



2008/09 – 2010/11 Service Plan



Honourable Kevin Falcon

Minister of Transportation

& Minister Responsible for BC Transit

On behalf of the Board of Directors of British Columbia Transit ("BC Transit"), I am pleased to provide our Service Plan for 2008/09 – 2010/11.

This Service Plan presents the goals and priorities that will guide BC Transit in the delivery of transit services and programs for the period. Included in the report is a discussion of the primary issues, opportunities and risks that will challenge BC Transit corporately. Also included is an outline of the actions that will be taken and the resource commitments that will be made to ensure that transit services meet provincial and local government priorities and are delivered in an effective manner.

The recent provincial government announcements on climate action, robust economic growth, increases in post secondary enrollment and local government development plans supporting enhanced transit all point to a continued need for expansion in the transit program in most communities across British Columbia. Public awareness of transit as a viable travel option and continuing increases in the costs of auto ownership are also contributing to growing demand for transit services.

Recent funding announcements by the provincial and federal governments have provided over \$100 million in new capital for the purchase of vehicles, acquisition of a fleet of hydrogen-powered fuel cell buses and the associated fuelling infrastructure and expansion of support and on-road facilities, such as park and ride lots and transit exchanges. With almost \$18 million in increased annual provincial operating funds, in addition to anticipated increases in local government funding, as well as increased farebox revenue from higher ridership and other revenue sources, there will be an increase in service of 30% by year three of this Service Plan. Total capital expenditures of \$360 million in BC Transit's programs over the next three years represents the largest investment in transit infrastructure ever committed outside of Metro Vancouver.

BC Transit will be implementing expanded services, the hydrogen fuel cell bus program and a number of other operational, marketing and technology initiatives designed to reduce emissions (including lowering GHGs) and assist the Province in achieving its 2010 carbon-neutral target.

BC Transit will continue to have a regular dialogue with almost 60 local government partners and dozens of other key stakeholders. Planned activities include regional tours, an annual spring transit conference (involving local government staff representatives, contract operating companies, suppliers and others) and a workshop on transit at the UBCM convention in Penticton in September of 2008.

Accountability Statement

The 2008/09 - 2010/11 BC Transit Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities. The Board is accountable for the contents of the plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions, and identified risks, as of January 2008 have been considered in preparing the plan. The performance measures presented are consistent with BC Transit's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BC Transit's operating environment, forecast conditions, risk assessment and past performance.

Kevin Mahoney

Chair, Board of Directors

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Organizational Overview

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Metro Vancouver. In partnership with local government, the Corporation's mandate includes planning, administering agreements, marketing, fleet management and contracting for the operations of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

"... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."

The provincial government's most recent Shareholder's Letter of Expectations directs BC Transit to carry out the following specific actions in support of customer needs and government priorities:

- provide advice and support to the Shareholder on transit services and technologies that support government's environmental and climate change objectives;
- in support of the Hydrogen Highway initiative, develop and place into service in Whistler a fleet of 20 hydrogen-powered fuel cell buses and associated fueling infrastructure;
- work with VANOC toward the development, implementation and full recovery of the incremental costs of a public transportation plan in support of the 2010 Olympic and Paralympic Winter Games that may include showing the most advanced transport technology and service delivery capability possible; and
- provide advice and support to the Shareholder in the development and implementation of transit funding strategies.

This Service Plan describes the transit expansion and improvement program to be undertaken in the next three years in response to Shareholder's direction. The plan also describes how BC Transit, in conjunction with the Province and other partners, will continue to advance environmentally-friendly transit vehicle and fuel technologies, including the development and deployment of the world's first fleet of hydrogen fuel cell buses to be integrated into regular transit operations.

The scope of BC Transit's program in 2008/09 is as follows:

- 58 local government partners, the Victoria Regional Transit Commission and regional hospital districts
- contracts with 27 private management companies and 14 non-profit agencies
- 49 million passengers carried annually
- more than 1.4 million people served in B.C.
- 82 transit systems - conventional, custom and paratransit
- fleet of 860 conventional and double-deck buses, minibuses and vans
- \$229.8 million annual operating budget

Corporate Governance

The Corporation is governed by a seven member Board of Directors - appointed by the Province according to the BC Transit Act. The Act requires four of the Board members to be municipally-elected representatives. The Board of Directors, through the Chair, reports to the Minister of Transportation (designated as the Minister Responsible for BC Transit). The Board is governed according to the Province of B.C.'s Best Practices Guidelines, as described in the checklist of the Corporation's practices, available at http://www.busonline.ca/corporate/general_info/annual_reports.cfm#service_plan.

BC Transit's Annual Report contains additional information regarding governance practices and the Corporation's Board and senior officers, as well as details of past corporate performance. It is available at http://www.bctransit.com/corporate/general_info/annual_reports.cfm

With respect to budget development, estimates are approved by BC Transit's Board and forwarded to the Minister Responsible for review and presentation to Treasury Board. Local funding requirements are submitted for the endorsement of either the Victoria Regional Transit Commission or the appropriate local government partner and for approval by BC Transit's Board. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation. This Service Plan and the public transportation budget were tabled in the legislature on February 19, 2008.

Strategic Context

The discussion below summarizes the key issues, risks, trends and opportunities expected to characterize BC Transit's operating environment during the coming three years.

Climate Action Initiative

In the February 2007 throne speech, the Province announced it would be taking "concerted provincial action to halt and reverse the growth in greenhouse gases" with the stated aim of reducing the province's GHG emissions by at least 33 per cent below current levels by 2020. The Province has since announced that the provincial public sector in B.C. is to be carbon neutral by 2010.

In September 2007, local governments expressed their support for climate action by signing the B.C. Climate Action Charter with the Province. The signatories have agreed to develop strategies to achieve carbon neutrality in their operations by 2012.

To advance this agenda, BC Transit will be working with its local government partners and the Ministry of Transportation to implement significant service improvements beginning in 2008/09. The service improvements will utilize new funding made available by the Province.

Specific goals for increasing transit market share and reducing GHG emissions are under development for the Service Plan period and beyond. In future, it will be necessary for BC Transit to incorporate the measurement and reporting of carbon emission levels into the ongoing process of evaluating BC Transit's performance.

Additional market research will also be required to accurately assess the extent to which the targeted mode shift in travel from single occupancy vehicles to public transit is taking place. Advanced vehicle systems and power train technologies will be introduced where feasible.

Growth in Demand

Steadily increasing transit usage is directly linked to British Columbia's exceptionally strong economy. As in past years, record levels of labour force participation and low rates of unemployment are translating into more rides. In 2006/07, ridership hit an all-time high of 42.5 million. This is expected to exceed 44 million in 2007/08 and reach almost 49 million in 2008/09, the first year of this Service Plan.

A variety of other factors are also driving the trend to greater transit use. High fuel prices and the escalating cost of auto ownership, population growth and in-migration to British Columbia, as well as improvements in the frequency and convenience of transit, combined with fare programs targeted to student and senior markets have all contributed. Transit-oriented development, higher density and new in-fill construction are also resulting in more people commuting by bus.

Transit usage is also being reinforced by daily media reports about climate change, resulting in a greater public appreciation of the environmental benefits of switching to transit. In combination, these factors provide strong support for the expanded transit services contained in this Service Plan.

Infrastructure Deficit and Investment

In the next three years, BC Transit will experience significant growth in capital costs arising from the need to replace aging transit vehicles, acquire new vehicles for service expansion and upgrade transit facilities and transit infrastructure.

BC Transit's Long Term Capital Plan for the period 2008/09 to 2010/11 indicates a total capital expenditure of \$360 million to attract sufficient market share to meet climate action goals.

BC Transit's capital plan is summarized below.

Table 1
BC Transit Capital Plan Summary 2008/09 – 2010/11

(Figures in thousands)	2008/09 Plan	2009/10 Plan	2010/11 Plan	Total
Capital Plan				
Replacement program & core projects	35,915	112,755	70,255	218,925
Expansion program	28,610	25,860	27,920	82,390
Environmental technology projects	9,300	36,799	12,000	58,099
Total Capital Projects	73,825	175,414	110,175	359,414

Financial Risks

Although securing funding for planned capital projects will continue to be a priority in the next three years, the single largest financial risk factor for BC Transit remains the highly volatile global petroleum market. There is no consensus from industry analysts regarding the direction of energy prices. BC Transit's strategy in this area, consistent with other major transportation companies, is to continue to purchase fuel at a discounted rack rate in order to remain flexible in the short term. Further, margins on futures contracts now significantly exceed rack rates.

The strength of the Canadian dollar relative to the U.S. dollar has helped mitigate fuel prices and to some extent, parts pricing, however this has been counterbalanced somewhat by higher metal prices which drive new vehicle costs up.

Maintenance expenses deferred from prior years (e.g. body work and other non-safety related items) as well as the increased technical complexity of the Corporation's bus fleet, are projected to push maintenance costs higher. In addition, transit is a labour-intensive industry and the challenge of attracting and keeping a transit workforce in a robust economy means there will be pressure on labour costs as well.

More than one-half of BC Transit's operating expenditures are incurred in the Municipal Systems transit operations which are competitively tendered on a regular basis. The strength of B.C.'s local economies is moving prices higher. Although recent forecasts project continued strength in the provincial economy, a rapid shift in this trend does represent a risk to the rate of growth in ridership.

Public transit is a business which requires multi-year lead times for implementation of new services. With transit systems expanding across the country, new buses must now be ordered at least 18 months in advance and new facilities require a three-year lead time. Service level, operating budget and fare decisions need to be made by local governments according to their financial planning cycles. These requirements underscore the need to have predictable funding for public transit in place for both the provincial government and the local government partners.

Labour Force Challenges

Competition to attract and retain skilled employees has become much more intense. With approximately 30% of BC Transit's present workforce eligible to retire within the next five years and service expanding, BC Transit is implementing a variety of recruitment and retention initiatives to position itself as an employer of choice in the community.

Effective January 1, 2008, amendments to human rights legislation extended age protection to persons aged 65 and over. Benefits coverage for an older workforce will be made consistent with legislative requirements and collective agreements, with higher costs anticipated.

In the Victoria Regional Transit System, collective agreements with the Canadian Auto Workers Union and the Canadian Office & Professional Employees' Union, representing over 650 employees, expire on March 31, 2010. Negotiations with these bargaining units will likely begin late in 2009. A third collective agreement with the Canadian Union of Public Employees representing transit supervisors expires on December 31, 2010 and negotiations will commence in the fall of 2010.

Security

Federal and provincial governments have provided funding and support for programs to enhance passenger transportation system security. BC Transit will be carrying out risk assessments and developing security plans for Victoria and the Municipal Systems. Security concerns range from personal safety on board for transit employees and customers to potential terrorist threats. These assessments include an 'all hazards' approach to benefit from integrated systems and procedures that can be used to prevent and/or respond to security issues. BC Transit is working with the Ministry of Transportation and others to support the development of integrated passenger transportation security plans and internal emergency response plans are being updated.

Service Plan Strategy Overview

In support of climate action and to advance transit service availability and quality, BC Transit will be focusing on the key strategies described below in the coming three years.

Victoria Regional Transit System

In light of increasing traffic congestion and a strengthening demand for transit, the Victoria Regional Transit Commission has approved an ambitious, multi-year program to improve the availability and convenience of transit services throughout Greater Victoria. This program directly supports the Capital Regional District's TravelChoices Strategy, a 20-year vision of strong regional centres linked by high-capacity transit. By 2010/11 hours of service on the conventional and custom transit services combined will increase by 19% compared to 2007/08 levels, and annual rides will rise from 24.1 million to 26.8 million. Key improvements include increased peak-period frequency and greater capacity on the heaviest-travelled routes, enhanced service into downtown from growing regional centres and more community bus services for local coverage. Continued partnership initiatives with major employers, developers and public agencies will also be pursued as an effective means to build transit market share.

Important steps are being taken with regard to building the region's future RapidBus Network. Transit priority measures have already begun improving bus speed on Douglas Street, the rapid transit right-of-way designated by the City of Victoria. Scheduled to open in 2010, construction is anticipated to begin on the new Douglas Street busway within the next 12 months. Consisting of two lanes dedicated to buses, the busway will enable express, limited-stop Bus Rapid Transit (BRT) style service into downtown. Feasibility work is also being carried out with respect to extending the busway to the Western Communities and establishing new express bus services to the Saanich Peninsula and the University of Victoria.

Municipal Systems Program

Extensive transit improvements in the Municipal Systems Program will be implemented in response to growing demands for commuter and inter-regional services, and for post-secondary and student markets. Transit enhancements will also support local government community planning and land use initiatives. Better transit will help create more walkable communities, and reduce the need for driving.

Overall, service hours in the conventional, paratransit and custom transit programs will increase by 37% in the year 2010/11 compared to 2007/08 levels. Transit market share is expected to grow even faster, with ridership rising from 21 million to 30 million in 2010/11.

A range of service improvements will lead to greater transit use. For example, a BRT route will begin operating in Kelowna. In the Central Fraser Valley a 15-minute commuter service will be introduced, bringing peak-hour frequency in line with transit in Kamloops, Kelowna and Nanaimo. In Whistler, there will be increased frequency to meet resident and visitor demands; serve new developments including the Athletes Village; and support VANOC's transit plans for the 2010 Olympics. The trend to greater emphasis on inter-regional transit will continue, especially in the major population corridors of east Vancouver Island, the Okanagan, the Fraser Valley and the Sea to Sky corridor.

The post-secondary share of the market in the Municipal Systems will continue to increase, with the addition of two or three new U-Pass (universal bus pass) programs. Student referenda are planned for Prince George (UNBC) and Nanaimo (Malaspina) and discussions regarding the addition of a U-Pass program are underway in Abbotsford (UCFV). Other service enhancements and fare products will be targeted to the ever-growing student market, which represents an especially large proportion of ridership in the smaller transit systems. BC Transit staff will work with local government partners to complete the updating of multi-year transit business/development plans for all Tier 1 Municipal Systems.

Hydrogen Fuel Cell Buses

In the 2007 Throne Speech, the Province announced a major step in advancing transit vehicle technology. A total of \$89 million will be invested by the federal government and the Province in the development of the world's first fleet of 20 fuel cell transit buses to be integrated into regular transit operations. This total project budget includes the Resort Municipality of Whistler's contribution of the local government share of incumbent technology costs.

Hydrogen fuel cell-powered vehicles produce no GHG or smog-creating emissions. The 20 low-floor, 40-foot, fuel cell hybrid buses will be manufactured in Canada. They will be serviced with one of the first elements of the hydrogen highway to be situated in British Columbia, a hydrogen fueling station to be incorporated into the new transit facility planned for Whistler.

Following delivery to Victoria in mid-2008 for a month of testing, the first pre-production fuel cell bus will be moved to Whistler for testing in winter conditions. The full 20-bus hydrogen fleet will be onsite in Whistler in fall 2009 and showcased in public transit service during the 2010 Olympic and Paralympic Games. Afterwards, they will be used in regular transit operations in Whistler. There will be a detailed process of data collection, analysis and evaluation carried out to assess the operational and cost effectiveness of the hydrogen fuel cell fleet in a transit setting.

Corporate Goals, Objectives & Strategies

GOAL 1

Support the province's climate action objectives by increasing transit share of the passenger transportation market and achieving carbon neutral status for BC Transit operations

OBJECTIVE 1: Establish a GHG emissions measurement and reporting system for BC Transit's operations and meet carbon neutral status by 2010

- Measurement, reporting, verifying process in place in year 1
- Carbon neutral status through emissions reductions and offsets by year 3 (2010)

OBJECTIVE 2: Increase transit share of the regional travel markets in Victoria and the major regional centres in BC

- Increase service quality and capacity – 10% average increase per annum
- Increase travel mode share as reflected by increased rides per capita in conventional transit service markets – 8% average per annum

GOAL 2

Deliver efficient and effective transit services meeting local land use, social and other community objectives

OBJECTIVE 1: Maintain average rides per hour program-wide while implementing expanded services and developing new markets

- Victoria - 32 rides per hour
- Municipal Systems - 26 rides per hour
- handyDART Victoria – 2.7 rides per hour
 Municipal Systems – 4.8 rides per hour

OBJECTIVE 2: Implement initial phases of transit priority network in Victoria and Kelowna

- Victoria – Phase 1 Douglas Street – Year 2
- Kelowna – BRT from UBCO to downtown Kelowna – Year 3

OBJECTIVE 3: Provide efficient, cost-effective transit services

- Limit yearly increases in operating costs per hour of service to annual rate of inflation (not including effects of global petroleum markets)

OBJECTIVE 4: Acquire and place into service in Whistler a fleet of 20 hydrogen fuel cell buses

- Initial pre-production bus testing in Victoria and Whistler with enhanced fueling station in Victoria – Year 1
- Balance of 20 fuel cell bus fleet delivery, testing and in-service in Whistler – Year 2

OBJECTIVE 5: Develop a full spectator/volunteer transportation plan and oversee service delivery arrangements for the Whistler site of the 2010 Winter Olympic and Paralympic Games

- Establish agreements with VANOC and complete development of Games service plan – Year 1
- Assemble fleet and arrange contract provision of transit services – Feb/March 2010 – Year 2

OBJECTIVE 6: Work with local government partners, health authorities, major employers and others to identify priority transit markets, to increase transit demand and gain support for transit service growth

- At least one U-Pass initiative per year
- Assist local governments in maximizing the number of successful applications to federal funding programs currently in place
- Complete conversion of conventional bus fleet to full low floor/accessible status by Year 3.

Corporate Goals, Objectives & Strategies

GOAL 3

Working with Stakeholders to enhance support for and funding of BC Transit's programs and services.

OBJECTIVE 1: Working with the Canadian Urban Transit Association, Federation of Canadian Municipalities and others to encourage the adoption of a national transit strategy with predictable long-term federal funding and support for the transit industry.

- Ongoing contribution to CUTA/FCM/UBCM activities in support of a national transit strategy and enhanced federal funding

OBJECTIVE 2: Working with business, major employers, health authorities and other public institutions to identify new sources of support for transit program delivery.

- A minimum of one new (non-municipal) funding partner per annum.

Performance Projections

Performance measures used in this Service Plan are those universally adopted by the North American transit industry. Industry-wide standard indicators (see terms below) are used to track BC Transit's achievement of strategic goals. Ridership estimates are based on statistically valid counting methodologies used throughout the industry and as used by Statistics Canada for its "Standard Industrial Classification" (SIC) reports.

Explanation of Statistics and Performance Measures Used

Statistics include operational outputs and transit service area statistics. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

Cost recovery reflects annual operating revenue divided by annual operating cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This factor, however, is a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and the effectiveness of services in transit markets.

Passengers per hour reflect annual passengers divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with lower average trip lengths, or higher average speeds.

Table 2**BC Transit Corporate Performance Measures**

	2006/07 Actual	2007/08 Target	2008/09 Projection	2009/10 Projection	2010/11 Projection
Service Hours (thousands)					
Victoria Regional Transit System (VRTS)	732	799	859	915	954
Municipal Systems Program	989	1,043	1,216	1,325	1,431
Total	1,721	1,842	2,075	2,240	2,385
Passengers (thousands)					
Victoria Regional Transit System	22,198	24,110	24,236	25,515	26,780
Municipal Systems Program	20,336	20,964	24,685	27,325	30,019
Total	42,534	45,074	48,921	52,840	56,799

It should be noted that in both the Victoria Regional Transit Commission and the Municipal Systems Program, the local government partners are responsible for making tariff decisions.

Table 3
Victoria Regional Transit System Performance Projections

Conventional					
	2006/07	2007/08	2008/09	2009/10	2010/11
	Actual	Target	Projection	Projection	Projection
Service Effectiveness					
Service hours (thousands)	623	681	737	790	825
Revenue passengers (thousands)	21,845	23,700	23,837	25,105	26,357
Revenue passengers / hour	35.1	34.8	32.3	31.8	32.0
Rides / capita	63.6	69.6	68.2	71.2	74.1
Cost Efficiency					
Operating cost recovery	51.1%	56.3%	53.9%	52.6%	53.1%
Operating cost per hour	\$87.10	\$87.54	\$89.92	\$90.87	\$93.97
Operating cost per revenue passenger	\$2.48	\$2.52	\$2.78	\$2.86	\$2.94
Custom					
	2006/07	2007/08	2008/09	2009/10	2010/11
	Actual	Target	Projection	Projection	Projection
Service Effectiveness					
Service hours (thousands)	109	118	122	125	129
Revenue passengers - total (thousands)*	353	410	399	410	423
Revenue passengers - handyDART (thousands)	279.6	330.0	336.0	344.2	353.2
Revenue passengers / hour - handyDART	2.6	2.8	2.8	2.7	2.7
Cost Efficiency					
Operating cost recovery - total	5.8%	6.1%	5.8%	5.5%	5.3%
Operating cost per hour - handyDART	\$50.08	\$51.34	\$53.15	\$54.77	\$56.60
Operating cost per revenue passenger - total	\$16.07	\$15.54	\$17.04	\$17.57	\$18.12
* Total custom ridership includes Taxi Saver program					

The performance highlights reflected in **Table 3** are as follows:

- On the conventional system, total revenue passengers are forecast to increase 11% by 2010/11 compared to 2007/08 levels. This reflects continuing strong demand for transit, as well as improved capacity and frequency on the most heavily-travelled routes, implementation of the initial elements of the RapidBus network and more local coverage with community bus service.
- Growth in rides per capita of 6.5% is projected as a result of new market penetration and improved service quality.
- Operating cost per hour increases are due to the combined impact of higher fuel prices, increased maintenance program support and increased employee compensation. The average annual increase over three years is 2.4%.

Table 4
Municipal Systems Program Performance Projections

Conventional					
	2006/07 Actual	2007/08 Target	2008/09 Projection	2009/10 Projection	2010/11 Projection
Service Effectiveness					
Service hours (thousands)	723	761	889	970	1,047
Revenue passengers (thousands)	18,895	19,382	22,908	25,411	27,909
Revenue passengers / hour	26.1	25.5	25.8	26.2	26.7
Rides / capita	21.8	23.0	25.7	28.1	30.4
Cost Efficiency					
Operating cost recovery	37.3%	34.3%	36.5%	36.9%	37.2%
Operating cost per hour	\$76.07	\$81.88	\$81.69	\$84.79	\$87.61
Operating cost per revenue passenger	\$2.91	\$3.21	\$3.17	\$3.24	\$3.29
* 08/09 - 10/11 ratios exclude incremental hydrogen technology costs					
Custom					
	2006/07 Actual	2007/08 Target	2008/09 Projection	2009/10 Projection	2010/11 Projection
Service Effectiveness					
Service hours (thousands)	266	282	327	355	384
Revenue passengers - total (thousands)*	1,441	1,582	1,777	1,914	2,110
Revenue passengers - van (thousands)	1,303.4	1,354.1	1,539.6	1,705.1	1,882.5
Revenue passengers / hour - van	4.9	4.8	4.7	4.8	4.9
Cost Efficiency					
Operating cost recovery - total	16.2%	16.2%	15.4%	15.7%	16.0%
Operating cost per hour - van	\$51.15	\$54.72	\$54.55	\$56.22	\$57.95
Operating cost per revenue passenger - total	\$10.12	\$10.42	\$10.74	\$11.11	\$11.20
* Total custom ridership includes Taxi Saver program					

The performance highlights reflected in **Table 4** are as follows:

- Revenue passengers on the conventional systems in the Municipal Systems Program are forecast to jump by 44% by 2010/11 compared to 2007/08 levels. This dramatic increase will stem from strong market demand and extensive transit improvements, which includes a 38% increase in service hours.
- Rides per capita on conventional transit will grow by a third.
- Custom transit ridership will grow by a third.
- For both conventional and custom transit operating cost per hour decreases in 2008/09 (as compared to 2007/08 budget) are due to the economies of scale achieved with rapid expansion. However, costs are projected to increase in 2009/10 and 2010/11 due to inflation assumptions on materials and contracted services, vehicle maintenance costs and upcoming competitive bids to operate transit services in communities with very strong local economies.

Summary Financial Outlook

The following section provides high-level projections of revenues and expenditures, and a description of key forecast assumptions and risks.

Table 5 2008/09 - 2010/11 Forecast

(Figures in thousands)	2006/07 Actual	2007/08 Forecast	2008/09 Budget	2009/10 Plan	2010/11 Plan
Income Statement:					
Revenue:					
Operating contributions from the Province	49,641	52,029	69,874	78,517	87,677
Amortization of Deferred Capital Contribution (DCC) ¹	21,251	23,455	42,029	44,230	45,430
Amortization of Contributed Surplus and Other Capital Grants ²	1,542	1,531	3,077	3,077	3,077
Local taxation	39,734	43,656	48,859	57,775	70,987
Passenger & advertising revenue	50,917	57,315	63,455	69,755	75,800
Investment & other earnings ³	4,814	7,078	2,495	2,892	3,158
	167,899	185,064	229,789	256,246	286,129
Expenditures:					
Salaries and benefits	42,094	46,271	51,492	55,870	59,582
Operating costs	88,182	97,842	112,863	127,061	141,354
Capital asset amortization expense ¹	31,067	33,823	58,243	64,135	73,247
Debt service costs (net of sinking fund earnings)	6,556	7,128	7,191	9,180	11,946
	167,899	185,064	229,789	256,246	286,129
Net Income (Loss)	—	—	—	—	—
Capital Expenditures	16,786	49,126	73,825	175,414	110,175
FTEs ⁴	645.8	709.0	788.8	839.0	870.7

¹ Includes projected change to straight-line amortization in 2008/09. BC Transit is converting to straight-line amortization of capital assets to ensure the company is fully compliant with GAAP. Currently BC Transit employs the sinking fund amortization method.

² For purposes of this Service Plan, amortization of Contributed Surplus is disclosed as Revenue. Accepted financial statement disclosure records amortization of Contributed Surplus as a recovery from Net Assets.

³ Includes supplemental provincial operating grants of \$2.4 million in 2006/07 and \$5.0 million in 2007/08. These additional funds come from sale of surplus assets and tax recoveries.

⁴ Fiscal year end figure. Includes employees working on capital projects.

Assumptions, Risk Factors and Sensitivities

Significant risks and inflationary factors associated with the projection for the forecast period include:

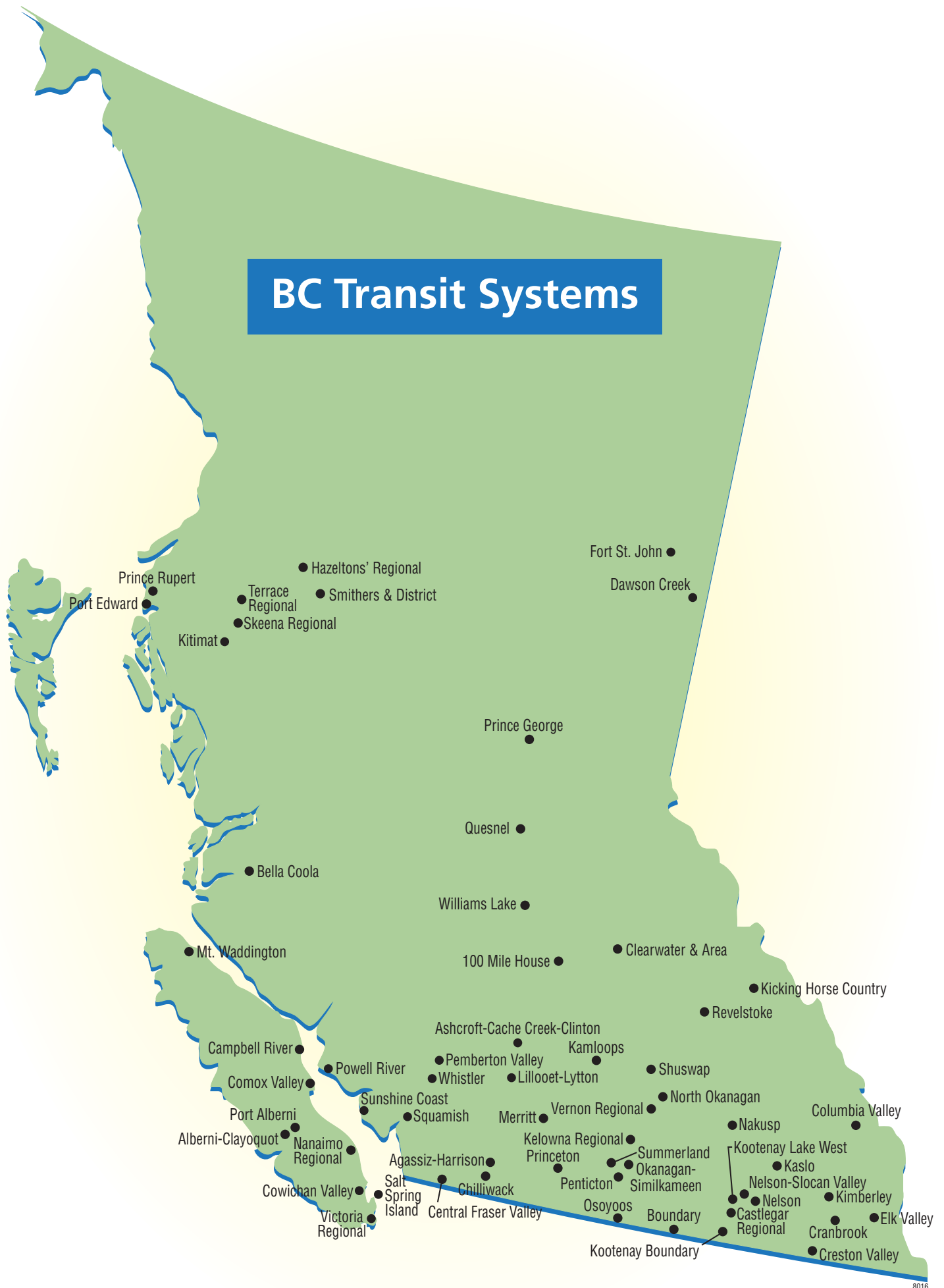
- The single largest forecast risk is fuel costs. Current projections forecast fuel costs in 2008/09 of \$.95/litre. The market remains highly volatile and there is no consensus from industry analysts as to the direction of energy prices. BC Transit continues to purchase fuel at a discounted rack to remain flexible in the short term and due to higher margins on futures contracts. This strategy is consistent with that of other major transportation companies.

- Contracted services represent a major financial risk. The RFP process in the Municipal Systems Program is subject to competitive bidding and local market factors. Regional economic recovery has resulted in more competitive labour markets, with the result that cost increases may vary significantly from those assumed.
- The cost of fleet maintenance support increased dramatically in the last five years. Maintenance costs for running repairs, major component overhauls and mid-life tune-ups are largely attributable to the fleet age profile, increasing parts costs and vehicle complexity. The newest vehicles include advanced electronic systems, air conditioning and greater complexity in the drive train and other major components. All these present a continuing challenge in managing fleet maintenance costs.
- Employee benefit costs are expected to continue to rise with new health care technologies, increasing drug costs and an aging workforce.

Table 6

Risk Factor (1% change)	Financial Risk	Provincial Share*
Municipal Systems contract costs	\$380,000	\$175,900
Fuel	214,000	88,400
Running repairs	170,000	68,900
Currency exchange	133,000	51,400
RFP process	120,000	60,000
Vehicle parts pricing	112,000	43,400
Benefits, BC Transit staff	106,000	33,600
Other factors	151,000	34,500
* Provincial Share of total risk varies by type and location of service.		

BC Transit Systems





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