (Loss) from Operations	(54,760)	(49,098)	(47,169)	(61,910)
Depreciation and Amortization	(16,530)	(16,838)	(17,603)	(17,658)
Net Financing Expense	(5,569)	(6,336)	(6,139)	(7,008)
Cost of Capital	(22,099)	(23,174)	(23,742)	(24,666)
(Loss) Gain on Disposal and Impairment of Capital Assets	(390)	(304)	(21)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(77,249)	(72,576)	(70,932)	(86,576)
Ferry Transportation Fees	45,404	45,196	44,761	44,976
Fare Affordability Funding	1,764	2,829	3,595	5,045
Federal-Provincial Subsidy Agreement	9,843	10,145	10,170	10,475
Net Regulatory Earnings (Loss)	(20,238)	(14,406)	(12,407)	(26,080)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	(445)	(1,097)	(6,712)	(3,931)
Fuel Surcharges Collected	279	-	813	1,127
Fuel Price Risk Recoveries Receivable from the Province	27	510	7,111	3,777
Tariffs in Excess of Price Cap	-	4	312	-
Deferred Carbon Reduction Investment Account	-	1	-	-
Net IFRS Earnings (Loss)	(20,377)	(14,988)	(10,882)	(25,108)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

10 : Bear Cove - Bella Bella - Prince Rupert

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	11,361	12,497	13,256	13,263
Ancillary Revenue	2,981	3,114	3,004	2,401
Social Program Fees	381	487	517	517
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	14,723	16,098	16,777	16,181
Total Operating Expenses	38,517	37,460	36,274	41,809
Earnings (Loss) from Operations	(23,794)	(21,362)	(19,498)	(25,629)
Depreciation and Amortization	(6,760)	(6,609)	(7,388)	(7,022)
Net Financing Expense	(2,530)	(2,791)	(2,551)	(2,789)
Cost of Capital	(9,290)	(9,400)	(9,939)	(9,811)
(Loss) Gain on Disposal and Impairment of Capital Assets	(214)	(171)	(10)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(33,298)	(30,933)	(29,448)	(35,439)
Ferry Transportation Fees	18,743	18,425	18,120	18,213
Fare Affordability Funding	1,025	1,641	2,085	2,967
Federal-Provincial Subsidy Agreement	4,041	4,107	4,050	4,172
Net Regulatory Earnings (Loss)	(9,489)	(6,760)	(5,192)	(10,087)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	(238)	(594)	(3,841)	(2,113)
Fuel Surcharges Collected	160	-	479	679
Fuel Price Risk Recoveries Receivable from the Province	14	276	2,053	1,672
Tariffs in Excess of Price Cap	-	-	194	-
Deferred Carbon Reduction Investment Account	-	1	-	-
Net IFRS Earnings (Loss)	(9,553)	(7,077)	(6,306)	(9,848)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.


British Columbia Ferry Services Inc.
Route Statement
11 : Prince Rupert - Skidegate
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	6,921	7,366	8,139	7,406
Ancillary Revenue	2,711	2,540	2,731	2,133
Social Program Fees	846	902	997	907
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	10,478	10,808	11,867	10,446
Total Operating Expenses	30,403	28,695	27,376	34,668
Earnings (Loss) from Operations	(19,925)	(17,887)	(15,509)	(24,222)
Depreciation and Amortization	(5,156)	(5,132)	(4,752)	(5,180)
Net Financing Expense	(1,617)	(1,752)	(1,692)	(2,052)
Cost of Capital	(6,773)	(6,884)	(6,444)	(7,232)
(Loss) Gain on Disposal and Impairment of Capital Assets	(152)	(115)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(26,850)	(24,886)	(21,957)	(31,454)
Ferry Transportation Fees	18,084	18,006	17,826	17,908
Fare Affordability Funding	643	1,034	1,314	1,767
Federal-Provincial Subsidy Agreement	3,934	4,058	4,066	4,188
Net Regulatory Earnings (Loss)	(4,189)	(1,788)	1,249	(7,590)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	(171)	(422)	(2,376)	(1,551)
Fuel Surcharges Collected	96	-	264	362
Fuel Price Risk Recoveries Receivable from the Province	10	196	4,534	1,847
Tariffs in Excess of Price Cap	-	-	106	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(4,254)	(2,014)	3,778	(6,933)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.



British Columbia Ferry Services Inc.

Route Statement

28 : Port Hardy - Bella Coola

For the Twelve Months Ended March 31

(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	1,482	1,612	1,694	1,685
Ancillary Revenue	136	74	53	97
Social Program Fees	8	4	4	4
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,626	1,690	1,752	1,786
Total Operating Expenses	12,667	11,539	13,914	13,846
Earnings (Loss) from Operations	(11,041)	(9,849)	(12,162)	(12,060)
Depreciation and Amortization	(4,614)	(5,097)	(5,463)	(5,456)
Net Financing Expense	(1,422)	(1,793)	(1,896)	(2,167)
Cost of Capital	(6,036)	(6,890)	(7,359)	(7,624)
(Loss) Gain on Disposal and Impairment of Capital Assets	(24)	(18)	(7)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	(17,101)	(16,757)	(19,528)	(19,683)
Ferry Transportation Fees	8,577	8,765	8,815	8,855
Fare Affordability Funding	96	154	196	311
Federal-Provincial Subsidy Agreement	1,868	1,980	2,053	2,115
Net Regulatory Earnings (Loss)	(6,560)	(5,858)	(8,464)	(8,403)
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	(36)	(81)	(495)	(268)
Fuel Surcharges Collected	23	-	69	86
Fuel Price Risk Recoveries Receivable from the Province	3	38	524	258
Tariffs in Excess of Price Cap	-	4	12	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	(6,570)	(5,897)	(8,354)	(8,327)

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3

British Columbia Ferry Services Inc.
Route Statement
Unregulated Routes
For the Twelve Months Ended March 31
(in \$ 000's)

	Actual		Forecast	
	2025	2026	2027	2028
Tariff Revenue	-	-	-	-
Ancillary Revenue	-	-	-	-
Social Program Fees	-	-	-	-
Contracted Routes Fee	5,513	5,876	5,625	5,794
Total Operating Revenue	5,513	5,876	5,625	5,794
Total Operating Expenses	5,513	5,876	5,625	5,794
Earnings (Loss) from Operations	-	-	-	-
Depreciation and Amortization	-	-	-	-
Net Financing Expense	-	-	-	-
Cost of Capital	-	-	-	-
(Loss) Gain on Disposal and Impairment of Capital Assets	-	-	-	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	-	-	-	-
Ferry Transportation Fees	-	-	-	-
Fare Affordability Funding	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	-	-	-	-
Items Included in Net Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs (over) under Set Price	-	-	-	-
Fuel Surcharges Collected	-	-	-	-
Fuel Price Risk Recoveries Receivable from the Province	-	-	-	-
Tariffs in Excess of Price Cap	-	-	-	-
Deferred Carbon Reduction Investment Account	-	-	-	-
Net IFRS Earnings (Loss)	-	-	-	-

For more detail on the accounting presentation of these statements, see the notes on page 105.

For more information about route statement allocations see Appendix 3.

Appendix 3: Route allocation methodology

1. Revenues

BC Ferries reports financial information at the route level. Revenues that are directly attributable to a particular route, including tariff revenue and route-specific funding, are assigned to that route.

Revenues that cannot be directly attributed to one route are allocated using factors intended to reflect the activity that generates them. For example, parking and terminal catering revenue at multi-route terminals are allocated using customer throughput, while certain Vacations Centre and other shared revenues are allocated using route-related revenue measures.

The following table summarizes the principal revenue categories assigned or allocated among routes, the allocation factor applied to each category, and the related methodology. These methods support a systematic and consistent presentation of route-level revenue.

Type of revenue	Allocation factor	Allocation methodology
Federal contract	Direct	Fees are assigned directly to each route in proportion to the ferry transportation fee allocation. There are no fees for routes 1, 2, 3, 12 and 30.
Coastal Ferry Services contract fees		
Ferry transportation fees	Direct	Fees are assigned directly to each route based on the coastal ferry services contract. There are no fees for routes 1, 2, 3 and 30.
Fare initiatives	Direct	Assigned to routes based on forecast revenue impact.
Social program reimbursements	Direct	Assigned to routes based on forgone revenue not charged to travelers on those routes.
Contracted routes fee	Direct	Assigned to unregulated contracted routes based on the contracted cost.
Tariff revenue	Direct	Tariff revenues are assigned directly to each route.
Catering and retail revenue		
Vessels	Direct	Vessel catering revenues are assigned directly to each route.
Terminals	Passenger throughput	Terminal catering revenues are allocated based on the percentage of total passengers embarking from the terminal on a route.
BC Ferries Vacations Centre	Vacations Centre tariff revenue	BC Ferries Vacations centre retail revenue is allocated to routes based on route tariff revenue generated by the vacations centre.
Parking revenue	Foot passenger throughput	Parking revenues are allocated based on the percentage of foot passengers embarking on a route from the terminal where the parking revenues are earned.
Other revenue (hostling, rent)	Direct	Other revenues directly related to a route are assigned to those routes.
Travel package revenue	Vacations centre tariff revenue	Allocated to routes based on route tariff revenue generated by the BC Ferries Vacations Centre.
Other revenues (marketing rights, advertising revenue)	Total direct revenue	Revenues that are not directly attributable to a route are allocated based on each route's percentage of total direct revenue.

Figure 48: Route allocation methodology: results

2. Expenses

BC Ferries reports financial information at the route level. Costs that are directly attributable to a particular route are assigned to that route. These include costs such as vessel labour and fuel where the vessel operates exclusively on, or the cost is otherwise identifiable with, a particular route.

Other costs support more than one route and cannot be assigned directly. These include costs associated with vessels that serve multiple routes, multi-route terminals, shared operational functions, and corporate support services. BC Ferries allocates these costs among routes using factors intended to reflect how each route uses the related assets or services, or contributes to the activity that gives rise to the cost.

The allocation factors vary with the nature of the expense. They include measures of asset use, such as vessel sailing hours and the net book value of capital assets; operating activity, such as productive labour hours; customer or transaction volumes, such as vehicle, passenger, drop-trailer, and reservation activity; and financial measures, such as revenue or directly assigned maintenance costs.

Some expenses require a two-step allocation. For example, vessel refit and maintenance costs are first assigned to the vessel, together with an allocation of related overhead costs. Where a vessel serves more than one route, the resulting vessel costs are then allocated among the routes served based on the vessel's sailing hours on each route. Similar approaches are used where costs must first be assigned to a vessel, terminal, function, or asset before they can be allocated to individual routes.

The following table summarizes the principal expense categories allocated among routes, the allocation factor applied to each category, and the related methodology. These allocation methods are applied to support a systematic and consistent presentation of route-level costs.

Type of expense	Allocation factor	Allocation methodology
Vessel redeployment	Vessel sailing hours	Redeployment costs are allocated to the routes that the ship worked on based on percentage of sailing hours.
Staffing pool & crews not onboard	Direct ship wages for region	Allocated based on each route's percentage of total direct ship wages.
Marine insurance	Vessel sailing hours	Marine insurance is charged directly to vessels. It is allocated to routes based on the percentage of vessel sailing hours per route.
Refit & maintenance	Vessel sailing hours	Refit and maintenance costs are charged to each vessel; overhead costs associated with this activity are allocated based on directly assigned costs. The total is then allocated to routes based on the percentage of vessel sailings hours that each ship worked on each route.
Terminal operations	Vehicle throughput	Allocated based on percentage of vehicles embarking on a route from the terminal.
Terminal catering	Passenger throughput	Allocated based on each route's percentage of passengers embarking on a route.

Drop trailers	Drop trailer throughput	Allocated based on drop trailer throughput on each route.
Terminal maintenance overhead	Direct maintenance cost by terminal	Maintenance yard overhead costs are allocated to terminals serviced by each yard based on direct maintenance costs per terminal.
Direct maintenance costs and overhead	Vehicle throughput	Direct maintenance costs plus allocated overhead is allocated to routes based on the percentage of vehicles embarking on a route from the terminals.
Operational administration and human resources	Productive labour hours per route	Allocated to routes based on productive labour hours.
Catering – direct overhead	Net catering revenue	Allocated across catering routes based on each route's percentage of net catering revenue.
Call handling – direct overhead		
Inquiry	Total tariff revenue	Historically 60 percent of all call handling expenses are inquiry related. Allocated across all routes based on each route's percentage of tariff revenue.
Booking	Quantity of reservations	Historically 40 percent of all call handling expenses are booking related. 50 percent of this is allocated to routes based on quantity of reservations booked to a route and 50 percent is allocated to routes based on total value of reservations redeemed on a route.
Operations & security centre	Total passengers	Allocated to routes based on total passengers per route.
Travel services	Vacations centre tariff revenue	Allocated to routes based on route tariff revenue generated by the Vacations Centre.
Depreciation and amortization – capital assets		
Vessels	Vessel sailing hours	Depreciation for each vessel is allocated to individual routes based on vessel sailing hours.
Terminals	Vehicle throughput	Depreciation for multi-route terminals is allocated to individual routes based on vehicle throughput.
Other	Total revenue	Depreciation and Amortization for overhead assets is allocated to individual routes based on total revenue.
Corporate human resources workforce development	Productive labour hours per route	Allocated to routes based on productive labour hours.
Purchasing and materials administration	Productive labour hours per route	Allocated to routes based on productive labour hours.
Corporate support services	Total revenue	Allocated across all routes based on total operating revenue per route.

Financing expense	Net book value (NBV) of capitalized assets	Allocated based on the NBV of capital assets employed on each route. The NBV of vessels is allocated to routes based on vessel sailing hours.
Loss (gain) on disposal of fixed assets	Vessel sailing hours	Losses (gains) directly attributable to vessels are first assigned to the route grouping the vessel served and are then allocated to routes based on vessel sailing hours.
	Vehicle throughput	Losses (gains) directly attributable to terminals are allocated to routes based on vehicle throughput.
	Total revenue	Losses (gains) on overhead assets are allocated based on total operating revenue.

Figure 49: Route allocation methodology: expenses

Appendix 4: 12-year capital reductions & deferrals

As part of the capital planning process, BC Ferries management has elected to reduce and/or defer certain planned expenditures, totaling over \$3 billion (approximately).

The table below presents key reduction decisions made over the past year and reflected in the PT7 12-year Capital Plan. Other changes to the Capital Plan, such as increased inflation assumptions and updated asset condition information, are not presented but partially offset these reductions.

Summary of Capital Plan reductions

Figures are approximate, in \$millions

6 yrs fiscal 2027-32	6 yrs fiscal 2033-38	12 yrs fiscal 2027-38	Description

Appendix 5: Capital Plan schedule

12-Year PT7 Capital Plan (Fiscal 2027 to 2038) - CAPITAL+OPERATING
(figures in \$ millions)

	Expected Fiscal Year Completion	Total Project (All Years)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total 12-Year
Major Projects															
FLEET RENEWAL															
92476 : Summit Class - Phase 1		2030													
92819 : Summit Class - Phase 2		2037													
92719 : Summit Terminal Electrification Program		2031													
92236 : Intermediate Vessel Replacement (IVR)		2043													
92709 : New Vessel - Island Class - Phase 3		2027													
91240 : New Vessel - Island Class - Phase 4		2034													
92794 : Northern Sea Wolf - Replacement		2034													
91224 : New Vessel - Kwuna - Replacement		2035													
92431 : Island Class - Terminal Electrification		2027													
HORSESHOE BAY & LANGDALE INFRASTRUCTURE PROGRAM ("HLIP")															
92743 : Horseshoe Bay - Elevated Structures Replacement		2033													
92710 : Horseshoe Bay - Berth 3 - Replacement		2029													
92771 : Horseshoe Bay - Berth 2 - Replacement		2030													
92772 : Horseshoe Bay - Berth 1 - Replacement		2034													
TERMINALS															
91199 : Tsawwassen - North and South Breakwater Replacement		2034													
90980 : FMU - Site Development		2027													
92777 : Duke Point - New Berth 2		2036													
93060 : Swartz Bay - Foot Passenger Building Customer Improvements		2036													
91504 : Departure Bay - Berth 3 - Replace Ramps, Towers, and Abutment		2032													
EXISTING VESSELS & MOI															
92534 : Coastal Celebration - Mid Life Upgrade		2039													
91244 : Coastal Inspiration - Mid Life Upgrade		2039													
91239 : Coastal Renaissance - Mid Life Upgrade		2037													
92792 : Northern Expedition - Mid Life Upgrade		2037													
91230 : Northern Adventure - Mid Life Upgrade		2029													
INFORMATION TECHNOLOGY															
92978 : IT - Booking-to-Loading End-to-End Design & Implementation		2034													
92210 : IT - Asset Management Information Program (AMIP)		2027													
93010 : IT - HR Transformation Program Phase 2		2029													
12 YEAR MAJOR PROJECTS															
Other Expenditures															
FLEET RENEWAL															
HLIP															
TERMINALS															
EXISTING VESSELS & MOI															
INFORMATION TECHNOLOGY															
OTHER (Contingencies & Allowances)															
12 YEAR OTHER EXPENDITURES															
TOTAL (BEFORE IDC AND FUNDING)															
INTEREST DURING CONSTRUCTION (IDC)															
FUNDING															
TOTAL NET OF IDC AND FUNDING															