

*Ministry of  
Transportation*

**2003/04  
Annual Service Plan Report**



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# Table of Contents

|   |    |
|---|----|
| <b>Accountability Statement</b> .....   | 5  |
| <b>Message from the Minister</b> .....  | 7  |
| <b>Year-at-a-Glance Highlights</b> .....  | 9  |
| <b>Ministry Role and Services</b> .....   | 14 |
| <b>Performance Reporting</b> .....  | 26 |
| <b>Report on Resources</b> .....  | 44 |
| <b>Appendix 1: Minister’s Legislative Mandate</b> .....                             | 49 |
| <b>Appendix 2: BC Transportation Financing Authority Financial Statements</b> ..... | 51 |



## Accountability Statement

The 2003/04 Ministry of Transportation Annual Service Plan Report was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. This report compares the actual results to the expected results identified in the Ministry's 2003/04 Service Plan. I am accountable for the ministry's results and the basis on which they have been reported.

A handwritten signature in black ink, appearing to read 'Kevin Falcon', with a long horizontal flourish extending to the right.

Honourable Kevin Falcon  
Minister of Transportation

June 21, 2004





## Ministry of Transportation



The revitalization of British Columbia's transportation network is soaring ahead. We have now launched our three-year Transportation Investment Plan. The plan lays out the crucial projects and programs that will keep our highways safe and our economy strong.

British Columbians will be able to see the benefits of these investments across the province. Already, our commitment to restoring roads in the Heartlands has allowed the percentage of roads in good condition to jump by five per cent. This is only the beginning.

Major projects are underway across British Columbia. The Trans-Canada Highway is being widened and rebuilt through Kicking Horse Canyon. Improvements to the Sea-to-Sky Highway will sustain it for decades in one of the province's fastest growing corridors. A new Okanagan Lake Bridge will keep the lifeblood of business and tourism flowing throughout that region. We are streamlining and modernizing our border crossings, ports and airports, reinforcing B.C.'s role as the country's western gateway to the world.

I am proud of the progress we've made in pursuing alternative funding sources to pay for the highways we build today. Our investment plan is supported by cost-sharing agreements with the federal government and other partners. Leveraging our provincial investment has secured a dramatic \$6.5 billion worth of commitments for the next four years.

Along with new sources of funding, we are also making wiser use of the money entrusted to us. New agreements with maintenance contractors and their unions have cut labour costs significantly. Innovative technologies and ways of working have made it possible to keep roads in good repair for millions of dollars less. Red tape has been slashed by one-third as well, reducing costs for businesses and all British Columbians.

Transportation continues to be one of this government's top priorities. I look forward to receiving your thoughts on the goals and achievements described in this report.

A handwritten signature in black ink, appearing to read "Kevin Falcon".

Honourable Kevin Falcon  
Minister of Transportation



# Year-at-a-Glance Highlights

## Transportation Investment Plan

In 2003/04 the ministry launched a three-year transportation investment plan for British Columbia's transportation system, intended to improve safety, increase economic activity and enhance the movement of people and goods throughout the province and across international borders.

The plan will be funded through federal cost-sharing programs, third party contributions, public-private partnerships and revenue from the 3.5 cents per litre motor fuel tax increase that came into effect on March 1, 2003. The fuel taxes are dedicated through legislation to the BC Transportation Financing Authority. The plan is set out in detail in "Opening up BC: A transportation plan for British Columbia," available online at: [http://www.gov.bc.ca/bcgov/content/images/transportation\\_plan\\_web.pdf](http://www.gov.bc.ca/bcgov/content/images/transportation_plan_web.pdf).

The three-year plan is only the beginning. Within four fiscal years, the provincial government's direct investments will have made possible a total investment of \$6.5 billion in British Columbia transportation projects through its partners in federal, regional and municipal governments and the private sector.

Highlights of the plan include:

- **Highway Rehabilitation:** Resurfacing and safety improvements such as seismic retrofitting and roadside guardrail installation to keep the highway network safe and reliable, and protect the public's investment in transportation assets.
- **Heartlands Roads:** Significant improvements to Heartlands roads in the northern and interior part of B.C. that provide access to communities, resources and industries. As part of the province's 2003/04 Heartlands Economic Strategy, the ministry invested \$73 million on rehabilitation and improvements to highways, rural side roads, and oil and gas roads in the Heartlands. The ministry treated 894 kilometres for improvements, increasing the percentage of Heartlands roads in good condition from 34 per cent to 39 per cent.
- **Transportation Partnerships (Airports and Ports):** Investments in public airports and seaports that will result in significant, long-term economic benefits and expand B.C.'s role as Canada's trade gateway to the world. The ministry has expressed support for the development of a container handling facility at the Port of Prince Rupert, and has offered to fund projects that will expand airports at Cranbrook and Prince George. The Comox airport will see significant improvements from the province's \$2 million investment. As well, an investment of \$167,000 will support an expansion of the Kamloops airport, and an investment of \$130,000 will support an expansion of the Pitt Meadows airport. These improvements will create new jobs, tourism growth and new economic opportunities.
- **Border Crossings:** Infrastructure improvements and investments in transportation technology to enhance the free flow of goods through B.C.'s busiest border crossings, keeping international trade moving and B.C.'s economy strong. These multi-year projects

totalling \$242 million will be cost-shared with the federal government and are part of an integrated network of road upgrades intended to eliminate bottlenecks at borders and improve safety for all road users.

- **Highway Corridors:** Local improvements to major highways throughout the province to improve safety and efficiency. Projects include the addition of passing lanes, realignments and other safety features.

The provincial government has offered to contribute funding through the BC Transportation Financing Authority to the Richmond-Airport-Vancouver (RAV) Rapid Transit Project.

This project would be led by the Greater Vancouver Transportation Authority (TransLink).

The cost would be shared with the federal government, the Vancouver International Airport Authority, the Greater Vancouver Transportation Authority, and a private builder/operator.

## Transportation Investments and Public Private Partnerships

The provincial government has stated its intention to modernize government and to find more efficient and effective approaches for delivering transportation services. Public Private Partnerships (P3s) involve combining the strengths of the private and public sectors to best meet the particular challenges posed by projects. Such partnerships are one of the new delivery tools the government will be using. This approach will be used with those public projects where it clearly provides advantages in terms of the best value for money for taxpayers, and will:

- refocus the investment decision from an asset to a service allowing the private sector to determine the mix of capital and operating units required to produce the desired service;
- encourage innovative solutions to meet schedule and performance requirements;
- focus all stakeholders' attention on "value for money";
- allow for the accelerated development of needed provincial transportation services;
- result in the management of risk in a transparent manner; and
- reward performance consistent with the objectives of the project.

The ministry is undertaking improvements to the Sea-to-Sky Highway between Horseshoe Bay and Whistler to improve its safety and reliability. By 2009, extensive highway improvements will make travel along the corridor safer for residents, commuters and tourists. Over the longer term, highway improvements will accommodate population growth, economic development in corridor communities and increasing demand for resident travel, visitor travel and goods movement. The ministry is using a package of different procurement approaches to deliver the improvements. These include:

- alliance contracts (involving sharing of risks by the province and contractor);
- design-build contracts (which shift more risk to the contractor); and
- design-build and operate contracts (which shift the most risk to the contractor).

This approach is designed to provide the best overall result in terms of the project's key objectives, schedule (completion by the 2010 Olympics), traffic flow during construction,

budgets, and performance of the highway during construction. The process of selecting contractors is underway and will be completed by the end of 2004.

The Okanagan Lake Bridge on Highway 97 is B.C.'s most congested section of highway outside of the Lower Mainland and southern Vancouver Island. After 45 years of use, Kelowna has outgrown the three-lane bridge. The province is seeking a partner to design, build, finance and operate a new five-lane bridge. The new bridge will help relieve congestion, improve safety and support economic development in the Okanagan. A request for proposals was issued in May 2004; construction is expected to start late in summer 2004; and the new bridge is expected to be open by spring 2008.

The province listened to the public and did not proceed with the proposal to lease the Coquihalla Highway to a private partner.

### **Alternative Service Delivery**

Significant progress has been made in preparing some ministry operations to be delivered more efficiently and effectively through the expertise, talent and innovation of the private sector. The ministry has been successful in shifting its focus from doing all the operational work itself to being a knowledgeable owner that involves the private sector in the management and delivery of the transportation system. The availability of alternative funding approaches has provided the opportunity to meet growing demands at a lower cost to the taxpayer. Operations now administered by the private sector include sign production, geotechnical drilling, and the majority of inland ferry routes. The remaining inland ferry routes and pavement marking operations will be administered by the private sector by June 2004. The electrical operations and radio communications initiatives are in the competitive tender process.

### **Infrastructure Management**

The ministry initiated discussions between maintenance contractors and the unions representing their workers, which led to a cooperative approach and ultimately the endorsement of new collective labour agreements. These agreements will reduce labour costs and increase cost savings for the province. Current maintenance contracts that were originally established for a five year period were extended a further three years, which also resulted in savings to the ministry during the extension period. New contracts tendered in 2004 will be for a 10-year contract term, which will allow maintenance contractors to plan more effectively over the longer term and provide a more favourable time-frame for amortizing the large capital costs associated with acquiring equipment and facilities. Approximately \$5 million was saved in fiscal 2003/04 by the new contracts and resulting bid prices. It is anticipated that further bid price savings will be realized in 2004/05.

## **Streamlined Business Processes**

The Business Process Re-engineering Project reduces red tape for both customers and ministry employees, and streamlines processes to make them more efficient. The ministry has improved service delivery and productivity by simplifying or eliminating business processes, and by using information technology (IT) effectively. One example of effective IT use is the availability of online bidding for road and bridge construction opportunities. Contractors may submit bids electronically, which streamlines the bidding process, while saving the contractors' time and money on printing, mailing and courier fees. Business areas throughout the ministry are undertaking major streamlining initiatives. Changes include the restructuring of field crews, the centralization of major works contracts, and the revision of the properties standards and procedures manual.

## **Adopt-a-Highway Program**

The ministry launched the Adopt-a-Highway program to enhance the cleanliness of highways by creating new opportunities for community groups and businesses to assist in litter removal and roadside beautification. The program encourages local stewardship of public highway rights-of-way. The program offers non-profit and for-profit organizations the chance to make aesthetic improvements to the medians, boulevards, interchanges and general right-of-way areas along highways in their communities. To date the program has successfully filled 53 adoptions.

## **New Information Measures for Motorists**

The ministry and its road and bridge maintenance contractors have put in place new measures to control traffic and better inform motorists about unplanned closures of the Malahat and Goldstream Park portions of the Trans-Canada Highway. The new measures include placing portable changeable message signs and flaggers at both ends of the closure to inform motorists of the anticipated wait time, so that they can make informed travel decisions. The ministry also began the development of *Drive BC!*, a map-based website with information for the travelling public. The new application will display road and weather conditions and highway incidents in a timely manner over the Internet and will greatly improve the quality and timeliness of road condition information.

## **Weigh Scales Upgrade Program**

Many weigh scales experience congestion, delays and safety-related problems. The ministry is developing a weigh scales upgrade program to reduce waiting times and improve accessibility and safety. These changes will reduce trucking industry costs and allow the faster transportation of goods. The ministry will also save money by partnering with neighboring jurisdictions at joint use facilities. For example, B.C. entered into a partnership with Alberta to build a joint use commercial vehicle inspection facility near the B.C.-Alberta border at Golden. The facility will save B.C. and Alberta taxpayers an estimated total of \$2 million in capital costs and \$300,000 in annual operating costs.

## Deregulation

The provincial government, in its *New Era* document, committed to cut red tape and reduce regulatory burden by one-third by June 2004. These reductions are intended to eliminate obsolete and redundant regulatory requirements that waste the taxpayers' time and money. The ministry eliminated 19 per cent of its regulatory requirements by March 31, 2004 and is on track to meet the 33 per cent reduction target by June 2004. The *Transportation Statutes Amendment Act* passed in 2003 eliminated 228 obsolete regulations, facilitates planning for a variety of transportation improvements, and encourages economic development in the tourism and commercial transport sectors.

The *Highway Act*, *Ministry of Transportation and Highways Act*, *Build BC Act* and *Highway Scenic Improvement Act* are all being repealed and replaced by a new *Transportation Act*. The new act will consolidate core highway legislation into one organized plain-language document, make ministry business more efficient, improve relationships with local governments and enhance public service.

The outdated *Motor Carrier Act* passed in 1939 was repealed and the *Passenger Transportation Act* was brought into force in June 2004. While economic regulation will remain in place for taxis, limousines and inter-city buses, all other forms of road-based passenger transportation will be able to obtain a licence if safety and insurance requirements are met. Under the new legislation, the Motor Carrier Commission has been replaced by the Passenger Transportation Board. The new board will focus on ensuring services are available to the public and providing faster response times for industry.

# Ministry Role and Services

## Ministry Overview

The Ministry of Transportation plans transportation networks, develops and implements transportation policies, provides transportation services, and administers various transportation-related acts and regulations.

To accomplish its mandate, the ministry:

- develops provincial transportation plans to integrate various modes of transportation, in conjunction with regional transportation advisory committees and the transportation related Crown corporations and commissions;
- works with partners and other levels of government to provide efficient low-cost public transit and coastal ferry services;
- builds highways to meet the economic and social needs of British Columbians;
- maintains existing highways to a high standard through contracts with privately-owned road maintenance providers;
- manages contracts for inland ferry operations; and
- licences and regulates commercial bus and taxi services through the Motor Carrier Commission (which was replaced by the Passenger Transportation Board in June 2004).

## Primary Customers and Clients

The ministry works to meet the needs of:

- the travelling public;
- emergency responders, such as police, fire and ambulance services;
- businesses and business travellers;
- the tourism industry;
- trucking organizations;
- resource industries; and
- those applying for subdivision approvals and access to highways.

## Partners in Transportation

The ministry works closely with other groups as it manages B.C.'s transportation network. These groups include:

- **The federal government.** The federal government provides capital funding for some provincial transportation infrastructure that serves a national interest, such as improvements to the Trans-Canada Highway, airports, border crossings and other gateways. The federal government is also responsible for roads through First Nations reserves and federal parks, and for many laws relating to marine and air travel.

- **Local governments.** The ministry works with local governments to ensure they have a voice in determining provincial transportation priorities and plans. Local governments are responsible for constructing and maintaining roads that primarily benefit local travellers.
- **First Nations.** The ministry works with First Nations groups to ensure they have input into provincial transportation decisions affecting their areas.
- **TransLink.** *TransLink* is the regional transportation authority for Greater Vancouver. It plans, finances and operates the region's transportation system, including major roads and public transit. The ministry co-ordinates its own transportation plans with *TransLink* and co-operates on projects that serve both a regional and provincial interest.
- **Ministry of Forests.** The Ministry of Forests manages a large network of forest service roads which connect forestry lands to the provincial highway system.
- **Ministry of Public Safety and Solicitor General (MPSSG).** The ministry shares weigh scale administration with MPSSG. The Ministry of Transportation is responsible for the operation of weigh scales, which includes the enforcement of vehicle weights, axle loading and dimensions; while MPSSG is responsible for inspections of vehicle safety and configuration, and load security.
- **Insurance Corporation of British Columbia (ICBC).** ICBC provides universal auto insurance to B.C. motorists. It is responsible for driver licensing, vehicle registration and licensing and commercial vehicle compliance. ICBC helps fund some improvements on provincial highways to reduce the risk of accidents. ICBC is a provincial Crown corporation under the jurisdiction of the Minister of Public Safety and Solicitor General.
- **Law enforcement agencies.** Traffic laws on provincial highways are enforced by the Royal Canadian Mounted Police or local police forces.
- **Roadbuilders, consulting engineers and maintenance contractors.** The ministry uses private sector companies to construct, improve and maintain provincial highways, allowing the public to benefit from competition and private sector innovation.
- **British Columbia Ferry Services Inc.** British Columbia Ferry Services Inc. has a 60-year contract with the provincial government to provide coastal ferry services. It is an independent, regulated and self-financing company created in response to the public's desire to have a ferry system free from political interference.
- **British Columbia Railway Company.** British Columbia Railway Company is Canada's third largest railway. It operates exclusively in British Columbia and has interline connections to all rail-served points in North America.
- **Ports and airport authorities.** Ports and airports in the province are overseen by independent authorities. The ministry ensures all such gateways are well served by the provincial highway system and may provide support for the expansion of key facilities.

## **Crown Corporations and Commissions**

The Minister of Transportation is responsible for the following Crown corporations and commissions:

### **BC Transportation Financing Authority**

The BC Transportation Financing Authority (BCTFA) is a provincial Crown corporation created by the *Build BC Act* to develop and maintain a comprehensive provincial transportation strategy, prioritize investments in the provincial highway system, promote cost-effective delivery and innovative financing of highway infrastructure, and increase the economic and social benefits derived from investments in transportation infrastructure. The purpose of the BCTFA, as set out in the act, is to plan, acquire, hold, construct, or improve transportation infrastructure throughout British Columbia.

The ministry is responsible for strategic planning across all transportation modes (road, rail, marine, air) and for the development and maintenance of B.C.'s highway system. The BCTFA holds the provincial highway assets and related lands, and finances investments in transportation infrastructure through dedicated fuel taxes and through borrowing.

The principles of prudent and transparent fiscal management and sustainable transportation financing are at the core of the mandate of the BCTFA. In February 2003, the government announced the first phase of a 10-year transportation investment plan and a 3.5 cents per litre motor fuel tax increase dedicated to financing the plan. These revenues flow directly — by legislation — to the BCTFA. Audited financial statements that demonstrate how these funds have been used can be found in Appendix 2.

### **BC Transit**

BC Transit is a Crown corporation charged with providing public transit throughout the province, outside of the Greater Vancouver Regional District (GVRD). BC Transit provides planning, marketing, fleet and funding support for all public transit services in B.C., except in the Greater Vancouver region, which is the responsibility of *TransLink*. BC Transit's website is located at <http://www.bctransit.com>

### **Rapid Transit Project 2000**

Rapid Transit Project (RTP) 2000 Ltd. is a provincially-held company incorporated under the *Company Act*. Its primary mandate is to design and construct the Millennium Line, which links Vancouver and New Westminster via the Broadway-Lougheed corridor. *TransLink* opened the Millennium Line on August 31, 2002. The project is continuing with the construction of one more station and guideway at Vancouver Community College, which is expected to be completed in early 2006. The RTP 2000 website is located at <http://www.rapidtransit.bc.ca>

### **British Columbia Railway Company**

The British Columbia Railway Company is a commercial Crown corporation with three principal business units: BC Rail; BCR Properties; and BC Rail Partnership.

In November 2003, legislation was approved which will permit agreements to facilitate the provision of rail freight and passenger services by third parties on lines owned by the Company. Pending approval of the transaction from the Federal Competition Bureau, an agreement will be in place that will allow CN Rail to provide rail freight services. BC Rail's website is located at <http://www.bcrail.com>.

### **Motor Carrier Commission**

The Motor Carrier Commission regulates commercial passenger carriers, such as taxis and buses. Every commercial passenger carrier that operates in British Columbia must hold a motor carrier licence, along with a motor carrier certificate and plate for each vehicle in the carrier's fleet. Commissioners examine applications for new and altered motor carrier licences. The Motor Carrier Commission's website is located at <http://www.th.gov.bc.ca/mcc/mcc.htm>.

**Note:** The Motor Carrier Commission was replaced by the Passenger Transportation Board when the *Passenger Transportation Act* was brought into force in June 2004.

### **Annual Reporting and Legislative Environment**

The operations of the BC Transportation Financing Authority and the Motor Carrier Commission are covered in this report. Other Crown-owned entities mentioned above have prepared their own annual reports.

A description of the legislative environment under which the Transportation ministry and Crown corporations operate is provided in Appendix 1.

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## **Ministry Vision, Mission and Values**

### **Vision**

A fully integrated transportation system that advances economic and social growth, and moves goods and people within British Columbia and to markets beyond.

### **Mission**

- To create an integrated transportation network that incorporates all modes of transport, reflects regional priorities, and provides a strong foundation for economic growth.
- To maintain and improve the provincial highway system, ensuring the safe and efficient movement of people and goods provincially, nationally and internationally.

### **Values**

- We respect regional and community goals and priorities.
- We are responsive to the needs of British Columbia business.
- We strive for excellence and innovation.
- We respect the people we serve and work with.

## Values at Work

The ministry's values play an important role in guiding our everyday work.

We helped establish Regional Transportation Advisory Committees to make sure the ministry was kept up to date on community priorities. We are responding to the needs of business by cutting red tape by one-third. Excellence and innovation are now actively rewarded under the new contracts for maintaining British Columbia's roads and bridges. And to make sure we are treating our employees and customers with the respect they deserve, we regularly solicit their opinions and ideas for improvement.

Whenever ministry staff develops new policies, designs new projects or reviews past accomplishments, these values are the benchmark for success.

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## Ministry Operating Context

Organizational success can depend on the ability to scan, interpret and respond to the organization's environment. The transportation system is affected by pressures and trends worldwide. Effective planning and management of the transportation system requires the ministry to be aware of these pressures and trends and be ready to respond appropriately to them. Ministry staff monitors ongoing pressures and trends to identify the factors influencing demand for transportation services, the resources needed to meet that demand, and the implications for citizens, partners and stakeholders. This provides early warning to decision makers and the findings are incorporated into ministry strategies and planning processes, and risk management.

### Pressures and Trends

- Economic development and population growth in British Columbia continue to increase the demand for transportation, especially in the more populous areas of the province. More vehicles are on the road and vehicles are being driven farther.
- External trade through transportation gateways continues to be a major component of the B.C. economy, dominated by trade with the United States. B.C. must continually compete by reducing transportation costs and improving access to international gateways. In the short-term, increased security issues have affected every border crossing in North America. However, B.C. must continue to facilitate cross-border traffic while remaining secure.
- Fluctuations in the price of oil affect the cost of oil-based products used by the ministry such as asphalt, primer, seal coat and crack sealant. For every dollar increase in the world price of crude oil, the ministry faces a corresponding cost pressure of approximately \$900,000. These cost pressures are addressed by program reductions.
- Resource industries continue to need to control transportation costs to compete in world markets. Controlling such costs requires an integrated transportation system that links resource roads to processing facilities and moves goods on provincial highways and freight railways to interprovincial and international gateways.

- Road-based transport remains most people's preferred alternative for personal and work trips over short and medium distances.
- The use of heavier commercial trucks increases wear and tear on all highways and requires bridges to be stronger.
- Forest fires, flooding, slides, unusual snowfall and other natural events are dependent upon changing weather patterns, which could become more frequent or severe in the future.
- Funding available from public sources continues to lag behind the amount needed for transportation improvements to facilitate economic development and community growth.
- Aging infrastructure requires continued investment to keep B.C. competitive and, in some cases, to catch up on deferred investments from the past.
- The ministry's recent downsizing has increased its reliance on the private sector to deliver services, and has elevated the ministry's need to monitor contractor performance.

## **Risks and Effect**

The ministry faces the following potential risks that may affect its capacity to deliver services and require it to find new ways to accomplish its goals:

- Wide variation in fuel prices due to world events may result in lower fuel usage, reducing the fuel tax revenues on which the ministry relies to fund needed infrastructure improvements.
- Potential partners (public and private) may not finance transportation improvements to the degree anticipated, thereby delaying improvements.
- Security concerns or trade protectionism may disrupt cross-border trade in spite of infrastructure improvements.
- Competition from gateways in other jurisdictions may draw existing business away from B.C. For example, cruise ships could change their base of operations from Vancouver to Seattle.
- Volatility in the price of building materials, such as steel, may create unanticipated cost pressures.
- Weather and related phenomena, such as slides, floods, avalanches and fire, likely will remain highly unpredictable and could cause major events that affect the transportation system.

## Ministry Structure and Core Business Areas

The ministry's work is organized into five core business areas based on the commonality of role and purpose. The following outlines the programs, key functions and services the ministry provides, as well as the resources used in 2003/04 for each core business area. Some of these services are delivered through external partners, as described in the "Partners in Transportation" section of this report. The programs described here support the achievement of ministry goals, as further described in the "Performance Reporting" section of this report.

### 1) Highway Operations

Highway Operations staff keeps our existing highway network safe, reliable and in good repair. The ministry's highway operations are divided by geographic area into three regions: South Coast, Southern Interior and Northern. Each region is subdivided into districts and maintenance areas for more efficient administration.

The ministry's work in this core business area includes:

#### Maintenance and Traffic Operations

Activities in this area include:

- establishing and monitoring road and bridge maintenance contracts;
- regional and district operations;
- pavement marking;
- electrical maintenance;
- avalanche control; and
- rock slope stabilization.

#### Asset Preservation

- Activities in this area include:
- road and bridge surfacing;
- bridge rehabilitation and replacement;
- safety improvements;
- minor betterments, such as guardrails; and
- weigh scale operations to ensure that heavy vehicles do not damage public roads.

#### Inland Ferries

The ministry either directly provides or contracts for ferry services on 14 fresh water routes to connect provincial highways.

#### Coquihalla Toll Administration

The ministry operates the toll booths on the Coquihalla Highway. Toll revenue goes into the provincial government's consolidated revenue fund, which is used to fund various government programs including the maintenance of the Coquihalla and other highways.

## 2003/04 Resource Summary — Highway Operations

| Program Area  | Total Estimated | 2003/04 Actual | Variance      |
|---|-----------------|----------------|---------------|
| <b>Operating Expenses (\$000)<sup>1</sup></b>                                   |                 |                |               |
| <b>Maintenance, Asset Preservation and Traffic Operations<sup>2</sup></b> ..... | 436,278         | 428,169        | 8,109         |
| <b>Inland Ferries<sup>3</sup></b> .....   | 16,705          | 10,979         | 5,726         |
| <b>Coquihalla Toll Administration</b> .....                                     | 1,832           | 2,023          | (191)         |
| <b>Total</b> .....  | <b>454,815</b>  | <b>441,172</b> | <b>13,643</b> |
| <b>Full-time Equivalents (FTEs)</b>   |                 |                |               |
| <b>Total</b> .....  | <b>964</b>      | <b>1,014</b>   | <b>(50)</b>   |

<sup>1</sup> Operating expenditures are shown net of BCTFA and external sources.

<sup>2</sup> The majority of the \$8.1 million surplus in Maintenance, Asset Preservation and Traffic Operations is the result of savings realized in the Road and Bridge Maintenance program due to the signing of longer term contracts with the maintenance contractors.

<sup>3</sup> Inland Ferries \$5.7 million surplus is due to recoveries from the BC Transportation Financing Authority from a portion of the gas tax collected, which is intended in part to support inland ferry routes.

## 2) Transportation Improvements

Managing and improving the province's transportation network requires careful planning, monitoring and direction, looking decades into the future. The ministry must ensure that the most pressing transportation needs in British Columbia are addressed first, so that the public's investment in transportation can bring as many benefits as possible. The Minister relies on advice of eight independent Regional Transportation Advisory Committees across the province to identify and prioritize transportation projects.

The ministry's work in this core business area includes:

### Transportation Policy and Legislation

Transportation Policy and Legislation staff provides guidance on new ministry policies and legislation relating to transportation and highways.

### Partnerships

Partnerships' staff works to reduce the cost of new highway facilities to taxpayers by:

- developing cost-sharing and alternative delivery partnerships with the private sector and other levels of government; and
- making efficient use of property under the ministry's jurisdiction, which may involve selling surplus property or exchanging it for highway construction services.

## Planning, Engineering and Construction

Activities in this area include:

- transportation planning;
- development and monitoring of the ministry's capital program, which identifies new roads and bridges to be built;
- development of investment strategies, which are ways to address the public's transportation needs within available funding;
- quality management;
- engineering, survey and design;
- property acquisition for provincial highways;
- construction of provincial highways; and
- management of accesses, intersections and other connections to provincial highways.

### 2003/04 Resource Summary — Transportation Improvements

| Program Area  | Total Estimated | 2003/04 Actual | Variance       |
|---|-----------------|----------------|----------------|
| <b>Operating Expenses (\$000)<sup>1</sup></b>       |                 |                |                |
| <b>Transportation Policy and Legislation</b> .....  | 723             | 1,090          | (367)          |
| <b>Planning, Engineering and Construction</b> ..... | 12,812          | 14,448         | (1,636)        |
| <b>Partnerships</b> .....                           | 1               | —              | 1              |
| <b>Total</b> .....                                  | <b>13,536</b>   | <b>15,538</b>  | <b>(2,002)</b> |
| <b>Full-time Equivalents (FTEs)</b>                 |                 |                |                |
| <b>Total</b> .....                                  | <b>290</b>      | <b>216</b>     | <b>74</b>      |

<sup>1</sup> Operating expenditures are shown net of BCTFA and external sources.

## 3) Motor Carrier Regulation

The ministry regulates the motor carrier industry to ensure public safety and a healthy industry. Motor carriers include commercial buses and taxis. This business area encompasses two operational units:

### Motor Carrier Commission (MCC)

The MCC is an independent body that regulates the province's commercial passenger industry pursuant to the *Motor Carrier Act*. The MCC also issues licences for the interprovincial and international road transport of passengers, by delegation, under the *Motor Vehicle Transport Act* (Canada).

## Motor Carrier Branch

This branch is the administrative arm of the MCC. It carries out investigations associated with motor carrier licence applications. Working with other agencies, the branch participates in compliance activities such as:

- road checks;
- the investigation of complaints; and
- random audits of the records of licensed motor carriers.

**Note:** With the replacement of the *Motor Carrier Act* by the *Passenger Transportation Act* and the resulting replacement of the Motor Carrier Commission by the Passenger Transportation Board, this core business area will be restructured in 2004/05.

### 2003/04 Resource Summary — Motor Carrier Regulation

| Program Area                                  | Total Estimated | 2003/04 Actual | Variance  |
|---|-----------------|----------------|-----------|
| <b>Operating Expenses (\$000)<sup>1</sup></b> |                 |                |           |
| <b>Motor Carrier Commission</b> .....         | 595             | 519            | 76        |
| <b>Motor Carrier Branch</b> .....             | 1,209           | 1,202          | 7         |
| <b>Total</b> .....                            | <b>1,804</b>    | <b>1,721</b>   | <b>83</b> |
| <b>Full-time Equivalents (FTEs)</b>           |                 |                |           |
| <b>Total</b> .....                            | <b>19</b>       | <b>17</b>      | <b>2</b>  |

<sup>1</sup> Operating expenditures are shown net of external sources.

## 4) Public Transportation

Public transit and coastal ferry services are vital to the economic and social health of many communities. Public transit consists of passenger transportation services, including services to the disabled, in various communities around the province. Coastal ferry services are an extension of the highway system, connecting islands on the B.C. coast with other islands and the mainland.

The provincial government supports public transportation services around the province with annual transfers of capital and/or operating funding to BC Transit, Rapid Transit Project 2000 and British Columbia Ferry Services Inc. The Public Transportation business area manages these transfers, and the associated amortization and debt servicing expenditures.

## 2003/04 Resource Summary — Public Transportation

| Program Area   | Total Estimated | 2003/04 Actual | Variance     |
|--|-----------------|----------------|--------------|
| <b>Operating Expenses (\$000)</b>                              |                 |                |              |
| <b>British Columbia Transit</b> <sup>1</sup> .....             | 151,700         | 144,343        | 7,357        |
| <b>Rapid Transit Project 2000</b> .....                        | 90,957          | 88,312         | 2,645        |
| <b>British Columbia Ferry Services Inc.</b> <sup>2</sup> ..... | 105,500         | 112,080        | (6,580)      |
| <b>Total</b> .....   | <b>348,157</b>  | <b>344,735</b> | <b>3,422</b> |

<sup>1</sup> British Columbia Transit surplus of \$7.4 million is the result of lower than budgeted debt servicing costs.

<sup>2</sup> British Columbia Ferry Services Inc. deficit of \$6.6 million is the result of the transfer of ferry terminals to the province from British Columbia Ferry Services Inc., which necessitated payment of the property transfer tax.

## 5) Executive and Support Services

This business area supports all ministry programs, through:

- the minister's and deputy minister's offices;
- service planning, reporting and performance measurement;
- financial and administrative services;
- human resources;
- facilities management;
- information systems; and
- freedom of information, protection of privacy and records management.

## 2003/04 Resource Summary — Executive and Support Services

| Program Area                                   | Total Estimated | 2003/04 Actual | Variance     |
|--|-----------------|----------------|--------------|
| <b>Operating Expenses (\$000)</b> <sup>1</sup> |                 |                |              |
| <b>Minister's Office</b> .....                 | 415             | 385            | 30           |
| <b>Corporate Services</b> .....                | 15,639          | 15,972         | (333)        |
| <b>Total</b> .....                             | <b>16,054</b>   | <b>16,357</b>  | <b>(303)</b> |
| <b>Full-time Equivalents (FTEs)</b>            |                 |                |              |
| <b>Total</b> .....                             | <b>112</b>      | <b>76</b>      | <b>36</b>    |

<sup>1</sup> Operating expenditures are shown net of external sources.

## Update on *New Era* Commitments

The following table shows the status of *New Era* commitments that were outstanding at the beginning of 2003/04.

| <i>New Era</i> Commitment   | Status   |
|---|--|
| Focus resources on improving Northern and rural transportation.   | The ministry is focusing resources on improving northern and rural transportation. As part of the Heartlands Economic Strategy implemented in 2003/04, the province implemented investments toward rehabilitating and improving highways, rural side roads, and oil and gas roads in the Heartlands. The ministry's three-year Transportation Investment Plan increased the annual investment toward improving northern and Heartlands roads to \$75 million per year. |
| Do not sell or privatize BC Rail.   | BC Rail has not been sold or privatized. Under the new BC Rail Investment Partnership, BC Rail remains a provincial Crown corporation, with the tracks, railbed and right-of-way protected under public ownership. The partnership will generate an immediate billion dollars of investment for the people of B.C. and will eliminate BC Rail's \$500 million debt.  |
| Cut the red tape and regulatory burden by one-third within three years.   | The ministry is on track to meet the 33 per cent reduction target by June 2004.  |
| Examine the status of the transportation and infrastructure system, including the consideration of various regional transportation models, and provide a high level strategic plan. | "Opening up B.C." has been published to address current priorities. This reduced the immediate need for the high level strategic plan, and the work on strategic initiatives continues on the basis of input from stakeholders.  |

# Performance Reporting

## Overview of Ministry Goals

The ministry's work reflects larger government priorities, and supports most strongly the overall government goal for "a strong and vibrant provincial economy" through the accomplishment of its own established goals and vision.

The ministry works toward achieving a fully integrated transportation system that advances economic and social growth, and moves goods and people within British Columbia and to markets beyond. Meeting the following goals will help to achieve this vision.

### **Goal 1: B.C. is provided with a safe and reliable highway system.**

British Columbia's economic health depends on safe and reliable highway transportation for trade, tourism and personal mobility. All highways require ongoing rehabilitation and maintenance to keep them open, safe and reliable. Regular attention to maintenance adds many years to the life of a highway, making the taxpayers' investment in transportation go further.

### **Goal 2: Key transportation infrastructure is improved to drive economic growth and trade.**

By ensuring that transportation in British Columbia is efficient, the ministry contributes to economic development and community growth. New or expanded facilities can unlock economic opportunities. Strategic highway improvements keep trade flowing smoothly. Congestion-free routes and reliable access to gateways keep the cost of shipping goods minimized.

An integrated transportation system, made up of diverse transportation modes, supports B.C.'s economy by allowing shippers to use the most cost-effective way of moving goods at each stage of travel.

### **Goal 3: Improved competitiveness for B.C.'s transportation industries.**

Modern industries control costs by minimizing the amount of goods in inventory and delivering them "just in time" when needed. Efficient intermodal transfer points are essential to holding down costs and remaining competitive in world markets.

Healthy air, marine and rail industries are also vital to our province's economy. Reducing unnecessary regulatory burden and red tape builds a strong competitive environment for these industries and all the businesses that rely on them.

**Goal 4: Achieve excellence in customer service and be recognized as a good employer.**

The way the ministry conducts its everyday business directly affects stakeholders and highway users. Ministry employees are committed to ensuring that customers are satisfied, and continually strive to improve.

The ministry provides its employees with the best possible working environment, the right tools to succeed, and the respect and freedom needed to excel. In this way, the Ministry of Transportation will continue to be known for the high quality of its people and their results.

**Report on Results**

The following section outlines the ministry’s goals and the core businesses that support them. It also outlines the objectives, key strategies and performance measures used to work towards these goals.

The ministry assesses its performance using results-based performance targets and measures. These measures illustrate how much success the ministry has had in achieving its goals and objectives, as well as the ministry’s effectiveness and levels of service delivery. Ministry staff will continue to monitor and refine performance measures in order to give an accurate picture of the ministry’s performance.

This report retains all the goals of the 2003/04 service plan, against which we are reporting, and most of its objectives and performance measures. Any changes have been noted.

**Goal 1: B.C. is provided with a safe and reliable highway system.**

**Core Business Area: Highway Operations**

**Objective:** *The provincial highway system is maintained to a high standard through the efficient and effective administration of road and bridge maintenance contracts.*

**Key strategy:** Implement the Contractor Assessment Program, a new and improved procedure for auditing the delivery of contracted highway maintenance activities.

| Performance Measure  | 2001/02<br>Actual | 2002/03<br>Actual | 2003/04<br>Target | 2003/04<br>Actual | 2003/04<br>Variance |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Contractor Assessment Program:<br/>Rating of the maintenance<br/>contractors’ performance with a<br/>maximum score of 1 .....</b> | 0.91              | 0.92              | 0.91              | 0.92              | 0.01                |

| <b>Linkage to goal and objective</b>  |
|---|
| The Contractor Assessment Program measures the performance of road and bridge maintenance contractors. The program examines how well contractors are meeting the standards set out in maintenance contracts. The results are reviewed regularly to ensure highway users receive good value and service that contributes to a safe and reliable highway system.  |
| <b>Descriptive information</b>  |
| The ministry bases its assessments of contractors on input from the district, the region and local stakeholders. The district input is based on results of random audits conducted to verify compliance with the contract terms. Regional audits are also conducted to ensure objectivity and consistency across the province. Finally, local stakeholders such as the RCMP, emergency response providers, school bus district coordinators and local industry representatives are asked to rate their levels of satisfaction with road maintenance activities such as winter maintenance and surface maintenance (patching, grading), as well as whether the contractors are dealing with customer complaints in a professional manner. The assessments show that overall the maintenance contractors' compliance with standards has been consistently good.   |
| <b>Factors impacting results</b>  |
| <p>The audit process has been developed in consultation with ministry staff, the maintenance contracting industry and external experts in the field. However, it is an entirely new program. Actual functioning and ratings will need to be reviewed at the end of the first year of operation, to determine actual program response versus predicted response, and to make adjustments accordingly.</p> <p>Stakeholder assessments require an education process regarding maintenance contractor responsibilities, and stakeholders may not fully be aware of, or may misinterpret, the terms of the contract, which may cause the results to be inaccurate. Also, the standard set of questions posed to stakeholders to obtain an assessment of how well their needs are being met by the contractor may not address all areas of performance, which may also affect the results. At the end of each season, the ministry's District Operations Managers meet with key stakeholders in each contract area to ensure that the terms of the contract are understood.</p> |

**Key strategy:** By October 2004, tender and award all road and bridge maintenance contracts under the process established in 2002/03.

| Performance Measure  | 2001/02<br>Actual | 2002/03<br>Actual | 2003/04<br>Target | 2003/04<br>Actual | 2003/04<br>Variance |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Maintenance cost per lane kilometre</b> .....   | \$4,124           | \$4,159           | \$4,170           | \$4,090           | \$80                |
| <b>Linkage to goal and objective</b>   |                   |                   |                   |                   |                     |
| The cost per lane kilometre shows how well the ministry is containing costs in the maintenance program, which uses a substantial portion of the ministry budget (\$346 million in 2003/04). The ministry targets to efficiently allocate resources to get the maximum output.  |                   |                   |                   |                   |                     |
| <b>Descriptive information</b>   |                   |                   |                   |                   |                     |
| Maintenance cost figures include the cost of road and bridge maintenance contracts and an estimate of other maintenance activities performed by ministry staff. Actual results are calculated by dividing the total allocated cost by the total number of lane kilometres of road maintained (84,624 kilometres in 2003/04). |                   |                   |                   |                   |                     |

**Factors impacting results**

The number of lane kilometres maintained, which is used to calculate cost figures, is influenced by changes in the ministry's road inventory. For example the devolution of infrastructure, incorporations and the extension of municipal boundaries would result in fewer kilometres for the ministry to maintain. The costs of materials also have a direct effect on the cost figures. The increase in costs in 2002/03 was due mostly to inflation and especially to an increase in the cost of fuel. The positive variance in 2003/04 was a result of savings from recently-awarded maintenance contracts.

**Key strategy:** Continue to take both proactive and responsive approaches to minimize unplanned lane closures.

| Performance Measure  | 2003/04 Target | 2003/04 Actual | 2003/04 Variance |
|--|----------------|----------------|------------------|
| <b>Annual total duration of unplanned highway closures greater than ½ hour for all numbered highways</b> ..... | 2,500 hours    | 3,723 hours    | (1,223 hours)    |

**Linkage to goal and objective**

The reliability of a highway can be measured by the probability that the road will be open and usable when the public wishes to travel or move goods over it. The ministry strives to keep lanes open as much as possible and to provide adequate advance notification of closures to travellers.

**Descriptive information**

Lane closures may be planned; for example, when maintenance activities could pose a hazard to road users; or unplanned as a result of natural causes or motor vehicle accidents. The ministry collects data about highway closures of all kinds at the Provincial Highways Condition Centre to measure the level of reliability being delivered to road users. The 2003/04 target is based on past unplanned highway closures. Targets and actual results are measured by the calendar year, so 2003/04 actually encompasses January to December 2003.

**Factors impacting results**



*Flood and slide damage*

Many closures are unplanned, and their frequency varies from year to year. Unplanned closures may be due to traffic accidents or weather, and are largely outside the ministry's control. Most of the unfavorable variance in 2003/04 was due to closures caused by forest fires (1,191 hours in 2003). The ministry analyzes closures data to develop ways to minimize or mitigate future closures and to develop rapid recovery strategies, such as being responsive (e.g., through clearance of debris and collisions), being proactive (e.g., through rock scaling and planned avalanches), working with police to minimize the duration of closures after accidents and making physical improvements to the highway system.

**Objective:** *B.C.'s main highways are preserved in their current condition — that is, not allowed to deteriorate.*

**Key strategy:** Regularly assess the condition of the main highways.

| Performance Measures   | 2001/02 Actual | 2002/03 Actual | 2003/04 Target | 2003/04 Actual | 2003/04 Variance |
|--|----------------|----------------|----------------|----------------|------------------|
| <b>Pavement condition for main highways:</b><br><b>Per cent of kilometres where condition is good or excellent</b> ..... | 76%            | 75%            | 76%            | 76%            | —                |
| <b>Bridge condition:</b><br><b>Per cent of bridges where condition is good or excellent</b> .....                        | 81%            | 82%            | 80%            | 85%            | 5%               |

**Linkage to goal and objective**

Deteriorating roads lead to increased costs for people who use the roads and taxpayers who fund them. Road users experience costly delays, vehicle damage, cargo damage and greater risks of accident. Roads, once allowed to deteriorate, cost the taxpayer far more to restore than if they had been kept in satisfactory condition in the first place. The value of highway investments can be increased by extending the useful life of pavements and bridges.

**Descriptive information**



*Impact of not investing*

The ministry measures pavement performance in terms of surface distress and pavement roughness. Surface distress is a true engineering measure of the pavement deterioration, while pavement roughness measures the riding comfort of the road user. Combined, both types of information provide a Pavement Condition Rating, which the ministry uses to determine rehabilitation needs. The ministry uses sophisticated methods to monitor pavement condition, and to develop timely rehabilitation strategies, through surveys conducted by contractors. The use of a third party contractor to collect the data provides objectivity and consistency throughout the province. The surveys and data processing are guided by quality assurance procedures to ensure the data is collected accurately and is repeatable from year to year.

The Bridge Condition Index (BCI) is a measure of the average condition of a bridge and its components. The BCI is based on the condition indices for each component type used on a particular structure. Factors affecting bridge performance are related to condition as well as function, and are addressed in the rehabilitation program.

Measures that involve monitoring the physical condition of the highways are widely used and accepted in many Transportation agencies.

**Factors impacting results**

Transportation infrastructure of all kinds deteriorates over time with wear and tear from usage and the effects of weather. Postponing rehabilitation until the road is in poor condition can increase costs up to several times what they would have been if it had been fixed earlier. Meeting the established targets is dependent on budget allocations and prioritization. Since 2001/02, the percentage of pavement in good or excellent condition has remained constant, reflecting the ministry's funding strategy to hold the current condition and prevent any onset of deterioration. The positive variance in bridge condition is due to the addition of new bridges through other programs, resulting in an overall increase of bridges in good condition.

**Key strategy:** Rehabilitate the main highways according to the ministry's long-term strategy and using the most cost-effective methods.

| Performance Measure  | 2001/02 Actual | 2002/03 Actual | 2003/04 Target | 2003/04 Actual | 2003/04 Variance |
|--|----------------|----------------|----------------|----------------|------------------|
| <b>Number of lane kilometres resurfaced (improved)</b> ..... | 2,180 km       | 2,165 km       | 2,500 km       | 2,794 km       | 294 km, or 12%   |

**Linkage to goal and objective**

B.C.'s provincial highway network is "mature" in that most highways have already been in place for some time. Rehabilitation restores roads and bridges to their original condition and extends their useful lives at minimal cost if it is done before deterioration has progressed too far. Rehabilitation needs must be met every year if the highway system is to continue to support economic development and community growth, and is required for all highways to keep them operational, safe and reliable.

**Descriptive information**

The number of lane kilometres surfaced will include all roadways that are resurfaced within a fiscal year. Typical resurfacing treatments include asphalt overlays, hot-in-place recycling, milling, reclamation, micro-surfacing, sealcoat applications and first time hard surfacing of gravel roads. Lane kilometres of resurfacing are physically measured in the field during resurfacing projects, and are calculated by summing the total lengths of individual travel lanes that are resurfaced. For example, 15 kilometres of two-lane highway would equal 30 total lane kilometres.

**Factors impacting results**



*A compaction roller compacting freshly laid asphalt.*

Meeting established targets depends on the availability of funding. Targets can be missed as a result of unforeseen circumstances such as harsh winter conditions, spring freeze-thaw, slides and flooding. The 2003/04 target of 2,500 km was established in anticipation of additional resurfacing and first time hard-surfacing undertaken as part of the Ministry's Heartlands program. The additional kilometres achieved in 2003/04 is attributed to less expensive sealcoats done on side roads under the Heartlands Program, and also a result of conscious program delivery; monitoring and effective risk management which allowed timely decisions capitalizing on the construction season.

**Objective:** *Improved road access for resource industries and rural residents.*

**Key strategy:** Increase annual investment in northern and Heartlands road reconstruction by \$75 million in 2003/04 through 2005/06.

| Performance Measures  | 2002/03 Actual | 2003/04 Target | 2003/04 Actual | 2003/04 Variance |
|---|----------------|----------------|----------------|------------------|
| <b>Surface condition:</b><br><b>Per cent of kilometres where condition is good or excellent</b> ..... | 34%            | 37%            | 39%            | 2%               |
| <b>Number of lane kilometres treated</b> .....  | N/A            | 870 km         | 894 km         | 24 km            |

**Linkage to goal and objective**



*Skeena Highway*

Heartlands roads provide vital links to communities and resource industries. These roads have deteriorated in the last decade because of a shortage of funding for maintenance and rehabilitation. A substantial increase in investment to \$75 million per year will yield significant improvements. The ministry will invest strategically to support resource industries and ensure the safety and reliability of these roads.

**Descriptive information**

Independent contractors will assess the road surface conditions and measure surface distress and roughness for paved surfaces. Surface condition data is collected and representative sampling is used to measure results. The pavement data is collected using very specialized vehicles equipped with sophisticated monitoring equipment, proven survey methodology and stringent quality control assurance specifications. Gravel surfaces are measured on a sampling basis.

Lane kilometres will be improved through treatments such as base reconstruction and strengthening, gravel surfacing, first time hard surfacing or resurfacing. The number of lane kilometres treated is measured in the field during program delivery.

**Factors impacting results**

An additional 24 kilometres were treated due to changes of treatment and clustering of contracts which resulted in cost-effectiveness. In the north, more gravelling of roads than planned was undertaken and in the rural South Coast, first time hard surfacing was undertaken.

**Objective:** *Improved highway safety.*

**Key strategy:** Monitor highway safety and implement corrective measures in high-risk locations, in consultation with regional transportation advisory committees.

| Performance Measures  | 2003/04 Target | 2003/04 Actual | Variance         |
|---|----------------|----------------|------------------|
| <b>Number of kilometres of rumble strip installed</b> .....   | 230 km         | 303 km         | 73 km or 32%     |
| <b>Number of kilometres of new guardrail installed</b> .....  | 13 km          | 12.5 km        | (0.5) km or (4%) |
| <b>Linkage to goal and objective</b>  |                |                |                  |
| Roadside accidents account for a significant portion of all accidents occurring on provincial highways. Motor vehicles running off the road account for about one-third of all traffic fatalities province-wide. Safety studies suggest that 40 to 60 per cent of these crashes are due to driver fatigue or inattention. Safety reviews have shown that the installation of rumble strips and guardrail are proven preventative measures, which are effective at reducing the overall crash rate, as well as the number of serious injury accidents.                             |                |                |                  |
| <b>Descriptive information</b>  |                |                |                  |
| Rumble strips are installed along stretches of highway to warn drivers and prevent them from leaving the road. Guardrail is a barrier used to shield motorists leaving the road from contact with natural or man-made obstacles. Through the use of both the ministry's roadside Guardrail Warrant Index System for Highways and the Highway Accident System, the ministry has developed a reliable program to rank provincial highway segments including specific locations for barrier and rumble strip installation.   |                |                |                  |
| <b>Factors impacting results</b>  |                |                |                  |
| The availability of funding in the pavement rehabilitation program enabled the ministry to install more rumble strips than originally planned.<br>Shoulder base highway improvements required a higher cost per unit of guardrail than expected. The target did not reflect this higher cost, which resulted in the slightly unfavourable variance.<br>Many factors outside the ministry's control, such as bad weather or driver inattentiveness, can lead to fatalities or injuries. However, highway safety improvements can reduce the severity of accidents that may result. |                |                |                  |

**Goal 2: Key transportation infrastructure is improved to drive economic growth and trade.**

**Core Business Areas:** *Transportation Improvements, Public Transportation*

**Objective:** *Effective use of regional and local input in setting transportation priorities.*

**Key strategy:** Work with the Regional Transportation Advisory Committees (RTACs), which represent B.C.'s local governments, businesses and transportation industry groups.

| Performance Measure   | 2002/03 Actual                                | 2003/04 Target                               | 2003/04 Actual   | 2003/04 Variance |
|---|---|--|--|------------------|
| <b>Annual reports from RTACs</b> .....  | Committees and terms of reference established | Solicit input; review and incorporate input. | Interim and annual reports received and reviewed. Where feasible, input was incorporated into ministry activities. | —                |
| <b>Linkage to goal and objective</b>  |   |  |  |                  |
| Eight Regional Transportation Advisory Committees were established throughout B.C. in 2002/03 to identify regional transportation needs and advise the minister on regional priorities. The successful incorporation of RTAC input will fulfill the overall government commitment to give regions a greater say in transportation planning.                               |   |  |  |                  |
| <b>Descriptive information</b>  |   |  |  |                  |
| The RTACs are invited to offer advice and input during the annual planning processes on transportation investment at the regional level, to bring forward economic development and partnering opportunities, and to provide feedback on general transportation issues. The RTACs provide annual reports to the minister documenting their activities and recommendations. |   |  |  |                  |
| <b>Factors impacting results</b>  |   |  |  |                  |
| The timing of RTAC input is a critical factor, as it must coincide with the ministry's planning cycle if it is to be successfully incorporated into the annual planning process. The ministry solicits input and responds to recommendations in a timely manner.  |   |  |  |                  |

**Objective:** *A practical long-term framework for an integrated, multi-modal transportation system in B.C.*

**Key strategy:** Deliver a high-level integrated provincial transportation strategy by March 31, 2004.

| Performance Measure   | 2002/03 Actual           | 2003/04 Target                     | 2003/04 Actual                    | 2003/04 Variance                       |
|---|--------------------------|------------------------------------|-----------------------------------|--|
| <b>Status of strategic framework document</b>   | Continuing consultations | Publish document by March 31, 2004 | Broad stakeholder input collected | Document in final stages of completion |
| <b>Linkage to goal and objective</b>  |                          |                                    |                                   |  |
| An integrated transportation system, made up of diverse transportation modes, supports the economy of B.C. An integrated provincial transportation strategy will be implemented and will guide the development of a fully integrated transportation network that addresses all modes of transportation. This will fulfill the government priority to consider various regional transportation models and provide a high-level strategic plan. |                          |                                    |                                   |  |

| Descriptive information   |
|---|
| The strategy will be updated annually based on feedback from RTACs and other stakeholders to ensure it remains a living document.   |
| Factors impacting results   |
| “Opening up B.C.” has been published to address current priorities. This reduced the immediate need for the high level strategic plan, and the work on strategic initiatives continues on the basis of input from stakeholders. |

**Objective:** *Best use of available provincial investment dollars.*

**Key strategy:** Develop public-private partnerships, in consultation with Partnerships BC.

| Performance Measure  | 2002/03<br>Actual | 2003/04<br>Target <sup>1</sup> | 2003/04<br>Actual | 2003/04<br>Variance |
|--|-------------------|--------------------------------|-------------------|---------------------|
| <b>Partnerships Investments leveraged:<br/>Private investment capital leveraged through public-private partnerships and defrayed or reduced cost from efficient land use .....</b> | \$15.3 M          | \$20 M                         | \$19.3 M          | (\$0.7) M           |

<sup>1</sup> The 2003/04 target has been revised downward to \$20 M as a result of the decision not to proceed with a proposal to lease the Coquihalla Highway to a private partner.

| Linkage to goal and objective   |
|---|
| The availability of alternative funding approaches provides the opportunity to meet growing demands while spending fewer public funds. The ministry is working to develop new, more cost-effective partnerships to harness the innovation, talent and expertise of the private sector, to develop creative solutions that address public priorities, and to obtain the best value for tax dollars.  |
| Descriptive information   |
| The “investments leveraged” measurement represents the funds contributed by non-provincial treasury sources at the time of construction. These include contributions from municipalities, Crown corporations, First Nations and the private sector, but exclude contributions from the federal government, which are measured separately. The contribution/recovery from partners and the land contribution by the Province are measured against the gross cost of the capital project. |
| Factors impacting results   |
| Although the ministry is strongly committed to pursuing alternative funding, potential partners may not finance transportation improvements to the degree anticipated. The above variance is due to delayed project work that will be completed next fiscal year.   |

**Key strategy:** Aggressively seek federal government funding for projects.

| Performance Measure  | 2003/04 Target <sup>1</sup> | 2003/04 Actual | Variance |
|--|-----------------------------|----------------|----------|
| <b>Federal funding investment leveraged:</b><br><b>Capital investment leveraged from federal government programs</b> ..... | 28.7 M                      | 28.7 M         | —        |

<sup>1</sup> The 2003/04 target has been revised downward from \$45.9 M to \$28.7 M as a result of: (1) unanticipated delays in federal environmental approvals, and (2) the preliminary nature of the funding figures that were available at the time the 2003/04 Service Plan was published.

| <b>Linkage to goal and objective</b>   |
|--|
| Participation in the Government of Canada's infrastructure cost-sharing programs will provide B.C. with long-term funding and allow the provincial government to make more improvements to key transportation infrastructure.  |
| <b>Descriptive information</b>   |
| The figures above refer to the amount of federal funding secured through B.C./Canada contribution agreements. Federal infrastructure cost sharing programs include the Strategic Highway Infrastructure Program, the Border Infrastructure Fund and the Strategic Infrastructure Fund.   |
| <b>Factors impacting results</b>   |
| The ministry's ability to leverage federal funding depends on the availability of matching provincial funding, as well as federal funding allocation and prioritization practices. Recent years have brought a new style of cooperation between the province and the Government of Canada, with the result that cooperative transportation investments involving the two have grown significantly. |

**Key strategy:** Complete projects on budget and on time, using the best project management practices.

| Performance Measure   | 2001/02 Actual | 2002/03 Actual | 2003/04 Target | 2003/04 Actual | 2003/04 Variance |
|---|----------------|----------------|----------------|----------------|------------------|
| <b>Capital performance:</b><br><b>Per cent of work completed on budget</b> .....  | 95%            | 100%           | 100%           | 100%           | —                |
| <b>Per cent of work completed on schedule</b> .....   | 100%           | 100%           | 100%           | 95%            | (5%)             |
| <b>Linkage to goal and objective</b>  |                |                |                |                |                  |
| These program management measures of the percentage of work completed on budget and on schedule indicate the degree to which resources have been managed effectively. |                |                |                |                |                  |

**Descriptive information**



Road construction near Cumberland

All projects under the capital program are aggregated each fiscal year to compare (1) the planned to actual cost of the projects and (2) the scheduled to actual progress of the projects.

**Factors impacting results**

Many projects in the province experienced weather-related and forest fire delays, and delays due to the finalization of environmental assessment requirements in 2003/04, resulting in the slight project completion slippage of five per cent.

**Objective:** *Improved service and mobility in urban areas and major trade corridors.*

**Key strategy:** Implement cost-effective highway upgrades that improve traffic flow, reduce delay-causing crashes and add new capacity, using partnership cost-sharing where feasible.

| Performance Measure  | 2001/02 Actual | 2002/03 Actual | 2003/04 Target <sup>1</sup> | 2003/04 Actual | 2003/04 Variance |
|--|----------------|----------------|-----------------------------|----------------|------------------|
| <b>Level of traffic congestion:</b><br><b>Percentage of urban vehicle kilometres travelled in congested conditions</b> ..... | 13.0%          | 13.6%          | 13.6%                       | 13.4%          | 0.2%             |

<sup>1</sup> The method of estimating target values was revised after the 2003/04 Service Plan was finalized. The revised target for 2003/04 is 13.6% compared to a target of 13.9% as shown in the previous service plan. Note that targets and actual results are calculated for calendar years, so 2003/04 actually encompasses January to December 2003.

**Linkage to goal and objective**

Provincial highways in urbanized areas provide the backbone of the urban economic system, linking business and industry, and trade corridors and gateways. High traffic volumes in these areas cause extended periods of congestion. The addition of highway capacity, better use of existing capacity, and public use of alternatives to single occupant vehicles will contribute to the efficient movement of goods and economic development.

| <b>Descriptive information</b>  |
|---|
| Segments of the highway system are categorized as urban or rural. Previous calculations for the rural congestion rate resulted in very low rates of congestion, so the reporting emphasis is now on urban areas where congestion is a growing problem. Congestion is said to occur when the measured hourly traffic volume exceeds 80 per cent of the highway's capacity. |
| <b>Factors impacting results</b>  |
| External factors such as increasing population and travel demand cause congestion to worsen over time. The cost of providing additional highway capacity and the associated social and environmental impacts limit the ministry's ability to reverse the congestion trend; however, the ministry will continue to implement strategies to mitigate this problem.          |

**Key strategy:** Improve mobility and reliability and reduce bottlenecks on major urban and rural trade corridors, using partnership cost-sharing where feasible.

| Performance Measure  | 2003/04<br>Target | 2003/04<br>Actual | Variance |
|--|-------------------|-------------------|----------|
| <b>Commercial trucking travel time between economic gateways</b> .....   | Under development | Under development | —        |
| <b>Linkage to goal and objective</b>   |                   |                   |          |
| It is critical that commercial vehicles have predictable and reliable travel times between important economic gateways such as provincial and international border crossings, major economic activity centres, and intermodal locations such as airports, railway re-load centres, and marine ports. Each year, more than 1.3 million trucks cross the B.C.-U.S. border and over \$24 billion in goods cross all of B.C.'s borders. Roads serving these crossings must operate at peak efficiency, as road congestion drives up costs and causes delays. Projects at the border or on highway approaches will use infrastructure improvements and investments in transportation technology to keep international trade moving and B.C.'s economy strong. |                   |                   |          |
| <b>Descriptive information</b>   |                   |                   |          |
| The ministry is measuring truck travel time on specific highway segments which service major economic gateways, using data obtained through satellite tracking technology. Sufficient data should be in place in time to develop a performance measure for the 2005/06 Service Plan.   |                   |                   |          |

**Goal 3: Improved competitiveness for B.C.'s transportation industries.**

**Core Business Areas: Highway Operations, Transportation Improvements, Motor Carrier Regulation**

**Objective:** *A one-third reduction in the provincial regulatory burden on the public, industry and stakeholders by June 30, 2004.*

**Key strategy:** Work for the relevant Orders-in-Council to be in place by June 2004.

| Performance Measure  | 2003/04 Target | 2003/04 Actual | Variance |
|--|----------------|----------------|----------|
| <b>Per cent reduction in legislation, regulations and policies.....</b>  | 10%            | 19%            | 9%       |
| <b>Linkage to goal and objective</b>   |                |                |          |
| The ministry's deregulation initiative contributes to the Government's <i>New Era</i> commitment of reducing regulatory requirements by one-third by June 2004. Reducing unnecessary regulatory burden and red tape builds a strong competitive environment, and the result will be streamlining of ministry business processes that will enhance public service and improve relationships with partners and stakeholders.   |                |                |          |
| <b>Descriptive information</b>   |                |                |          |
| The ministry has reviewed all of its statutes, regulations and policies to identify redundant requirements and business process streamlining opportunities. The content review was completed in mid 2003. A new <i>Transportation Act</i> was developed and tabled in the Legislature in Spring 2004. Legislative and regulatory changes to implement reforms will be in place by June 2004 to meet the overall reduction target of 33 per cent. Progress is measured on the government-wide database that tracks all changes to the baseline count, which is administered by the Smart Regulation Secretariat of the Ministry of Small Business and Economic Development. |                |                |          |
| <b>Factors impacting results</b>   |                |                |          |
| The actual per cent reduction depends on the enabling legislative changes being approved and passed by the Legislature.  |                |                |          |

**Objective:** *Simplified licensing and processing procedures for commercial transportation carriers, with safety as the primary criterion.*

**Key strategy:** Reduce the number of motor carrier licensing regulations by an initial 20 per cent by March 31, 2004.

| Performance Measure   | 2003/04 Target | 2003/04 Actual | Variance |
|---|----------------|----------------|----------|
| <b>Per cent reduction in the number of motor carrier regulatory requirements .....</b>  | 20%            | 25%            | 5%       |
| <b>Linkage to goal and objective</b>  |                |                |          |
| Motor carrier deregulation contributes to the government's <i>New Era</i> commitment of reducing regulatory requirements by one-third by June 2004. Reducing unnecessary regulatory burden and red tape builds a strong competitive environment, and the result will be substantive streamlining of business processes for taxis, limousines, buses and trucks that will enhance public service and improve relationships with the commercial passenger industry. |                |                |          |
| <b>Descriptive information</b>  |                |                |          |
| The Motor Carrier Commission completed its regulatory review in 2003, resulting in the development of the new <i>Passenger Transportation Act</i> . The new act was passed by the legislature in May 2004, and was brought into force in June 2004 to achieve the overall target reduction of 33 per cent.  |                |                |          |
| <b>Factors impacting results</b>  |                |                |          |
| The actual per cent reduction depends on the enabling legislative changes being approved and passed by the Legislature.   |                |                |          |

**Objective:** *Reduction or elimination of third party regulations and policies that impede B.C.'s ability to compete with other jurisdictions in the transportation market.*

**Key strategy:** Work with the Vancouver International Airport Authority (YVRAA) to encourage the federal government to adopt a policy of liberalized international air agreements that would allow more carriers to stop in Vancouver and either pick up or drop off passengers and goods.

| Performance Measure   | 2003/04 Target  | 2003/04 Actual  | Variance |
|---|---|---|----------|
| <b>Progress toward implementation of an amended Canada-U.S. air travel agreement.....</b> | Memorandum of Understanding (MOU) with YVRAA outlining the negotiating strategy | Memorandum of Cooperation (MOC) with YVRAA and the ministry established | —        |

| <b>Linkage to goal and objective</b>   |
|--|
| The Vancouver International Airport is important to the provincial economy. Federal policy revisions are needed to give both foreign and Canadian air carriers more freedom to pick up and drop off passengers in Vancouver as part of international air services. New policies would maximize Vancouver's role as a North American gateway and contribute to B.C.'s tourism and business development.   |
| <b>Descriptive information</b>   |
| The principles and priorities outlined in the MOC provide the context for arguments that support revisions to Canada's international air policies. Both parties to the MOC will focus on presenting the business case to the federal government that will demonstrate the economic benefits. The ultimate results will be measured in terms of the number of revised, liberalized international air service agreements put in place over the next three years and an assessment of the impact of these new agreements on the B.C. economy. |
| <b>Factors impacting results</b>   |
| The successful achievement of a more liberalized Canada-U.S. air service agreement depends on decisions made outside the ministry; however, the ministry continues with its negotiations to promote these changes.   |

**Note:** The previous service plan included this objective: "Effective alternate service delivery by the private sector to encourage economic activity." This objective has now been substantially accomplished, as the majority of the operations selected for private sector delivery were transitioned by March 31, 2004. These operations include the sign shop, geotechnical drilling, and the majority of inland ferry routes. Performance measures relating to service delivery by the private sector are tracked internally by the ministry.

## **Goal 4: Achieve excellence in customer service and be recognized as a good employer.**

**Core Business Areas:** All

**Objective:** *Excellent service is provided to all British Columbians.*

**Key strategy:** Undertake annual surveys of customer satisfaction and compare survey results with baseline data to ensure customer needs are met.

| Performance Measure  | 2002/03<br>Actual | 2003/04<br>Target | 2003/04<br>Actual | Variance |
|--|-------------------|-------------------|-------------------|----------|
| <b>Customer Satisfaction Survey:</b><br><b>Highway users' satisfaction with existing ministry services and delivery processes, rated on a scale of 1 to 10</b> ..... | 6.49              | 6.50              | 6.51              | 0.01     |

| <b>Linkage to goal and objective</b>   |
|--|
| <p>The Customer Satisfaction Survey is major step towards making the ministry more service-oriented. It reflects the ministry's commitment to build on successes, learn from challenges and continue to improve. The Customer Satisfaction Index rose from 6.49 to 6.51 out of 10, with many workgroups showing an improvement over their last years' satisfaction ratings. Streamlining business processes will increase customer satisfaction. Recent survey results suggest the ministry is succeeding in its efforts to improve service quality.</p>   |
| <b>Descriptive information</b>   |
| <p>Ministry staff conducted a total of 1,043 surveys throughout the province in 2003 and used the results and public feedback to improve customer service processes and procedures. The target and actual results reflect a weighted average of several areas that were surveyed. The ministry is targeting its efforts in the areas that indicate a greater need for improvement. The ministry continues to conduct focus group sessions with individual stakeholder groups to identify specific gaps in service delivery and to determine how to refine its ways of doing business to better meet customer needs.</p> <p>In comparison, Canada-wide satisfaction with provincial/territorial government services averaged 6.5 out of 10, according to a 2002 survey by Citizens First. Canada-wide satisfaction with road construction, maintenance and snow removal services was 4.7 out of 10.</p> |
| <b>Factors impacting results</b>   |
| <p>The baseline of performance was established during the ministry's recent restructuring, which may have affected the customers' perceptions of service delivery. The ministry is committed to a process of continual improvement of customer satisfaction in key areas.</p>  |

**Objective:** *Employees are provided with the support, training and working environment that motivates them to excel at their jobs.*

**Key strategy:** Implement the ministry's Human Resource Management/People Plan to enhance productivity and employee satisfaction.

| Performance Measure   | 2003/04<br>Target | 2003/04<br>Actual | Variance |
|---|-------------------|-------------------|----------|
| <p><b>Employee Satisfaction Survey:</b><br/>Per cent of employees satisfied with organizational improvements.....</p> | 62%               | 62%               | —        |

| <b>Linkage to goal and objective</b>  |
|---|
| <p>The ministry has a pivotal role to play in ensuring the economic success of the province. The people of B.C. depend on the Ministry of Transportation: a total of 975,000 jobs in the province are critically dependant on transportation. The ministry is known for the excellent quality of its people and for producing excellent results. Employees make the delivery of ministry initiatives possible, and it is essential that they are provided with the best possible work environment, the right tools to do their jobs effectively and the respect and freedom they need to excel.</p> |

**Descriptive information**

An Employee Satisfaction Survey is administered on an annual basis through BC Stats, and targets are established based on the findings. The purpose of the survey is threefold: (1) to allow the ministry to monitor the current level of employee satisfaction; (2) to establish a benchmark of employee satisfaction for comparison against future years; and (3) to allow the ministry to determine how well it is progressing toward the goals outlined in the People Plan. The ministry's initial survey completed in 2003/04 concluded that overall, approximately 6-in-10 respondents reported being satisfied with their job, and 1-in-3 would recommend the ministry as a place to work. The survey identified areas of merit and key areas for targeted improvements.

**Factors impacting results**

The baseline and target were established during the ministry's recent downsizing. This, combined with the increased workload brought about by the launching of the Transportation Investment Plan, may have affected employees' satisfaction levels. The ministry is committed to a process of continual improvement of employee satisfaction in key areas.

# Report on Resources

## 2003/04 Resource Summary — Ministry of Transportation

|   | Total<br>Estimated | Actual         | Variance      |
|---|--------------------|----------------|---------------|
| <b>Operating Expenses (\$000)<sup>1</sup></b>             |                    |                |               |
| Highway Operations .....                                  | 454,815            | 441,172        | 13,643        |
| Transportation Improvements .....                         | 13,536             | 15,538         | (2,002)       |
| Motor Carrier Regulation .....                            | 1,804              | 1,721          | 83            |
| Public Transportation .....                               | 348,157            | 344,735        | 3,422         |
| Executive and Support Services .....                      | 16,054             | 16,357         | (303)         |
| <b>Total .....</b>  | <b>834,366</b>     | <b>819,523</b> | <b>14,843</b> |
| <b>Full-time Equivalents (FTEs)<sup>2</sup></b>           |                    |                |               |
| Highway Operations .....                                  | 964                | 1,014          | (50)          |
| Transportation Improvements .....                         | 290                | 216            | 74            |
| Motor Carrier Regulation .....                            | 19                 | 17             | 2             |
| Executive and Support Services .....                      | 112                | 76             | 36            |
| <b>Total .....</b>  | <b>1,385</b>       | <b>1,323</b>   | <b>62</b>     |
| <b>Ministry Capital Expenditures (CRF) (\$000)</b>        |                    |                |               |
| Highway Operations .....                                  | 5,150              | 4,696          | 454           |
| Transportation Improvements .....                         | 974                | 399            | 575           |
| Executive and Support Services .....                      | 326                | 362            | (36)          |
| <b>Total .....</b>  | <b>6,450</b>       | <b>5,457</b>   | <b>993</b>    |
| <b>Other Financing Transactions (\$000)<sup>3</sup></b>   |                    |                |               |
| Prepaid Capital Advances<br>(Public Transportation) ..... | 46,390             | 17,127         | 29,263        |
| <b>Revenue (\$000)<sup>4</sup></b>                        |                    |                |               |
| <b>Total Receipts .....</b>                               | <b>47,816</b>      | <b>77,618</b>  | <b>29,802</b> |

<sup>1</sup> The ministry manages its operating budget to the bottom line by monitoring expenditures during the year, identifying potential savings and cost pressures, and reallocating funds accordingly. The total surplus resulted from savings realized in the Road and Bridge Maintenance program due to the signing of 10-year contracts with the maintenance contractors, and from recoveries from the BCTFA for a portion of the gas tax the BCTFA collects which is intended in part to support inland ferry routes.

<sup>2</sup> FTE staff usage was under budget due to the voluntary departure and early retirement incentive programs.

<sup>3</sup> Prepaid Capital Advances are made to support Public Transportation around the province. The variance is due primarily to planned Rapid Transit Project 2000 expenditures being spread over three years.

<sup>4</sup> The majority of the ministry's reported revenue comes from Coquihalla tolls (\$45.9 million in 2003/04) and from investment revenues from the province's new investment in British Columbia Ferry Services Inc (\$28.5 million in 2003/04).

## 2003/04 Resource Summary — BC Transportation Financing Authority

|  | Total<br>Estimated | Actual         | Variance        |
|--|--------------------|----------------|-----------------|
| <b>Revenues (\$000)</b>  |                    |                |                 |
| <b>Dedicated Revenue</b> <sup>1</sup> .....                        | 418,300            | 415,598        | 2,702           |
| <b>Capital Contributions<br/>(amortization)</b> <sup>2</sup> ..... | 174,808            | 176,313        | (1,505)         |
| <b>Other Revenue</b> <sup>3</sup> .....                            | 4,120              | 9,527          | (5,407)         |
| <b>Total</b> .....   | <b>597,228</b>     | <b>601,438</b> | <b>(4,210)</b>  |
| <b>Expenditures (\$000)</b>  |                    |                |                 |
| <b>Amortization</b> .....  | 287,528            | 284,654        | 2,874           |
| <b>Financing Expense</b> <sup>4</sup> .....                        | 160,479            | 133,743        | 26,736          |
| <b>Northern and Heartlands<br/>Roads</b> <sup>5</sup> .....        | 35,000             | 10,339         | 24,661          |
| <b>Operations and<br/>Administration</b> .....                     | 3,820              | 3,660          | 160             |
| <b>Grant Programs</b> <sup>6</sup> .....                           | 18,400             | 11,834         | 6,566           |
| <b>Transportation Planning</b> <sup>7</sup> .....                  | —                  | 31,763         | (31,763)        |
| <b>Total</b> .....   | <b>505,227</b>     | <b>475,993</b> | <b>29,234</b>   |
| <b>Net Income (Loss) (\$000)</b>                                   |                    |                |                 |
| <b>Net Earnings (Loss)</b> .....                                   | <b>92,001</b>      | <b>125,445</b> | <b>33,444</b>   |
| <b>Consolidated Capital Plan Expenditures (\$000)</b>              |                    |                |                 |
| <b>Capital Expenditures (Net)</b> <sup>8</sup>                     | <b>357,800</b>     | <b>406,845</b> | <b>(49,045)</b> |

<sup>1</sup> Dedicated revenue includes 6.75 cents per litre motor fuel tax and a provincial sales tax on short-term car rental of \$1.50 per day.

<sup>2</sup> Contributions toward capital assets are deferred and amortized to income at the same rate as the related highway infrastructure is amortized to expense.

<sup>3</sup> Other revenue includes property and economic development revenues, net of related expenses. Sierra Yoyo Desan Road expenditures of \$2.563 million have been netted against SYD Road revenue received.

<sup>4</sup> Interest on borrowing used to finance construction work in progress is capitalized. Upon completion, interest capitalization ceases, and related interest costs are expensed.

<sup>5</sup> Improvements to Northern and Heartlands roads are included in capital expenditures; repairs to Northern and Heartlands roads are expensed. Total Northern and Heartlands roads program is \$75 million annually.

<sup>6</sup> Grant programs include grants paid under the infrastructure works program, the newly incorporated territories program, the transportation partnership program for airports and ports, and other projects.

<sup>7</sup> Transportation Planning includes pre-concession costs expensed for potential P3 initiatives.

<sup>8</sup> Capital spending is shown net of federal funding for various projects in the capital plan.

Complete BC Transportation Financing Authority Financial Statements are available in Appendix 2.

## Major Capital Projects

### Nisga'a Highway

**Objective:** The Nisga'a Highway Project has entered the sixth year of a seven-year investment program that involves upgrading the Nisga'a Highway from a gravel resource road to an all-weather, two-lane highway that meets a 70 kilometres per hour standard. The upgrade is now 70 per cent paved and complete, and the remaining segments are easy to construct in comparison to the completed work. The upgrade will better serve Nass Valley residents and resource industries in the area.

**Costs:** The estimated total cost for the seven-year program is \$52 million. Expenditures to March 31, 2004, are \$36.8 million.

**Benefits:**

- Safer roads.
- Travel time savings.
- Better access to British Columbia communities.
- Economic development through increased tourism and more efficient movement of goods and services.

**Risks:** This project has presented engineering and construction challenges due to the rugged terrain. However, few risks remain as the construction left on the Nisga'a Highway upgrade is straightforward gravel and paving work.

### Kicking Horse Canyon

**Objective:** Upgrade the 26-kilometre section of the Trans-Canada Highway to a modern four-lane standard from the junction of Highway 95 at Golden to the western boundary of Yoho National Park. This mostly two-lane corridor, originally constructed throughout the 1950s, is an important route for tourism, resource development and inter-provincial trade. The upgrade will result in a major service improvement to the Trans-Canada Highway, support the safe and efficient movement of goods and services and augment the capacity of a critical provincial/national gateway.

**Costs and project status:** The estimated cost is \$195 million for the first two phases.

- **5-Mile (Yoho) Bridge (current budget \$65 million):** The cost of this work is being shared with the Government of Canada under the Strategic Highway Infrastructure Program (SHIP). The federal portion is \$23 million and the provincial portion is \$42 million. Expenditures to March 31, 2004, are \$27 million. Construction is on schedule and expected to be complete by fall 2006.

- **10-Mile (Park) Bridge (preliminary estimate \$130 million):** Different procurement approaches are being evaluated to deliver this work, including design-build, and design-build-finance and operate contracts. The Government of Canada has committed to contribute funding under the Strategic Infrastructure Fund (SIF). The federal portion is capped at \$62.5 million and the provincial portion is \$67.5 million. Preliminary engineering expenditures to March 31, 2004, are \$1.4 million. Evaluation of the project delivery model is in progress under a project agreement with Partnerships BC. A request for proposals was issued in May 2004.

**Note:** The ministry anticipates there will be a third phase for upgrades in the future from Golden to 5-Mile and 10-Mile to Yoho National Park when federal cost-sharing is secured.

**Benefits:**

- Safer roads and increased capacity on a critical provincial and national gateway.
- Fewer road closures due to slides and accidents.
- Replacement of two major structures that are nearing the end of their service lives.
- Economic development through increased tourism and more efficient movement of goods and services.

**Risks:**

- Challenging climatic conditions.
- Possible construction problems due to difficult terrain or unstable areas.
- Environmental impacts and traffic delays resulting from construction.

## Okanagan Lake Bridge

**Objectives:** To construct a new crossing to replace the 45-year old Okanagan Lake Bridge now at the end of its economic and service life, to enhance safety, and to reduce congestion in peak hours and through the summer.

**Costs:** The ministry is seeking a public-private partnership (P3) for a concessionaire to design, build, finance and operate a new crossing. The ministry estimates total capital costs to be in the order of \$100 million. These costs will be assumed by the concessionaire, in return for annual performance payments from the Province based on key services provided such as availability, safety performance and traffic volumes. In addition, approximately \$20 million of improvements will be constructed on the west approaches of the new crossing. Project expenditures to March 31, 2004, are \$3.7 million.

**Benefits:**

- Safer bridge and connecting roads.
- Travel time savings due to relieved congestion.
- Economic development through increased tourism and more efficient movement of goods and services.

**Risks:** Engineering challenges associated with floating structures. However, the risks associated with the design and construction of this new crossing will be assumed by the concessionaire.

## **Sea-to-Sky Highway Improvement Project**

**Objectives:** The current predominantly two-lane highway has safety, reliability, mobility and maintenance problems and is facing growing congestion. Extensive improvements to the highway are required between Horseshoe Bay and Whistler to improve safety, reliability and mobility; making travel along the corridor safer for residents, commuters, tourists and businesses moving goods.

**Costs:** The ministry is conducting a competition to select a qualified team to design, build, finance, operate and maintain improvements to the Sea-to-Sky Highway. A Request for Proposals is scheduled to be issued to short-listed proponents in September 2004 and a qualified team will be selected by the end of 2004. The estimated project cost is \$600 million and expenditures to March 31, 2004 are on budget at \$22 million.

### **Project Benefits:**

- Following completion of construction, the improved highway is expected to generate significant benefits. Over the period 2010 to 2025, highway users are expected to realize benefits of about \$873 million.
- The improvements will also stimulate tourism throughout the corridor, benefit the forest and agricultural sectors and facilitate new developments. Estimates of incremental economic benefits include \$297 million in Gross Domestic Product and 6,000 new jobs.

### **Project Risks:**

The project is complex and challenging because of:

- the tough terrain it traverses;
- the need to keep a large volume of traffic flowing while working in a constricted environment;
- the need to address municipal, First Nation and environmental issues; and
- the unalterable schedule for completing the job.

## Appendix 1: Minister's Legislative Mandate

The ***British Columbia Railway Act*** establishes the British Columbia Railway Company and a board of directors, sets out the reporting and institutional relationships with the provincial government, and provides for third-party provision of railway services on rail lines owned by the Company.

The ***British Columbia Transit Act*** establishes the British Columbia Transit Authority and a board of directors and sets out the reporting and institutional relationships with the provincial government.

The ***Build BC Act*** establishes the BC Transportation Financing Authority and a board of directors and sets out the reporting and institutional relationships with the provincial government.

The ***Coastal Ferry Act*** facilitates the conversion of the British Columbia Ferry Corporation (a Crown corporation) into British Columbia Ferry Services Inc. (an independent company under the *Company Act*). Also established is the B.C. Ferry Authority and the British Columbia Ferries Commissioner.

The ***Commercial Transport Act*** (section 3 only). The act establishes legislative and licensing requirements for commercial vehicles, as well as commercial vehicle configuration and safety standards. Section 3 exempts roadbuilding machines from the licensing and other provisions of the act.

The ***Greater Vancouver Transportation Authority Act*** establishes the Greater Vancouver Transportation Authority (TransLink) and a board of directors and sets out funding mechanisms, powers and authorities.

The ***Highway Act*** deals with the establishment, maintenance, alteration and regulation of public highways under provincial jurisdiction, including bridges and tunnels.

The ***Highway (Industrial) Act***, in combination with other acts, governs the operation of resource roads and vehicles using those roads.

The ***Highway Scenic Improvement Act*** allows the ministry to remove abandoned vehicles and requires the removal of unsightly accumulations on property adjacent to highways designated as scenic routes.

The ***Ministry of Transportation and Highways Act*** (excluding section 34) creates the ministry and sets out its mandate. The act also authorizes the collection of tolls for the Coquihalla Highway and inland ferry administration.

The ***Motor Carrier Act***<sup>1</sup> establishes the Motor Carrier Commission and sets out licensing and tariff requirements for passenger motor carriers.

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<sup>1</sup> In June 2004 the *Motor Carrier Act* was repealed and the *Passenger Transportation Act* was brought into force.

The **Land Title Act** (section 77.2 only) provides authority for the Lieutenant Governor in Council to appoint approving officers for rural areas of the province. The subdivision approving function is carried out by employees of the Ministry of Transportation who are given this designation by Order-in-Council.

The **Motor Vehicle Act** is shared between the Minister of Transportation, the Minister of Public Safety and Solicitor General, and the Minister Responsible for ICBC. The Minister of Transportation is responsible for the sections that set out the rules of the road and traffic control device standards. The Minister of Public Safety and Solicitor General is responsible for authorities for the Office of the Superintendent of Motor Vehicles. The Minister Responsible for ICBC is responsible for the sections on vehicle and driver licensing, driver training, vehicle standards and inspections.

The **Railway Act** allows for the administration of railway safety standards and inspection procedures by the Ministry of Community, Aboriginal and Women's Services. The Minister of Transportation is responsible for the remaining provisions regarding corporate matters.

The **Transport of Dangerous Goods Act** (section 23 only) sets out regulations and standards for the movement of dangerous goods by truck within the province.

The **Transportation Investment Act** provides a framework for developing public-private partnerships to expand and improve provincial transportation infrastructure.

# Appendix 2: BC Transportation Financing Authority Financial Statements

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

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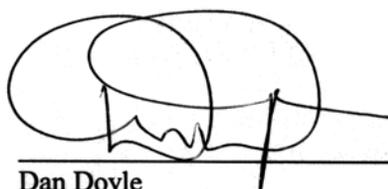
### MANAGEMENT REPORT

The consolidated financial statements of the BC Transportation Financing Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for the review and approval of the financial statements and meets with management and the external auditor to discuss the results of the audit examination and financial reporting matters. The external auditor has full access to the Board of Directors with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Auditor's report outlines the scope of his examination and expresses an opinion on the financial statements of the BC Transportation Financing Authority.



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Dan Doyle  
Chief Executive Officer



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John Sitch  
Vice Executive Director  
Finance and Administration and  
Corporate Secretary



## Report of the Auditor General of British Columbia

*To the Chair of the Board of the BC Transportation  
Financing Authority*

I have audited the consolidated balance sheet of *BC Transportation Financing Authority* as at March 31, 2004 and the consolidated statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *BC Transportation Financing Authority* as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia  
May 14, 2004*

A handwritten signature in black ink, appearing to read 'Wayne Strelieff', written in a cursive style.

Wayne Strelieff, FCA  
Auditor General

**BC TRANSPORTATION FINANCING AUTHORITY**

Consolidated Balance Sheet

| As at March 31                             | 2004      | 2003      |
|--|-----------|-----------|
|  | (\$ 000s) | (\$ 000s) |
| <b>Assets</b>                              |           |           |
| <b>Current assets</b>                      |           |           |
| Cash and temporary investments (Note 2)    | 3,912     | 4,036     |
| Marketable securities (Note 3)             | 317       | 317       |
| Accounts receivable                        | 45,509    | 37,378    |
| Assets held for resale (Note 4)            | 10,000    | 8,000     |
|  | 59,738    | 49,731    |
| Long term receivables (Note 5)             | 4,552     | 5,897     |
| Corridor protection (Note 6)               | 32,978    | 33,507    |
| Capital assets (Note 7)                    | 6,309,167 | 6,128,042 |
| Debt issue costs                           | 13,905    | 10,694    |
|  | 6,420,340 | 6,227,871 |
| <b>Liabilities</b>                         |           |           |
| <b>Current liabilities</b>                 |           |           |
| Accounts payable and accrued liabilities   | 127,102   | 94,357    |
| Interest payable                           | 36,628    | 34,496    |
|  | 163,730   | 128,853   |
| Deferred revenue (Note 8)                  | 72,474    | -         |
| Capital debt net of sinking funds (Note 9) | 2,763,834 | 2,660,755 |
| Deferred capital contributions (Note 10)   | 2,698,008 | 2,841,414 |
|  | 5,698,046 | 5,631,022 |
| <b>Equity</b>                              |           |           |
| Retained earnings                          | 203,082   | 77,637    |
| Contributed surplus                        | 519,212   | 519,212   |
|  | 722,294   | 596,849   |
|  | 6,420,340 | 6,227,871 |

The accompanying notes are an integral part of these financial statements.

**BC TRANSPORTATION FINANCING AUTHORITY**  
 Consolidated Statement of Earnings and Retained Earnings

| Year Ended March 31  | 2004           | 2003           |
|--|----------------|----------------|
|  | (\$ 000s)      | (\$ 000s)      |
| <b>Revenues</b>  |                |                |
| Dedicated Taxes (Note 11)                                    | 415,598        | 223,224        |
| Contractor fees (Note 12)                                    | -              | 753            |
| Amortization of deferred contributions (Note 10)             | 176,313        | 187,457        |
| Other (Note 13)  | 12,090         | 7,668          |
|  | <u>604,001</u> | <u>419,102</u> |
| <b>Expenditures</b>  |                |                |
| Operations   |                |                |
| Construction wages and benefits (Note 12)                    | -              | 753            |
| Grant programs (Note 14)                                     | 11,834         | 377            |
| Heartlands roads program                                     | 10,339         | -              |
| Sierra Yoyo Desan Road improvements (Note 15)                | 2,563          | 2,830          |
| Transportation planning                                      | 17,694         | -              |
| General and administrative expenses                          |                |                |
| Ministry of Transportation (Note 16)                         | 3,525          | 2,832          |
| Salaries and benefits  | 66             | 98             |
| Professional services  | 34             | 7              |
| Office   | 24             | 16             |
| Rent   | 5              | 8              |
| Travel   | 6              | 10             |
| Amortization   | 284,654        | 286,275        |
| Interest (Note 17)   | 133,743        | 126,078        |
| Write down of project costs and disposal of assets (Note 18) | 14,069         | 12,848         |
|  | <u>478,556</u> | <u>432,132</u> |
| Earnings (Loss) before extraordinary item                    | 125,445        | (13,030)       |
| Extraordinary item   | -              | 6,739          |
| Net earnings (loss) after extraordinary item                 | 125,445        | (19,769)       |
| Retained earnings, beginning of year                         | 77,637         | 97,406         |
| Retained earnings, end of year                               | <u>203,082</u> | <u>77,637</u>  |

The accompanying notes are an integral part of these financial statements.

**BC TRANSPORTATION FINANCING AUTHORITY**

Consolidated Statement of Cash Flows

| Year ended March 31                                  | 2004      | 2003      |
|--|-----------|-----------|
|  | (\$ 000s) | (\$ 000s) |
| Cash provided by (used in)                           |           |           |
| Operations   |           |           |
| Net earnings (loss) after extraordinary items        | 125,445   | (19,769)  |
| Amortization, which does not involve cash            | 284,654   | 286,275   |
| Deferred capital contributions                       | (176,313) | (187,457) |
| Extraordinary items                                  | 0         | 6,739     |
| Write down of project costs and disposal of assets   | 14,069    | 12,848    |
| Change in non-cash operating working capital         | (7,999)   | 69,271    |
|  | 239,856   | 167,907   |
| Financing  |           |           |
| Increase in capital debt - borrowings                | 168,135   | 195,265   |
| Change in payables related to capital infrastructure | 32,745    | (40,684)  |
| Contribution to sinking funds                        | (65,056)  | (48,349)  |
| Additions to deferred revenue                        | 32,907    | 1,735     |
| Change in debt issue costs                           | (3,211)   | (2,233)   |
|  | 165,520   | 105,734   |
| Investments  |           |           |
| Additions to capital assets                          | (406,845) | (274,618) |
| Long term receivables                                | 1,345     | 379       |
|  | (405,500) | (274,239) |
| Decrease in cash and temporary investments           | (124)     | (598)     |
| Cash and temporary investments, beginning of year    | 4,036     | 4,634     |
| Cash and temporary investments, end of year          | 3,912     | 4,036     |

The accompanying notes are an integral part of these financial statements.

## **BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

Year ended March 31, 2004

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BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown Corporation of the Province of British Columbia by the enactment of the *Build BC Act* with a mandate to plan, acquire, construct, hold and improve transportation infrastructure throughout British Columbia.

While BCTFA owns all provincial highways and lands held for future highway development, administration, regulatory responsibility and operational authority for management of the highways, as set out in the *Highway Act*, are the responsibility of the Minister and the Ministry of Transportation.

Highway Constructors Ltd. (HCL), a wholly owned subsidiary, was formed to provide the labour force and labour relations structure for contractors working on major transportation infrastructure projects. During 2003/2004 HCL completed its legal obligation to provide the labour force for contractors and effective January 2, 2004 ceased operations.

### **1. Significant accounting policies:**

a) Basis of presentation:

As prescribed by Section 18(8) of the *Build BC Act*, the consolidated financial statements of BCTFA are prepared in accordance with Canadian generally accepted accounting principles.

b) Principles of consolidation:

The consolidated financial statements include the assets, liabilities and operating results of BCTFA and its wholly owned subsidiary, HCL. Inter-company accounts and transactions are eliminated. General and administrative costs of HCL that relate directly to the provision of labour and associated services of BCTFA projects are capitalized as part of the cost of constructing the related infrastructure.

c) Temporary investments and marketable securities:

Temporary investments and marketable securities are carried at the lower of cost and fair market value.

d) Corridor protection:

Corridor protection properties are stated at cost. These properties are held for future highway development. The cost of these properties will become part of work in progress when the applicable projects commence.

**BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

Year ended March 31, 2004

**1. Significant accounting policies (continued):**

e) Capital assets:

Land is stated at cost.

Work in progress consists of direct project expenditures and related financing costs. Capitalization of interest during construction ceases semi-annually when a project is substantially complete and ready to use. Project costs are written down in the year it is determined no tangible asset will result.

Highway infrastructure transferred from the Province of British Columbia is recorded at net book value and, where necessary, estimates were used.

Completed infrastructure is stated at cost. Assets are amortized on a straight-line basis over their estimated useful lives, as follows:

| Asset  | Useful Life |
|--|-------------|
| Completed infrastructure – surfacing, safety improvements, and equipment | 15 years    |
| – all other completed infrastructure costs (excluding land)              | 40 years    |

f) Deferred capital contributions:

Deferred capital contributions include the offset for the highway infrastructure transferred to the BCTFA from the Province of British Columbia and other capital contributions received from outside agencies. These contributions are amortized to income at the same rate as the related highway infrastructure is amortized to expense.

g) Federal and provincial taxes:

Both the BCTFA and HCL are exempt from corporate income taxes. HCL is subject to the Goods and Services Tax.

h) Bond discounts, premiums and issue costs:

Bond discounts and premiums are amortized using the effective yield method over the term of the related debt. Fiscal agency fees are expensed in the year incurred. Other issue costs are deferred and written off on a straight-line basis over the term of the related debt.

i) Related party transactions:

The BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations, and are recorded at the exchange amount.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

### 1. Significant accounting policies (continued):

#### j) Use of estimates:

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from amounts estimated.

### 2. Cash and temporary investments:

Cash and temporary investments at the end of the period consist of deposits with banks and investments in money market instruments.

| (\$ 000s)             | 2004         | 2003         |
|-----------------------|--------------|--------------|
| Cash                  | 1,609        | 911          |
| Temporary investments | 2,303        | 3,125        |
|                       | <b>3,912</b> | <b>4,036</b> |

### 3. Marketable securities:

As part of the Ballard Power Systems Inc. and Province of BC Fuel Cell Program Agreement, BCTFA holds 28,250 shares with a market value of \$0.3 million at March 31, 2004 (2003 — \$0.4 million).

On February 3, 2004, BCTFA redeemed its holding of 499,720 share purchase warrants in Hillsborough Resources Ltd and purchased 499,720 common shares at a price of \$0.36 each. These shares were subsequently sold on February 27, 2004, for a gain of \$0.2 million.

### 4. Assets held for resale:

BCTFA, on behalf of the Province, purchased the Bombardier Centre for Advanced Transit Systems pursuant to a contractual commitment between Bombardier and Rapid Transit Project 2000 Ltd. The contract set out certain circumstances under which Bombardier could unilaterally elect to sell the Centre at a fixed amount to the Province. The assets are being held for resale and are recorded at net realizable value.

### 5. Long term receivables:

Long term receivables are due from partners in economic development projects. Interest rates range from 0 per cent to 9.325 per cent with terms from 8 to 17 years.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

### 6. Corridor protection:

A corridor protection fund has been established to support the acquisition of properties in advance of need as part of a corridor protection strategy. The assessed value of corridor protected lands at March 31, 2004 was \$246.6 million.

| (\$ 000s)                                  | 2004   | 2003   |
|--|--------|--------|
| Cash                                       | 2,276  | 4,006  |
| Properties - Purchased by BCTFA            | 7,354  | 5,624  |
|  | 9,630  | 9,630  |
| Properties - Transferred from the Province | 23,348 | 23,877 |
|  | 32,978 | 33,507 |

### 7. Capital assets:

| (\$ 000s)                | Cost      | Accumulated<br>Amortization | 2004<br>Net Book<br>Value | 2003<br>Net Book<br>Value |
|--------------------------|-----------|-----------------------------|---------------------------|---------------------------|
| Land                     | 890,217   |                             | 890,217                   | 782,820                   |
| Work in progress         | 174,621   |                             | 174,621                   | 106,487                   |
| Completed infrastructure | 6,589,703 | 1,345,374                   | 5,244,329                 | 5,238,735                 |
|                          | 7,654,541 | 1,345,374                   | 6,309,167                 | 6,128,042                 |

### 8. Deferred revenue:

Bill 18 (*Coastal Ferry Act*), passed on March 26, 2003, provided for the restructuring of BC Ferries. In April, 2003 the province retained ownership of the ferry terminal lands by having BCTFA purchase them from British Columbia Ferry Corporation (BCFC) at fair market value and subsequently lease these assets back to BCFC for a term of 60 years. BCFC has prepaid this lease obligation, and the revenue is being amortized on a straight line basis over the 60 years.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

### 9. Capital debt and sinking funds:

| (\$ 000s)  | 2004             | 2003             |
|--|------------------|------------------|
| Bonds and notes payable to the Province of British Columbia  |                  |                  |
| Fixed-rate debt:   |                  |                  |
| Various issues at an average effective interest rate of 6.359 per cent (2003 – 6.444 per cent) maturing at various times to 2043.  | 2,114,122        | 1,966,227        |
| Variable-rate debt:  |                  |                  |
| Various issues at an average effective interest rate of 2.469 per cent (2003 – 2.606 per cent), maturing at various times to 2027. | 889,704          | 869,464          |
|  | 3,003,826        | 2,835,691        |
| Sinking funds on deposit with the Province of British Columbia   | (239,992)        | (174,936)        |
| <b>Net capital debt</b>  | <b>2,763,834</b> | <b>2,660,755</b> |

At March 31, 2004, the coupon rates on fixed-rate debt ranged from 5.25 per cent to 9.50 per cent (2003 — 5.70 per cent to 9.50 per cent). All foreign currency debt has been swapped to Canadian dollars.

Sinking funds are established to retire debt. Projected sinking fund contributions for each of the next five years are (in 000s):

|      |          |
|------|----------|
| 2005 | \$69,506 |
| 2006 | \$78,295 |
| 2007 | \$86,749 |
| 2008 | \$88,670 |
| 2009 | \$91,800 |

The Minister of Finance and Corporate Relations is the fiscal agent of the BCTFA. Debt borrowed through the provincial government's fiscal agency program carries a provincial guarantee.

Pursuant to Section 23(1) of the Build BC Act, BCTFA may borrow the sums of money considered necessary to carry out its mandate. At March 31, 2004, the BCTFA was authorized to borrow up to \$2,874 million, net of sinking funds.

**BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

Year ended March 31, 2004

**10. Capital Contributions:**

| (\$ 000s)                      | Opening<br>Balance | Additions/<br>(Disposal) | Amortization     | Closing<br>Balance |
|--------------------------------|--------------------|--------------------------|------------------|--------------------|
| Deferred Capital Contributions | 2,841,414          | 32,907                   | (176,313)        | 2,698,008          |
| Contributed Surplus            | 519,212            |                          |                  | 519,212            |
| <b>Total Contributions</b>     | <b>3,360,626</b>   | <b>32,907</b>            | <b>(176,313)</b> | <b>3,217,220</b>   |
| Consisting of:                 |                    |                          |                  |                    |
| Provincial government          | 3,296,522          |                          | (174,692)        | 3,121,830          |
| Federal government             | 28,446             | 29,117                   | (538)            | 57,025             |
| Municipal governments          | 7,826              | 841                      | (278)            | 8,389              |
| Other                          | 27,832             | 2,949                    | (805)            | 29,976             |
|                                | <b>3,360,626</b>   | <b>32,907</b>            | <b>(176,313)</b> | <b>3,217,220</b>   |

Contributed surplus represents the offset for land contributed to BCTFA by the province of British Columbia and is not amortized.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

### 11. Dedicated taxes:

Under the *Build BC Act*, the Province of British Columbia collects gasoline and motor fuel taxes on behalf of BCTFA under Section 13 of the *Motor Fuel Tax Act* (3.25 cents per litre, increased by 3.5 cents March 1, 2003 to 6.75 cents per litre), and car rental taxes under Section 26 of the *Social Services Tax Act* (\$1.50 per car rental day).

| (\$ 000s)               | 2004    | 2003    |
|-------------------------|---------|---------|
| Tax revenues earned:    |         |         |
| Motor Fuel Tax Act      | 404,598 | 212,224 |
| Social Services Tax Act | 11,000  | 11,000  |
|                         | 415,598 | 223,224 |

Funds from the 3.5 cents per litre increase March 1, 2003 are dedicated to expenditures under the multi-year Transportation Investment Plan (TIP).

#### TIP Dedicated Tax Revenue and Expenditures

| (\$ 000s)                      | Prior Years | 2004    | Cumulative total |
|--------------------------------|-------------|---------|------------------|
| Revenue:                       |             |         |                  |
| 3.5 cents/litre motor fuel tax | 19,586      | 207,797 | 227,383          |
| Provincial Expenditures:       |             |         |                  |
| Expansion                      | 27,142      | 55,028  | 82,170           |
| Heartlands roads program       |             | 73,254  | 73,254           |
| Grant programs                 |             | 11,297  | 11,297           |
| Pre-concession costs           |             | 29,218  | 29,218           |
|                                | 27,142      | 168,797 | 195,939          |
| Net Balance:                   | (7,556)     | 39,000  | 31,444           |

### 12. HCL operations:

During 2003/2004 HCL completed its legal obligation to provide the labour force for contractors and effective January 2, 2004 ceased operations.

### 13. Other revenue:

| (\$ 000s)                              | 2004   | 2003  |
|--|--------|-------|
| Sierra Yoyo Desan Road tolls (Note 15) | 2,563  | 2,830 |
| Properties                             | 8,462  | 3,460 |
| Economic development projects          | 807    | 1,130 |
| Other                                  | 258    | 248   |
|  | 12,090 | 7,668 |

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

### 14. Grant programs:

The BCTFA provided grants during the year under the following programs:

| (\$ 000s)                            | 2004   | 2003  |
|--------------------------------------|--------|-------|
| Newly Incorporated Territory Program | 336    | 757   |
| Skytrain Millennium Line             | 201    | (380) |
| Ports and Airports                   | 2,297  |       |
| Richmond Airport Vancouver           | 1,000  |       |
| Inland Ferries                       | 8,000  |       |
|                                      | 11,834 | 377   |

### 15. Sierra Yoyo Desan Road:

In 1999, BCTFA entered into a five year contract with Walter Construction (Canada) Ltd. for improvements to the Sierra Yoyo Desan Road, an industrial access road in north-eastern BC primarily serving petroleum, forest and pipeline companies. Costs are recovered from an annual contribution by the Ministry of Energy and Mines and from tolls levied on industrial users. Recovered costs are included in Other Revenue. This contract ended November 2003.

### 16. Ministry of Transportation services:

In 2004, \$3.5 million (2003 — \$2.8 million) was paid to the Ministry of Transportation for general services not specifically attributable to individual capital construction projects.

In addition to the services above, the Ministry of Transportation provided BCTFA the non-monetary services of the use of Ministry staff and related overhead estimated at \$0.25 million.

### 17. Interest expense:

| (\$ 000s)                | 2004     | 2003    |
|--------------------------|----------|---------|
| Interest on capital debt | 156,657  | 140,097 |
| Interest income          | (18,509) | (9,797) |
|                          | 138,148  | 130,300 |
| Capitalized interest     | (4,405)  | (4,222) |
| Net interest expense     | 133,743  | 126,078 |

### 18. Write down of project costs:

Deferred costs of \$14.1 million for various public-private-partnership (P3) initiatives were written off in 2003/2004. These costs relate to aspects of the projects that will not proceed.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

Year ended March 31, 2004

### 19. Commitments:

At the end of each year, the BCTFA has a number of general commitments outstanding for ongoing infrastructure projects. Such future expenditures are charged to the capital program of the year in which the work or service is performed. The approved capital program for 2004/05 is \$458 million.

### 20. Contingencies:

Contingent liabilities of \$97.6 million remain after deducting the estimated settlement expense currently accrued from gross claims and environmental issues outstanding for capital projects.

### 21. Obligations under Capital Leases:

Effective March 28, 2003, the BCTFA has assumed obligations under capital leases for the M.V. Queen of Surrey and the M.V. Queen of Oak Bay. These obligations are fully offset by irrevocable trust funds with the Province of British Columbia.

|                     | 2004   | 2003   | Maturity Date |
|---------------------|--------|--------|---------------|
| MV Queen of Surrey  | 13,644 | 17,525 | December 2005 |
| MV Queen of Oak Bay | 20,939 | 25,420 | March 2008    |
|                     | 34,583 | 42,945 |               |

### 22. Financial Instruments:

Fair value: The carrying values of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value.

Interest rate risk: Financial instruments include long term receivables and long term debt with varying terms and interest rates (notes 5 and 9). Management are aware of no circumstances that would indicate that fair values differ substantially from carrying values. Interest rate risk of temporary investments is limited due to the short term nature of the investments held.

Credit risk: The majority of receivables are due from government ministries or other government entities. Credit risk is limited due to the stability of these entities.

### 23. Comparative Change:

Where necessary prior years figures have been restated to conform to the current year's presentation.