

Annotated Agenda

MOTI & BCF

MINISTRY:

Kaye Krishna, Deputy Minister
Reg Bawa, Assistant Deputy Minister

BC FERRIES:

Mark Collins, President & Chief Executive Officer
Brian Anderson, Vice President

April 13, 2022
9:00 a.m.
MS Teams

#	ITEM	MATERIALS
1.	<p>Performance Term 6 Submission</p> <ul style="list-style-type: none"> BCFS will be providing an update and has indicated this is an opportunity to discuss any questions the ministry may have. In meetings with ministry staff, BCFS has indicated that it would like to know the ministry's views on the s.12; s.13; s.16 s.12; s.13; s.16 <p>s.12; s.13; s.16</p> <ul style="list-style-type: none"> Price cap calculations are based on a number of assumptions that are subject to change. Past performance terms have proven that during times of relative stability, the track record of projecting costs and ridership for 4-year performance terms has generally been weak. While there may be some advantages to creating additional revenue up-front to help cover longer-term capital investments, using longer term forecasts may result in ferry users paying higher fares than necessary. 	Verbal
2.	<p>Island Class Electrification</p> <ul style="list-style-type: none"> BCF to provide an update on avenues for potential funding support including the Government of Canada's Strategic Innovation Fund and CleanBC. 	Verbal
3.	<p>Coastal Ferry Act Amendments</p> <ul style="list-style-type: none"> The DM may wish to acknowledge receipt of the letter dated April 1st from the Chair of the BCFS Board to Minister Fleming regarding Bill 7. First reading of Bill 7 was on February 23rd. As of April 8th, second reading has not yet been scheduled. 	Verbal

Status Update
Coastal Ferry Services Contract and Performance Term 6

Process and Timing

- The performance term process is set out in the Coastal Ferry Act.
- BC Ferries (BCFS) is required to file its PT6 submission with the BC Ferry Commission (BCFC) by September 30, 2022.
- The Province and BCFS must file a PT6 contract with the BCFC by June 30, 2023, informed by the BCFC's preliminary price cap decision to be announced by March 31, 2023.

s.12; s.13; s.16; s.17

s.12; s.13; s.16; s.17

s.12; s.13; s.16; s.17

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s.12 ; s.13 ; s.16 ; s.17

From: [Handrahan, Kirk](#) TRAN:EX
To: [Dong, Jodi](#) TRAN:EX
Cc: [Bawa, Reg R](#) TRAN:EX
Subject: FW: BCF/MOTI - Performance Term 6 Planning Session
Date: May 12, 2022 4:27:45 PM
Attachments: [2022 - 0502 - BCFS and BCFA Briefing.pdf](#)

Hi Jodi, Just wanted to share this presentation – It is confidential so please don't share any further.
FYI take a look at Module 4.

Kirk

From: Anderson, Brian <Brian.Anderson@bcferries.com>
Sent: May 12, 2022 10:57 AM
To: Bawa, Reg R TRAN:EX <Reg.Bawa@gov.bc.ca>; Handrahan, Kirk TRAN:EX <Kirk.Handrahan@gov.bc.ca>; Petruzzelli, Lynda TRAN:EX <Lynda.Petruzzelli@gov.bc.ca>
Cc: Sharland, Jill <Jill.Sharland@bcferries.com>; Joanne.Carpendale <Joanne.Carpendale@bcferries.com>; Doyle, Joanne <Joanne.Doyle@bcferries.com>
Subject: RE: BCF/MOTI - Performance Term 6 Planning Session

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

Good morning – further to these modules, attached are the subsequent two modules on the capital plan and modal shift that were discussed with BCFA and BCFS Board sub-committee. We can cover the highlights at our meeting this afternoon but of course if there are any questions or areas we need further time we can schedule a follow up. Thanks, Brian.

From: Anderson, Brian
Sent: April 26, 2022 2:33 PM
To: Reg Bawa (Reg.Bawa@gov.bc.ca) <Reg.Bawa@gov.bc.ca>; Handrahan, Kirk <Kirk.Handrahan@gov.bc.ca>; Petruzzelli, Lynda <Lynda.Petruzzelli@gov.bc.ca>; Campbell, Callum J TRAN:EX <Callum.J.Campbell@gov.bc.ca>
Cc: Sharland, Jill <Jill.Sharland@bcferries.com>; Carpendale, Joanne <Joanne.Carpendale@bcferries.com>; Doyle, Joanne <Joanne.Doyle@bcferries.com>
Subject: RE: BCF/MOTI - Performance Term 6 Planning Session

Good afternoon,

As discussed Friday, attached are the slides reviewed with the sub-committees of the BC Ferry Services and BC Ferry Authority Boards.

If there are any emerging questions we can touch base tomorrow at our meeting.

Talk soon, Brian.

-----Original Appointment-----

From: Anderson, Brian

Sent: March 02, 2022 9:21 AM

To: Anderson, Brian; Sharland, Jill; Carpendale, Joanne; Doyle, Joanne; Reg Bawa
(Reg.Bawa@gov.bc.ca); Handrahan, Kirk; Petruzzelli, Lynda; Campbell, Callum J TRAN:EX

Subject: BCF/MOTI - Performance Term 6 Planning Session

When: April 27, 2022 11:00 AM-12:00 PM (UTC-08:00) Pacific Time (US & Canada).

Where: Webex

Agenda and materials will follow closer to meeting date

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Joint BCFS and BCFA Board Briefing

May 2, 2022



Agenda

- | | |
|--|------------|
| 1. Key takeaways from Modules 1 and 2 | 10 minutes |
| 2. Module 3: 12-Year Capital Plan | 60 minutes |
| 3. Module 4: Supporting Modal Shift | 60 minutes |
| 4. Next steps / future meetings | 10 minutes |

MODULE 3: 12-YEAR CAPITAL PLAN

Scott Elliott, Director, Corporate Planning

Capital Plan Background

- **Every 4 years:**

- A new 12-year Capital Plan is established as part of the Performance Term (PT) submission to the Commissioner

FY:		PT5				PT6				PT7					
2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
		PT5 12 Year Capital Plan													
		PT6 12 Year Capital Plan													

- **Annually:**

- The plan is kept current to the strategic plan
 - Latest strategic direction
 - Respective Vessel, Terminal, IT and Customer Experience master plans
- Capital Plan updated and approved by the Board
 - Projects with released funding: include latest forecast from Project Managers
 - Projects without funding released: placeholder budgets

- **Throughout the year:**

- Projects with funding release update forecasts monthly
- Prioritization of near term projects occurs quarterly
- New projects request pre-implementation funding
 - refine budgets and prepare business cases for approval
 - these decision points are opportunities to re-examine priorities

- **\$5.2 billion, 12-year Capital Plan**
 - Largest in BC Ferries' history
 - Up \$1.6 billion from previous Capital Plan
 - Half = increased investment through FY2030
 - Remainder = FY2031-FY2034

- **Focuses on the Core**
 - Key investments in the ferry system
 - Maintains or improves safety and reliability
 - Achieves efficiencies to reduce overall cost of operations
 - Supports our corporate environmental targets
 - Identifies projects that could be life extended or deferred
 - Aligns terminal projects with vessel renewal/redeployment

- **Responds to increasing system demand/volumes**
 - Emphasis on appropriately funding investments to grow capacity overall, especially on routes where constrained
 - Accelerating four island class vessels to address route capacity “hot spots” (Routes 6, 22, 24)
 - Adding incremental new major vessel
 - Growth in capacity is in response to broad feedback and growing demand (reviewed in Module 2)
- **Supports climate change objectives**
 - Reducing GHG emissions
 - Electrification of vessels and terminal infrastructure
- **Increasing investment in terminals & other**
 - FMU Site Development, major terminal upgrades (HSB, SWB), minor/intermediate berth rebuilds
- **Heavy investment in vessels early 2030's**
 - Coastal mid-life upgrades, Spirit 3/4 life upgrades

- **What's included:**

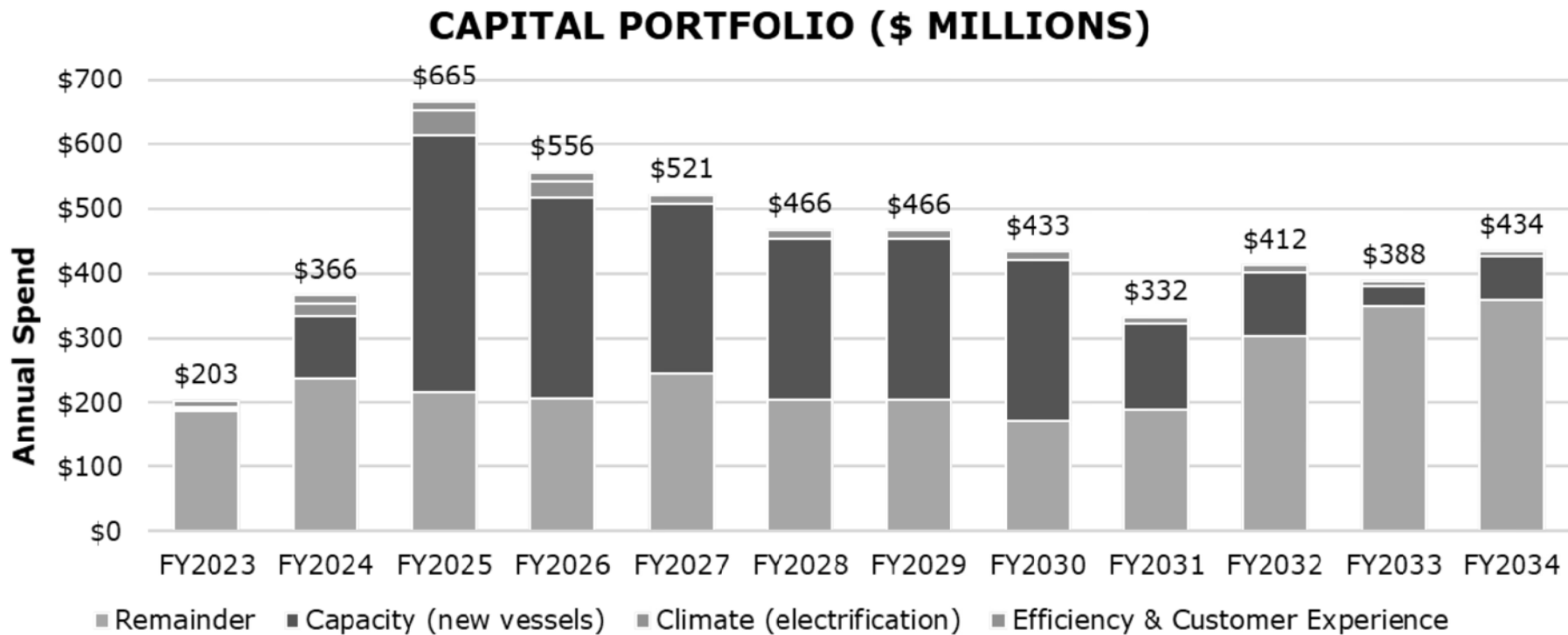
- New Major Vessels
 - Incremental Major Vessel
 - Assumed 25% reduction in GHG emissions (LNG or other)
- Island Class Investment
 - Phase 1 & 2: electrification of first 6 vessels + associated terminals
 - Phase 3 & 4: construct next seven vessels, four on accelerated timeline
- *Baynes Sound Connector* expansion and electrification
- Major Terminal Efficiency
- Customer Experience Initiative

- **What's not included:**

- New Major Vessel net zero investment (vessels and terminals)
 - Currently evaluating alternatives
- Terminal electrification for Island Class Phase 3 & 4

Key Strategic Elements

- **~45% of the capital portfolio relates to**
 - Capacity (new vessels)
 - Climate (electrification)
 - Efficiency & customer experience

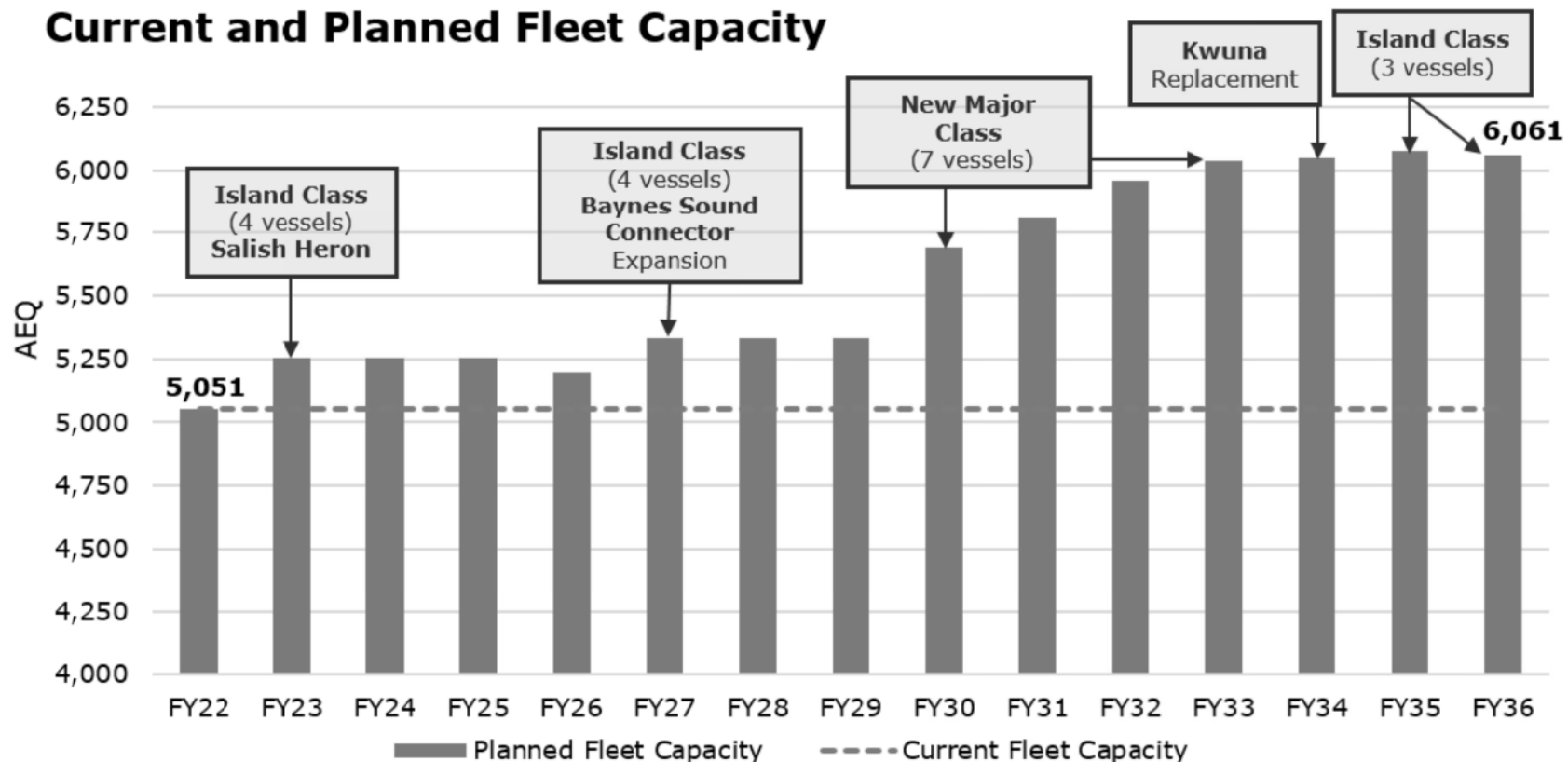


Fleet Capacity Outlook

- **Fleet AEQ* capacity increase from 5,051 to 6,061 by fiscal 2036**

- The majors will add 727 AEQ
- The minors will add 283 AEQ

Current and Planned Fleet Capacity



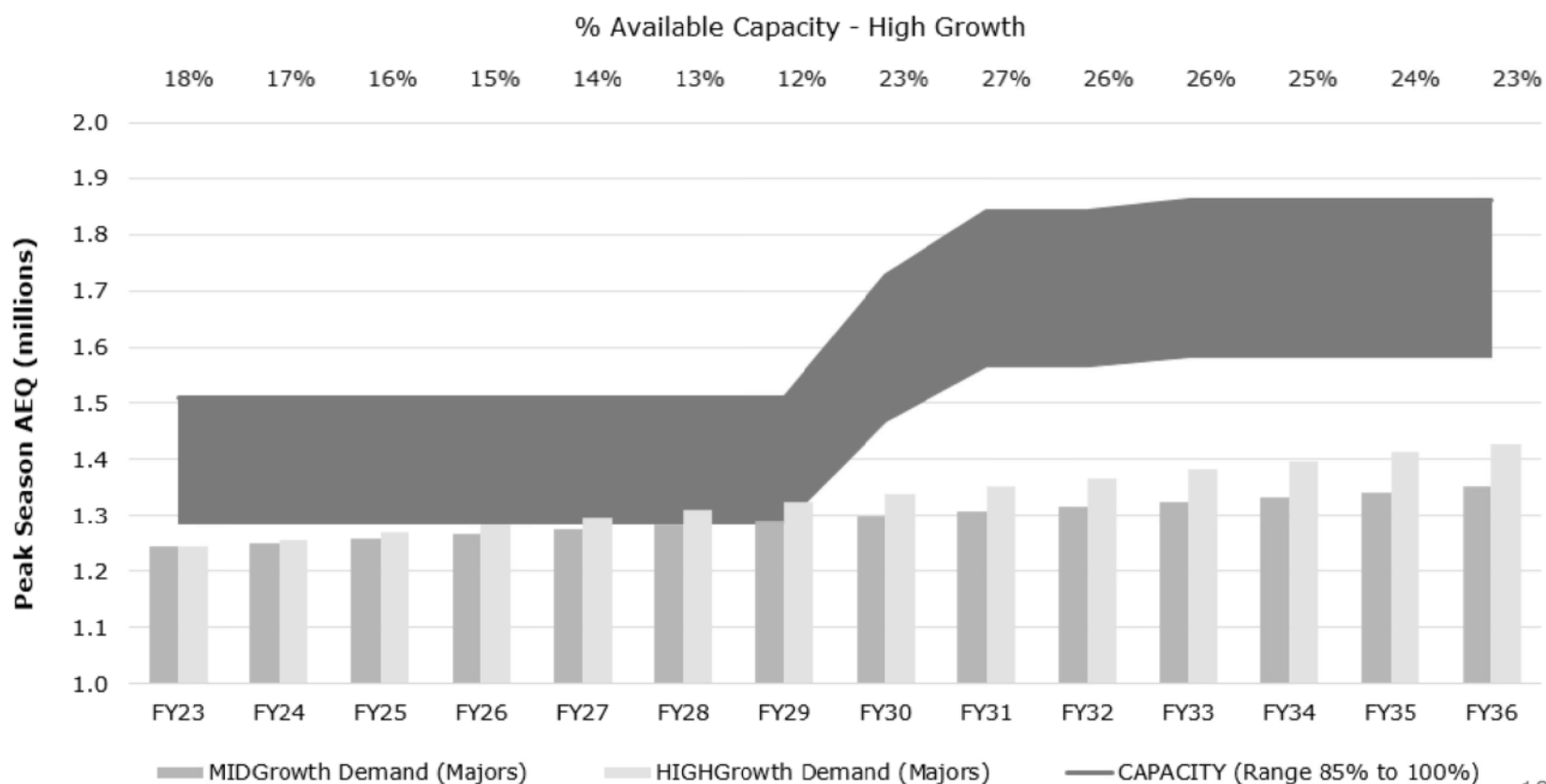
*Automobile Equivalent (AEQ) is used to determine vessel capacity based on a standard vehicle measure of 6.1 x 2.6 metres, roughly equal to a full-size family vehicle

Major Routes Peak Season Capacity

- **New major vessels alleviate capacity pressure**

- Capacity increase of new ships vs. retiring
- Incremental vessel

Routes 1, 2 & 30 Peak Season Growth Scenarios & New Vessel Introduction
(includes 1 incremental vessel)



Climate: GHG Emerging Policies and Regulations

- **IMO's Measures to Reduce GHGs from Ships**
 - Proposed requirements to reduce the carbon intensity of shipping by 40% compared to 2008 level by 2030
 - IMO's requirements are expected to be adopted by Transport Canada as early as 2023
- **Canada's Net-Zero Emissions Accountability Act**
 - Committed to achieve net-zero greenhouse gas emissions by 2050
 - Aligned with United Nations climate change conference (COP26) measures to reduce emissions by 40-45% from 2005 levels by 2030
 - Federal government worked with provinces, territories and Indigenous Peoples to establish a reduction plan published April 2022
- **B.C.'s Clean Transportation Action Plan**
 - The Plan includes the additional steps B.C. will take to reduce emissions in the transportation sector to meet 2030 targets
 - Province to engage with BCFS prior to Summer 2022

Climate: Achieving BC Sector Targets by 2030



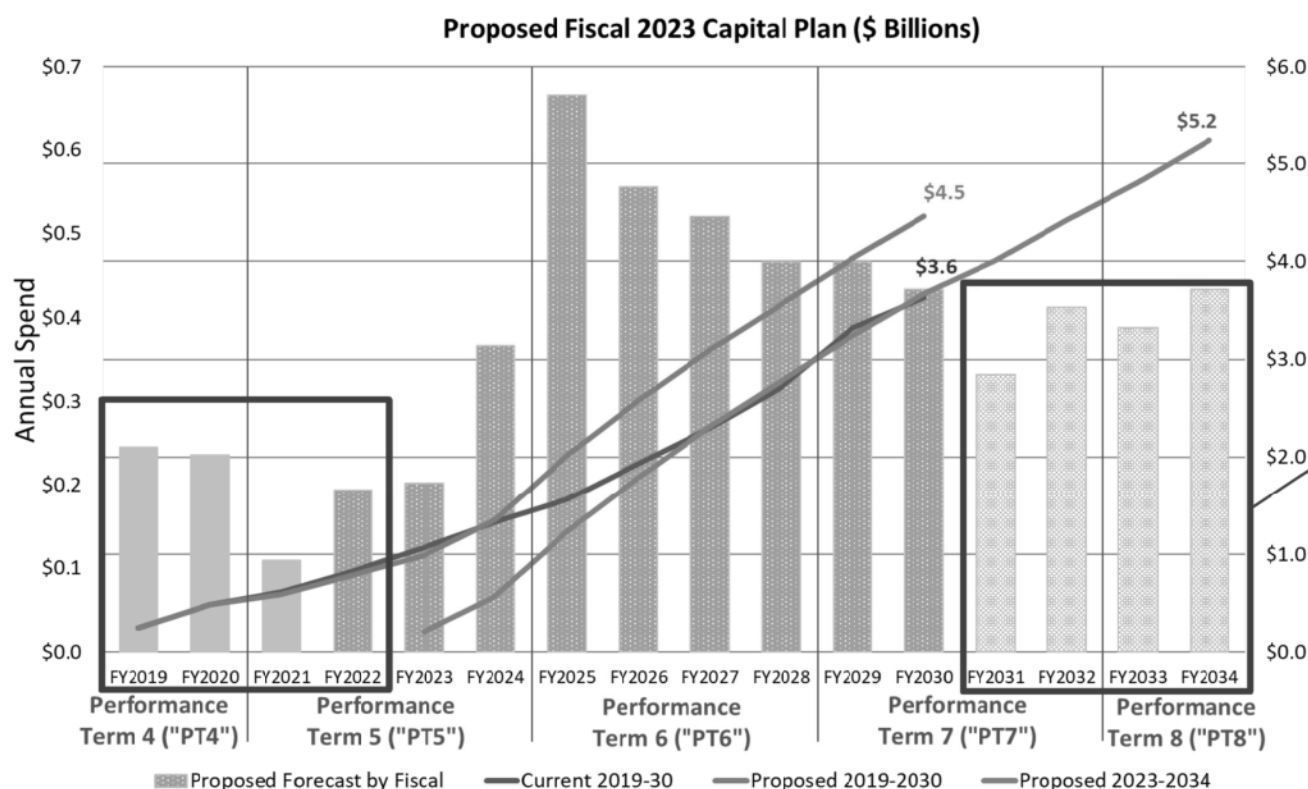
Timelines & Metrics (approximate)		Tonnes CO2e reduced
2022-30	B20 (20% biodiesel and diesel blend) used by 11 vessels	17,500
	Emissions Reduction Kits installed on the Spirit-Class and Salish-Class	10,500
	Install Variable Frequency Drives on the Coastal Inspiration	3,500
	Baynes Sound Connector Electrification	500
2025-30	Island Class Electrification	20,000
2029+	1 st New Major Vessel (assuming 25% less GHG emissions)	5,000
SUBTOTAL		57,000
2029+	Substitute renewable natural gas and renewable diesel	51,000
Total Savings Achieved		108,000

- **Capital plan projects reduce ~39,500 tonnes CO2e by 2030**
 - Forecast only includes the impact of the first new major vessel
 - Further reductions anticipated beyond 2030 as fleet renewal continues

Proposed Capital Plan

Billions	FY19-FY30	FY23-FY34
Current Plan	\$ 3.6	
Proposed Plan	\$ 4.5	\$ 5.2
Variance	\$ (0.8)	

- **\$5.2B Proposed Plan (F2023-F2034)**
- **Replaces current \$3.6B plan**
 - \$0.8B increase spend F2019-F2030 largely strategic initiatives
 - \$0.8B attributable to new four years

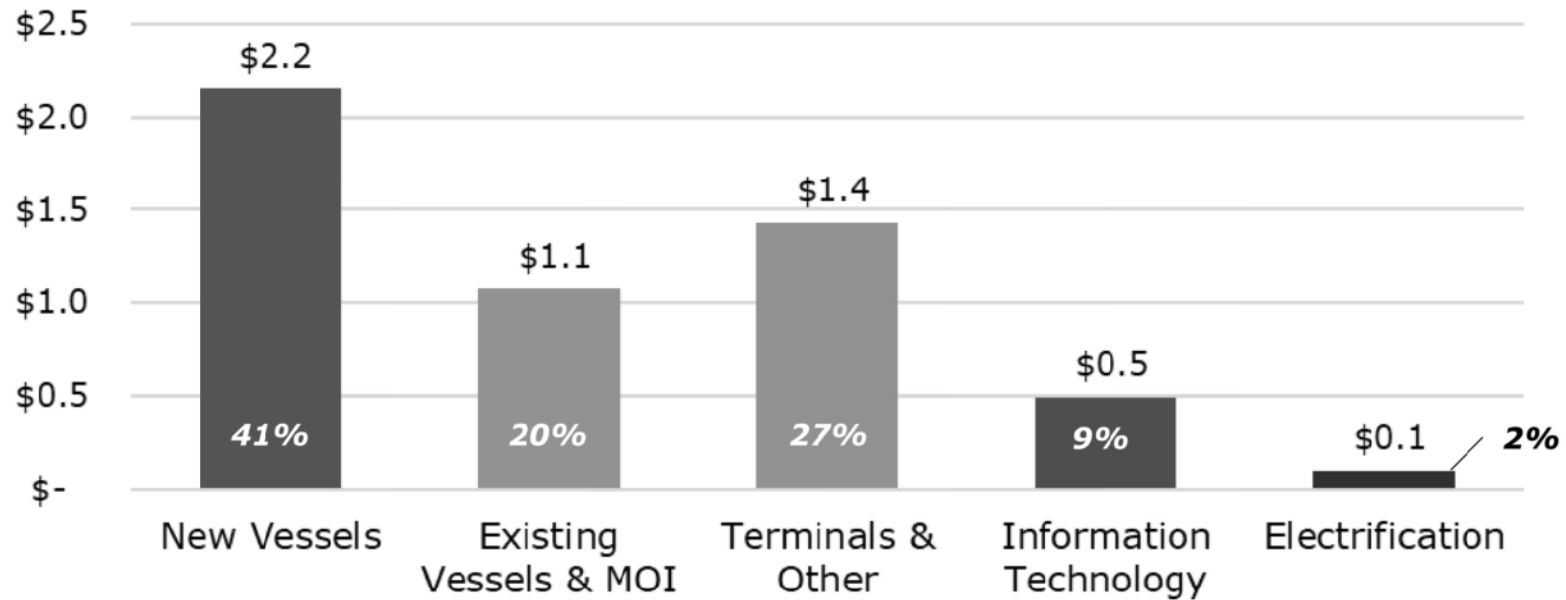


\$0.8B higher than four years dropping off (F2019-F2022)

- Half relates to higher investment in existing vessels
- Half relates to higher investment in terminals

Capital Plan by Asset Area

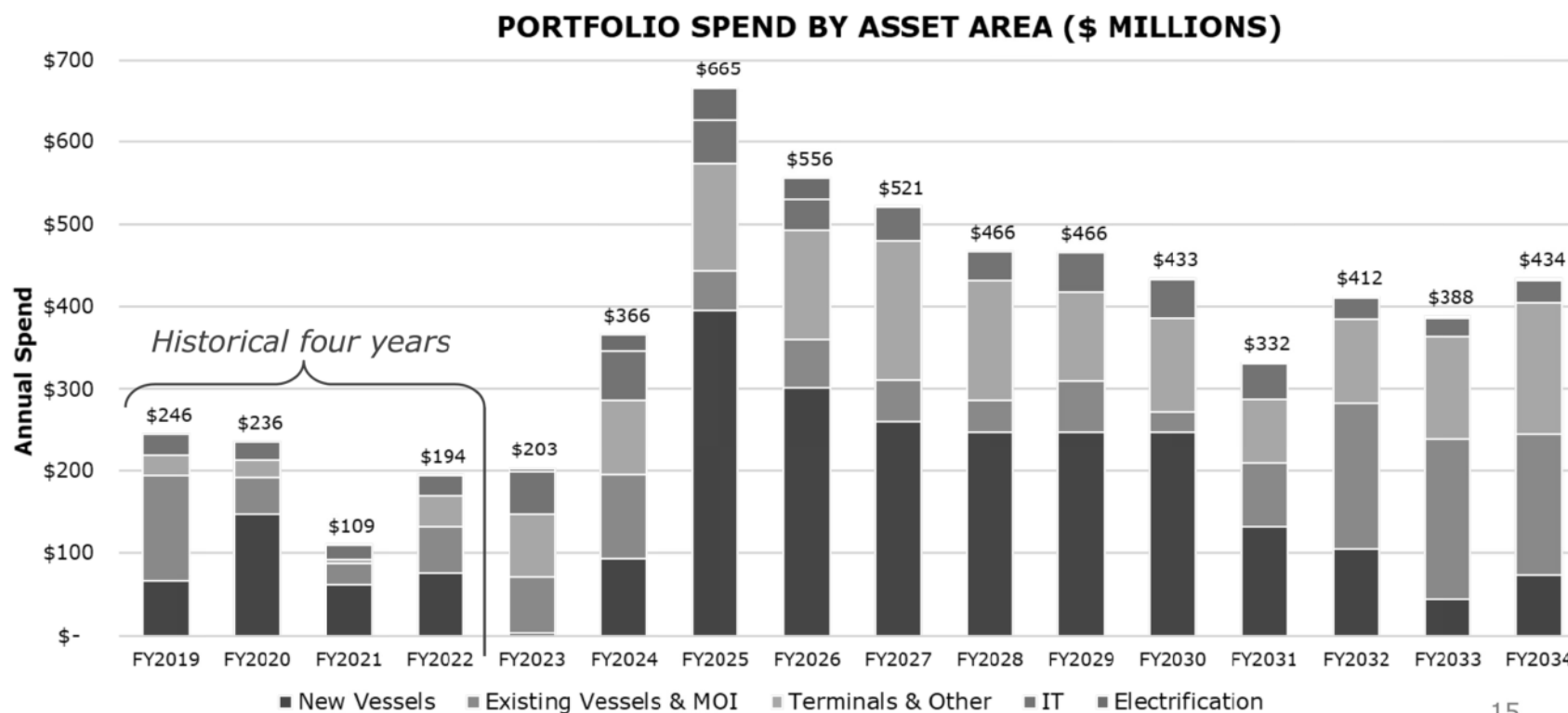
12 Year Capital Spend by Asset Area (\$ Billions)



Annual Capital Spend by Asset Area

- **New vessels drive capital plan spend**
- **Increasing investment in terminals & other**
 - FMU Site Development, major terminal upgrades (HSB, SWB), minor/intermediate berth rebuilds
- **Heavy investment in vessels early 2030's**
 - Coastal mid-life upgrades, Spirit 3/4 life upgrades

FY2023-FY2034 Spend		
New Vessels	\$2.2B	41%
Existing Vessels & MOI	\$1.1B	20%
Terminals & Other	\$1.4B	27%
IT	\$0.5B	9%
Electrification	\$0.1B	2%
Total	\$5.2B	



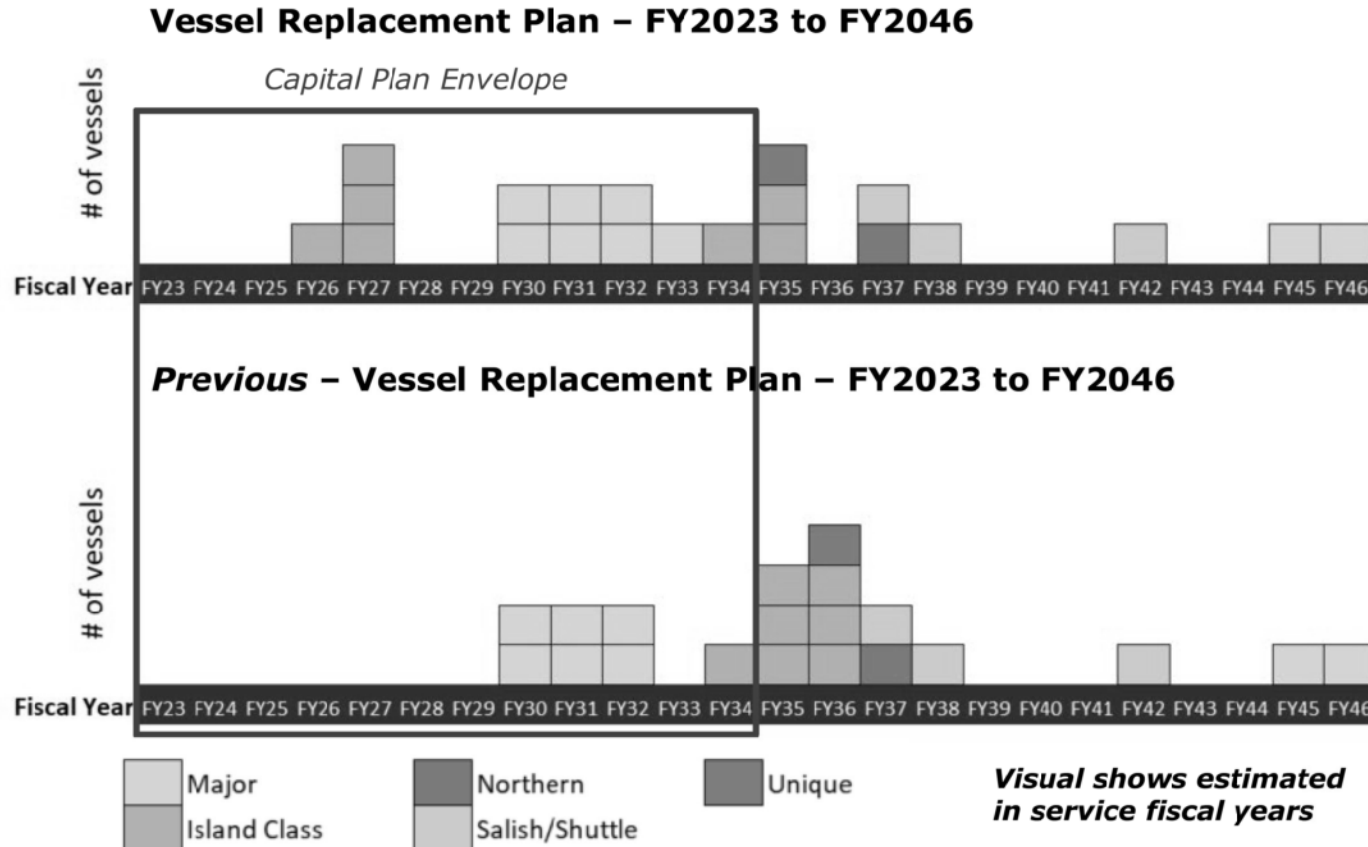
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Long Term Outlook of New Vessels

- **New vessels entering service:**
 - 12 in first 12 years (FY2023-FY2034), incl. 7 Majors
 - 9 in following 12 years (FY2035-FY2046), incl. 2 Majors



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12-Year Capital Plan Risks and Mitigation

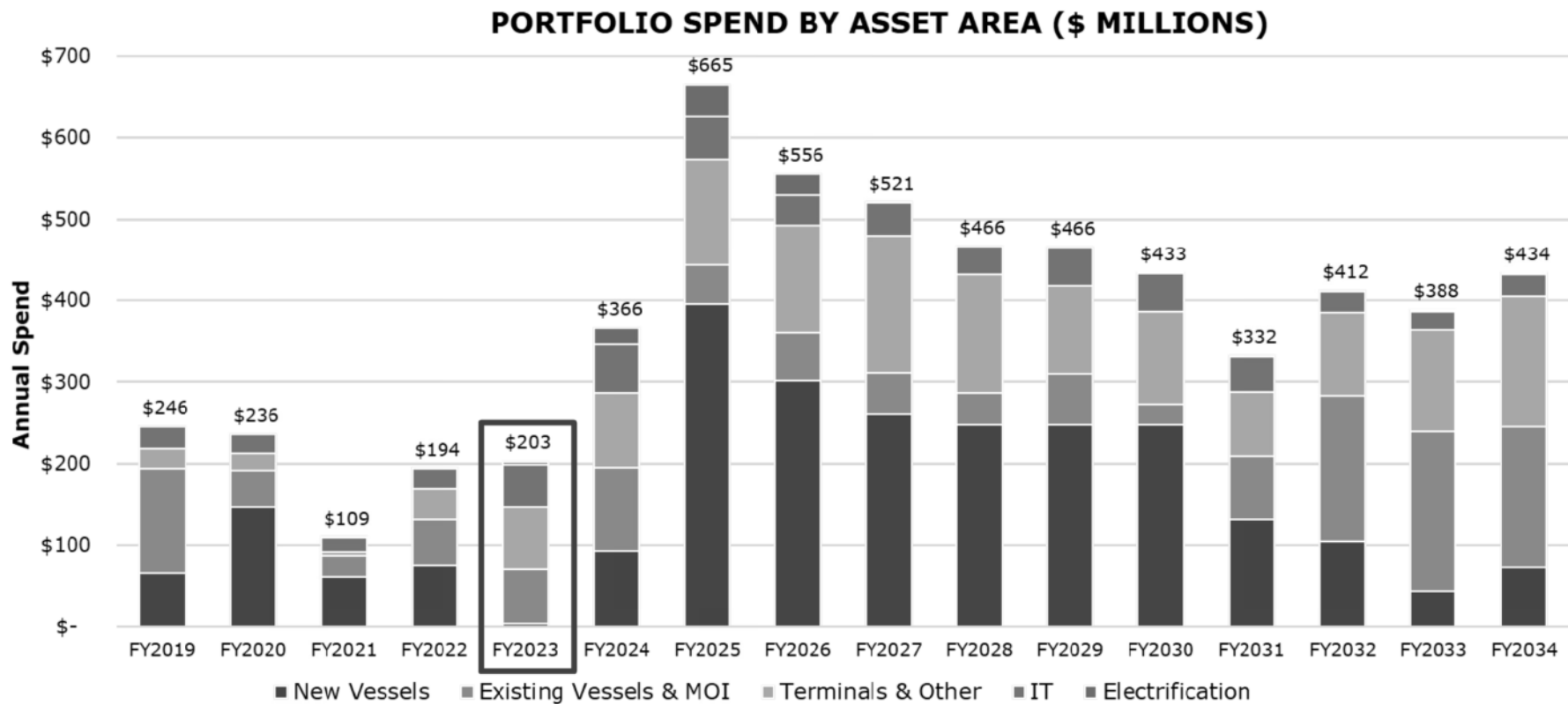
Risks	Mitigation
<p>Budget/Scope:</p> <ul style="list-style-type: none"> • 61% of 12 year plan is in the concept phase (no funding released) • Emergent ideas, standards, regulations and technology • Asset condition/ expected asset life <p>Budget:</p> <ul style="list-style-type: none"> • Inflation, market conditions and other factors driving cost escalation • Shipbuilding market volatility <p>Funding/affordability:</p> <ul style="list-style-type: none"> • COVID economic impacts • Ridership / revenue risk • Labor, fuel cost risk • Financial market risk • Price caps • Provincial funding & support <p>Execution</p> <ul style="list-style-type: none"> • Permitting and Indigenous Communities support • Internal / External Resources 	<ul style="list-style-type: none"> • Detailed long-range planning <ul style="list-style-type: none"> • Fleet and terminal network master plans • Long range maintenance plans • Regular asset condition surveys • Inflation assumption & allowance for shipbuilding market risk • Monthly capital project and portfolio monitoring • Quarterly prioritization and annual budgeting <ul style="list-style-type: none"> • Off ramps available • Price cap/performance term process • Engagement with Stakeholders including Province, Commissioner, Customers, Indigenous Communities, Industry & Investors

- **Near term decisions include**
 - FMU Site Development (F2023)
 - Island Class Phase 3 (F2024)
 - New Major Vessels (F2025)
 - Horseshoe Bay Redevelopment (F2025)

- **Potential capital plan off-ramps**
 - Shipbuilding contract options allowing delay of decision to execute on full program
 - Life-extend two newer C-Class vessels (SUR/OAK)
 - Revisit Island Class rebuild schedule and deployment
 - Terminal uplands development (discretionary projects)
 - Electrification program investment

Fiscal 2023 Capital Envelope

- **FY2023 capital envelope is \$203M**



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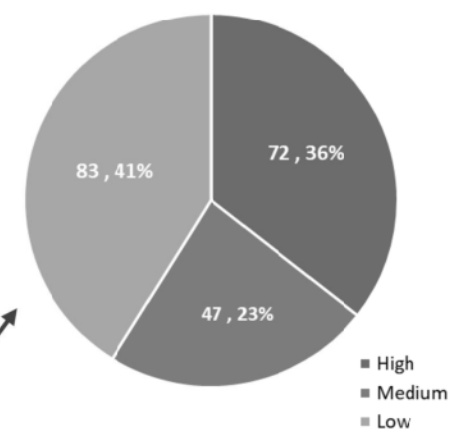
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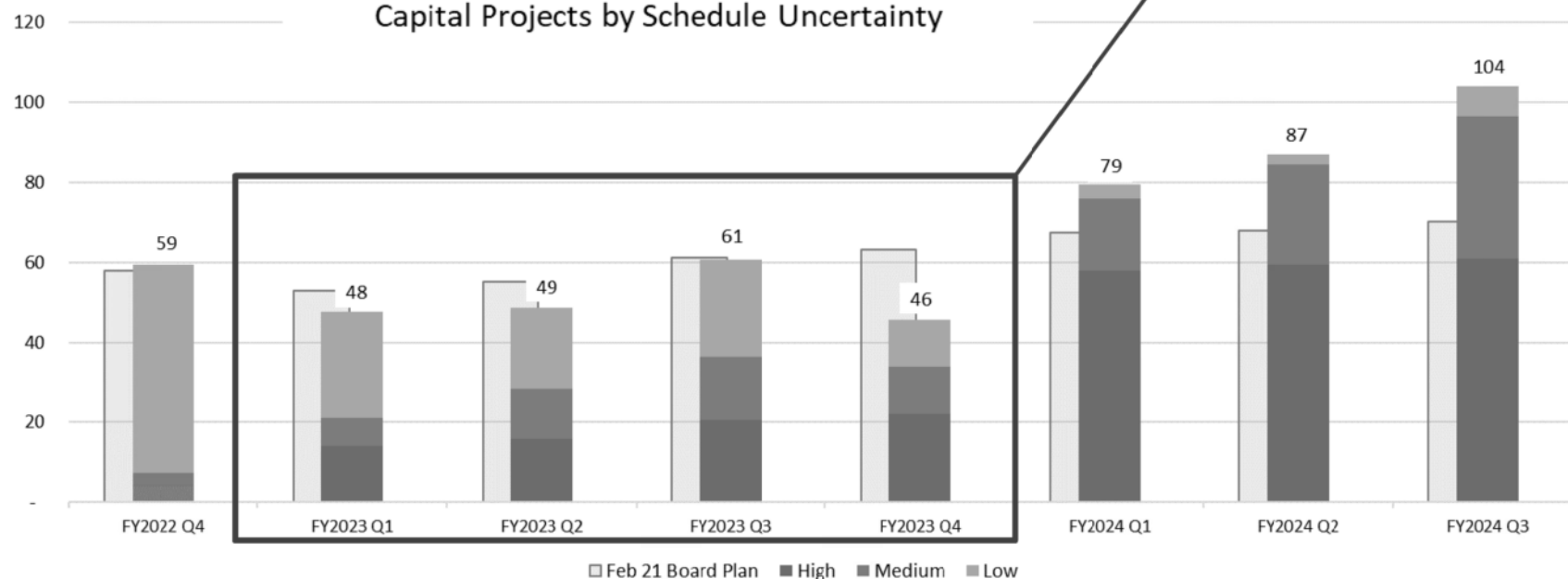
2 Year Quarterly Capex Cash Flow & Schedule Uncertainty

Spend Schedule Uncertainty (\$ Millions)	FY2022 Q4	FY2023 Q1-Q4	FY2024 Q1-Q3	8 Quarter Total
High	4	72	179	255
Medium	3	47	79	129
Low	52	83	13	149
Total Projects	59	203	270	533

Capital Projects - FY2023 Forecast
Schedule Uncertainty



8 Quarter Capital Expenditure Cashflow (Millions)
Capital Projects by Schedule Uncertainty



MODULE 4: SUPPORTING MODAL SHIFT

Emma McWalter, Manager, Terminal Strategic Planning

- **Ferry services in BC largely unchanged in 20 years**
- **Over next 10 years, rate and scope of change expected to be more pronounced**
 - Labour market
 - Societal norms and values
 - Technological innovations
- **Limited capacity to accommodate further vehicle demand**
- **Significant capacity for growth in passenger travel**
- **CleanBC roadmap identifies goals to**
 - reduce light-duty vehicle travel by 25%
 - increase share of trips by active transportation from 24% to 30% by 2030, 40% by 2040 and 50% by 2050

BC Ferries supporting mode shifting goals

- **Collaborating with BC Transit, TransLink and the Ministry of Transportation and Infrastructure**
 - Improve connections between services
 - Align transportation and land use planning
 - Reduce barriers (physical, logistical, practical)
- **Designing terminal and fleet improvements for increased use of buses, bikes, e-bikes, scooters and car shares**
 - Bus stop proximity, shelters/waiting areas, wayfinding, washroom amenities, pathways, charging infrastructure
- **Determining relative size of market opportunity for mode shift and critical factors for encouraging shift**

- **Working collaboratively with the Province and transit providers to meet BCs climate goals and deliver a positive customer experience for interregional travel thereby increasing ridership**
- **Integration opportunities**
 - Physical connections & mode access
 - Fare/payment integration
 - Operations
 - Organizational

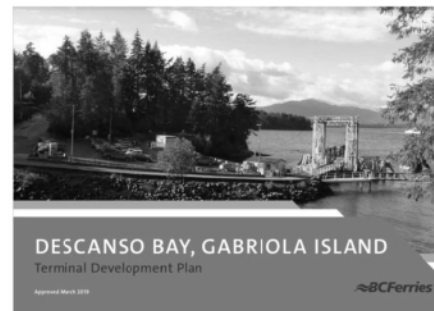


Access Planning Strategy Session – Feb 2022

Module 4: Supporting Modal Shift

- **Terminal development plans**

- Long term vision for each terminal
- Developed in collaboration with customers, community members, neighbours, First Nations, local government and key stakeholders
- Consider local zoning, community plans and area improvements



- **We are designing terminal and fleet improvements to enhance the customer experience and promote intermodal connectivity and active transportation *walk, wheel, roll***
 - covered walkways and seating areas
 - passenger lounges
 - foot passenger ticketing
 - dedicated access and storage for bicycles and scooters
 - dedicated space for transit and car share
 - wayfinding

Module 4: Supporting Modal Shift

- **Renderings of Horseshoe Bay Concept**



Module 4: Supporting Modal Shift

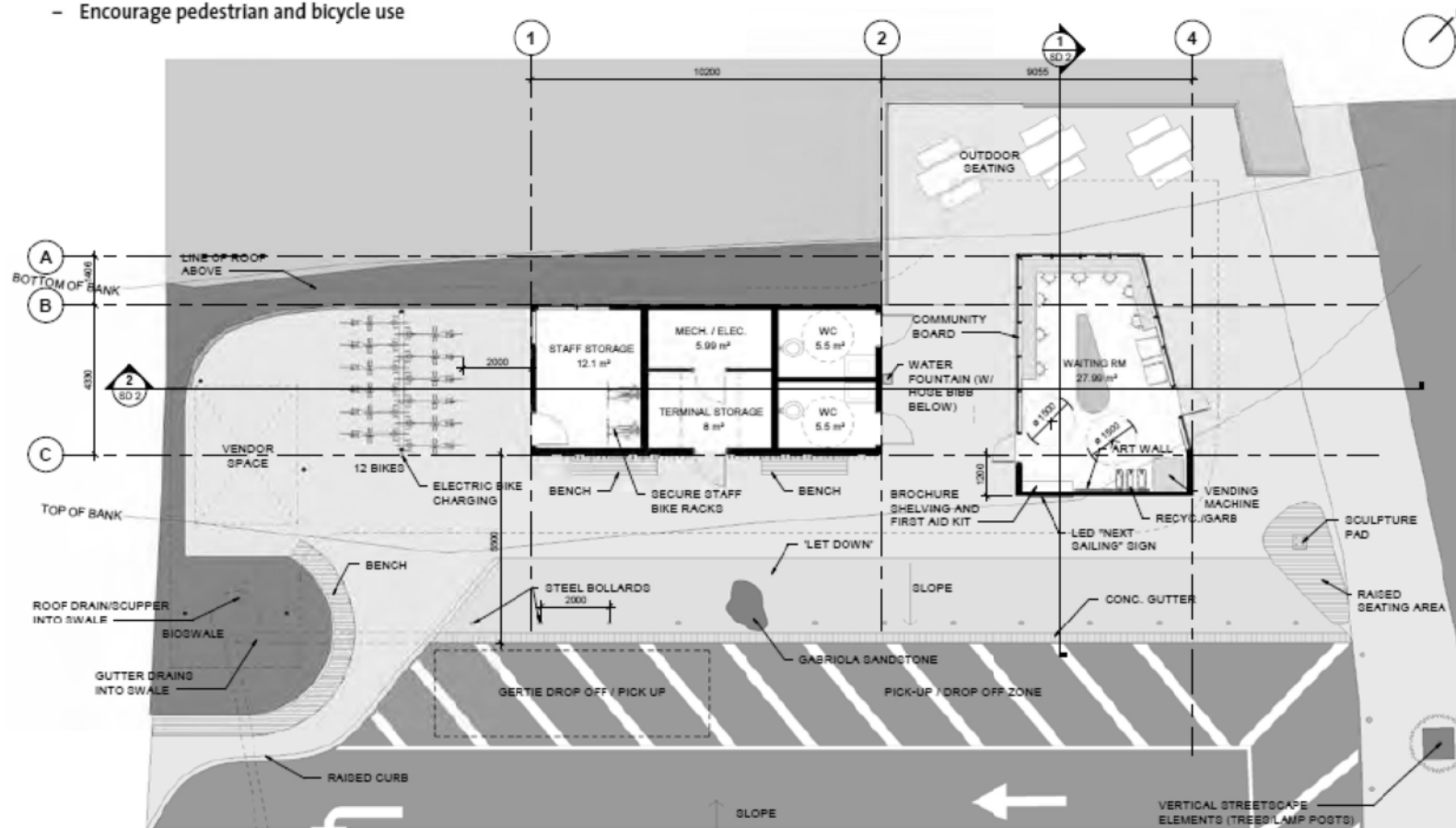
- **Renderings of Horseshoe Bay Concept**



Module 4: Supporting Modal Shift

• Renderings of Gabriola Island Concept

- Encourage pedestrian and bicycle use



Module 4: Supporting Modal Shift

- **Renderings of Gabriola Island Development Concept**



Module 4: Supporting Modal Shift

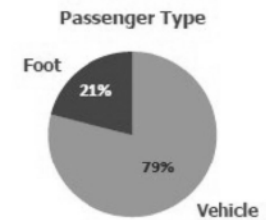
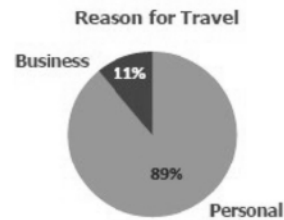
Trip Purpose

Personal (88.9%)

Visiting friends / relatives	35.5%
Vacation / getaway / recreation	33.7%
Required personal travel	14.3%
Attending special event / entertainment	3.1%
Shopping	1.9%
Other	0.3%

Business (11.1%)

Business trip or on company business	6.8%
Commuting to / from work	2.9%
Attending school, college or course	0.8%
Hauling freight or operating a commercial vehicle	0.7%



Source: Customer Satisfaction Tracking Survey 2021. Based on customers who completed the intercept survey in June, August or November, on routes 1, 2, 3, 30, 4, 5/9 or 19.

- **Drive the change**

- Continue to work collaboratively with the Province and transit providers in planning and development
- Identify the target market of customers that would not be significantly inconvenienced by making a modal shift (customers travel patterns and preferences)
- Implement customer focused design improvements
- Explore fare alternatives

- **Monitor trends and adjust**

- Global and local market mobility shifts

END OF MODULE 4

Next Steps

- Upcoming meetings
 - Joint BCFS and BCFA session scheduled:
 - May 30, 2022
 - June 28, 2022
- Remaining modules
 - 5. Responding to shifts in demand
 - 6. Indicative price caps for Performance Term 6
 - 7. Traffic forecasting / GHG emissions pathway

GENERAL DISCUSSION