

Service Plan Update 2009/10 – 2011/12



Honourable Shirley Bond
Minister of Transportation and Infrastructure
& 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 Update for 2009/10 – 2011/12.

This Service Plan Update presents the goals and priorities that will guide BC Transit in the delivery of transit services and programs for the three year period. This plan is aligned with the longer term objectives set by the *Provincial Transit Plan*. Included in the plan is a discussion of the primary issues, opportunities and risks that will challenge the corporation. Furthermore, this plan outlines 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 and efficient manner.

BC Transit is experiencing strong growth in ridership and demand for additional transit services. While other major transportation companies are forecasting decreases in traffic, the 2009/10 BC Transit Service Plan forecasts an increase of 15 per cent over the three year period. This forecast takes into consideration the economic downturn, funding concerns from local partners and the fact that planning is still in process for a number of critical expansion projects (Victoria, Kelowna and Central Fraser Valley). This forecast growth in ridership will continue to support the Province’s Climate Action and community objectives.

To accommodate the demand for increased transit service, BC Transit will invest in facilities, fleet and rapid transit infrastructure. New facilities will be built in Whistler and Vernon, while the hydrogen fuel cell bus demonstration project will be completed in time to provide service at the 2010 Winter Olympic and Paralympic Games. Investment in rapid transit projects in both Kelowna and Victoria will occur over the period. To achieve the transportation and Climate Action goals of the province and communities, older fleet will be retired and replaced with clean diesel and hybrid diesel technology. These capital investments will represent the largest commitment ever made in transit infrastructure outside of Metro Vancouver.

BC Transit will also be preparing a series of master plans to help guide investments in the long-term, which will improve route configurations and support the expanding transit needs of British Columbians. This planning process will also allow BC Transit to grow and foster relationships with its 57 local government partners and key stakeholders.

To ensure transit services continue to be delivered efficiently, BC Transit will investigate enhanced strategies for cost control in areas such as fuel, maintenance and parts procurement.

The 2009/10 – 2011/12 BC Transit Service Plan Update was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act* and is in accordance with the government’s budget. The



Board is accountable for the contents of the Plan, including the selection of performance measures and targets. The Plan is consistent with the provincial government's strategic priorities and Fiscal Plan. The Board is confident that the financial and performance information contained in this plan can be achieved in the coming years.

A handwritten signature in dark ink, appearing to be 'K. Mahoney', written in a stylized, cursive-like font.

Kevin Mahoney
Chair, Board of Directors



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1. 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."

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

The scope of BC Transit's program in 2009/10 is as follows:

- 57 local government partners, the Victoria Regional Transit Commission and regional hospital districts
- contracts with 27 private management companies and 14 non-profit agencies
- 50 million passengers carried annually
- more than 1.5 million people served in B.C.
- 81 transit systems - conventional, custom and paratransit
- fleet of 958 conventional and double-deck buses, minibuses and vans
- \$259 million annual operating budget

2. 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 and Infrastructure (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.bctransit.com/corporate/pdf/12_areas_gov_practice.pdf.

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 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 and Infrastructure. This Service Plan Update and the public transportation budget were tabled in the legislature in September 1, 2009.

3. Strategic Context

BC Transit services link communities, businesses and lifestyles across the Province with cost effective, sustainable public transit. Transit services will be increased and infrastructure enhanced to provide the services which will attract new customers and contribute to provincial goals with respect to climate action, aging well, rural communities and community sustainability among others.

Demand for transit service in the province is strong. During the three years of the service plan period, transit ridership will be increased by approximately 15%.

To attract and accommodate ridership increases, service revisions will be targeted to provide characteristics known to attract additional customers. They will be supported by physical and technical infrastructure needed to provide sufficient capacity for increased operations and to assist in managing transit fleet operations, security and customer information.

The first year of the service plan period will have a heavy focus on developing long-term master plans for transit services and identifying strategies that support community sustainability and transportation goals. Rapid transit planning initiatives form a key part of these master plans in Victoria and Kelowna.

Years two and three will continue the development of transit services in the province including the initial implementation stages of rapid transit investment in Victoria and Kelowna.

Continued investment in transit service at this time of economic uncertainty is beneficial to local economies. Transit service is labour intensive, providing a "human" infrastructure initiative that returns and multiplies money to local communities. BC Transit programs span the province including many small and rural areas where the linkage of communities, businesses and lifestyles provided by these investments are of significant benefit.

The discussion below summarizes the key issues, risks, trends and opportunities expected during the coming three years.

Provincial Climate Action Initiatives

The key document guiding BC Transit development plans is the *Provincial Transit Plan* announced in January 2008. This document which supports the provincial climate action initiatives calls for the proportion of travel using transit to double in BC communities over the next 20 years.

To achieve these objectives, BC Transit will invest in new services, new physical and technical infrastructure and seek to take a more significant role in influencing urban form. In addition, long-term master plans will be developed for all the transit systems throughout the province to chart the course for transit expansion aimed at achieving provincial goals.

The hydrogen fuel cell bus fleet demonstration project to be implemented in Whistler between 2010 and 2014 is a major initiative in support of provincial climate change initiatives. This project will assess the operational viability of the world's first fleet of fuel cell buses to be operated in regular transit service.

Economic Uncertainty

The current economic uncertainty is affecting transit programs in many ways. The volatility of commodity prices and currency rates, in particular with respect to oil and metals has a direct impact on the cost of providing transit services. Fuel and parts (the two items most immediately affected by price fluctuations) comprise 18% of BC Transit's costs.

Economic downturns can reduce transit ridership as overall travel levels decrease in a slower economy. Local governments are responsible for approximately 50% of total transit costs and must absorb the risk of revenue shortfalls which may occur. On a positive note, the economic downturn may result in a softening of contracted services rates if local labour markets cool off.

BC Transit will be working closely with its local partners to monitor transit system performance. Prudent financial management practices will be used to control costs and ensure performance is maintained in the top quartile of transit properties. Hedging practices will also be explored and implemented to minimize the risk of commodity fluctuations.

Growing Demand

Throughout the province, BC Transit services are experiencing unprecedented demand. Ridership has increased by approximately 7% during 2008/09. The ridership growth indicates the success of improved transit service. Transit ridership has also been influenced by growing concern with respect to the environment and the costs of driving. However, in several communities ridership growth exceeds the capacity of the transit system to respond. The

continued rapid growth challenges the financial capacity of funding partners to supply additional service, expanded bus fleets and associated infrastructure.

Labour Force Challenges

Transit service is a labour intensive business. To implement the services anticipated over the next three years will require over 100 additional staff at BC Transit to operate the Victoria Regional Transit System and provide the professional and administrative services supporting the remainder of the provincial network. Additional new jobs will be required by contract operators delivering BC Transit service in the remainder of the province.

Mechanics and other skilled trades are very crucial to providing transit service. In addition, approximately 30% of BC Transit's workforce is eligible to retire within the next five years. Transit operations in Victoria and other communities have been limited in scope due to the difficulty of hiring in 2008 associated with low unemployment rates. However, this challenge may ease with the economic downturn.

In the Victoria Regional Transit System, collective agreements with the Canadian Auto Workers Union and the Canadian Office & Professional Employees' Union, representing over 600 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.

Vancouver 2010

BC Transit is engaged with VANOC to support the 2010 Olympic and Paralympic Games in Whistler during February 2010. BC Transit has developed plans for community transportation and public transit services for visitors and spectators during the games to meet the demand anticipated by VANOC. BC Transit will be negotiating with VANOC to ensure that the full incremental cost of additional services required by the games are provided by the Olympic organization.

4. Goals, Objectives, Key Strategies, and Performance

Goal 1: Lead provincial initiatives for environmental and sustainable public transportation by:

Objective 1.1 Increasing transit mode share to 9.5% (Victoria) and 4% (regional centers) of travel by 2020 by:

Strategy 1.1.1 Expanding transit service in an effective manner focusing on customer needs and high growth potential markets



Strategy 1.1.2 Implementing rapid transit in Kelowna by developing a regional master plan, with associated technical studies and utilizing new Bus/HOV lanes in year one and continuing implementation in year two with new customer focused amenities and a significant extension of service

Strategy 1.1.3 Implementing rapid transit in Victoria by developing a regional master plan and corridor assessment in year one and commencing implementation in year two

Strategy 1.1.4 Investing in infrastructure needed to support expansion and to provide safe, reliable, effective and convenient service to customers including

- New garages in Whistler and Vernon in years one and two and an expanded rebuilt garage in Nanaimo by year three
- Completing a master plan for Victoria facilities by year one, commencing construction in year two for completion by 2014
- Completing a master plan for technical infrastructure and upgrading foundation infrastructure in year one, commencing implementation in year two

Strategy 1.1.5 Working with business, major employers, health authorities and other public and private institutions, to encourage greater use of public transit by:

- Implementing UPASS at all provincial universities by year one and all colleges in larger communities by year three
- Increase the number of persons on ProPass programs by 3% per year by targeting major employers in Victoria and larger communities

Objective 1.2 Reducing the emissions of GHG and other pollutants from transit vehicles by:

Strategy 1.2.1 Including environmental assessments as part of all vehicle purchase decisions

Strategy 1.2.2 Implementing a 20 bus demonstration fleet of hydrogen fuel cell buses for Whistler by January 2010

Objective 1.3 Establishing a GHG emissions measurement and reporting system for BC Transit's operations and meeting carbon neutrality by 2010

Objective 1.4 Ensuring that leadership in energy and environmental design (LEED) standards of environmental responsibility are achieved at all new BCT facilities

Objective 1.5 Building increased support for public transportation initiatives throughout the province by working with business, major employers, health authorities and other public institutions to develop partnerships to expand sources of support for transit program delivery



Goal 2: Link communities, businesses and lifestyles to increase community sustainability by providing safe, reliable, effective and affordable public transportation services by:

Objective 2.1 Ensuring a safe public transit system by:

Strategy 2.1.1 Developing and implementing a provincial safety management system in year one and reducing incident rates by 2.5% in years two and three

Strategy 2.1.2 Developing and implementing a strategic fleet inspection plan in year one with implementation of specific program recommendations in year two and three to increase fleet reliability

Strategy 2.1.3 Completing a security assessment master plan and developing an implementation plan in year one with implementation commencing in years two and three

Objective 2.2 Ensuring a reliable public transportation system by:

Strategy 2.2.1 Developing a provincial transit operational support program to review transit schedule procedures in year one and implementing program recommendations in years two and three

Strategy 2.2.2 Developing provincial maintenance support programs and standards in year one and implementing specific recommendations in years two and three targeted to reduce costs and increase reliability

Objective 2.3 Ensuring an effective public transportation system by:

Strategy 2.3.1 Targeting service expansions to identified markets and ensure rides per capita continues to increase

Strategy 2.3.2 Developing 25 year Transit Master Plans with local regions and municipalities for Victoria and all larger municipalities by year two and remaining conventional transit regions by year three

Strategy 2.3.3 Increasing ridership by improving transit information infrastructure by rebuilding the BC Transit web site and information services by year two

Objective 2.4 Ensuring an affordable public transportation system by:

Strategy 2.4.1 Rigorously managing controllable costs and applying appropriate hedging strategies to manage commodity-related cost volatility and benchmark to top quartile performance against our peers in the Canadian transit industry

Strategy 2.4.2 Working with the Canadian Urban Transit Association, Federation of Canadian Municipalities, Transportation Association of Canada and others to encourage the adoption of a national transit strategy with predictable long-term federal funding and support for the transit industry

Strategy 2.4.3 Assisting local governments in maximizing the number of successful applications to federal funding programs currently in place



Objective 2.5 Implementing standardized customer satisfaction monitoring system in year one and maintaining or increasing satisfaction levels in year two and three

Objective 2.6 Finalizing the transportation plan and overseeing service delivery arrangements for the Whistler site of the 2010 Winter Olympic and Paralympic Games.

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.

BC Transit benchmarks its performance against transit statistics collected and published by the Canadian Urban Transit Association. Victoria Regional Transit System performance is compared against transit systems of municipalities between 150,000 and 400,000 population. Transit performance in regional centers is compared against transit performance in municipalities with population of comparable size. Conventional transit systems and custom transit (those dealing with special needs travel) are reviewed separately.

These standard benchmark comparisons are documented in BC Transit's Annual Report at the end of each fiscal year. Figures for 2008/09 are available in the most recently published report available at http://www.bctransit.com/corporate/general_info/pdf/2008_2009_Annual_Report.pdf

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.

Passengers represent transit riders who have made a one-way trip using 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 provincial grants, 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.

Passengers per capita reflect annual passengers carried divided by service area population. This is a measure of market share and the effectiveness of services in transit markets. Increasing rides per capita reflects a transit system that is providing greater transportation benefit to the community.



Table 1
BC Transit Corporate Performance Measures
 (all locations, all services)

BC Transit	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Actual	Projection	Projection	Projection
Service Effectiveness					
Revenue passengers (<i>thousands</i>)	44,684	47,576	50,076	52,580	55,209
Rides / capita	29.7	31.2	32.5	33.7	34.9
Cost Efficiency					
Operating cost recovery	38.6%	35.3%	35.8%	36.8%	37.1%
Operating cost per revenue passenger	\$3.25	\$3.55	\$3.76	\$3.83	\$4.15

5. Shareholders Letter of Expectations

The Shareholders letter of Expectations between the shareholder and the corporation is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement on corporate mandate including high level performance expectations, public policy issues and strategic priorities.

Government has provided the following direction to BC Transit:

In support of customer needs, government priorities and to the benefit of communities and taxpayers, BC Transit is directed to:

- *Plan, acquire, construct or cause to be constructed public passenger transportation systems and rail transit systems that support regional growth strategies, official community plans and the economic development of the transit service areas;*
- *Provide for the maintenance and operation of these systems; and*
- *With the approval of the minister, pursue commercial opportunities and undertake or enter into commercial ventures in respect of those systems and the authority's assets and resources*

In addition, the Shareholder directs the Corporation to take the following specific actions:

- *Provide advice and support to the Shareholder in the development and implementation of transit funding strategies*
- *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 showcasing the most advance transport technology and service delivery capability possible.*

6. Summary Financial Outlook

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. Costs early in 2009 are lower but the market remains highly volatile and there is no consensus from industry analysts as to the direction of energy prices. BC Transit has hedged a portion of its 2009/10 diesel fuel requirements and continues to research options and joint procurement with other large volume bulk purchasers to mitigate the exposure.
- Ridership decrease and resulting revenue decline is also a considerable risk in a period of low economic activity. This risk is borne by local government funding partners. Continued ridership increase beyond the funding capacity of BC Transit and its funding partners to respond with improved service is also a significant risk.
- The cost of fleet maintenance support has increased significantly over the past 5 years. Maintenance costs for running repairs, major component overhauls and mid-life tune-ups are largely attributable to the age of the fleet, increasing costs of parts and the technological complexity of newer vehicles. Maintenance costs are also expected to increase due to the lower Canadian dollar as most parts originate from American or European suppliers.
- Changes in taxation may have financial impact. Staff have created a project team to develop and implement a transition plan for the introduction of the recently announced harmonized sales tax

Table 2 presents the financial risk to BC Transit from a 1% change in the cost of selected factors. For example, a 1% increase in fuel prices above budgeted levels will increase BC Transit costs by \$236,000 per year.

BC Transit's financial forecast for the service plan period is summarized in Table 3.



Table 2**BC Transit Corporate 2009/10
Risk Factors and Sensitivities**

Risk Factor (1% change)	Financial Risk
Interest Rates (new issues)	\$755,000
Currency exchange	437,000
Fuel	236,000
Maintenance Labour Costs	229,000
Maintenance Parts Pricing	211,000
Benefits (employees)	110,000
Property Maintenance & Lease	86,000
Insurance	33,000

Table 3
BC TRANSIT
2009/10 - 2011/12 FORECAST ¹

<i>(Figures in thousands)</i>	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Actual	Budget	Plan	Plan
Income Statement:					
Revenue:					
Operating contributions from the Province	52,029	71,874	78,605	85,262	96,732
Amortization of Deferred Capital Contribution (DCC) ²	22,127	41,766	47,435	58,785	62,366
Amortization of Contributed Surplus and Other Capital Grants ³	864	631	941	958	1,005
Local taxation	46,758	53,847	63,458	71,061	83,389
Passenger & advertising revenue	55,925	59,632	63,245	74,147	85,083
Investment & other earnings ⁴	8,307	834	5,030	3,305	3,960
	186,010	228,584	258,714	293,518	332,535
Expenditures:					
Salaries and benefits	45,901	52,526	57,558	59,902	65,384
Operating costs	99,143	116,900	130,284	141,709	163,746
Capital asset amortization expense ²	33,351	54,051	62,554	80,953	89,783
Debt service costs	7,022	6,856	8,318	10,954	13,622
Foreign exchange losses (gains)	(821)	329	0	0	0
	184,596	230,662	258,714	293,518	332,535
Net Income (Loss)	1,414	(2,078)	0	0	0
Capital Expenditures	38,292	68,974	167,310	60,657	59,370

¹ Forecast includes only costs shared between the funding partners. Non-shareable costs including mark-to-market adjustments are excluded.

² Includes change to straight-line amortization in 2008/09. BC Transit has converted to straight-line amortization of capital assets to ensure the company is fully compliant with GAAP.

³ 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.

⁴ Includes provincial operating grants utilized and carried forward from 2007/08. These grants were realized from surplus asset sales and tax recoveries on provincial assets.

⁵ 2007/08 Actuals exclude the impact of changes in accounting policies adopted in 2008/09

7. Capital Plan and Major Projects

To achieve the expectations of the shareholder, infrastructure investment is required. As transit services and bus fleets increase, a number of transit facilities will need to be expanded or replaced. These include garages and maintenance facilities, transit exchanges, park and rides and bus stop improvements. Technical infrastructure investment in fleet management, fare collection, information, security systems and transit priority are also required to meet the challenge of provincial objectives.

Total forecast capital expenditures in 2009/10 of \$167.3 million will significantly exceed historical average spending, primarily due to the hydrogen fuel cell demonstration fleet acquisition and the acceleration of vehicle replacement orders pursuant to the Olympic fleet plan. The following years reflect the announcement of the *Provincial Transit Plan*, and the associated infrastructure required to meet service objectives and ridership growth.

BC Transit's capital plan is summarized in Table 4.

Table 4
BC Transit Capital Plan

<i>(Figures in thousands)</i>				
	2009/10	2010/11	2011/12	Total
	Plan	Plan	Plan	
Total Capital Projects	167,310	60,657	59,370	287,337

8. Contact Information

For further information with respect to BC Transit's plans and programs please contact:

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