

COASTAL FERRY PERFORMANCE TERM 4 AMENDING AGREEMENT NO. 2

THIS AGREEMENT dated for reference the 28th day March, 2018

BETWEEN

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, as represented by the Minister of Transportation and Infrastructure

(the "Province")

AND

BRITISH COLUMBIA FERRY SERVICES INC. a body corporate, incorporated under the laws of the Province of British Columbia under Certificate of Incorporation No. 0667014

("BC Ferries")

WHEREAS

- A. The Coastal Ferry Services Contract, as defined in this Agreement, contemplates that the parties will from time to time enter into discussions reviewing certain matters set out in the Coastal Ferry Services Contract.
- B. The parties have undertaken such discussions and wish to amend and supplement the Coastal Ferry Services Contract on the terms and conditions set out in this Agreement.

NOW THEREFORE in consideration of the foregoing premises and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties), the Province and BC Ferries agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 In this Agreement:

- (a) "CFSC" means the service contract between the Province and BC Ferries entitled the "Coastal Ferry Services Contract", as amended from time to time by the parties hereto, and any other words having initial uppercase letters will have the meanings given to them in the CFSC.

ARTICLE 2 - COASTAL FERRY SERVICES CONTRACT

Coastal Ferry Services Contract

2.1 The Coastal Ferry Services Contract is amended as follows:

- (a) in the definition of "Northern Route" the following row is added to the end of the Designated Ferry Route table:

28	Port Hardy/Mid Coast/Bella Coola
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and

- (b) by removing the definition of “Review Performance Term” in its entirety.

Schedule “A” Designated Ferry Routes and Services

2.2 Schedule “A” [Designated Ferry Routes and Services] to the CFSC is amended as follows:

- (a) by deleting the Designated Ferry Route Name “Port Hardy/Bella Coola” for Route No. 28 in section 1 and replacing it with the following:

“Port Hardy/Mid Coast/Bella Coola”;

- (b) by removing the reference to “Northern Routes – 10 and 11;” in section 1.1 and replacing it with “Northern Routes – 10, 11 and 28;” and

- (c) by removing section 2(c) in its entirety and replacing it with the following:

“(c) Designated Ferry Route 28: The Core Service Level in relation to Designated Ferry Route 28 includes an allowance for a temporary service disruption of up to sixty five (65) consecutive days twice in every five (5) years on this Designated Ferry Route for the purpose of carrying out surveys and refits;”.

Appendix 1 of Schedule “A” Route Overview

2.3 Appendix 1 of Schedule “A” [Route Overview] to the CFSC is amended as follows:

- (a) by deleting item 2 in the section entitled “**Note:**” in the chart entitled “Definitions and Interpretations Used in Appendix 1” and substituting the following:

“2. Round trips on the Northern Routes (Routes 10, 11 and 28) are calculated on a weekly rather than a daily basis. Minor schedule variations may occur at Christmas, the All Native Basketball Tournament and during transition weeks between Peak and Off Peak seasons.”

- (b) by deleting item 1.(b) in the section entitled “**Peak & Off-Peak Seasons**” in the chart entitled “Definitions and Interpretations Used in Appendix 1” and substituting the following:

“(b) Northern Routes:

Peak Route 10 & 11: Mid-June to Mid-September
 Route 28: Mid-June to End September

Off-Peak Route 10 & 11: Mid-September to Mid-June
 Route 28: October to Mid-June”.

- (c) by adding “Route 28 – Bella Coola – Mid Coast – Port Hardy” to the Route Overview Table of Contents.
- (d) by replacing the route overview documents for:
 - (i) Designated Ferry Route 10 entitled “Route 10 – Port Hardy – Mid Coast – Prince Rupert” to come into effect at the time specified in the attachment;
 - (ii) Designated Ferry Route 11 entitled “Route 11 – Haida Gwaii to Prince Rupert”; andby adding the route overview document for:
 - (iii) Designated Ferry Route 28 entitled “Route 28 – Bella Coola – Mid Coast – Port Hardy” to come into effect at the time specific in the attachment;which are attached as Schedule 1 to this Agreement.

Schedule “B” Service Fees for Designated Ferry Routes

2.4 Schedule B [Service Fees for Designation Ferry Routes] to the CFSC is amended as follows:

- (a) by deleting section 1(a) and replacing it with the following:

“1(a) subject to the terms of this Agreement including sections 2 to 4 of this Schedule, an amount not exceeding:

 - (i) \$155,443,368 in respect of Contract Year 2016/17 (April 1, 2016 to March 31, 2017);
 - (ii) \$155,743,368 in respect of Contract Years 2017/18 (April 1, 2017 to March 31, 2018), 2018/19 (April 1, 2018 to March 31, 2019); and 2019/20 (April 1, 2019 to March 31, 2020).

for ferry transportation services provided by BC Ferries on the Designated Ferry Routes (the “Ferry Transportation Fee”); and”
- (b) by deleting the first sentence in section 2 and replacing it with the following:

“2. The Ferry Transportation Fee Tables set out in Appendix 1 identify the following matters in respect of each Contract Year:”

(c) by deleting section 5.1 in its entirety and replacing it with the following:

“5.1 Senior Discount

(a) BC Ferries will provide discounts to those seniors, who are 65 or older, and produce a valid BC Gold Carecard or BC Services Card as follows:

(i) a 100% discount on the applicable passenger fare, as it may be adjusted, taking into account any and all discounts, special programs, offerings or loyalty program, at the time of travel, on any of the Designated Ferry Routes except for the Northern Route (10, 11, and 28):

- (A) from Monday to Thursday, excluding all statutory holidays; and
- (B) on Remembrance Day;

(ii) a 33% discount on the applicable passenger fare, as it may be adjusted, taking into account any and all discounts, special programs, offerings or loyalty program, at the time of travel, on each day of the week for travel on the Northern Routes (10, 11 and 28).

(b) Unless otherwise agreed to in writing by the parties, commencing April 1, 2020, the Province will provide BC Ferries with an agreed to maximum annual amount in respect of the Senior Discount, in accordance with the process established in Contract Years 2014 – 2016 as set out in the agreement entitled “PT3 Amending Agreement No. 2” between the parties and in particular section 2.4 of that PT3 Amending Agreement No. 2.”

(d) in sections 7, 7.1 and 7.3, by removing references to “10 and 11” and replacing them with “10, 11 and 28”;

(e) by adding a new section 8 entitled “Province Fare Relief Program for Performance Term 4” as follows:

“8. Province Fare Relief Program for Performance Term 4

8.1 For the purposes of this section 8, the “Fare Relief Program” means the Province’s commitment to freezing fares on the three major routes connecting Vancouver Island and the Lower Mainland, reducing fares on all other routes and restoring free passenger fares for seniors on the non-northern routes.

8.2 Effective April 1, 2018, BC Ferries acknowledges the Province’s Fare Relief Program and for the remainder of the fourth Performance Term agrees that it will:

(a) reduce fares for all passenger and vehicle types by 15% on the Designated Ferry Routes from those rates set out in the fare tables in BC Ferries Fare Index version #17-03, with the exception of Designated Ferry Routes 1, 2 and 30;

(b) upon the implementation of section 8.2(a), not increase the fares for any passenger and vehicle types on all Designated Ferry Routes, and

maintain the same level of discounts, based on the percentage of savings, that are offered to BC Ferries Experience Card holders in the BC Ferries Fare Index version #17-03; and

(c) provide a 100% passenger discount to seniors consistent with 5.1 (a)(i).

8.3 In consideration of BC Ferries undertaking the Province’s Fare Relief Program, the Province will pay to BC Ferries in monthly instalments an additional \$26.5 million in Contract Year 2018/19 and an additional \$32.5 million in Contract Year 2019/20. The monthly instalments of \$2,208,333.33 in 2018/19 and \$2,708,333.33 in 2019/20 will be made to BC Ferries at the same time as the Ferry Transportation Fee payments.

8.4 Notwithstanding Sections 8.1, 8.2 and 8.3 of Schedule “B”, the Province acknowledges and agrees that BC Ferries may:

- (a) make an application to the Commissioner for relief or seek any other regulatory order;
- (b) offer discounted fares on all vehicle and passenger types;
- (c) change the price of reservations; or
- (d) change the price of the assured loading ticket premium.”

Appendix 1 of Schedule “B” Ferry Transportation Fee – Performance Term 4

2.5 Appendix 1 of Schedule B [Ferry Transportation Fee – Performance Term 4] to the CFSC is deleted in its entirety and substituted with a new Appendix 1 which attached as Schedule 2 to this Agreement.

Appendix 2 of Schedule “B” BC Student (under 19 years of age) Discount Table

2.6 Appendix 2 of Schedule B [BC Student (under 19 years of age) Discount Table] to the CFSC is amended by adding the Route 28 information to the table as follows:

Route #	Route Name	Adult Student at 50% Adult Fare	Child Student at 50% Child Fare	Free Adult Student	Free Child Student
Route 28	Port Hardy/Mid Coast/Bella Coola	X	X		

ARTICLE 3 – GENERAL

- 3.1 Notwithstanding any other provision of this Agreement, the payment of money by the Province to BC Ferries in connection with this Agreement or under the CFSC as a result of or in connection with this Agreement is subject to:
- (a) there being sufficient monies available in an appropriation, as defined in the Financial Administration Act, to enable the Province, in any fiscal year or part thereof when any payment of money by the Province to BC Ferries falls due, to make that payment; and
 - (b) Treasury Board, as defined in the *Financial Administration Act*, not having controlled or limited, under the *Financial Administration Act*, expenditure under any appropriation referred to in subsection (a) of this section.
- 3.2 No term of this Agreement is intended to derogate from or be inconsistent with or in conflict with any law, including without limitation the Act, and shall not be interpreted in a manner as to result in any such derogation, inconsistency or conflict.
- 3.3 Each term of this Agreement will be valid and enforceable to the fullest extent permitted by law and if any term of this Agreement is held to be invalid, unenforceable or illegal to any extent, such term may be severed and such invalidity, unenforceability or illegality will not prejudice or affect the validity, enforceability and legality of the remaining provisions of this Agreement.
- 3.4 This Agreement, the CFSC, and any letter agreements entered into between the parties, constitute the entire agreement between the parties in respect of the subject matter of this Agreement and no understandings, representations, contracts, or agreements, written, oral or otherwise, exist between the parties with respect to the subject matter of this Agreement except as expressly set out in this Agreement, the CFSC, or the Letter Agreement.
- 3.5 Time is of the essence of this Agreement and will remain of the essence of the CFSC, as amended and supplemented by this Agreement.
- 3.6 The provisions of the CFSC, as amended and supplemented by this Agreement, are ratified and confirmed and where the CFSC is referred to in another agreement between the Province and BC Ferries, unless otherwise expressly provided for, those references will be deemed to refer to the CFSC as amended and supplemented by this Agreement.
- 3.7 All dollar amounts expressed in this Agreement refer to lawful currency of Canada.
- 3.8 No waiver by either party of a breach or default by the other party in the observance, performance or compliance of any of its obligations under this Agreement will be effective unless it is in writing and no such waiver will be deemed or construed to be a waiver of any other breach or default, and failure or delay on the part of either party to complain of an act or failure of the other party or to declare such other party in default, irrespective of how long such failure or delay continues, will not constitute a waiver by such party of any of its rights against the other party.
- 3.9 Each party will, upon the reasonable request of the other, make, do, execute or cause to be made, done or executed all further and other lawful acts, deeds, things, devices, documents, instruments

**SCHEDULE 1
ROUTE OVERVIEW**

[see attached]

ROUTE 10 – PORT HARDY – MID COAST – PRINCE RUPERT



****THIS ROUTE OVERVIEW WILL BE EFFECTIVE SUMMER 2018 UNTIL THE COMMENCEMENT OF THE NEW ROUTE 28 SERVICE. AT THAT TIME, THE PREVIOUS ROUTE OVERVIEW, WHICH INCLUDES ROUTE 10S, WILL NO LONGER BE IN EFFECT.***

OVERVIEW

The Route 10 Peak season service connects Prince Rupert, Bella Bella, Klemtu and Port Hardy on the northern tip of Vancouver Island. This daily service commences mid-June and continues to mid-September.

The Route 10 off-peak service connects Prince Rupert, Bella Bella, Klemtu and Port Hardy on the northern tip of Vancouver Island through weekend overnight sailings.

CORE SERVICE LEVELS

Number of Round Trips to be Delivered per Contract Year		83
Minimum Number of Round Trips per Week	Peak	3.5*
	Off Peak	1^
Hours of Operation	Peak	Varies
	Off Peak	Varies

* ALTERNATING DAILY SERVICE BETWEEN PORT HARDY AND PRINCE RUPERT, COMMENCING MID-JUNE AND ENDING MID-SEPTEMBER. FIVE STOPS IN EACH DIRECTION AT McLOUGHLIN BAY AND TWO STOPS IN EACH DIRECTION AT KLEMTU EVERY TWO WEEKS.

^ COMMENCING MID-SEPTEMBER UNTIL MID-JUNE, WEEKLY ROUND TRIP SERVICE BETWEEN PRINCE RUPERT AND PORT HARDY. NORTHBOUND BIWEEKLY SERVICE AND SOUTHBOUND BIWEEKLY SERVICE AS FOLLOWS: McLOUGHLIN BAY – 2 TIMES EACH DIRECTION; KLEMTU – 2 TIMES EACH DIRECTION.

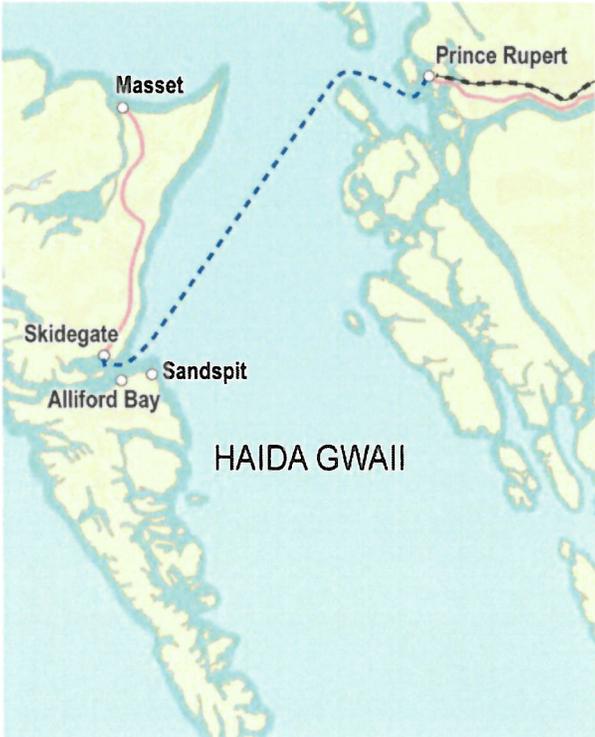
ROUTE AND SERVICE DESCRIPTION

Distance	273 nautical miles
Crossing Time	15-21 hours depending on number of stops

VESSEL AND TERMINAL DESCRIPTION

Vessel	Northern Adventure	Northern Expedition		
<i>Silhouette</i>				
<i>Passenger Capacity (Max.)</i>	600	600		
<i>Vehicle Capacity (Official)</i>	101	130		
<i>Crew Size</i>	40	38		
Terminal	McLoughlin Bay	Prince Rupert	Klemtu	Bear Cove
<i>Location</i>	3 km from Bella Bella	Prince Rupert	2 km from village	10 km from Port Hardy
<i>Holding Capacity / Parking</i>	Ample parking but no formal compound	181 AEQ	7 short term / 30 AEQ	163 / 98 AEQ
<i>Docks</i>	1	1	1	1

ROUTE 11 – HAIDA GWAI TO PRINCE RUPERT



OVERVIEW

Route 11 connects the Haida Gwaii with Prince Rupert and the Mainland.

CORE SERVICE LEVELS

Number of Round Trips to be Delivered per Contract Year		159
Minimum Number of Round Trips per Week	Peak	3-5 (varies by week)*
	Off Peak	2.5^
Hours of Operation	Peak	Varies
	Off Peak	Varies

* ON OR BEFORE JULY 1ST UNTIL ON OR AFTER LABOUR DAY, FIVE ROUND TRIPS PER WEEK BETWEEN SKIDEGATE AND PRINCE RUPERT.

^ ON OR AFTER LABOUR DAY UNTIL ON OR BEFORE JULY 1ST, A MINIMUM OF FIVE ROUND TRIPS BI-WEEKLY BETWEEN SKIDEGATE AND PRINCE RUPERT.

ROUTE AND SERVICE DESCRIPTION

Distance	93 nautical miles
Crossing Time	7 hours

VESSEL AND TERMINAL DESCRIPTION

Vessel	Northern Adventure	Northern Expedition
<i>Silhouette</i>		
<i>Passenger Capacity (Max.)</i>	600	600
<i>Vehicle Capacity (Official)</i>	101	130
<i>Crew Size</i>	40	38

Terminal	Skidegate	Prince Rupert
<i>Location</i>	Graham Island	Prince Rupert
<i>Holding Capacity</i>	167 AEQ	181 AEQ
<i>Parking</i>	No	47
<i>Docks</i>	1	1

ROUTE 28 - BELLA COOLA - MID COAST - PORT HARDY



****THIS ROUTE OVERVIEW WILL BE EFFECTIVE SUMMER 2018 AT THE COMMENCEMENT OF THE NEW ROUTE 28 SERVICE.***

OVERVIEW

Peak Season:

- Route 28 (Seasonal Direct service) connects Bella Coola with Port Hardy and Vancouver Island.
- Route 28A (Connector service) connects the Mid Coast communities of Bella Bella (McLoughlin Bay), Shearwater, Ocean Falls and Bella Coola and provides Ocean Falls and Shearwater with weekly connections to/from Port Hardy via Route 10.
- The peak season commences Mid-June and continues to end of September.

Off Peak Season:

- Route 28A every week: two stops at all ports for Port Hardy connectivity. A route terminus counts as two stops, one each for day of arrival and day of departure.

CORE SERVICE LEVELS

Number of Round Trips to be Delivered per Contract Year		89
Minimum Number of Round Trips per Week	Peak	3.5*
	Off Peak	1^
Hours of Operation	Peak	Varies
	Off Peak	Varies

* PEAK SERVICE CONSISTS OF 2.5 ROUND TRIPS PER WEEK BETWEEN BELLA COOLA AND PORT HARDY AND 1 ROUND TRIP PER WEEK BETWEEN BELLA COOLA AND THE MID COAST – OCEAN FALLS, SHEARWATER AND BELLA BELLA (MCLOUGHLIN BAY) WHICH INCLUDES CONNECTIVITY FOR OCEAN FALLS AND SHEARWATER TO PORT HARDY VIA ROUTE 10.

^ OFF-PEAK SERVICE CONSISTS OF 1 ROUND TRIP PER WEEK BETWEEN BELLA COOLA, SHEARWATER, OCEAN FALLS AND BELLA BELLA (MCLOUGHLIN BAY) CONNECTING WITH ROUTE 10 SERVICE TO OR FROM PORT HARDY.

ROUTE AND SERVICE DESCRIPTION

Distance	Varies Bella Coola – Port Hardy 134 nautical miles Bella Coola – Ocean Falls – Shearwater – Bella Bella 85 nautical miles
Crossing Time	Varies to maximum of 10 hours

VESSEL AND TERMINAL DESCRIPTION

Vessel	Northern Sea Wolf
Silhouette	
Passenger/Crew Capacity (Max.)	150
Vehicle Capacity (Official)	35
Amenities	Hot food service, passenger lounge, outdoor seating area, washrooms and an elevator

Terminal	Bella Coola	Bear Cove	Shearwater	Ocean Falls	McLoughlin Bay
Location	4 km from Bella Coola	10 km from Port Hardy	Shearwater	Ocean Falls	3 km from Bella Bella
Holding Capacity/ Parking	Lease arrangement in town	110 AEQ	Ample parking but no formal compound	Ample parking but no formal compound	Ample parking but no formal compound
Docks	1	1	1	1	1

**SCHEDULE 2
FERRY TRANSPORTATION FEE - PERFORMANCE TERM 4**

Appendix 1 of Schedule "B"

Ferry Transportation Fee – Performance Term 4

Ferry Transportation Fee Table – Contract Year 2016/17

Route #	Route	Maximum Annual Ferry Transportation Fee (\$)	Number of Round Trips to be Delivered per Contract Year to Meet Core Service Levels*	Ferry Transportation Fee per Round Trip (\$)
4	Swartz Bay/Salt Spring	2,834,642	2,880	984.25
5	Swartz Bay/Outer Gulf Islands	17,682,549	3,461	5,109.09
6	Crofton/Salt Spring	2,834,641	4,441	638.29
7	Saltery Bay/Earls Cove	11,730,815	2,513	4,668.05
8	Horseshoe Bay/Bowen Island	5,957,222	5,335	1,116.63
9	Tsawwassen/Gulf Islands	10,358,786	812	12,757.13
10	Bear Cove/Prince Rupert	32,454,829	83	391,022.04
11	Prince Rupert/Skidegate	26,820,150	139	192,950.72
12	Brentwood/Mill Bay	1,410,590	3,215	438.75
13	Langdale/Gambier/Keats	321,855	4,065	79.18
17	Comox/Powell River	8,121,113	1,366	5,945.18
18	Powell River/Texada	4,530,616	2,814	1,610.03
19	Nanaimo Harbour/Gabriola	3,003,177	4,898	613.14
20	Chemainus/Thetis/Penelakut	4,458,757	3,702	1,204.42
21	Buckley Bay/Denman	4,282,233	5,261	813.96
22	Denman/Hornby	3,582,166	4,060	882.31
23	Campbell River/Quadra	3,191,056	5,785	551.61
24	Quadra/Cortes	2,822,063	2,134	1,322.43
25	Port McNeill/ Alert Bay/Sointula	4,585,638	3,961	1,157.70
26	Skidegate/Alliford Bay	4,460,467	2,918	1,528.60
Annual Total		\$155,443,368		

*Note: see Note 1(a) in Schedule A, Appendix 1

Appendix 1 of Schedule "B"

Ferry Transportation Fee – Performance Term 4

Ferry Transportation Fee Table – Contract Years 2017/18, 2018/19 and 2019/20

Route #	Route	Maximum Annual Ferry Transportation Fee (\$)	Number of Round Trips to be Delivered per Contract Year to Meet Core Service Levels*	Ferry Transportation Fee per Round Trip (\$)
4	Swartz Bay/Salt Spring	2,834,642	2,880	984.25
5	Swartz Bay/Outer Gulf Islands	17,682,549	3,461	5,109.09
6	Crofton/Salt Spring	2,834,641	4,441	638.29
7	Saltery Bay/Earls Cove	11,730,815	2,513	4,668.05
8	Horseshoe Bay/Bowen Island	5,957,222	5,335	1,116.63
9	Tsawwassen/Gulf Islands	10,358,786	812	12,757.13
10	Bear Cove/Prince Rupert	32,454,829	83	391,022.04
11	Prince Rupert/Skidegate	27,120,150	159	170,566.98
12	Brentwood/Mill Bay	1,410,590	3,215	438.75
13	Langdale/Gambier/Keats	321,855	4,065	79.18
17	Comox/Powell River	8,121,113	1,366	5,945.18
18	Powell River/Texada	4,530,616	2,814	1,610.03
19	Nanaimo Harbour/Gabriola	3,003,177	4,898	613.14
20	Chemainus/Thetis/Penelakut	4,458,757	3,702	1,204.42
21	Buckley Bay/Denman	4,282,233	5,261	813.96
22	Denman/Hornby	3,582,166	4,060	882.31
23	Campbell River/Quadra	3,191,056	5,785	551.61
24	Quadra/Cortes	2,822,063	2,134	1,322.43
25	Port McNeill/ Alert Bay/Sointula	4,585,638	3,961	1,157.70
26	Skidegate/Alliford Bay	4,460,467	2,918	1,528.60
Annual Total		\$155,743,368		

*Note: see Note 1(a) in Schedule A, Appendix 1