British Columbia Ferry Services Inc.

Application to the
British Columbia Ferries Commissioner

Pursuant to
Section 55 (2) of the *Coastal Ferry Act*

For the

Human Resources Transformation Program

Phase 2 Project

CONFIDENTIAL AND COMMERCIALLY SENSITIVE INFORMATION HAS BEEN REDACTED

July 27, 2026

BCFerries

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Section 1 Introduction and Application Overview

1.1 Introduction

British Columbia Ferry Services Inc. (“BC Ferries”, “we”, “our” or the “Company”) hereby applies for approval of the British Columbia Ferries Commissioner (the “Commissioner”) for the Human Resources (“HR”) Transformation Program – Phase 2 (“HRTP Phase 2”, or the “Phase 2 Project”) in accordance with section 55(2) of the *Coastal Ferry Act* (the “Act”).

BC Ferries is facing significant financial challenges and the need for a sustainable funding model to avoid unaffordable fare increases for customers. These pressures are the result of the cumulative impact of maintaining aging vessels and terminals, responding to inflation, labour and fuel pressures, meeting evolving regulatory and service obligations, and making prudent long-term investments needed to safely operate one of the world's largest and most geographically complex ferry systems.

Before identifying additional funding requirements or simply passing costs on to our customers, BC Ferries has focused on improving efficiency, managing costs, carefully prioritizing investments and strengthening its long-term financial sustainability.

As we prepare our Performance Term 7 (PT7) submission, we continue to make difficult decisions to find meaningful savings and prioritize efficiencies throughout our operations. This includes implementing restrictions on exempt hiring, reductions in contractor support, efficiencies in fuel usage and, most significantly, reductions in our 12-year capital plan. BC Ferries has removed or deferred over $3 billion of planned investment in vessel, terminal and IT infrastructure through Fiscal Year 2038. The remaining allocation is focused on projects that either maintain safe service delivery and renew critical assets, or – like the HR Transformation Project – represent a much-needed foundational investment to establish a set of capabilities that are required of an organization of our size and complexity. This in turn is expected to decrease pressures on customer fares over the long term.

The current state creates material operational and organizational limitations and risks. Labour (salaries, wages and benefits) is BC Ferries’ largest operating expense at over half a billion dollars ($593 million) in the year ending March 31, (“Fiscal Year”) 2026. HRTP Phase 2 will modernize legacy systems and processes BC Ferries uses to recruit, schedule, support, manage and pay its workforce. It will replace fragmented tools, spreadsheets, paper-based processes and manual workarounds with integrated HR, scheduling, timekeeping and payroll capabilities. It is projected to reduce labour and employment costs – and overall pressure on customer fares

– through better staffing management, scheduling efficiency, and overtime controls, and it is anticipated to improve sailing reliability for customers by reducing crew-related cancellations and improving short-notice shift coverage.

Currently, common workforce activities such as onboarding, recruitment, leave requests, employee movements, scheduling and time capture are often supported through a combination of emails, spreadsheets, Word documents, paper forms, and local tracking tools. These manual administrative efforts, weaken auditability, create information security, data privacy, and regulatory risks. Current HR, scheduling, and payroll processes are dated, inconsistent, and limit BC Ferries' ability to empower, support, and manage its large and diverse workforce which impacts service reliability. Employees and leaders do not consistently have access to modern self-service tools, clear case tracking, or standardized HR support channels which, taken together, does have real world impacts for BC Ferries employees and customers. Short-notice shift coverage and absence management can require manual coordination and individual employee outreach, limiting or delaying response to crew-shortages that then lead to sailing cancellations for customers. For instance, in Fiscal Year 2026, 110 of 2,902 sailing cancellations were directly crew-related, contributing to a theme of public complaints and reduced confidence in BC Ferries' ability to provide dependable service.

Ineffective or unintegrated HR processes also have real financial cost to BC Ferries and, by extension, our customers. For example, the current staffing models contribute to $28.3 million per year in unscheduled overtime – the equivalent of nearly five percent of total annual workforce costs and a material driver of fare pressure. As BC Ferries and our customers face significant affordability challenges in the years to come, there is opportunity to identify staffing practices that reduce avoidable labour costs, ultimately helping to contain costs and reduce fare pressure.

In line with the goals set out in Charting the Course, a 25-year vision for the coastal ferry system, BC Ferries believes that a safe, reliable, efficient, affordable and resilient system is in the public interest, and that we should be as intentional and strategic as possible in how we manage our HR and related processes. The Phase 2 Project does just this by strengthening the internal workforce capabilities needed to deliver a ferry service aligned with the public interest goals.

By improving process consistency, data quality, labour-cost oversight and organizational resilience, BC Ferries can better deliver a safe, reliable and financially sustainable ferry service. Ultimately, HRTP Phase 2 is expected to contribute to BC Ferries' broader affordability efforts. With the benefits set out in this Application, this investment is projected to deliver an overall financial benefit to BC Ferries and mitigate costs that would otherwise need to be recovered through other means including increased customer fares.

BC Ferries believes that the Phase 2 Project is reasonable, affordable and prudent; consistent with BC Ferries' approved annual plan and current 12-year capital plan; consistent with the current Coastal Ferry Services Contract; and consistent with any long-term vision for the future evolution of coastal ferry services. Specifically, the Phase 2 Project is consistent with Charting the Course, a vision for the coastal ferry system, and we believe it is in the public interest to ensure our ferry services remain safe, reliable and affordable. As BC Ferries evolves our service, so too must our supporting structures evolve as appropriate for an organization of our size and complexity. BC Ferries respectfully requests that the Commissioner approve the Phase 2 Project.

1.2 Application Overview

This section provides a high-level overview of the layout of the Application. The Commissioner sets the framework for the content and review of this Application as described further in Section 2, Applicable Regulatory Framework. BC Ferries has addressed the requirements and guidance of the Commissioner throughout this filing. Appendix A presents a cross-reference between those submission requirements, and where they are addressed in this Application.

The sections of the Application are as follows:

Section 2: Applicable Regulatory Framework

This section outlines the legislative, regulatory and policy framework applicable to the Application. It explains why the Phase 2 Project constitutes a major capital expenditure and demonstrates how the Application satisfies the Commissioner's information requirements and approval criteria under Section 55 of the Coastal Ferry Act.

Section 3: Phase 2 Project Background and Overview

This section provides an overview of the Phase 2 Project, including its purpose, scope, strategic alignment, governance approvals and development history. It explains how the Phase 2 Project supports BC Ferries' long-term workforce and operational objectives, aligns with Charting the Course and BC Ferries' capital plans, and reflects a phased, multi-year transformation program developed through extensive assessment, planning and procurement activities.

Section 4: Phase 2 Project Need and Benefits

This section explains the operational, organizational and financial need for the Phase 2 Project and demonstrates why the investment is required without delay. It describes the limitations and risks associated with BC Ferries' current workforce-management environment, the consequences of deferring the Project, and the financial and non-financial benefits expected to result from modernized HR, scheduling, timekeeping and payroll capabilities.

Section 5: Alternatives Analysis

This section summarizes the alternatives analysis undertaken by BC Ferries throughout the development of the HR Transformation Program and explains the key decisions that led to the proposed Phase 2 Project. It describes the alternatives considered for the current Application, evaluates the relative costs, benefits and risks of each option, and concludes that proceeding with the Phase 2 Project is the preferred and most appropriate approach to address the identified business need and realize the intended operational, financial and public-interest outcomes.

Section 6: Phase 2 Project Financial Considerations

This section summarizes the budget, cost structure and long-term financial implications of the Phase 2 Project. It explains how the Phase 2 Project has been costed, how expenditures have been classified and assessed, the expected operating costs and savings associated with implementation, and the financial analysis supporting the conclusion that completing the HR Transformation Program is expected to deliver positive long-term value for BC Ferries.

Section 7: Risk Management

This section summarizes the approach used to identify, assess and manage risks associated with the Phase 2 Project and the broader HR Transformation Program. It explains how project risks were evaluated, quantified and allocated, and how the resulting risk analysis informed the development of a risk-based contingency [redacted] while supporting prudent budgeting and project oversight.

Section 8: Reasonable and Prudent

This section explains why the Phase 2 Project is a reasonable and prudent investment, given BC Ferries' workforce-management challenges, long-term operational requirements, expected benefits and risk-management approach. It concludes that the Project is a necessary and proportionate response to current-state limitations and will support safe, reliable and financially sustainable ferry service.

Section 9: Phase 2 Project Governance, Procurement and Implementation

This section describes the governance, procurement and implementation arrangements supporting delivery of the Phase 2 Project. It outlines the oversight and control mechanisms established by BC Ferries, summarizes the competitive procurement processes used to select the technology platforms and implementation partner, and explains the phased implementation approach designed to support disciplined delivery, risk management and operational readiness.

Section 10: Engagement

This section outlines the engagement undertaken by BC Ferries in relation to the HR Transformation Program and Phase 2 Project. It explains how feedback from employees and other interest holders helped identify current workforce-management challenges and informed the design of a modernized workforce environment that supports employees while strengthening service reliability for customers, communities and commercial users.

Section 11: Coastal Ferry Services Contract and Other Obligations

This section explains how the Phase 2 Project aligns with the legislative, contractual and strategic frameworks governing BC Ferries' operations. It demonstrates that the Phase 2 Project supports BC Ferries' obligations under the Coastal Ferry Services Contract, advances the public-interest objectives of the Coastal Ferry Act, and is consistent with the long-term vision for safe, reliable, affordable and sustainable ferry service set out in Charting the Course.

Section 12: Conclusion

This section brings together the key elements of the Application and explains why proceeding with the Phase 2 Project is the preferred and necessary course of action. It concludes that the Phase 2 Project addresses material workforce and operational needs, delivers significant long-term benefits, and satisfies the statutory, financial and public-interest considerations relevant to the Commissioner's approval.

Section 2 Applicable Regulatory Framework

2.1 Introduction

This section outlines the legislative, regulatory and policy framework applicable to the Application. It explains why the Phase 2 Project constitutes a major capital expenditure and demonstrates how the Application satisfies the Commissioner's information requirements and approval criteria under Section 55 of the Coastal Ferry Act. Requirements and guidance are provided by the Commissioner to BC Ferries in the following documents applicable to this Application:

- Coastal Ferry Act[1];
- Order 23-02A[2];
- Order 26-01[3]; and
- Guidelines[4] for BCFS for applications under section 55 of the Coastal Ferry Act ("Guidelines").

Appendix A contains a cross-reference between the Guideline's submission requirements and where in the Application the information is presented.

2.2 The Phase 2 Project is a Major Capital Expenditure under the Act

Section 55 (2) of the Act requires BC Ferries to obtain the approval of the Commissioner before incurring a "major capital expenditure". Under section 55 (5), a major capital expenditure is one that:

[1] https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/03014_01

[2] British Columbia Ferry Commission, *Order 23-02A: In the Matter of Section 55 and Section 67 of the Coastal Ferry Act, and Establishment of the Criteria for a Major Capital Expenditure*, August 20, 2024.

[3] British Columbia Ferry Commission, *Order 26-01: In the Matter of Section 55 and Section 67 of the Coastal Ferry Act, and Establishment of the Criteria for a Major Capital Expenditure*, June 1, 2026.

[4] British Columbia Ferry Commission, *Guidelines for British Columbia Ferry Services Inc. for Applications under Section 55 of the Coastal Ferry Act*, May 29, 2026.

"…meets the criteria (a) established by the Commissioner from time to time, and (b) most recently provided by the Commissioner to the ferry operator".

By Order 26-01, the Commissioner determined that for the purposes of section 55 (5):

"3. Any capital expenditure for information technology systems ("IT Expenditure") is a major capital expenditure if the expenditure exceeds $25 million, inclusive of IT related component programs and interest during construction.

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5. In the case where a single project ("Project") planned by a ferry operator includes capital expenditures of a type referenced in more than one of paragraphs (1) to (4) above, the entire capital expenditure for the Project will be a major capital expenditure if any of the Vessel Expenditure, Terminal Expenditure, IT Expenditure or Other Expenditure exceeds the applicable threshold;

6. When estimating the amount of the planned capital expenditure for a Project for the purposes of this Order, all costs necessarily incurred to bring the asset to the condition and location necessary for its intended use should be included. The ferry operator must also include direct costs necessary to complete the Project regardless of whether those costs are expensed or capitalized in the accounting records. The ferry operator may exclude the amount of any third party contributions;"

The Commissioner published Order 26-01 on June 1, 2026, which updated the prior Order 23-02A, dated August 20, 2024 and continuing until May 30, 2026. The new Order 26-01 specifically added paragraph 6 referenced above. This additional determination of the Commissioner regarding the applicability of cost estimation to section 55 has, in BC Ferries view, captured the scope of the HRTP Phase 2. This is the reason for the submission of this Application in a more advanced state of project development than would be typical of a section 55 application.

As the result, HRTP Phase 2 constitutes a major capital expenditure.

2.3 BC Ferries has Provided All Relevant Information

The Commissioner's Guidelines to BC Ferries identify the information required by the Commissioner in an application for approval of a major capital expenditure under section 55 of the Act. In preparing this Application, BC Ferries has considered the submission requirements set out in the Guidelines, in addition to the "guiding principles" identified for each element. Where a requirement is less directly applicable to this Phase 2 Project, BC Ferries has addressed the point in context and explained the basis for its treatment.

The Application is organized to assist the Commissioner in making determinations required under section 55. Appendix A to this Application provides a mapping of the application contents to the Commissioner's current Guidelines.

2.4 The Phase 2 Project Meets the Requirements for Approval

Section 55 of the Act identifies factors that the Commissioner must consider in assessing the Application:

> *"**55** … (4) The commissioner may approve a proposed major capital expenditure if the proposed major capital expenditure is*
> *(a) reasonable,*
> *(b) prudent, and*
> *(c) consistent with*
> *(i) the current Coastal Ferry Services Contract, and*
> *(ii) any long term capital plan established by the ferry operator."*

Order 26-01 adds further context specific to applications under section 55(2) of the Act:

> *"7. The Commissioners' determinations of a Section 55(2) application for approval of a major capital expenditure, as defined in paragraphs (1) to (4) above, may be based on whether or not the proposed capital expenditure is:*
> *a) reasonable, affordable and prudent;*
> *b) consistent with the approved and current 12-year capital plan submitted to the commissioner for the current performance term;*
> *c) consistent with the current Coastal Ferry Services Contract; and*
> *d) consistent with any government long-term vision for the future evolution of coastal ferry services."*

Further, the Act requires the Commissioner to regulate BC Ferries in the public interest, accounting for specific considerations:

> *"**38** (1) Without limiting any other power of the commissioner under this Act, the commissioner must, after considering public feedback obtained under this Act, regulate each ferry operator in relation to the core ferry services that are to be provided by that ferry operator and the tariffs, including, without limitation, reservation fees, that may be charged for those core ferry services, and must undertake that regulation in the public interest and in accordance with the following principles:*
> *(a) the primary role of the commissioner is to balance, in the manner the commissioner considers appropriate,*
> *(i) the interests of ferry users,*
> *(ii) the interests of taxpayers, and*
> *(iii) the financial sustainability of ferry operators;*
> *(d) ferry operators are encouraged to be innovative and to minimize expenses without adversely affecting their safe compliance with core ferry services.*

BC Ferries believes the Phase 2 Project meets these requirements for approval and welcomes questions or inquiries from this Commissioner to support their determination.

Section 3 Phase 2 Project Background and Overview

3.1 Introduction

This section provides an overview of the Phase 2 Project with a focus on how it fits within BC Ferries' strategy, capital plans, and operations, as well as its history to date. The Phase 2 Project is phase two of a broader HR Transformation Program. The first phase of the HR Transformation Program was submitted to and approved by the Board of Directors ("Board") of BC Ferries as Detailed Business Case Phase 1 in August 2025.

3.2 Overview of the Phase 2 Project

The Phase 2 Project 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. It will also change how our People & Safety team will operate to provide more strategic and aligned support to the organization, leaders, and employees. The Phase 2 Project includes implementation of Oracle Cloud Human Capital Management and UKG Pro Workforce Management, along with updated capabilities for HR management, scheduling, timekeeping, absence management, payroll, employee/labour relations, service management, reporting and analytics.

Among the key options determinations made for the Project to date was the determination to segment and deliver the Phase 2 Project in two phases. The first phase, approved internally by the Board through Detailed Business Case Phase 1, established the global design, and began implementation of early HR capabilities, including recruitment, onboarding, helpdesk, talent management-related functions, and other core HR functions. This Application concerns the next major phase of the Phase 2 Project, including the implementation of payroll, scheduling, time collection, absence management, help desk, unified HR application management, service management, and the related integrations and legacy system decommissioning.

The purpose of the Phase 2 Project is to replace fragmented legacy systems, manual processes, spreadsheets, and paper-based practices with more integrated, consistent and auditable workforce processes. This will give BC Ferries better workforce information, stronger scheduling and payroll controls, improved employee and leader self-service, and better tools to manage labour costs, staffing requirements and operational risk. These capabilities are foundational to BC Ferries' ability to support its workforce and deliver safe, reliable and financially sustainable ferry service.

3.3 The Phase 2 Project is Consistent with Charting the Course

Developed by the Board of Directors of each of the B.C. Ferry Authority and of BC Ferries, and guided by substantial public, interest holder, and First Nations engagement, Charting the Course is a long-term vision for a sustainable, resilient and forward-thinking coastal ferry system that not only addresses today's challenges but is also prepared for the future. This Phase 2 Project is representative of the same vision – addressing today's challenges in our workforce processes and also preparing us for the future with better tools and capability to adapt and integrate technology and innovation improvements.

The Phase 2 Project supports the goals of Charting the Course by strengthening the workforce systems and processes BC Ferries depends on to deliver reliable ferry service. The Phase 2 Project is an internal technology and process investment, but it supports the ferry system's direct achievement of these strategic outcomes by improving how BC Ferries recruits, schedules, supports, manages and pays its employees.

Reliable and available	The Phase 2 Project will improve workforce visibility, scheduling, absence management and timekeeping. These capabilities support BC Ferries' ability to align employees with operational requirements and reduce workforce-related service risk. Under this goal, the fourth objective is "operates reliably", with a tactic and action to "maintain a well-trained, well-supported workforce to deliver consistent service". This tactic and action item acknowledges the criticality of BC Ferries successfully building, retaining and scheduling a workforce that is trained and capable of offering the consistency and frequency of service that our customers expect. The Phase 2 Project investment directly responds to this action item.
Convenient and integrated	The Phase 2 Project will replace fragmented HR, scheduling, payroll and timekeeping processes with more integrated tools and information flows. This will give employees, leaders and support teams more consistent access to workforce information and services.
Safe and comfortable	Safe ferry service depends on having qualified employees available and properly supported. The Phase 2 Project will

	enable more consistent workforce processes and the effective deployment of employees across the organization.
Environmentally sensitive and resilient	The Phase 2 Project supports organizational resilience by replacing aging and difficult-to-sustain systems with modern, scalable platforms. The Phase 2 Project is not advanced primarily as a greenhouse gas reduction initiative.
Affordable and efficient	The Phase 2 Project will reduce manual work, duplicate entry and reliance on legacy systems. Reduced reliance or retirement of legacy systems will allow BC Ferries to avoid incurring increasing costs of maintaining legacy systems. It will also improve data quality, payroll and scheduling controls, and labour-cost oversight, supporting more efficient use of BC Ferries' resources with associated cost savings.

The Phase 2 Project is in the public interest because it strengthens the workforce systems and processes that support BC Ferries' operations. By improving how BC Ferries manages scheduling, timekeeping, payroll, employee support and workforce information, the Phase 2 Project will help the organization operate more effectively and reduce operational risk. These improvements will support the continued delivery of the public-interest goals reflected in Charting the Course, offering direct benefit to our employees and indirect benefit to our customers, communities and supply chains that depend on BC Ferries.

3.4 The Phase 2 Project is Board Approved and Consistent with our Capital Plans

BC Ferries' Board and management supports and prioritizes the Phase 2 Project as an important strategic initiative within our capital portfolio. The Phase 2 Project is consistent with our Board-approved annual capital plan and our 12-year capital plan. Our most recent 12-year capital plan was presented to the Board in June 2026 and included a [redacted]

On June 18, 2026, the Board approved the Phase 2 Project with a total budget [redacted] The Phase 2 Project represents phase two of the broader HR Transformation Program. The first phase of the HR Transformation Program was submitted as Detailed Business Case Phase 1 in August 2025 and approved by the Board with a total budget of [redacted]. Since the original approval, the phase 1 budget has been revised down to a current forecast of [redacted] The favourable forecast reflects strong vendor management, including negotiation with Deloitte on fixed scope and schedule, and licensing arrangements with Oracle and UKG. It also reflects strong program governance, which has supported scope control and the efficient use of internal labour costs.

As part of the Board approval, management was further authorized to:

- Submit this Application for section 55 approval; and,
- Proceed with the Phase 2 Project upon receiving the Commissioner's approval of this Application, or after satisfying any conditions precedent that the Commissioner imposes in relation to the Application.

[redacted]

One of the Commissioner's determinations as listed in the Guidelines relates to whether the total cost is different in any respect from what was indicated in the BC Ferries' last submission to the Commissioner for price cap setting purposes. In lieu of a more appropriate place to respond to this question, we provide the following context:

Evolution from the PT6 Capital Plan

BC Ferries' filing to the Commissioner for price-cap setting purposes for PT6 was submitted in September 2022, with supplemental filings in March and August 2023. The IT portfolio was subsequently re-cast to reflect updated priorities while preserving core sustainment investments. While remaining within the PT6 submission estimates, the revised IT portfolio placed greater emphasis on targeted business transformation in areas supporting our highest operating cost categories, including labour and benefits (HR systems) and maintenance (Asset Management systems).

The PT6 capital plan (inclusive of capital and project operating costs) included approximately [redacted] over the four-year term for HR and payroll system and process improvements, including replacement of the time collection system. Through subsequent discovery and planning, this work has been consolidated and refined into the HR Transformation Program, with a current forecast of approximately [redacted] over the same four-year period. The Phase 2 Project represents phase 2 of the broader HR Transformation Program.

This increase reflects prioritization within the broader IT portfolio rather than an expansion of the capital plan. The current IT capital forecast for the four-year PT6 period, which includes the majority of the HR Transformation Program budget, is approximately [redacted], compared with [redacted] in the PT6 capital plan.

In terms of the overall capital plan, there had been many refinements since the PT6 submission, with an overall reduction in forecast project spend. Total project expenditures, excluding funding, is [redacted] below the PT6 plan.

3.5 Phase 2 Project History and Chronology

The HR Transformation Program, of which this Phase 2 Project is the second of two major phases, reflects several years of assessment, staged options analysis and decision-making, and progressive refinement. It began as a technology replacement initiative but evolved into a broader workforce transformation as BC Ferries confirmed that our HR, scheduling, timekeeping and payroll challenges could not be addressed through system replacement alone. The following chronology summarizes the key milestones.

2022 – Program initiation

BC Ferries initiated the HR Transformation Program in 2022 to address aging HR technology and limitations in existing systems and processes. At that time, the Program was primarily focused on replacing outdated tools and reducing reliance on manual, disconnected and difficult-to-sustain processes.

2023 – Shift toward broader HR transformation

As planning advanced, BC Ferries determined that its workforce and talent challenges required more than technology replacement. The program therefore evolved into a broader HR Transformation Program initiative focused on people, process, technology, data, roles and governance. In September 2023, BC Ferries engaged [redacted] to conduct a Business and IT Architecture Assessment across Human Resources, Asset Management, Finance/Supply Chain and Customer Experience, helping identify current-state capability gaps and opportunities for targeted investment.

2024 – Assessment completion and transformation readiness

The [redacted] assessment was completed in February 2024 and helped shape the HR Transformation Program roadmap. The assessment identified Human Resources as a key area requiring investment and capability improvement. Six of eight core HR capabilities were assessed as immature, and none were assessed as well-established. The six immature capabilities were:

- HR planning, policies and strategy;

- employee onboarding, development and training;
- employee relationship management;
- employee rewards and retention;
- employee information and analytics management; and
- employee communication management.

These capability gaps limit BC Ferries' ability to conduct strategic workforce planning, support succession management, develop internal talent pipelines, strengthen workforce analytics and proactively manage long-term workforce needs.

BC Ferries then engaged [redacted] after a formal procurement process to support:

- implementation readiness, including assessment of the current business, technology and data landscape;
- design of a future HR operating model;
- definition of 29 key HR processes;
- development of an implementation roadmap; and
- support for technology product selection.

BC Ferries proceeded with a formal competitive procurement process for product selection. Additional information regarding our procurements is contained in Section 9.

2025 – Competitive procurement, solution option analysis and selection

Detailed information regarding our procurements is in Section 9. In summary, in 2025, BC Ferries conducted two competitive procurement processes through BC Bid to identify future-state solutions for Human Capital Management (HCM) and Workforce Management (WFM). Following a comprehensive evaluation and detailed options analysis, Oracle Fusion Cloud HCM and UKG Pro Workforce Management were selected as the preferred enterprise platforms to support BC Ferries' future HR and workforce operations.

Following the identification of Oracle and UKG as the preferred software solutions, BC Ferries initiated a separate procurement through its Vendor of Record program to select an HR Transformation Partner and systems integrator with demonstrated experience implementing those technologies. Proponents were invited to submit implementation proposals based on the assumption that Oracle Fusion Cloud HCM and UKG Pro Workforce Management would be the target platforms. A comprehensive evaluation process was undertaken, including detailed reviews of written submissions, vendor experience, proposed delivery approaches, team capabilities, references, and finalist presentations. [redacted] were identified as the leading proponents, with [redacted] ultimately receiving the highest overall evaluation score and being selected as BC Ferries' HR Transformation Partner and certified systems integrator.

After evaluating and identifying options, it was determined the HR Transformation Program would consist of two phases. BC Ferries' two-phase approach was selected intentionally as an alternative approach to a large-scale implementation and to balance progress with prudence. Detailed Business Case Phase 1, the first phase of the broader HR Transformation Program, was approved by the BC Ferries Board in August 2025. Phase 1 funded the global design for the full Program and the implementation of early HR capabilities, including recruitment, onboarding, helpdesk, compensation and benefits, talent, and learning. The phased approach allowed BC Ferries to begin delivering lower-risk HR capabilities while completing the detailed design work needed to support a more reliable estimate and delivery plan for the more complex areas of the HR Transformation Program, contemplated in the Phase 2 Project. Those areas are particularly sensitive because they involve employee pay, workforce scheduling, collective agreement rules, Transport Canada requirements and BC Ferries' operational complexity.

2026 – Detailed Business Case Phase 2 and Section 55 Application

BC Ferries prepared Detailed Business Case Phase 2 for the remaining major implementation scope, including payroll, scheduling, time collection, absence management, employee and labour relations, unified HR application management, service management, integrations and legacy system transition and decommissioning. This Application seeks the Commissioner's approval for that next phase of expenditure. The prior work informs the scope, cost estimate, risk assessment and implementation plan for this Application, but this Application concerns the second critical phase and does not seek retroactive approval of Detailed Business Case Phase 1.

Section 4 Phase 2 Project Need and Benefits

4.1 Introduction

This section explains why the Phase 2 Project is reasonably required, why the proposed capital expenditure is necessary now, and the benefits that will be delivered by the Phase 2 Project. BC Ferries believes the Phase 2 Project is required as a need without delay because the current operating model and technology environment are not sustainable for BC Ferries' complex, regulated, unionized and geographically distributed workforce. The current environment creates material operational and organizational limitations and risks.

4.2 Evaluation of Current State

Current systems, operating model, and processes have weaknesses

BC Ferries has traditionally managed HR, scheduling, timekeeping and related workforce processes through a decentralized model, with each point of assembly managing many workforce activities locally. Over time, this resulted in inconsistent practices, paper-based records, manual workarounds, fragmented systems and heavily customized legacy technology. These conditions make it difficult to consistently apply corporate policies and the Collective Bargaining Agreement, to access reliable workforce data, and to provide employees and leaders with timely and consistent support. These conditions also significantly limit the People & Safety function's ability to act as a strategic partner in managing our workforce, which is our largest operating expense (salaries, wages and benefits) at approximately $593 million in the Fiscal Year ended March 31, 2026.

BC Ferries currently relies on more than 16 fragmented legacy systems, with key HR, workforce management, scheduling, timekeeping, payroll, recruitment, training and employee administration functions spread across multiple applications, manual processes and point-to-point integrations. Some departments, representing approximately 800 employees, continue to rely on paper-based and spreadsheet-driven scheduling and timekeeping processes that require multiple manual entries before payroll can be processed. This creates duplicated effort, inconsistent data, limited reporting, unclear accountability and increased risk of error.

Manual processes extend beyond scheduling and timekeeping. Employee onboarding remains largely paper-driven, recruitment activities continue to rely heavily on email and Word-based workflows, leave requests and employee movements are initiated through paper forms, and employee information updates often require email-based submissions and local processing. Approximately 20% of staff continue to be scheduled using Excel- or Outlook-based processes, while some timekeeping information must be entered multiple times before payroll can be processed.

The current environment creates material operational and organizational limitations and risks. Scheduling, timekeeping and payroll processes rely on multiple systems, spreadsheets, paper forms and manual re-entry. Workforce information is not consistently available in real time, and many HR services continue to be managed through phone calls, emails, written forms or local tracking tools. Employees and leaders have limited access to standardized self-service capabilities and frequently rely on email, phone calls, in-person interactions or local administrative support to access information and request services. Employee inquiries, complaints and grievances are often managed through spreadsheets, paper files or local tracking tools, reducing transparency, consistency, and visibility into request status.

Current processes increase administrative effort, weaken auditability, [redacted] and constrain BC Ferries' ability to manage labour cost, workforce deployment, employee support and service reliability. Internal reviews have also identified [redacted] observations relating to governance, standardization, [redacted] and cost accountability, highlighting the challenges associated with administering workforce processes across multiple systems and decentralized practices. [redacted], and onboarding information may be transmitted through email and manual processes. [redacted]

Tangible operational impacts of HR system weaknesses

Current state limitations have real operational consequences. Short-notice relief coverage often requires employees to be contacted individually, while absence reporting and workforce coordination rely heavily on local points of contact and manual processes. The lack of integrated workforce visibility makes it more difficult to identify available qualified employees and respond efficiently to changing staffing requirements. Current workforce management tools constrain BC Ferries' ability to manage crew availability, respond efficiently to short-notice staffing changes, and make informed workforce deployment decisions.

Crew-related cancellations, elevated overtime expenditures and casual guarantee costs - all of which directly impact customer travel and/or create increased pressure on fare affordability – illustrate the practical effect of limited workforce visibility and scheduling capability. While the Phase 2 Project will not eliminate these pressures, it will provide better tools, data and processes to manage them more effectively.

Need for HR business maturation confirmed by external assessment

The need for the Phase 2 Project is supported by the enterprise-wide Business and IT Architecture Assessment completed by [redacted] The assessment identified Human Resources as a key area requiring investment and capability improvement. This is discussed in detail previously in Section 3.5, Project History and Chronology. The Commissioner has also previously received a summary of this assessment in our quarterly reporting for October 2025.

Employees experience challenges with current state

Employees have also identified service gaps in scheduling, talent development, pay processes and access to standardized support. In 2024, BC Ferries held nine SailSafe town halls across the points of assembly to gather feedback on organizational improvement opportunities. Of the 675 comments received, approximately 25% (164 comments) related to gaps in HR processes, capabilities, timely support, policy standardization or technology. This feedback confirms that the current-state challenges are not limited to internal administration; they are experienced by employees across the operating environment, affecting workforce engagement and impacting workforce availability and staff resilience.

BC Ferries believes the Phase 2 Project is required as a need without delay because the current operating model and technology environment are not sustainable for BC Ferries' complex, regulated, unionized and geographically distributed workforce. The current environment is also not scalable for longer term sustainability as contemplated by the vision of Charting the Course. Delaying implementation would extend reliance on fragmented and dysfunctional legacy systems, manual workarounds, inconsistent practices and limited data visibility. It would also prolong operational, compliance, privacy, payroll, workforce and service-reliability risks that BC Ferries can begin addressing through the Phase 2 Project.

4.3 Importance of the Phase 2 Project

The Phase 2 Project is important because BC Ferries' ability to deliver safe, reliable and affordable ferry service depends on effective workforce management. BC Ferries must be able to recruit, schedule, support, manage, and pay a large, dispersed, and unionized workforce accurately and efficiently. This includes enhancing BC Ferries' ability to attract and retain the appropriate talent and workforce to support operating BC Ferries effectively. The current HR, scheduling, timekeeping and payroll environment does not provide the consistency, integration, or workforce visibility needed to support that requirement.

The Phase 2 Project is also important to BC Ferries' long-term organizational sustainability. The current environment limits workforce planning, talent management, performance management, employee development, succession planning, recruiting, and onboarding. These capabilities are needed to support future operational requirements, strengthen the employee experience, [redacted] and build a more sustainable talent pipeline.

Finally, and critically, the Phase 2 Project supports fiscal sustainability by improving labour-cost oversight, workforce data, governance, and process controls. Detailed financial impacts, expected benefits, and affordability is discussed in expanded detail in Sections 6 and 8 of this Application.

4.4 Consequences of Delaying or Not Completing the Phase 2 Project

Delaying or not completing the Phase 2 Project would leave BC Ferries operating with a fragmented HR, scheduling, timekeeping, and payroll environment that is not sustainable for current or future operating needs. BC Ferries would continue to rely on inconsistent processes, aging systems, manual workarounds, paper records, and inconsistent local practices, [redacted] Customers would continue to be subject to an otherwise avoidable number of sailing delays or cancellations due to challenges in replacing crew members on short notice. Employees will continue to have suboptimal experience with limited control over their schedule, inconsistent support as well as [redacted] Deferral of the Phase 2 Project would not eliminate the need. It would extend the period during which BC Ferries must manage a large, dispersed and unionized workforce without the integrated tools, data, and controls required to do so effectively.

Table 1: Implications of Delaying or Not Completing the Phase 2 Project

Operational	• Reliance on fragmented scheduling and timekeeping processes • Higher payroll, accrual and data-entry error risk • Limited ability to respond to short-notice absences and shift coverage needs
Compliance	[redacted] • Delayed improvement to HR governance, standardization, and accountability • Exposure to complaints, [redacted]
Privacy & Information Management	• Reliance on paper-based employee records and manual tracking tools • Ongoing risk of [redacted] • Limited auditability [redacted]
Financial	• Deferred improvements in labour-cost oversight and workforce planning with associated financial benefits • Reliance on manual workarounds and legacy system support • Higher future lifecycle costs for aging technology
Customer & Public-Interest	• Limitations in crew availability management • Continued workforce-related service reliability risk • Delayed strengthening of workforce capabilities that support safe, reliable and affordable ferry service
Broader HR Transformation Program	• Extended reliance on incomplete workforce data and legacy system dependencies • Greater change-management and delivery risk if timelines become compressed • Delayed stabilization of core HR, scheduling, payroll and workforce management capabilities

Finally, BC Ferries is undertaking the scheduled launch of its new Summit Class vessels in Summer 2029. It is a major strategic and operational imperative for the organization to have reliable HR, scheduling, time keeping and payroll capabilities in place to provide employees with a consistent experience and streamlined support. This Phase 2 Project is timed along a critical path to ensure all key HR IT systems and related processes are implemented and operating effectively prior to the launch of the Summit Class vessels.

These implications of delay or non-completion of the Phase 2 Project equate to risks to BC Ferries' ability to support safe, reliable, and financially sustainable ferry service today and into the future. Maintaining the current state is not a viable long-term option.

4.5 Phase 2 Project Provides Other Benefits

The Phase 2 Project provides an anticipated range of financial and non-financial benefits across BC Ferries' operations, including for our customers and the public. BC Ferries conducted a detailed evaluation of potential project benefits, classifying benefits into three main streams:

Category 1: Core Quantified Projected Financial Benefits – These include benefits for which a realistic financial valuation could be developed, with a reasonable degree of confidence. The financial impact of these benefits were factored into the HR Transformation Program NPV calculations discussed in Section 6 of this Application.

Category 2: Supplementary Quantified Projected Cost Avoidance Benefits – These include benefits for which a financial valuation is possible, but for which the confidence of the financial valuation was moderate or lower. The financial impact of these benefits is speculative and therefore is not included in Phase 2 Project NPV calculations.

Category 3: Qualitative Projected Benefits – These are benefits which are purely qualitative in nature.

The (Category 1) Core Quantified Projected Financial benefits of the Phase 2 Project were identified in two primary subcategories: Labour and IT-related. Together they total to an expected savings of [redacted] per year, anticipated for Fiscal Year 2030, the expected first year of full system implementation of the HR Transformation Program. Expanded discussion and details of potential benefits, including explanation and support of financial estimations is provided in Appendix B of this Application.

Qualitative and supplementary quantitative benefits provide expected impacts across BC Ferries operations and customer experience. Highlights of these categories of benefits include the following:

Table 2: Projected Non-Financial Benefits

Governance, Controls and Standardization	Establishes standardized, digitized and auditable HR and payroll processes, improving consistency, accountability, compliance, pay accuracy and auditability.
Technology Simplification	Reduces reliance on fragmented legacy systems and manual tools by moving to integrated enterprise platforms, using standard Oracle Cloud HCM and UKG Pro WFM functionality with limited customization.
Workforce Data and Analytics	Improves access to reliable workforce information, supporting better reporting, analytics, workforce planning, scheduling, deployment decisions and performance measurement.
Service Reliability and Operational Resilience	Strengthens scheduling, absence management, crew deployment, shift assignment and workforce visibility, supporting service continuity and operational resilience.
Employee and Leader Experience	Provides a more consistent and employee-centred experience through self-service tools, clearer pay information, improved schedule visibility, defined service levels and multiple support channels.
People & Safety Operating Model	Enables People & Safety resources to focus more on workforce planning, talent management, employee engagement, learning, organizational effectiveness and strategic workforce initiatives.
Future Workforce Capability	Builds stronger workforce through talent development, career pathway, learning, employee relations, and workforce management capabilities to support future workforce needs.
Workforce Reporting and Employee Insights	Improves access to workforce demographic, recruitment, talent and employee information through enhanced reporting and analytics, supporting workforce planning, employee experience, recruitment, diversity, equity, inclusion and reconciliation objectives.
Interest Holder-Identified Improvements	Responds to issues identified through employee and operational interest holder engagement, including policy consistency, scheduling visibility, employee experience, HR service delivery and workforce management challenges.
Public Interest Outcomes	As stated in Section 3.3, public interest is supported through alignment to Charting the Course Goal 1 – Reliable and Available. Under this goal, the fourth objective, operates reliably, is enabled through stronger workforce capability, improved governance, better workforce deployment and enhanced organizational resilience.

Section 5 Alternatives Analysis

5.1 Introduction

This section summarizes the key historic alternatives and options analyses and decisions leading up to this Application, describes the structured alternatives analysis completed by BC Ferries, and explains why the proposed Phase 2 Project is the preferred alternative for meeting the project need.

5.2 History of Alternatives Analysis Related to HR Transformation Program

Contracting and procurement decision-making

Since its inception in 2022, the original technology replacement imitative evolved into the broader HR Transformation Program. This evolution reflected BC Ferries' assessment that our workforce, scheduling, timekeeping and payroll challenges could not be addressed through system replacement alone. The program therefore shifted toward an integrated transformation of people, process, technology, data and governance, supported by a future-state People & Safety operating model.

BC Ferries' approach was informed by several stages of external review and competitive procurement, each of which was supported by detailed analysis of alternative approaches and vendors. As described in Section 3.5 Phase 2 Project History and Chronology, in February 2024 [redacted] completed a Business and IT Architecture Assessment across Human Resources, Asset Management, Finance/Supply Chain and Customer Experience. That work identified capability gaps in the HR environment and confirmed the need for targeted investment. BC Ferries then engaged [redacted] through a formal procurement process to support transformation readiness, including assessment of the current business, technology and data landscape; design of a new HR operating model and 29 key HR processes; development of an implementation roadmap; and support for product selection.

As described in Section 9, in 2025, BC Ferries completed two competitive BC Bid procurements to select enterprise solutions for Human Capital Management and Workforce Management. Following a rigorous evaluation and options analysis process, Oracle Fusion Cloud HCM and UKG Pro Workforce Management were identified as the preferred technology platforms to support the organization's future HR and workforce capabilities.

To support implementation of these solutions, BC Ferries subsequently conducted a separate Vendor of Record procurement request for quote issued to [redacted] for an HR Transformation Partner and systems integrator. The procurement was specifically structured to evaluate implementation partners with expertise in Oracle Fusion Cloud HCM and UKG Pro Workforce Management. Following a comprehensive assessment of proposals, qualifications, implementation experience, delivery methodologies, and finalist presentations, [redacted] advanced as the final proponents. [redacted] was ultimately selected as BC Ferries' HR Transformation Partner and certified systems integrator.

Two-phase rollout approach

BC Ferries' two-phase approach was selected intentionally as an alternative approach to a large-scale implementation and to balance progress with prudence. It allowed BC Ferries to begin delivering lower-risk HR capabilities while completed the detailed design work to better define the scope, budget, schedule and risks associated with the most complex areas of the HR Transformation Program. Those areas are particularly sensitive because they involve employee pay, workforce scheduling, collective agreement rules, Transport Canada requirements and BC Ferries' operational complexity.

The global design phase also allowed [redacted] and the BC Ferries program team to work through BC Ferries-specific process, functional and technical requirements before finalizing the phase 2 implementation request. This increased confidence in the estimates for configuration, testing, go-live planning, change management and implementation of scheduling, time collection, payroll and related HR capabilities. It also supports the planned mid-to-late 2028 go-live sequencing, which is intended to align with operational needs, avoid peak-season disruption, and support workforce readiness ahead of the introduction of new Summit Class vessels.

5.3 Identification of Current State Alternatives for this Phase 2 Project

The Phase 2 Project is the second phase of a two-phase HR Transformation Program. Phase one was not the subject of a section 55 application under the previous order and guidelines in effect at the time of phase 1 approval (as explained further in Section 2). Many foundational analyses and decisions were made before this Application, including assessment of the current state, confirmation of the preferred technology platforms, selection of the system integrator, completion of global design, and implementation of phase 1 scope. The basis of this Application is for approval by the Commissioner of the phase 2 capital expenditure, which is defined in this Application as the Phase 2 Project.

Given these novel circumstances, the practical alternatives for this Application are narrower than they would be for a more typical capital project, starting from a much earlier state. In light of this, BC Ferries has identified two current-state alternatives for consideration:

Alternative 1: Proceed with the Phase 2 Project.

This is the preferred option and the basis for this Application. It builds on the work completed through phase 1 and proceeds with the remaining implementation scope, including scheduling, time collection, payroll, absence management, employee and labour relations, unified HR application management, service management, integrations and legacy system transition.

This option allows BC Ferries to complete the planned transformation, realize the intended operational and workforce benefits, and address the risks associated with fragmented systems and manual processes.

Alternative 2: Do not proceed with the Phase 2 Project.

This option would avoid the Phase 2 Project capital expenditure but would leave the most complex and operationally important workforce capabilities unresolved. BC Ferries would retain legacy scheduling, timekeeping and payroll processes, continue to rely on fragmented systems and manual workarounds, and fail to realize the full benefits of the planning, procurement, design and early implementation work already completed. In addition, this option would also assume that all costs incurred to date for phase 1 to be sunk costs associated with the technology build and subsequent deployment into production. Not proceeding with the Phase 2 Project would require further re-evaluation of the technology eco-system, which would be subject to additional costs to be incurred to revert and/or undo decisions made under phase 1.

While BC Ferries acknowledges this is a potential alternative consideration for the Commissioner, we do not consider stopping after phase 1 to be a viable alternative, as the analysis which follows this section supports.

Other potential alternatives contemplated by the Commissioner's Guidelines were considered and determined to not be applicable in this unique context. These standard alternatives include:

> **Deferral:** Deferring the Phase 2 Project would not avoid the need for the Phase 2 Project. It would prolong reliance on legacy systems, manual processes and continue known workforce-management risks, while delaying the benefits intended from the two-phase roadmap.
>
> **Improved use of existing assets:** Better use or further optimization of existing systems would not address the underlying issue. The current environment is fragmented, highly manual and dependent on aging technologies and customizations that cannot provide the integrated scheduling, timekeeping, payroll and workforce-management capabilities required. [redacted]

Refurbishment or life extension: Extending the life of existing systems would continue the same legacy dependencies and support burden. It would not materially improve process consistency, data quality, [redacted] or workforce visibility. [redacted]

Alternative platform selection: Platform alternatives were addressed through the earlier competitive procurement process. Oracle Cloud HCM and UKG Pro Workforce Management were selected following that process, and the Phase 2 Project is intended to implement the selected solution for the remaining scope of the HR Transformation Program.

The alternatives comparison in Section 5.4 is between Alternative 1, proceeding with the Phase 2 Project as planned (preferred option), and Alternative 2, stopping the HR Transformation Program after phase 1, thereby not proceeding with the Phase 2 Project.

For the reasons set out in this Application and the analysis that follows, BC Ferries believes that Alternative 1, proceeding with the Phase 2 Project, is the only viable option that addresses the identified need and supports the intended workforce, operational and public-interest outcomes.

5.4 Analysis of Alternatives

BC Ferries evaluated the two alternatives against both financial and non-financial criteria. The financial criteria include upfront cost, 15-year NPV, forecasted operating benefits, and expected price-cap impact. The non-financial criteria reflect the Commissioner's section 55 considerations of reasonableness and prudence, including whether each option addresses the identified business need, represents a sound use of resources, and supports long-term value for ferry users, taxpayers and BC Ferries.

Detailed financial assumptions, including budget, NPV methodology and forecasted benefits, are addressed in Section 6 and Appendix C. The summary evaluation is set out in Table 3.

Table 3: Alternatives Evaluation Summary

Evaluation Criteria	Alternative 1: Proceed	Alternative 2: Do Not Proceed
Upfront Investment	[redacted] Requires additional phase 2 investment required by the Phase 2 Project, but within the planned program roadmap and supported by the approved capital planning process.	[redacted] Avoids additional near-term phase 2 investment required by the Phase 2 Project.
15-Year NPV	[redacted] Positive 15-year NPV, reflecting the expected long-term value of completing the full HR Transformation Program.	[redacted] Negative 15-year NPV, reflecting limited benefits while certain ongoing costs remain.
15-Year Forecasted Total Benefits	[redacted] Delivers the full expected quantifiable operating benefits, including labour and IT-related cost savings.	[redacted] Realizes only the benefits attributable to phase 1 and forgoes additional savings and efficiencies expected from full implementation.
Price-Cap Impact & Affordability	**Favourable** Expected to reduce pressure on required price caps over the forecast period if benefits are realized (see Section 8).	**Base-line** Lower near-term cost, but weaker long-term affordability because it does not deliver the full expected operating benefits.
Ability to meet business needs	**Strongly Favourable** Addresses the remaining business need by implementing the core scheduling, timekeeping, payroll, workforce management and related HR capabilities.	**Partially Favourable** Only partially addresses the business need and leaves key workforce-management, scheduling, timekeeping and payroll risks unresolved.
Prudence	**Favourable** Builds on the phase 1 investment, global design, procurement and implementation work already completed, and provides the clearest path to realizing the planned benefits.	**Unfavourable** Avoids further expenditure but leaves major program objectives incomplete and limits the value of work already completed.
Reasonable	**Strongly favourable** Completes the planned roadmap, reduces reliance on fragmented legacy systems, and supports more consistent, auditable and integrated workforce processes.	**Unfavourable** Preserves some phase 1 benefits but maintains reliance on legacy systems and prevents BC Ferries from achieving the intended future-state capabilities.
Overall assessment	**Preferred Alternative** Best addresses the identified need and provides the strongest long-term financial, operational and public-interest value.	**Not Preferred** Lower short-term cost, but does not resolve the core issues and does not maximize long-term value.

5.5 BC Ferries to Proceed with the Phase 2 Project

The alternatives analysis reflects the unique circumstances of this Application. BC Ferries is not seeking approval for at its earliest concept stage; this Phase 2 Project Application concerns phase 2 of a two-phase HR Transformation Program where significant assessment, procurement, design and early implementation work has already occurred through phase 1. As a result, the practical alternatives are narrower than they would be for a new project. Earlier alternatives analysis and decisions, including the selection of Oracle Cloud HCM and UKG Pro Workforce Management, the engagement of [redacted] as system integrator, and the completion of global design, inform the current Application, but are relevant to understanding the context of this Application to the Commissioner.

BC Ferries considered the two relevant current-state alternatives: proceed with the Phase 2 Project or stop program implementation despite the costs and status of phase 1. Stopping the Phase 2 Project would avoid additional near-term expenditure but would leave the most complex and operationally important parts of the HR Transformation Program unresolved, including scheduling, timekeeping, payroll, absence management and related workforce-management capabilities. It would also limit the value of work already completed and defer or eliminate many of the expected operational, financial and workforce benefits. The on-going operational risks of highly manual effort and related data errors from fragmented systems such as recruitment and on-boarding efficiency tracked manually via excel spreadsheets, scheduling and staffing friction working with 5 different scheduling offices handling calls and tracking changes using manual forms will continue to exacerbate. Proceeding with the Phase 2 Project is therefore the preferred alternative. In addition to a considerably positive 15-year NPV and forecasted financial benefits, proceeding with the Phase 2 Project completes the planned roadmap, addresses the remaining business need, reduces reliance on fragmented legacy systems, ensures future-ready HR systems and processes are operating before the new Summit Class vessel launch, and provides the clearest path to realizing the intended benefits of the HR Improvement Program.

Section 6 Project Financial Considerations

6.1 Introduction

This This section summarizes the budget, cost structure and long-term financial implications of the Phase 2 Project. It explains how the Phase 2 Project has been costed, how expenditures have been classified and assessed, the expected operating costs and savings associated with implementation, and the financial analysis supporting the conclusion that completing the HR Transformation Program is expected to deliver positive long-term value for BC Ferries.

6.2 The Phase 2 Project has a Comprehensive Budget

BC Ferries has developed a comprehensive budget for the HR Transformation Program, reflecting the details of both phase 1 and the subject of this Application, the Phase 2 Project. The total HR Transformation Program forecast, including phase 1 and the Phase 2 Project is [redacted]

[redacted] Most capitalizable costs were budgeted under phase 1 and continue to be managed through the phase 1 budget. The Phase 2 Project budget is focused on implementation, integration, resourcing, testing, deployment, and change support required to complete the remaining HR Transformation Program scope.

[redacted]

Table 4: HR Transformation Program Budget Overview

($millions)	Pre-Imp	Internal Labour	Technology				Program Total
			Hardware /Software	External Costs (Contractors)	System Integrator	Techn. Subtotal	
<u>Phase 1 Forecast</u>	[redacted]						
Capex							
Opex							
Phase 1 Total							
<u>Phase 2 Budget</u>							
Capex							
Opex							
Contingency (Opex)							
Phase 2 Total							
Program Total							

See Appendix C for expanded and supplemental details of the Phase 2 Project budget.

[redacted]

[redacted] estimate was developed following completion of global design and reflects the implementation effort required to launch payroll and associated Oracle modules together with workforce management. [redacted]

[redacted]

Interest during construction ("IDC") is not applicable to this Phase 2 Project. The capital expenditure component does not meet BC Ferries' policy threshold for applying IDC, which requires both capital spend exceeding $25 million and a project duration exceeding 24 months.

[redacted]

[redacted]

[redacted]

[redacted]

6.5 The Phase 2 Project Budget Classifies Expenditures According to BC Ferries Accounting Policy

BC Ferries classified Phase 2 Project expenditures in accordance with its accounting policies and *IAS 38 – Intangible Assets*. Costs were assessed based on whether they create or enhance a long-term intangible asset controlled by BC Ferries, whether future economic benefits are expected, whether the costs can be measured reliably, and whether the costs are directly attributable to preparing the asset for its intended use. Costs meeting these criteria are capitalized; costs that do not meet these criteria are recognized as operating expenses when incurred.

BC Ferries used a screening tool developed by our internal Finance department in consultation with [redacted] to identify and allocate all budgeted Phase 2 Project costs.

Although these costs are treated differently for accounting purposes, both capital and operating expenditures are required to deliver the Phase 2 Project and are included within the overall HR Transformation Program budget, financial analysis, and affordability assessment. This approach supports transparent financial reporting, prudent stewardship of resources, and an accurate assessment of the Phase 2 Project's total cost, affordability, and expected benefits.

Capitalized costs

Using the screening tool, BC Ferries determined that approximately [redacted] of Phase 2 Project costs qualify for capitalization. This includes approximately [redacted] for integration work between Oracle Cloud HCM, UKG Workforce Management and existing Oracle EBS modules, and approximately [redacted] for timeclock hardware and installation.

The capitalized integration costs relate to the design and development of controlled technology assets, including middleware, interfaces and integration architecture needed to maintain reliable information flows between new and existing systems. BC Ferries concluded that these costs meet the capitalization criteria because they are directly attributable to preparing the future-state HR and workforce management environment for use and are expected to provide future economic benefit through improved system interoperability, data integrity and operational effectiveness.

Operating costs

Costs that do not create or enhance a qualifying capital asset are treated as operating expenses. These include system configuration, change management, communications, training, adoption support, post-implementation sustainment, and certain implementation activities needed to support the transition to the new HR and workforce management environment.

BC Ferries has taken a conservative approach to classification. For example, external integrations and configuration work for software-as-a-service (SaaS) platforms have been treated as operating expenses because they do not clearly create standalone assets controlled by BC Ferries. While these activities are necessary to implement the solution, they primarily support deployment, readiness and ongoing operation rather than creating a capital asset under IAS 38. BC Ferries interpretations and accounting treatment of some of these more complicated or ambiguous integration costs will be reassessed over the course of implementation, however any differences are expected to be immaterial to the broader Phase 2 Project budget.

6.6 The Phase 2 Project Considers Future Write-Off of Legacy Assets

As part of the Phase 2 Project, BC Ferries reviewed the remaining useful lives of existing software assets, Crewing 365 and Vessel 365, previously delivered under the Crew Scheduling project which was largely capitalized in Fiscal Year 2023. As of June 2026, those assets had a combined net book value of approximately [redacted] and were scheduled to depreciate through November 2029.

The review identified that approximately [redacted] of remaining net book value may require write-off when the legacy platforms are retired around August 2028. To reduce the potential future impact, BC Ferries may accelerate amortization over the assets' remaining period of use. This would better align amortization with the expected system lifecycle, reduce the residual value at retirement, and minimize any one-time write-off.

6.7 Incremental Operating Savings Resulting from the Phase 2 Project

The Phase 2 Project is expected to generate ongoing incremental operating savings and efficiencies by improving workforce management, reducing reliance on fragmented legacy systems, and strengthening payroll, scheduling and timekeeping processes. The core quantified benefits include expected labour efficiencies, reduced overtime and turnover-related costs, legacy application savings, lower support costs, and avoided hardware or infrastructure renewal costs. These benefits are expected to total [redacted] per year starting in Fiscal Year 2030, the first year of full system implementation, and savings are expected to accrue and inflate annually through to 2043.

A detailed discussion of the quantifiable financial benefits is provided in Section 4.5. Annual benefits are also factored into the Phase 2 Project NPV analysis, discussed under Section 6.8 of this Application.

See Appendix C of this Application for further information on Incremental Operating Savings

6.8 Ongoing Costs and Incremental Operating Outflows Resulting from the Phase 2 Project

[redacted]

[redacted]

6.9 HR Transformation Program Net Present Value (NPV)

BC Ferries completed a lifecycle financial analysis to assess the long-term value of completing the HR Transformation Program. The analysis was prepared on an incremental basis, comparing the expected costs and benefits of completing the Program against the costs and savings that would otherwise be incurred under the current operating environment.

Costs and benefits were forecast over a 15-year period after project completion and expresses those future cash flows in present-day dollars using a 7% discount rate. This approach allows BC Ferries to assess whether the upfront investment is expected to provide positive long-term value after considering implementation costs, ongoing operating costs, and forecast benefits.

The analysis includes the full cost of the Program, including pre-implementation costs, capital costs, project operating costs, contingency, software subscriptions, and post-implementation support. [redacted]

The analysis also reflects phased benefit realization. Some benefits are expected to begin after the relevant functions are implemented and stabilized, rather than immediately at go-live. [redacted]

The benefits estimate is conservative in some respects. As is discussed in greater detail in Section 4.5 of this Application, certain potential savings, [redacted] were not quantified. As a result, the analysis does not rely on every possible benefit that may result from the Program. Instead, it focuses on benefits that can be reasonably estimated and tied to the Program's expected operating improvements.

Based on this lifecycle analysis, completing the HR Transformation Program is expected to generate a positive 15-year net present value of approximately [redacted] This indicates that, after accounting for projected costs, ongoing support, inflation, and the time value of money, the Program is expected to provide positive long-term financial value to BC Ferries. The NPV result supports the conclusion that proceeding with Phase 2 is not only operationally necessary, but also financially beneficial over the life of the investment.

See Appendix C of this Application for further details on NPV analysis.

Section 7 Phase 2 Project Risk Management

7.1 Introduction

This section describes our approach to identification and management of risks associated with the HR Transformation Program, and specifically the Phase 2 Project, including a summary description of the quantification of risk [redacted]

7.2 Overview of Risk Management

BC Ferries developed a detailed risk register, [redacted] The register identifies 25 risks across major delivery areas, [redacted] For each risk, the register identifies the risk event, root cause, potential consequence, project stage, risk owner, current mitigations, contingency or response plan, early warning indicators, risk allocation, and residual exposure.

The risk assessment is structured to distinguish between inherent risk and residual risk after mitigation. [redacted]

The register also provides a quantitative assessment of risk exposure. Qualitative likelihood ratings were converted into probability estimates using a defined five-point scale. For each quantified risk, BC Ferries estimated a low, most likely and high impact, then calculated a weighted average that gives the most weight to the most likely outcome. [redacted] The total calculated risk premium of approximately [redacted] was then used to inform contingency development for budgeting.

7.3 Summary of Main Phase 2 Project Risks and Mitigations

Table 5: Risks and Mitigations

Risk Category	Key Risks	Mitigation Approaches
Delivery Assurance	[redacted]	
Regulatory and Scheduling Complexity		
Technology Adoption		
Program Resources		
Process Adoption		

7.4 Phase 2 Project Risk Quantification [redacted]

BC Ferries quantified the Phase 2 Project's risks to ensure the contingency included in the budget is tied to specific, identifiable cost exposures rather than a general allowance. [redacted] For each quantified risk, BC Ferries estimated a low, most likely and high impact, then calculated a weighted average that gives the most weight to the most likely outcome. This approach supports a realistic contingency by connecting individual project risks to expected monetary exposure.

[redacted]

The resulting total calculated risk premium is [redacted] rounded to [redacted] for the Phase 2 Project contingency carried in the financial analysis. The risk register includes 25 risks, of which risks are categorized [redacted]

The summarized HR Transformation Program, Phase 2 Project risk register, including risk quantification [redacted] is provided as a supplement and summarized in Appendix D of this Application.

Section 8 Reasonable and Prudent

8.1 Introduction

This section explains why the Phase 2 Project is a reasonable and prudent investment, given BC Ferries' workforce-management challenges, long-term operational requirements, expected benefits and risk-management approach. It concludes that the Project is a necessary and proportionate response to current-state limitations and will support safe, reliable and financially sustainable ferry service.

8.2 The Phase 2 Project is Reasonable and Prudent

BC Ferries considers the Phase 2 Project to be a reasonable and prudent investment in the workforce systems and processes required to support safe, reliable and financially sustainable ferry service. In reaching this conclusion, BC Ferries considered the alternatives analysis, expected benefits, implementation risks, delivery approach, financial sustainability impacts and future operational requirements, as discussed in Sections 5, 6 and 7 of this Application.

Labour (salaries, wages and benefits) is BC Ferries' largest operating expense, at approximately $593 million annually. Effective workforce planning, scheduling, timekeeping and payroll capabilities are therefore critical to long-term affordability and operational performance. Existing workforce-management limitations contribute to operating pressures, including unscheduled overtime, casual guarantee costs, administrative inefficiencies and crew-related service disruptions.

The Phase 2 Project is expected to address these challenges by improving workforce visibility, scheduling effectiveness, attendance management and labour-cost oversight, while reducing reliance on manual processes and enabling the retirement of legacy systems. BC Ferries has identified expected annual benefits from labour savings, overtime reductions, lower turnover-related costs, administrative efficiencies and reduced legacy-system expenditures. While realization of these benefits remains subject to implementation and adoption risks, they demonstrate that the Project is directed at material cost drivers and operational constraints and is proportionate to the scale of the issues being addressed.

Maintaining the status quo is not a viable long-term option. BC Ferries currently relies on fragmented legacy systems, manual workarounds, paper-based and spreadsheet-driven processes, and inconsistent local practices. Continuing in this environment would require ongoing investment in aging technology while leaving significant workforce-management, payroll, compliance, data and service risks unresolved.

The Phase 2 Project has been developed through a disciplined decision-making process that included capability assessments, operating-model design, technology evaluations, implementation planning, public procurement processes and risk analysis. The Project incorporates phased deployment, governance oversight, testing, data validation, change management, benefits tracking and risk-mitigation measures, including [redacted] with experienced delivery partners, to improve delivery certainty and support successful adoption.

BC Ferries has also established a benefits-realization framework with defined outcomes, performance measures, benefit owners and monitoring mechanisms. This framework provides a structured basis for assessing whether the Project achieves its expected financial and operational outcomes, including improvements in labour utilization, scheduling performance, payroll accuracy, data quality, employee experience, service reliability and operational performance.

Accordingly, BC Ferries considers the Phase 2 Project to be a necessary, reasonable and prudent investment. It reflects a measured response to current-state limitations and future operational requirements and represents a necessary investment in the workforce capabilities required to support safe, reliable and sustainable ferry operations.

8.3 BC Ferries' Assessment of Potential Changes to Price Cap Submission

BC Ferries assessed the Phase 2 Project's affordability by modelling its impact on required price caps over Performance Term 7 (PT7) and Performance Term 8 (PT8) using the Company's long-term forecast model. The analysis compared a scenario that includes the HR Improvements Program with a scenario that excludes the remaining Phase 2 Project investment, expected benefits and incremental ongoing costs. Although BC Ferries does not consider an alternative scenario to stop at phase 1 to be optimal, as suggested in Section 5 of this application, it provides a conservative baseline for assessing the Phase 2 Project's potential impact on price caps.

The modelling indicates that, assuming expected benefits are realized, it is reasonable to expect the Phase 2 Project may have a favourable impact on fare affordability throughout PT7 and PT8. In the scenario that includes the Phase 2 Project, the required price cap index is lower in each year modelled than in the scenario without the Phase 2 Project. The modelled reduction in price cap index averages approximately [redacted] over the 8-year period, potentially growing from [redacted]

Illustrative PT7-PT8 Modelled Reduction in Price Cap Index from the Phase 2 Project

Table 6: Illustrative Change in Price Cap Index

	2029	2030	2031	2032	2033	2034	2035	2036
Modeled Illustrative Impact (%)	[redacted]							

The price cap requirement may be driven by either the debt service coverage ratio or the leverage ratio. Under the current forecast, the leverage ratio is the limiting factor. This makes near-term impacts on retained earnings relevant, particularly where Phase 2 Project costs are treated as operating expenses rather than capitalized. For this Phase 2 Project, that near-term pressure is expected to be offset before the end of PT7 as the forecast benefits begin to exceed the initial investment impact.

On this basis, the Phase 2 Project is expected to reduce, rather than increase, pressure on customer fares over the forecast period. The analysis supports BC Ferries' conclusion that the proposed expenditure is reasonable, consistent with the goal of affordability, and provides value to ferry users by enabling operating efficiencies that are expected to more than offset the Phase 2 Project's costs over time.

Section 9 Governance, Procurement and Implementation

9.1 Introduction

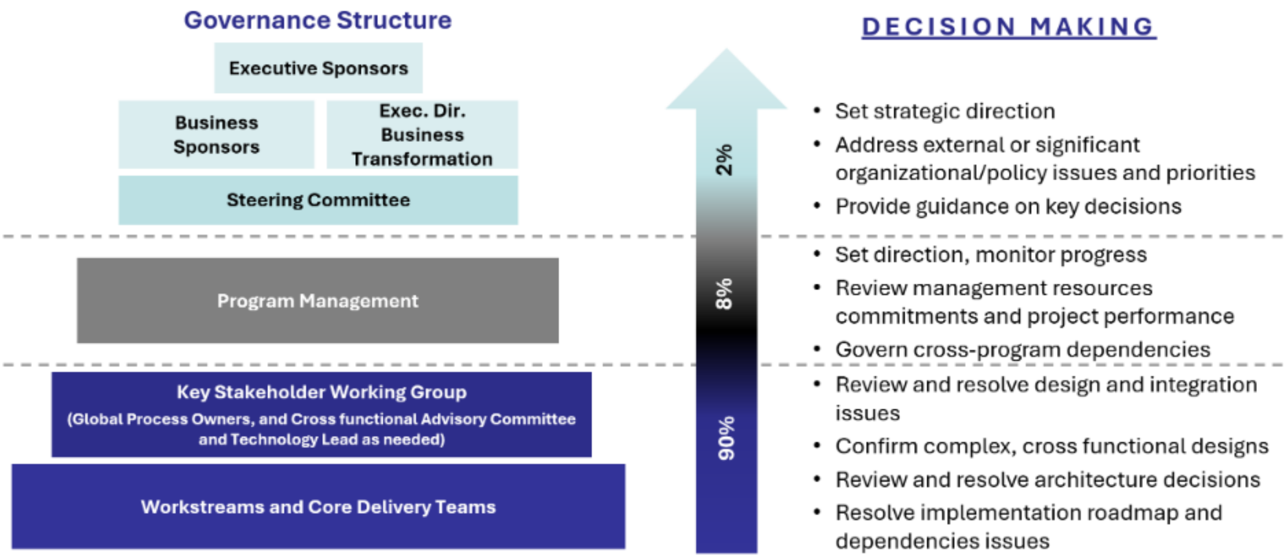
This section describes the governance, procurement and implementation arrangements supporting delivery of the Phase 2 Project. It outlines the oversight and control mechanisms established by BC Ferries, summarizes the competitive procurement processes used to select the technology platforms and implementation partner, and explains the phased implementation approach designed to support disciplined delivery, risk management and operational readiness.

9.2 Organization, Governance, and Controls

BC Ferries has established a governance and delivery structure proportionate to the scale, complexity and risk of the Phase 2 Project. The structure is designed to provide clear oversight, disciplined scope control, timely escalation of issues, and shared accountability across BC Ferries, Deloitte, and the application solution vendors. It reflects the Phase 2 Project's delivery model, including the use of Deloitte as system integrator, the phase 1 global design baseline, and the need to manage a complex implementation involving HR, scheduling, timekeeping, payroll, integrations, data, change management, and operational readiness.

The Phase 2 Project is governed by a Project Steering Committee (minimum monthly frequency) with formal membership structure of representatives from Executive Leadership Team, Executive Sponsor(s), Business Sponsor and other formal roles established by Business Transformation program & project governance. Phase 2 project also reports quarterly to the BC Ferries Board Capital Planning Committee on budget, delivery forecast, alignment and emerging high risks. Program updates are also included in quarterly reporting to the executive leadership team on the relevant strategic priority to confirm continued alignment with approved scope, schedule and business outcomes.

Figure 3: Governance Structure



The governance model operates through three practical levels of oversight:

- **Strategic oversight:** Board, Executive and Steering Committee forums that monitor scope, budget, schedule, strategic alignment, major risks, go-live readiness and escalation decisions.
- **Tactical delivery oversight:** program management, business leadership, technical, data, integration and vendor forums that manage design decisions, dependencies, issue resolution and readiness for each deployment phase.
- **Operational delivery oversight:** workstream meetings, working sessions, testing forums, defect triage and day-to-day status reporting that manage delivery progress and surface issues for escalation.

Scope is controlled through the approved global design, which establishes the baseline for system architecture, process alignment, and implementation sequencing. Design and delivery decisions are assessed against that baseline to reduce the risk of unnecessary customization, rework, or divergence from intended outcomes. The Phase 2 Project follows a configuration-first approach, using standard Oracle Cloud HCM and UKG Pro Workforce Management functionality wherever practical, with customization subject to defined review and approval. This control is important because one of the Phase 2 Project's objectives is to reduce complexity and avoid recreating the customized legacy environment the Program is intended to replace.

Delivery is managed through phased implementation, structured testing, and formal readiness controls. Key controls include sequenced deployment aligned to system dependencies, end-to-end testing, payroll validation cycles, data validation, risk and issue monitoring, defined deployment readiness criteria, and formal escalation of unresolved risks or defects. Go-live decisions are expected to consider solution readiness, data readiness, people readiness, operational readiness and support readiness, rather than schedule alone.

Accountability is supported by defined roles and responsibilities between BC Ferries, Deloitte, Oracle and UKG. Deloitte's role as system integrator provides delivery expertise and accountability for the implementation work within its scope, while BC Ferries retains accountability for business decisions, adoption, labour relations, governance, benefits realization and overall project outcomes. The fixed-fee statement of work for Deloitte's Phase 2 Project implementation scope is intended to support cost control and delivery discipline, while regular reporting and governance forums provide visibility into progress, risks, issues, actions, decisions and dependencies.

These governance and control mechanisms are designed to keep the Phase 2 Project aligned to approved scope, manage delivery and adoption risk, and provide objective checkpoints before major implementation decisions are made. They also support the Commissioner's assessment of reasonableness and prudence by demonstrating that BC Ferries is not simply proceeding with a large technology implementation, but is applying structured oversight, disciplined scope management, risk monitoring and implementation controls to protect cost, schedule, quality and business outcomes.

9.3 Procurements

Early engagement and foundational assessment

BC Ferries first procured advisory support to assess the current state and help define the future direction of the HR Transformation Program. [redacted] was the successful proponent. The scope of the procurement included services to:

- support assessment of the existing business, technology and data environment;
- design the future People & Safety operating model and related processes;
- development of an implementation roadmap; and
- support for technology evaluation and selection.

This early work helped BC Ferries understand the key risks, interdependencies and design considerations that would shape the Program. It confirmed that the current environment had limited scalability, significant reliance on manual and administrative activities, fragmented ownership across HR and payroll, multiple legacy systems with limited integration, inconsistent timekeeping and payroll processes, and limited reporting and workforce data visibility. It also confirmed the close relationship between core HR, payroll, and workforce management, and the need for an integrated implementation approach to reduce compliance, scheduling, and pay risk.

These findings supported the decision to pursue an integrated, end-to-end solution rather than a narrower system replacement. They also informed the structure, sequencing, and evaluation criteria for the subsequent procurement activities.

Product Procurement RFP

Building on the foundational assessment, BC Ferries proceeded with a structured competitive product procurement process.

In 2025, BC Ferries issued two Requests for Proposals (RFPs) through BC Bid:

- Human Capital Management: RFP 03-2025, issued March 21, 2025.
- Workforce Management: RFP 36-2025, issued April 11, 2025.

The RFPs assessed vendors against defined technical, functional, and commercial criteria. Following evaluation, Oracle Fusion Cloud HCM was selected as the Human Capital Management platform and UKG Pro Workforce Management was selected as the Workforce Management platform. Together, these platforms were selected to support BC Ferries' future-state HR, scheduling, timekeeping, payroll, and workforce management capabilities. Below is a summary of the evaluation process results for the successful bids [redacted]

WFM Evaluation Results	
Proponent	[redacted]
Categories	
Stage 2 (Functional, Technical, Strategic, Cost)	
Stage 3 (Use cases, Q&A)	
Final Score	

HCM Evaluation Results	
Proponent	[redacted]
Categories	
Stage 2 (Functional, Technical, Strategic, Cost)	
Stage 3 (Use cases, Q&A)	
Final Score	

System Integrator Procurement

Following the identification of Oracle and UKG as the preferred software solutions, BC Ferries initiated a separate procurement through its Vendor of Record (VOR) program to select an HR Transformation Partner and systems integrator with demonstrated experience implementing those technologies. Request for Quote VOR#B0010 was issued on April 2, 2025 to four pre-qualified system integrators: [redacted] Proponents were invited to submit implementation proposals based on the assumption that Oracle Fusion Cloud HCM and UKG Pro Workforce Management would be the target platforms.

A comprehensive evaluation process was undertaken, including detailed reviews of written submissions, vendor experience, proposed delivery approaches, team capabilities, references, and finalist presentations. [redacted] submitted proposals; following the evaluation process, [redacted] scored the highest overall evaluation score and was selected as BC Ferries' HR Transformation Partner and certified systems integrator. [redacted] brought experience delivering comparable programs in Canadian public sector and highly regulated, unionized environments, including provincial governments, health authorities and the marine industry. [redacted] is also a certified system integrator for both Oracle HCM and UKG Workforce Management.

The approach to procurement for both the product solution(s) and services helped with the breakdown of the key decisions into a logical sequence:

- first, defining the business need and future-state model;
- second, competitively selecting the core technology platforms; and
- third, procuring an experienced system integrator to deliver the selected solution.

Our approach supported transparency, competition, delivery discipline, and alignment between the selected platforms, implementation partner and BC Ferries' operating requirements.

9.4 Implementation Approach

BC Ferries has developed its in-service plan around a wave-based implementation approach. Rather than deploying all capabilities at once, the Program sequences go-lives by capability and user group. This approach is intended to reduce operational disruption by allowing testing, training, adoption support and stabilization before the next wave is introduced.

The Program is planned across three main go-lives. The first go-live, covering recruitment and performance management, [redacted] The second go-live will deliver the core Phase 2 capabilities under this Phase 2 Project, including core HR, scheduling, timekeeping, payroll and workforce management, through wave-based deployments currently planned for [redacted] The final go-live will deliver talent development, learning and engagement capabilities. Confidence in these dates is supported by the detailed design and implementation planning completed in phase 1, the wave-based deployment approach, and the governance and delivery controls established for the Phase 2 Project.

Table 7: Target Production Deployment Schedule

Recruitment and Performance Management Go-live Date	[redacted]
Payroll, Compensation and Benefits Go-live Date	[redacted]
Scheduling, Time & Attendance, Absence Management Technical Go-Live	
Wave 1 Rollout [redacted]	[redacted]
Wave 2 Rollout [redacted]	[redacted]
Wave 3 Rollout [redacted]	[redacted]
Wave 4 Rollout [redacted]	[redacted]
Talent/Learning Go-live Date	[redacted]

If the Phase 2 Project schedule slips, deployment of core HR, scheduling, timekeeping, payroll, and workforce management capabilities could move closer to, or beyond, the 2028 peak operating season, reducing the time available for stabilization before periods of higher operational demand. Any further delays to the wave deployment could push deployment into 2029, increasing overlap with the introduction of new Summit Class vessels and concentrating significant operational change during an already important period for BC Ferries.

A schedule delay would primarily affect timing rather than automatically consume the Phase 2 Project contingency. The contingency is intended to address defined technical, integration, testing and delivery risks. Accordingly, while milestone dates may shift if risks materialize or readiness criteria are not met, the current risk-based contingency remains tied to the quantified risk assessment and is not expected to be used solely because of schedule movement.

See Appendix E of this Application for details on project timeline, activities, and deliverables at each milestone.

Section 10 Engagement

10.1 Introduction

This section describes BC Ferries' efforts over several years to gather feedback and insights related to the HR Transformation Program and within that Program, the Phase 2 Project.

These opportunities include engaging employees, customers and communities in-person and online. Engagement efforts give employees, customers and communities a voice in the decisions that affect them most, while enabling BC Ferries to continually evaluate the services it provides to ensure it is offering a reliable and affordable experience that aligns with the needs of travellers.

10.2 Employees

Employees are the interest holders most directly affected by the Phase 2 Project. The Phase 2 Project will modernize how employees, leaders, schedulers, People & Safety teams, payroll teams and operational managers interact with HR services, scheduling, timekeeping, pay information, employee relations processes, talent processes, and workforce management tools.

Employee feedback has directly informed the case for change. In 2024, BC Ferries held nine SailSafe town halls across Points of Assembly, including sessions for the Northern Gulf Islands, Swartz Bay, Southern Gulf Islands, Nanaimo, Tsawwassen, Horseshoe Bay, the Sunshine Coast, the Atrium and a virtual session. Additional site visits were held at Port McNeill and Bear Cove terminals, the Northern Expedition, and the Route 25 vessel serving Alert Bay, Sointula, and Port McNeill. These sessions gave employees an opportunity to share experiences, identify improvement opportunities, and participate in two-way discussion about the future employee experience.

The town halls generated 675 pieces of feedback from 267 participating employees. Of that feedback, 164 items, or approximately 25%, were identified as issues the Phase 2 Project can directly address. Key themes included:

- limited foundational HR, engagement and talent capabilities;
- inconsistent policy and practice application;
- inefficient processes that do not meet employee expectations;
- limited transparency into employee and pay information; and
- limited visibility into schedules and shift opportunities.

The Phase 2 Project, within the broader HR Transformation Program, responds to these employee impacts by introducing improved employee and leader self-service, easier access to

HR support, helpdesk and case management capability, clearer career and learning pathways, more transparent scheduling and timekeeping processes, positive time capture, clearer pay information, and more consistent correction and approval workflows. These changes are intended to give employees and leaders better visibility into timecards, balances, schedules and pay-related processes, while improving consistency, transparency and auditability across the organization.

10.3 BC Ferry & Marine Workers' Union

The Phase 2 Project affects processes that are directly relevant to unionized employees, including scheduling, timekeeping, pay, absence management, employee and labour relations, and the application of Collective Bargaining Agreement requirements. BC Ferries operates in a complex environment shaped by the Collective Bargaining Agreement, Transport Canada crewing requirements, and operational rules that govern how employees are scheduled, how time is captured, and how pay is calculated.

The Phase 2 Project supports more consistent application of policies and collective agreement rules by improving scheduling, timekeeping, pay-code controls, absence management, and employee and labour relations case management. It will also improve the tracking of complaints and grievances and provide more transparent, auditable processes for workforce-related decisions. These improvements are intended to reduce inconsistency, strengthen controls, and support clearer and more reliable processes for unionized employees, leaders, schedulers, payroll, and People & Safety teams.

10.4 Customers and Communities

The Phase 2 Project affects customers and communities indirectly through service reliability. The Phase 2 Project does not change routes, terminals, schedules, fares or access to service. Its relevance to customers and communities is through the internal workforce capabilities that support reliable operations, including scheduling, timekeeping, absence reporting, workforce planning and short notice shift coverage.

Local communities rely on ferry service for daily travel, employment, access to services, and the movement of people and goods. Customers rely on BC Ferries to provide safe and dependable service. Workforce availability is one factor in that reliability: in Fiscal Year 2026, 110 of 2,902 sailing cancellations were crew-related, with 108 of those on Minors/North routes. Crew-related cancellations also affected customer perceptions of service reliability between 2022 and 2024, contributing to public complaints and reduced confidence in BC Ferries' ability to provide dependable service.

The Phase 2 Project, as one of two phases of the HR Transformation Program, is intended to respond to these concerns by improving scheduling capability, positive time capture, real-time workforce data, absence reporting, and visibility into employee availability and qualifications. These improvements will support BC Ferries' ability to respond to workforce gaps, manage short-notice coverage, and maintain more reliable service for customers and coastal communities. In addition, HRTP is projected to deliver a small overall net reduction on the fare increase needed in PT7.

10.5 First Nations

Phase 2 Project-specific First Nations engagement was not directly applicable to the Phase 2 Project based on its scope. It does not involve physical works, land-use changes, terminal changes, vessel deployment changes, route changes, or changes to customer access.

The Phase 2 Project may have indirect relevance to First Nations through workforce inclusion. The Phase 2 Project is expected to improve BC Ferries' ability to collect, manage and report workforce information, including voluntary self-identification data, skills, qualifications and competencies. These capabilities can support more structured and equitable recruitment, development, representation and advancement opportunities for Indigenous employees and other underrepresented groups.

10.6 Commercial Customers and Other Interest Holders

The Phase 2 Project affects commercial customers and other interest holders indirectly through service reliability. The Phase 2 Project does not change commercial booking processes, access arrangements, fares, routes, schedules, terminal access, tourism programs, transit connections or other external-facing processes.

Like customers and communities, commercial transportation providers and goods suppliers depend on reliable ferry service to move goods, commercial vehicles, workers and related supply-chain activity. Tourism associations and transit authorities similarly depend on reliable ferry connections to support visitor travel, community access and integrated transportation. HRTP Phase 2 supports these interests by strengthening the internal workforce capabilities that help BC Ferries manage staffing requirements, respond to short-notice absences, improve scheduling visibility and reduce workforce-related service risk.

10.7 Provincial Government

BC Ferries engaged with comparable public sector organizations and government-related entities operating in similar HR and workforce management environments, including the BC Public Service Agency, ICBC, BC Hydro, TransLink, and health authorities. These discussions provided practical insight into comparable HR transformation initiatives, including large-scale HR system implementations that were underway or recently completed.

The engagement helped BC Ferries identify leading practices, implementation considerations and lessons learned from organizations operating in public sector, regulated and operationally complex environments. These insights informed BC Ferries' approach to the Phase 2 Project, including planning for HR, scheduling, timekeeping, payroll and workforce management capabilities.

BC Ferries also engaged relevant government entities to support awareness of the broader initiative where alignment with existing agreements or public sector frameworks may be required, including arrangements involving the BC Public Service Agency. This engagement supports informed decision-making and helps ensure the Phase 2 Project is advanced in a manner consistent with applicable public sector standards and expectations.

Section 11 Coastal Ferry Services Contract and Other Obligations

11.1 Introduction

This section details how the Phase 2 Project is consistent with the Coastal Ferry Services Contract (the "Contract'"), the *Coastal Ferry* Act, and the vision for coastal ferry services set out in Charting the Course.

11.2 The Phase 2 Project Benefits Contract Compliance

The Phase 2 Project is consistent with the Contract and supports BC Ferries' ability to meet its obligations. The HR Transformation Project, and Phase 2 Project specifically, does not directly change routes, schedules, vessels, terminals or service levels. Its relevance to the Contract is through the internal workforce systems and processes that support BC Ferries' ability to plan, staff, operate, monitor and report on ferry service.

Table 8: Contract Compliance Summary

Contract Provision	How the Phase 2 Project supports compliance
Article 2.01(h)	Supports workforce planning, employee records, qualification tracking, talent development, scheduling visibility and deployment of qualified staff.
Article 4.01(a)	Strengthens the systems used to plan, schedule, deploy and manage the workforce required to deliver ferry services, reducing workforce-related service risk.
Article 4.12	Improves workforce visibility, scheduling data and planning capabilities that help align staffing availability with published service requirements.
Articles 6.04(a) and 6.04(b)	Improves governance, controls, auditability, qualification tracking, and consistent application of policies, pay rules and collective agreement requirements.
Article 6.04(c)	Replaces fragmented, manual and inconsistent workforce processes with more standardized, governed and integrated business processes.
Articles 6.04(d) and 6.04(e)	Improves traceability and auditability of timekeeping, payroll, approvals, workforce data and supporting records.
Article 6.04(f)	Supports better operational reporting by improving workforce and scheduling data relevant to workforce-related service impacts.
Articles 6.04(l) and 6.04(m)	Improves access to workforce metrics, scheduling data, service management information and controls that support performance monitoring and reporting.

11.3 The Project is Consistent with the *Coastal Ferry Act*

The Phase 2 Project is consistent with the Act and supports the Act's broader public-interest objectives. The Phase 2 Project is an internal workforce systems project; it does not directly change routes, vessels, terminals, fares or service levels. Its relevance to the Act is through the workforce capabilities that support safe, reliable, affordable and accountable ferry service.

Table 9: Costal Ferry Act Compliance Summary

Act Provision	How the Phase 2 Project supports compliance
Section 21.01(1)	The Phase 2 Project supports the public interest by improving the workforce systems and processes BC Ferries relies on to recruit, schedule, support, manage and pay employees. These capabilities support safe, reliable and affordable ferry service.
Section 38(1)(a)	The Phase 2 Project supports this balance by targeting workforce-management improvements, labour-cost oversight, legacy-system reduction and process efficiencies, while supporting the internal capabilities needed to maintain reliable service.
Section 38(1)(a.1)	The Phase 2 Project is not advanced primarily as a greenhouse gas reduction initiative. It may support broader sustainability objectives indirectly through digital processes and improved operational efficiency, but BC Ferries does not rely on quantified emissions reductions as a material Phase 2 Project benefit.
Section 55(2)	The Phase 2 Project is a major capital expenditure and therefore requires the Commissioner's approval before BC Ferries incurs the expenditure. This Application is made to support that approval.

11.4 The Project is consistent with *Charting the Course*

As introduced in Section 1.1 and elaborated on in Section 3.3, the Phase 2 Project supports the long-term vision set out in *Charting the Course* by strengthening the workforce capabilities BC Ferries depends on to deliver safe, reliable and affordable ferry service.

Section 12 Conclusion

The information presented in this filing is intended to support and facilitate the Commissioner's determination for approval of the Phase 2 Project as a "major project expenditure" under section 55(2) of the Act.

BC Ferries respectfully submits that the HR Transformation Program - Phase 2 Phase 2 Project described in this Application should be approved. The Phase 2 Project is an investment in the workforce systems BC Ferries relies on every day to recruit, schedule, support, manage, and pay the people who keep ferries operating safely and reliably.

Why the Phase 2 Project is Needed

BC Ferries currently relies on a dated and inconsistent patchwork of systems and processes to support and manage the people who work every day to keep BC connected. Fragmented systems, manual processes, spreadsheets, paper records, and local workarounds for important workforce functions define the current state. These limitations affect scheduling, timekeeping, payroll, employee support, workforce planning and access to reliable data. They make it harder to apply rules consistently, respond to short-notice staffing needs, manage labour costs, and give employees and leaders timely support.

For an organization that operates a large, dispersed and highly unionized workforce, these are not minor administrative issues. They affect the systems and processes that support safe staffing, [redacted] employee trust, service reliability and long-term financial sustainability. In turn, these create impacts for customers with delayed or cancelled sailings due to crew availability and the risk of continued avoidable financial pressure on fares at a time when BC Ferries and its customers are facing the potential for significant impacts on affordability leading up to and through PT7.

Why Proceeding with the Phase 2 Project is the Right Choice

Phase 1 of the HR Transformation Program established the foundation for impactful system change, including design work, procurement, vendor selection and early HR capabilities. This Phase 2 Project completes the most important remaining work: scheduling, timekeeping, payroll, absence management, Core HR, employee and labour relations, service management, integrations and the transition away from legacy systems.

Stopping after phase 1 would avoid near-term cost, but it would leave the most important and riskiest parts of the HR system unresolved. It would also limit the value of the planning, design and procurement work already completed.

Public Interest Benefits

The Phase 2 Project supports the public interest in practical, real-world ways:

- **For employees:** clearer schedules, better access to HR support, more transparent pay information, improved self-service tools, and more consistent processes.
- **For customers:** stronger workforce planning and scheduling capabilities that support fewer workforce-related service risks and more reliable sailings. Greater cost efficiencies deliver overall reduced pressure on fares, as early as PT7.
- **For communities:** better support for the ferry service that connects people to work, school, medical appointments, goods, tourism and essential services.
- **For BC Ferries:** improved oversight and control over the $593 million (salaries, wages and benefits) per year spent on workforce, stronger payroll and scheduling controls, better workforce data, reduced manual work, and a more resilient operating model.

The Phase 2 Project also supports the public interest goals of Charting the Course by strengthening the internal workforce capabilities needed for safe, reliable, affordable and resilient ferry service.

Reasonableness and Prudence

BC Ferries has approached the Phase 2 Project in a staged and careful way. The Program used external assessments, competitive procurement, global design, fixed-fee implementation planning, risk assessment, governance controls, and a quantified contingency tied to specific project risks.

The Phase 2 Project requires upfront investment, but it addresses material operating risks and cost drivers, including labour utilization, overtime, payroll accuracy, legacy system support and administrative inefficiency. The risk register and contingency analysis show that BC Ferries has not treated risk as a general estimate - it has tied specific risks to expected cost exposure and budgeted accordingly.

Recommendation

Proceeding with the Phase 2 Project is the option that best addresses the real and current needs. It completes the planned roadmap for a broader HR Transformation Program, reduces reliance on fragmented legacy systems, improves workforce visibility and controls, and supports the people and processes required to deliver ferry service.

For these reasons, BC Ferries submits that the Phase 2 Project is reasonable, prudent, affordable, consistent with the Coastal Ferry Services Contract and long-term capital planning, and in the public interest. BC Ferries respectfully requests the Commissioner's approval.

Appendix A: Guidelines Cross-Reference

The following itemizes responses to questions in "*Guidelines for British Columbia Ferry Services Inc. for Applications under Section 55 of the Coastal Ferry Act*" dated May 29, 2026.

Commissioner Determinations

Commissioner Determination	Response Location
a) Is the project reasonably required?	*Sections, 4.2, 4.3*
b) Does the proposed capital expenditure demonstrate good judgment, based on wisdom, experience and good sense?	*Section 8*
i) Does the proposed capital expenditure indicate a wise use of resources?	*Section 8*
ii) Does the proposed capital expenditure show due consideration for the future?	*Sections 3.3, 3.4, and 8*
iii) Has it been demonstrated that the proposed capital expenditure would not reasonably be considered excessive?	*Section 6, 8*
c) Does the proposed capital expenditure provide good value, at a moderate and fair price? Is it affordable i.e., how does the project impact price caps in the current performance term and beyond?	*Sections 5.5, 6, and 8*
d) Is the proposed capital expenditure provided for in a board approved capital plan?	*Section 3.4, and 6.2*
i) Is the total cost different in any respect from what was approved in the most recent capital plan?	*Section 3.4, and 6.2*
ii) Is the total cost different in any respect from what was indicated in the BC Ferries' last submission to the Commissioner for price cap setting purposes?	*Sections 3.4, and 6.2*
iii) Does the scope of the proposed capital expenditure differ in any respect from what was approved in the most recent capital plan approved by the Board?	*Sections 3.4, and 6.2*
e) Is the proposed capital expenditure consistent with the current Coastal Ferry Services Contract?	*Section 11.2*
f) Is the proposed capital expenditure consistent with any government long term vision for the future of coastal ferry services?	*Sections 1.1, 3.3, and 11.4*
g) Is the proposed capital expenditure in the public interest? Specifically, does the capital expenditure ensure, or enhance, a ferry service that remains safe, reliable and affordable?	*Sections 3.3.1, 4.2, 8, and 12*

Commissioner Determination	Response Location
h) Does the capital expenditure contribute to reduction in GHG emissions?	*Section 11.3*

Project Overview and Rationale

Guiding Principle: Demonstrate why the capital expenditure is necessary and why it is prioritized at this time and that the project aligns with the long-term vision and capital plan for the ferry system.

Submission Requirements	Response Location
1. Overview of the proposed project	
i) Provide a summary of the project including the individual elements.	*Sections 1.1, and 3.5*
2. Project Rationale	
a) Describe the reason(s) for the project and what issues, opportunities and/or deficiencies it will address.	*Sections 3.2, and 4.2*
b) Describe how the project is prioritized in relation to other capital projects.	*Sections 4.2, and 4.3*
c) Detail the consequences of delaying or not completing the project.	*Section 4.4*
d) Demonstrate that the project is consistent with the most current long-term capital plan established by BC Ferries.	*Section 3.4*
e) Demonstrate that the project has Board approval.	*Section 3.4*
f) Describe how the project is consistent with the current Coastal Ferry Services Contract and the provincial vision for coastal ferry services.	*Section 11.3*
3. Options	
a) Describe a full range of options and in doing so, explain:	*Section 5*
i) If the need can be met without a new capital spend;	*Sections 5.3, 5.4, and 5.5*
ii) If the existing asset can be better utilized or managed to reduce or limit the capital spend; or	*Sections 5.3, 5.4, and 5.5*
iii) If the need can be fully or partially met in an alternative way.	*Sections 5.3, 5.4, 5.5, and Appendix C*
b) Demonstrate that all viable options have been considered.	*Section 5*

Options Analysis

Guiding Principle: Demonstrate that a thorough analysis of the financial impacts and well as non-financial impacts, such as customer service, environmental and social impacts, quantified where possible, of each of the options has been undertaken to clearly demonstrate the reasons for the preferred option.

Submission Requirements	Response Location
1. Financial Analysis	
a) Capital cost estimates by year.	*Section 6.2, and Appendix C*
b) Incremental (or reduced) operating costs by year.	*Section 6.7, 6.8, and Appendix C*
c) Incremental (or reduced) revenues by year.	*Section 6.7, 6.8, and Appendix C*
d) Details of how capital and operating cost estimates and revenue estimates were developed.	*Section 6.2, 6.6, and Appendix C*
e) Details of how the contingency amounts were developed.	*6.3, and Appendix D*
f) A net present value (NPV) analysis on a lifecycle basis comparing the options	*Section 6.9, and Appendix C*
g) Details of the rationale for the discount rate.	*Appendix C*
h) Sensitivity analysis of key drivers as applicable, e.g., discount rate, inflation rate, capital expenditures, operating costs and revenues.	*Appendix C*
i) Total project budget for the preferred option including IDC, contingency and risk premium.	*Section 6.2, 6.3, 6.4, 6.5 and Appendix C*
2. Risk Analysis	
a) Details on the risk assessment approach. Demonstrating how the risk analysis has been incorporated into the capital cost estimates.	*Section 7.2, and Appendix D*

Submission Requirements	Response Location
b) Risk identification and mitigation including the following elements: i) A risk register with mitigation identifies in managing significant risks. ii) Risks organized by stages of the project: planning, procurement, execution and post execution. iii) Risk quantification based in the likelihood and consequence of the risk occurring. iv) Assessment of how risks are retained, shared and transferred contractually. v) The quantified risks, as appropriate, should be mapped onto the contingency budget.	*Sections 7.3, 7.4, and Appendix D*
3. Customer Impact	
a) An analysis of how the proposed project will impact customers, now and in the future. i) Vehicles. ii) Foot passengers. iii) Cyclists. iv) Individuals with limited mobility and other accommodation needs. v) Commercial traffic.	*Sections 10.4, and 10.6*
b) Impact on servicing future demand.	*Section 3.3*
4. Innovation and Standardization Impacts	
a) Details of any innovative or untried concepts and associated benefits and risks.	*Section 4.5, and Appendix B*
b) Details of any new technologies included in the proposal.	*Section 4.5*
c) Where applicable, details of how the proposal contributes to standardization of assets.	*Section 5.6*
5. Environmental Impacts	
a) Demonstrate how the options align with BC Ferries' Clean Futures Plan.	*Section 11.3,*
b) If applicable, provide details of alignment with federal and provincial climate change mitigation and adaptation goals.	*Section 11.3*

Submission Requirements	Response Location
c) Describe how each of the options achieve: i) Reduction in GHG emissions. ii) Reduction in energy consumption.	*Section 11.3* *Section 11.3*
d) Where applicable, describe mitigation measures to minimize any environmental effects.	*Section 11.3*
6. Social/Community Impacts	
a) Where applicable, describe how the options will impact directly affected communities and First Nations.	*Section 10.5*
b) Describe mitigation measures to minimize any potential impact to communities and First Nations.	*Section 10.5*
7. Public Interest	
a) Describe how the project is in the public interest.	*Section 12*

Stakeholder Engagement

Guiding Principle: Demonstrate that thorough and genuine engagement was undertaken with stakeholders affected by the project.

Submission Requirements	Response Location
a) Details of engagement with stakeholders that are affected by the proposed capital expenditure. Example of stakeholders, depending on the project: i) Employees ii) Ferry Advisory Committees iii) Local affected communities iv) Customers v) Local First nations vi) Transit authorities vii) Commercial transportation and good suppliers *viii)* Tourism associations	*Sections 10.2, 10.3, 10.4, 10.5, and 10.6*
b) Describe whether the provincial government has been apprised of or consulted on the proposed project.	*Section 10.7*

Project Governance, Procurement and Implementation

Guiding Principle: Demonstrate that there is an appropriate project governance process and oversight in place for procurement and implementation of the project.

Submission Requirements	**Response Location**
a) Details of the procurement process including a rationale for why the particular methodology was selected.	*Section 9.3*
b) Details of project governance and oversight structure, reporting procedures and implementation monitoring. Where applicable, include performance measures to monitor that the project meets its objectives.	*Section 9.2*
c) In-Service Date	*Section 9.4*
i) Provide details of the impact on current operations.	*1.1, 9.4, and Appendix E*
ii) Provide the anticipated date on which the asset or project will come into service.	*Section 9.4, and Appendix E*
iii) Provide information on the confidence of the in-service date and any consequences of delay.	*Section 9.4*
iv) Provide details of the contingency plans should the project be delayed.	*Sections 6.3, and 7.4*

Appendix B: Program Benefits

Location: Section 4.5

This appendix provides further detail relating to the three types of Phase 2 benefits outlined in Section 4.5, as well as phase 1 financial benefits included in the program NPV.

Phase 2 benefit categories

- Category 1: Core Quantified Financial Benefits (higher confidence, and included in NPV) = [redacted] in Fiscal Year 2030
  - Labour-related benefits (savings in labour, overtime expenses, and turnover) = [redacted] in Fiscal Year 2030
  - IT-related benefits (savings in licenses, technical support, and hardware) = [redacted] in Fiscal Year 2030
- Category 2: Supplementary Quantified Cost Avoidance Benefits (cost avoidance / lower confidence, omitted from NPV)
- Category 3: Qualitative Benefits

Phase 1 financial benefits included in the program NPV

- Phase 1 financial benefits are included in the program NPV analysis. They consist of savings from retired licences and software support, along with an Oracle cloud transition incentive that began in Fiscal Year 2026. Although phase 1 provides the foundation for the broader transformation program, most business benefits are delivered through Phase 2; as a result, only IT-related benefits are directly attributed to phase 1.
- In Fiscal Year 2030, phase 1 financial benefits are estimated to total [redacted]

<APPENDIX B SCHEDULES HAVE BEEN REDACTED IN THEIR ENTIRETY>

Appendix C: Financial Analysis and Budget

Net Present Value (NPV) Analysis

Location: Sections 5.4 and 6.9

<APPENDIX C SCHEDULES HAVE BEEN REDACTED IN THEIR ENTIRETY>

Appendix D: Risk Register

Risk Register

Location: Section 6.3, and 7.4

This appendix presents a summary of key project delivery and implementation risks identified for HRTP.

<APPENDIX D SCHEDULE HAS BEEN REDACTED IN ITS ENTIRETY>

Appendix E

Phase 2 Project Timeline, Activities and Deliverables

Location: Section 9.4

<APPENDIX E SCHEDULES HAVE BEEN REDACTED IN THEIR ENTIRETY>

END OF SUBMISSION