



International Union of Marine Insurers

September 15, 2008



Caution Regarding Forward Looking Statements

This presentation contains historical information and may contain certain forward-looking statements which relate to future events or future performance. These forward-looking statements are based upon management's current expectations and assumptions as to a number of factors, including the risks, uncertainties and other factors as described in BC Ferries' Management's Discussion and Analysis and certain of the other BC Ferries' documents available at www.sedar.com.

These forward-looking statements are made as of today's date and are based upon information currently available to management and BC Ferries assumes no obligation to update or revise them to reflect new events or circumstances. If management's expectations and assumptions prove to be incorrect, or factors change, then actual results could differ materially from the forward-looking information contained in this presentation.

- Began operating in 1960 with two ships
- Today we operate 37 vessels on 25 routes to 47 terminals
 - Vehicle capacities: 16 to 470
 - Passenger capacities: 133 to 2052
 - Crew ranges from 4 to 48
- 21.8 million passengers and 8.6 million vehicles last year
- Average 500 sailings per day
 - Sailings range from 10 minutes to 15 hours
- Employ more than 4,200 employees
- Customers range from daily commuters to local residents to visitors from throughout the world

- An independent, regulated, commercial company
- Buffered from government by the *Coastal Ferry Act*
- Operate as a private business
 - Financially accountable
 - Independent, business-oriented Board of Directors
 - New labour agreement
 - Ability to invest in vessels and terminals with private-sector financing (bond financing)
 - Clearly focused on our customers
 - Greater flexibility
 - Expanded business opportunities

	Passengers (millions)	Vehicles (millions)	Vessels
Transtejo-Transportes (Portugal)	31.2	0.1	30
Washington State Ferries (USA)	23.9	10.9	24
BC Ferries	21.8	8.6	37
Scandlines (Denmark)	19.8	4.3	22
Istanbul Fast Ferries (Turkey)	11.1	1.0	28
P&O Ferries (Great Britain)	10.5	1.6	13
Hellenic Seaways (Greece)	9.4	1.1	27
Stena Line (Denmark)	8.6	1.6	32
Jadrolinija (Croatia)	8.1	2.2	40
Navigazione Laghi (ITA)	7.2	0.7	36
Transmediterranea (Spain)	6.2	0.9	18
Wightlink (Great Britain)	5.7	1.2	12
Caledonian MacBrayne (Great Britain)	5.3	1.2	31
Viking Line (Finland)	5.3	0.4	7
Color Line (Norway)	4.4	1.0	10
Blue Star Ferries (Greece)	3.5	0.5	7
WG&A Superferry (Philippines)	3.2	0.0	11
Sea France (France)	3.2	1.3	6
Moby (Italy)	2.9	0.9	12
Alaska State Ferries (USA)	0.3	0.1	11

- Safety is paramount to our operations
 - SailSafe: a joint initiative of BC Ferries and the BC Ferry & Marine Workers' Union focused on safety excellence
 - Work closely with ferry operators around the world to share best practices
 - Comprehensive Safety Management System based on the International Maritime Organization's Safety Management Code
 - Fully regulated by Transport Canada
 - Lloyd's Register as auditors and advisors regarding safety
 - Crews are trained and licensed to levels that exceed those set by regulatory authorities
 - Responded to 395 medical emergencies last year

- Skeena Queen:
 - Broken down ship dragging anchor
- Tenaka:
 - Rescued 2 people from skiff floating towards rocks
 - 2 men rescued from capsized sailboat
- Bowen Queen:
 - Boat with broken steam hose
- Coastal Renaissance:
 - Overturned kayak in water
- Mayne Queen:
 - Mayday call: 2 people in water
- Mill Bay:
 - Overturned canoe; man in water
- Northern Adventure
 - Medical emergency
- Queen of Chilliwack:
 - Vessel taking on water
- Queen of Cowichan:
 - Man clinging to submerged vessel
- Queen of Cumberland:
 - Sinking vessel; man in water (treated for hypothermia)
- Queen of Burnaby
 - Emergency aid for passenger having a seizure
 - Emergency aid for passenger having a heart attack
- Quinsam:
 - Pleasure craft out of fuel; unresponsive passenger required medical assistance
- Spirit of Vancouver Island:
 - Vessel taking on water

Year	# of sailings	Non weather-related cancellations	% of cancellations	Reliability
2003	163,820	1,460	0.89%	99.11%
2004	173,357	404	0.23%	99.77%
2005	174,337	554	0.32%	99.68%
2006	174,742	545	0.31%	99.69%
2007	174,432	411	0.23%	99.77%
2008	174,811	482	0.27%	99.73%

Company	Route	Crossing	Passenger & Vehicle (Cdn)
BC Ferries	Swartz Bay – Tsawwassen	1 hr 35 min	\$61.40
Steamship Authority	Woods Hole – Martha’s Vineyard	45 min	\$80.18
SeaFrance	Dover – Calais	1 hr 15 min	\$81.70
Caledonian MacBrayne	Oban to Craginure	46 min	\$86.23
Irish Ferries	Ireland to Britain	1 hr 55 min	\$159.32

One-way fares for car & driver in Canadian funds for travel on September 9, 2008



- All retained earnings are invested to renew our assets
- Invested \$452.5 million last year: up from \$262.6 million the previous year
 - \$382.8 million for new vessels, vessel upgrades and vessel modifications
 - \$54.5 million for terminal upgrades
- Plan to invest \$1.2 billion between 2007 - 2012
 - Includes 7 new ships and \$250 million in terminals

- \$319 million in Super C-class ships last year
 - Largest double-ended ferries in the world
 - 370 vehicles, 1600 passengers
 - Inter-operable with all mainland terminals
 - Exceed the environmental standards of the International Maritime Organization and US Environmental Protection Agency
 - \$542 million project
 - Design-build, fixed-price contract with FSG Shipyard
 - On time and considerably under budget:
 - target \$507 million
 - potentially \$427 million with duty remission

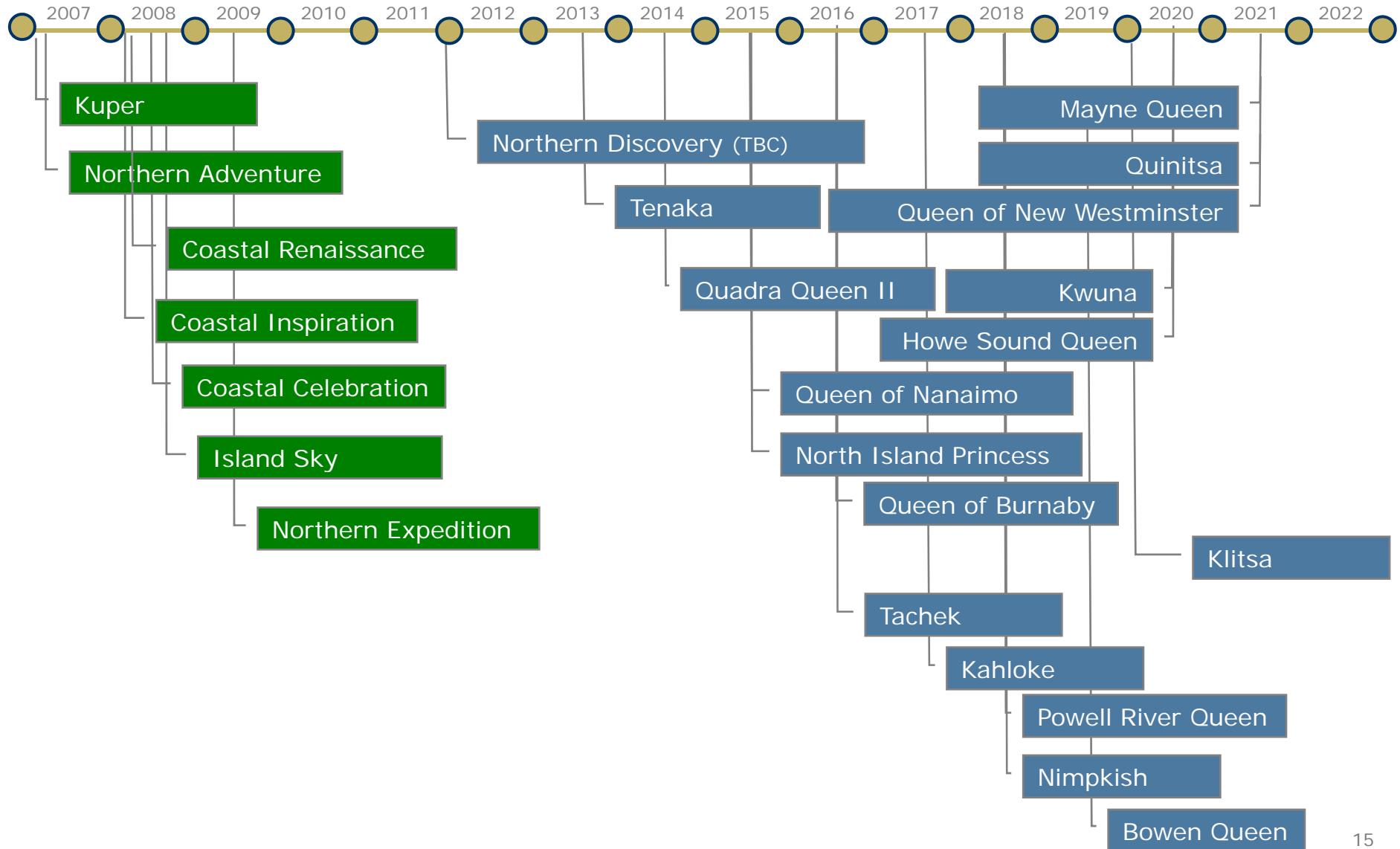


Coastal Celebration in London



- Island Sky
 - 125 vehicles, 600 passengers
 - Expected to enter service on the Sunshine Coast this fall
 - \$46 million contract with Vancouver Shipyards

- Northern Expedition
 - Under construction at FSG Shipyard
 - 55 staterooms, 130 vehicles and 600 passengers
 - Will replace the Queen of Prince Rupert on northern routes
 - Launched in September; in service by summer 2009
 - \$200 million project is on schedule and on budget



- Duty Remission Applications are submitted to the Department of Finance, Government of Canada
- May 21, 2004 submission for 3 Super C-class ships
 - Approximately CDN \$100 million
- December 12, 2006 submission for the Northern Adventure
 - CDN \$13.9 million received September 2007
- June 20, 2008 submission for Northern Expedition
 - Approximately CDN \$34 million

- January 2008: \$200 million 30-year senior secured bond issue
 - Net proceeds used to fund capital expenditures and the related debt service reserve, and for general corporate purposes
- February 2008: received \$90 million in proceeds under a loan agreement with KfW (German export credit bank)
 - Coincided with the conditional acceptance of the Coastal Inspiration
- In May 2008: received a further \$90 million in proceeds from KfW under a separate loan agreement
 - Coincided with the conditional acceptance of the Coastal Celebration
- Net proceeds from loans were used to partially finance the purchase of our Super C-class vessels

Challenges

- Fares, Fuel & Security -

- Performance Term Two: April 1, 2008 – March 31, 2012

	Major Routes	Minor Routes
2008	7.3%	4.0%
2009 - 2011	2.7% + (0.49 x CPI)	5.7% + (0.73 x CPI)

- Need to develop a strategy to minimize fares
 - Revisit service levels and all costs
 - Spread overhead over greater revenue base

- Concerned about the unprecedented cost fuel
 - Increased cost of running our operations
 - Impact of high motor vehicle fuel prices on customers' travel decisions

- Annual cost of fuel last year was \$86.8 million
 - \$45.9 million in 2003
 - Could reach \$140 million this year

- Fuel surcharge implemented August 1, 2008
 - 10.3% Vancouver Island - Lower Mainland major routes
 - 17.6% Southern and Northern Gulf Islands minor routes
 - 9.2% Horseshoe Bay – Langdale

- Potential lowering/elimination of surcharge if fuel prices continue to decline

- Company-wide security plan and new security measures
 - Employee identification cards
 - Designated restricted, prohibited and controlled areas
 - Closed Circuit Television monitoring
 - Security awareness training for all employees
 - Contractor/Visitor access requirements
 - Security patrols
- \$3.8 million in federal funding to offset costs of perimeter security, access control measures and training:
 - Tsawwassen
 - Swartz Bay
 - Duke Point
 - Departure Bay
- New security measures for Horseshoe Bay Terminal

Strategic Direction

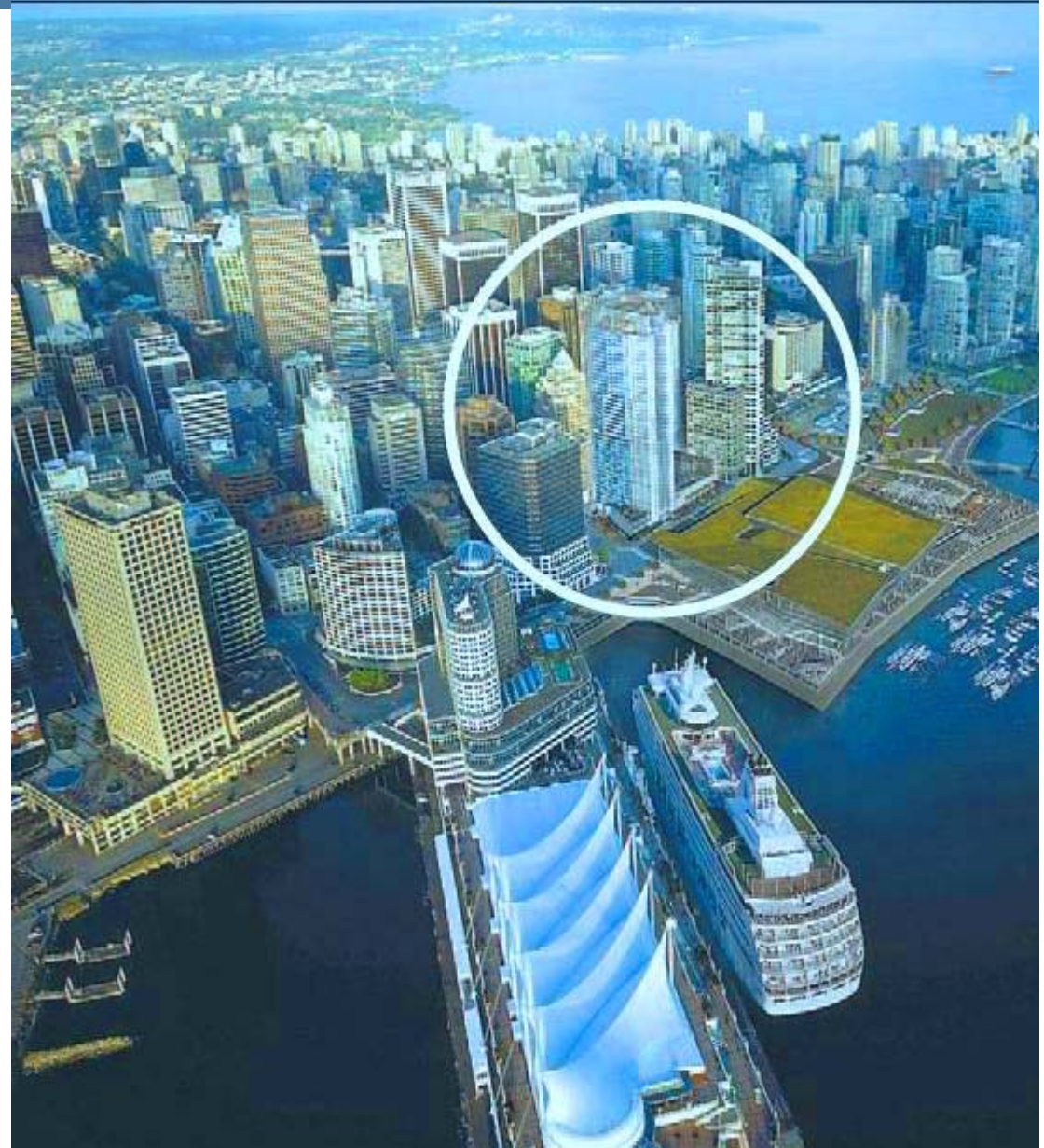
- The Next 5 Years -

Travel centre in downtown
Vancouver

Opening late 2009 at new
Fairmont Pacific Rim

Greater presence in
Lower Mainland to raise
our profile and expand our
business

Expand tourism
partnerships and profile
service in domestic and
international markets
(2010, China)



- Grow commercial sales
 - Pursue new customers
 - Incentives for current customers
 - Look for new opportunities to provide new service
 - Drop trailer segment
 - Existing assets
 - Tug and barge

- Management Services
 - Sidney International Ferry Terminal
 - Signed a 40-year lease to manage the Town of Sidney's international ferry terminal
 - Washington State Ferries is the primary user
 - Prince Rupert Terminal
 - Working on deal similar to Sidney
 - Approached by other interested parties in Canada and other parts of the world
 - Recognition of our capabilities

- Safety
- Security
- Employees
- Environment
- New ships
- Upgraded terminals
- Enhanced travel experiences
- Innovative new programs
- Seize BC's gateway potential
- Expanded business opportunities
- New travel & tourism programs
- Improved services for commercial customers
- Take advantage of our 50th anniversary and the 2010 Olympics

