

BC Transit

ANNUAL REPORT 2008/09





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and John Cameron

His Honour

The Honourable Steven L. Point
Lieutenant-Governor of the
Province of British Columbia

MAY IT PLEASE YOUR HONOUR,

I respectfully submit the Annual
Report of BC Transit for the fiscal
year ended March 31, 2009.

The Honourable Shirley Bond
Minister of Transportation and
Infrastructure, and Minister
responsible for BC Transit



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Message from the Chair to the Minister Responsible

A MESSAGE FROM THE CHAIR

More and more British Columbians turned to BC Transit in 2008/09 as transit service was expanded and introduced in a number of communities throughout the province. A total of 47.6 million customers, up 6.5 per cent from 2007/08, used BC Transit to travel to work, school, health facilities, run errands, or visit friends and family.

Following a six per cent increase in 2007/08, service levels in 2008/09 were increased by an additional 10 per cent. All parts of the province benefited including Comox Valley, Nanaimo, Victoria, Smithers, Williams Lake, Prince George, Shuswap, Fort St John, Quesnel, Vernon, Kelowna and Salt Spring Island. As part of the expanded service, two new inter-regional commuter services were introduced connecting Vernon to University of British Columbia Okanagan in Kelowna, and Duncan to downtown Victoria. Within these communities partnerships with local governments, post-secondary institutions, and local health authorities were enhanced.

While the average increase in ridership was just under seven per cent, there were dramatic ridership increases in certain communities. For example, conventional bus ridership in Prince George was up 15.6 per cent (1.5 million), while Powell River and Vernon recorded increases of 25.5 per cent (205,000) and 19.1 per cent (372,100) respectively.

In addition to service expansion, BC Transit's ProPASS and U-PASS programs, growing environmental awareness and sensitivity to fuel prices all contributed to the increases in ridership across the province.

Over the past year, our bus fleet grew from 860 to 958 buses and included the introduction of North America's first hybrid double-deck bus. As part of the Province's environmental initiative, we are proceeding with the hydrogen fuel cell bus demonstration project. These buses will be used during and after the 2010 Olympic and Paralympic Winter Games. Preparation for the Games continued in full force to ensure the successful delivery of service to support thousands of workers, spectators and residents in Whistler, Squamish and Pemberton.

In partnership with the Ministry of Transportation and Infrastructure and our local partners, long-term transit planning processes for Victoria, Kelowna, and the Central Fraser Valley were initiated during the year to help guide BC Transit's long-term investments in these important and rapidly growing service areas.

BC Transit also restructured its resources to better position itself to meet the goals set out in the Provincial Transit and Climate Action Plans. This top-to-bottom renewal of BC Transit was evident in a bold, contemporary new brand and livery that is now being applied to all new buses as well as older buses during their mid-life upgrades.

Looking ahead, there will be challenges. Today, fuel represents 18 per cent of total operating costs, up from eight per cent just a few years ago. To reduce the impact of price uncertainty and support the environment, BC Transit will continue to investigate and introduce more fuel efficient technologies and other strategies. Other costs, such as maintenance and labour, will rise as the size of our fleet and the level of service expands. The economic slow down may adversely affect ridership in certain communities; however, overall ridership is projected to continue to increase.

The success in 2008/09 is attributed to the collective hard work of BC Transit's employees, our local partners, suppliers and the support of our valued customers. In 2009/10, as public demand for transit increases steadily across the province, BC Transit is prepared to face the challenges, welcome new opportunities and continue to meet our corporate objectives and climate action goals.

Kevin Mahoney
Chair

ACCOUNTABILITY STATEMENT

BC Transit's 2008/09 Annual Report was prepared under the direction of the BC Transit Board in accordance with the [Budget Transparency and Accountability Act](#) and the [B.C. 2008/09 Crown Corporation Annual Report Guidelines](#). The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of our actual performance for the 12 months ended March 31, 2009 in relation to our February 2008 Service Plan.

The Board is accountable for the contents of the report, including the selection of performance measures and how results have been reported. The measures presented are consistent with BC Transit's goals and objectives, and focus on aspects critical to the organization's performance.

This report contains estimates and interpretive information that represent the best judgment of management. The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of March 31, 2009 have been considered in preparing the report. Any changes in mandate, direction, goals, strategies, measures or targets made since the February 2008 Service Plan was released and any significant limitations in the reliability of data are identified in the report.



Kevin Mahoney
Chair



ORGANIZATION OVERVIEW

Organizational Overview

BC Transit is the provincial Crown agency charged with coordinating public transportation systems throughout British Columbia outside Metro Vancouver.

In partnership with local government, BC Transit's mandate includes planning, funding, marketing, fleet management and contracting for the operations of transit services. According to the *British Columbia Transit Act* (Section 3.1) BC Transit is to:

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

The headquarters of BC Transit is located in Victoria, British Columbia.

Scope

The scope of BC Transit's program as of March 2009:

- 57 local government partners, including the Victoria Regional Transit Commission and regional hospital districts
- contracts with 27 private management companies and 14 non-profit agencies
- 47.6 million passengers carried in 2008/09
- Over 1.5 million people served in B.C.
- 81 transit systems - conventional, custom and paratransit
- fleet of 958 conventional and double-deck buses, minibuses and vans
- \$197.7 million annual expenditures on transit operations

Services

BC Transit has three types of public transit services to fit the needs of British Columbia's local markets and communities:

Conventional transit serves the general population in urban settings using mid-sized, large or double-deck buses.

The buses are accessible and low-floor and run on fixed routes and fixed schedules. Community bus service using minibuses on fixed routes is now being widely used to efficiently serve lower density/suburban markets and feed the mainline bus networks.

Custom transit employs vans and minibuses and taxis for dial-a-ride and door-to-door handyDART service for passengers with disabilities who cannot use conventional transit. Contracted taxi supplement and taxi saver (discounted coupon) programs make for flexible service that adapts to customer needs.

Paratransit serves small town and rural B.C. as well as some suburban areas using minibuses, taxis and vans for flexible routing and schedules.

Transit services throughout BC Transit's mandate, outside the Victoria region, are provided through a partnership between BC Transit, the local government, and a transit management company. This partnership is formalized through a [Transit Service Agreement](#), and two operating agreements: a [Master Operating Agreement](#) (MOA) and an [Annual Operating Agreement](#) (AOA). The AOA is renewed on an annual basis.

The selection of the transit management company is conducted through a public Request for Proposal process and is undertaken on a seven-year cycle. The exceptions to this process are systems operated by public organizations (Regional District of Nanaimo, City of Nelson, District of Powell River and the Sunshine Coast Regional District), and non-profit societies with small annual transit budgets (under \$200,000).

Governance of the [Victoria Regional Transit System](#) is by a [Regional Transit Commission](#). It consists of a minimum of seven members, five locally elected mayors and two councillors, who are appointed according to the *British Columbia Transit Act*. The Commission sets routes,

service levels, fares, and local taxes for transit purposes. It reviews and is responsible for raising the local share of the annual cost of transit in the region. Its meetings are open to the public.

For transit service in other areas of BC Transit's jurisdiction, service plans and budgets are approved each year in open sessions by municipal councils or regional district boards who also set fares and raise the local government share of transit costs.

No shifts were made to the core business areas or program delivery since the previous year.

Governance and Board Activity

BC Transit is governed by a seven member Board of Directors appointed by the Province according to the *British Columbia Transit Act* (Section 4.1). The Act requires four of the Board members to be municipally elected representatives. The Board of Directors, through the Chair, reports to the Minister of Transportation and Infrastructure (designated as the Minister responsible for BC Transit). The Board is governed according to the Province of B.C.'s *Best Practices Guidelines Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations*.

BOARD OF DIRECTORS, AS OF MARCH 2009

- Mr. Kevin Mahoney (Chair)**, North Vancouver
- Mayor Don Amos**, Town of Sidney (to November 2008)
- Mayor James Atebe**, District of Mission (appointed March 2009)
- Councillor Susan Brice**, District of Saanich (appointed March 2009)
- Mr. Kelly Cairns**, Kelowna
- Mayor Christopher Causton**, District of Oak Bay
- Mr. Bob De Clark**, Nanose Bay
- Mayor Colin Kinsley**, City of Prince George (to November 2008)

- Mayor Terry Lake**, City of Kamloops (to November 2008)
- Mayor Mary Sjostrom**, City of Quesnel, (appointed March 2009)

The BC Transit Board of Directors took a very active role in setting organizational expectations. Financial controls, capital investment and contracting processes were of particular interest to the Board.

To support the transit program during the year, the Board of Directors visited the Sea to Sky region to meet with local government partners and operating contractors, and to tour transit facilities. As it has in past years, the Board consulted with local government partners at a well-attended transit forum at the annual Union of British Columbia Municipalities conference held in Penticton in September.

The Audit Committee meets either as a Committee of the Whole or as the full Board in regular session. More information about BC Transit's corporate governance is available at www.bctransit.com/corporate/general_info/governance.cfm.

BC TRANSIT SENIOR LEADERSHIP TEAM

- Manuel Achadinha**, President and CEO
- Tony Sharp**, Vice-President, Chief Financial Officer
- Mike Davis**, Vice-President, Business Development
- Ron Drolet**, Vice-President, Planning
- Steve New**, Vice-President, Chief Operating Officer
- Debbie Nussbaum**, Vice-President, Human Resources



www.bctransit.com

A woman with long blonde hair, wearing a dark grey short-sleeved top and a colorful, multi-colored scarf, is smiling and looking towards the right. She is standing next to a white bus with a green and blue stripe. The bus has a digital display showing the number '4' and 'D'. The background is a clear blue sky.

THE YEAR'S ACCOMPLISHMENTS

Renewal and Growth

Throughout the province, BC Transit services experienced unprecedented ridership demand - an increase of more than six per cent during 2008/09. This increase is influenced by growing concern for climate change and the environment, the costs of driving, and indicates the success of improved and expanded transit service.

In 2008/09, BC Transit implemented 116,000 more annual service hours involving 22 of 81 transit systems, ranging from major centres like Victoria and Abbotsford to smaller community services such as Quesnel and Alberni Clayoquot. The Mount Waddington Transit System serving Port Hardy and Port McNeil was introduced through a partnership with Vancouver Island Health Authority.

BC Transit's fleet also expanded to 958 vehicles with low-floor, energy efficient, environmentally-friendly transit technology. By 2010, BC Transit services will be 100 per cent wheelchair accessible.

The Provincial Transit Plan set a goal to double BC Transit ridership by 2020. The Transit Plan is a major element in the Province's climate action efforts to achieve the greenhouse gas reduction goals by increasing transit ridership, reducing automobile use and providing transportation infrastructure to support the development of healthier communities. To meet these goals and integrate transit into stronger, more sustainable communities, BC Transit began undertaking a top-to-bottom renewal along with continued focus on social, economic and environmental objectives.

To give BC Transit a contemporary and appealing look, the organization introduced a new livery. As buses in our expanding fleet arrived sporting bright new colours, BC Transit's role as an integral part of our communities was noticed by riders, residents and businesses. BC Transit's new brand conveys an active, growing company embracing both change and challenges for the future, and linking our communities, businesses and lifestyles. The consistent expression of BC Transit's brand increases its value for all partners across the province and accurately represents our company's synergies of effective and efficient service delivery.



In 2008/09, 22 transit systems expanded their service:

- | | |
|--------------------------|-------------------------|
| Alberni Clayoquot | North Okanagan |
| Central Fraser Valley | Prince George |
| Comox Valley handyDART | Prince George handyDART |
| Cowichan Valley Commuter | Quesnel |
| Dawson Creek | Sea to Sky |
| Fort St. John handyDART | Shuswap |
| Kamloops | Smithers |
| Kelowna | Squamish |
| Kelowna handyDART | Victoria |
| Nanaimo handyDART | Victoria handyDART |
| | Whistler |
| | Williams Lake |

BC Transit introduced new programs in many areas of the corporation to ensure that safe, efficient, effective, convenient and reliable service was available to customers in every service area of the province. Programs included a safety and security management system, environmental policy and reporting systems, maintenance programs and financial innovations program.

Safety continues to be BC Transit's top priority. To reflect our commitment to safety and continue to improve transit service, a number of initiatives were undertaken in 2008/09. Safety, security and training were aligned within operations and work began on a province-wide safety and security management system. BC Transit developed a strategic partnership with WorkSafe BC around the Focus on Safety program to develop leading safety practices and reduce the number of injuries and their associated costs.

Other safety and security initiatives included:

- completing a security risk assessment of all major service systems through Transport Canada's Transit Secure program,
- developing an accredited bus operator training program under the Motor Carrier Passenger Council of Canada, and
- designing and delivering a provincially based Train the Trainer program.

This past year, BC Transit established an environmental support team and enhanced its environmental policy to reflect the goal of carbon neutrality by 2010. BC Transit adopted SMARTTooL, the provincial greenhouse gas inventory system, to begin reporting greenhouse gas emissions.

In recognition of staff's expertise throughout the industry, bus manufacturer Alexander Dennis partnered with BC Transit to test North America's first hybrid double-deck bus. BC Transit also partnered with the Canadian Urban Transit Association to develop a study guide on hybrid-propulsion systems for transit buses.

After preliminary testing, BC Transit issued a Notice to Proceed authorizing the manufacture and delivery of a 20 hydrogen fuel cell bus demonstration fleet to be used during and after the 2010 Olympic and Paralympic Winter Games in Whistler. The demonstration fleet of 20 fuel cell buses will be the largest fleet in the world operating in a single location in revenue service.

BC Transit continued to expand its environmental fuel strategy that will see a phased migration from #1 light diesel to a renewable biodiesel blended with ultra low sulphur diesel. The implementation has proceeded well, with a number of systems operating B20 (20 per cent renewable



biodiesel) during the summer months. In fact, one of our systems (Penticton) successfully operated with B50.

Maintenance programs were reviewed and revised to provide support to our operating partners and reliability to our customers. Maintenance procedures and programs are being standardized and inspections increased to bring high quality to all areas of operation.

Financial innovations during the year improved the corporation's performance. In particular, initiatives aimed at ensuring that capital assets are maintained and renewed throughout their life cycle were implemented. Componentization of fixed and vehicle assets will ensure that operators and customers continue to have access to high quality, reliable vehicles and buildings throughout asset life-cycles.

The expansion of service and continued expectation of long-term growth has inspired a number of new facility and planning projects.

New and expanded facilities are in the construction or planning process in several communities including: Nanaimo, Chilliwack, Whistler, Vernon, Kamloops and Kelowna. By using scalable, component-based designs, BC Transit will reduce the costs of new facilities to its funding partners and customers.

Master planning processes were initiated in three of the largest communities BC Transit serves: Victoria, Kelowna and Central Fraser Valley. Master planning takes the long view

(20 to 30 years) toward establishing the customer-focused services, facilities, vehicles and supportive environment that will result in higher ridership. These long range plans will establish the framework for five year business plans and capital investment programs.

In Victoria and Kelowna, rapid transit plans are underway. The Victoria Rapid Transit project is a partnership between BC Transit, Ministry of Transportation and Infrastructure, Capital Regional District, and the Victoria Regional Transit Commission. The initial planning involved research gathering as well as preliminary consultation with stakeholder and residents. Recommendations are expected in 2010.

After a comprehensive review, the scope of the Kelowna Rapid Bus project was re-organized into two phases to move the project forward. Specifically, Phase 1 will align with the construction of the new high-occupancy vehicle lanes (HOV) along Highway 97.

Human Resources programs were revised to continue to attract first rate candidates in a competitive job market and ensure BC Transit remains an employer of choice. A new recruitment program resulted in a record number of new employees (113) and lower recruitment costs than previous years.

Partnership has always been a critical part of BC Transit's success. This year, partnership was at the forefront through planning, implementation and capital investments as well as through revenue enhancement.



“To meet the ambitious goals set out in the Province’s Climate Action Plan and the Provincial Transit Plan, BC Transit realigned its organizational structure, established an environmental support team and enhanced its environmental policy to reflect the carbon neutral goal.”

Three U-PASS referendums were passed in 2008/09 - the University of Northern British Columbia graduate students (UNBC, Prince George), the College of New Caledonia (CNC, Prince George), and the University of the Fraser Valley (UFV, Abbotsford/Mission/Chilliwack) – in partnership with post-secondary institutions and local municipalities.

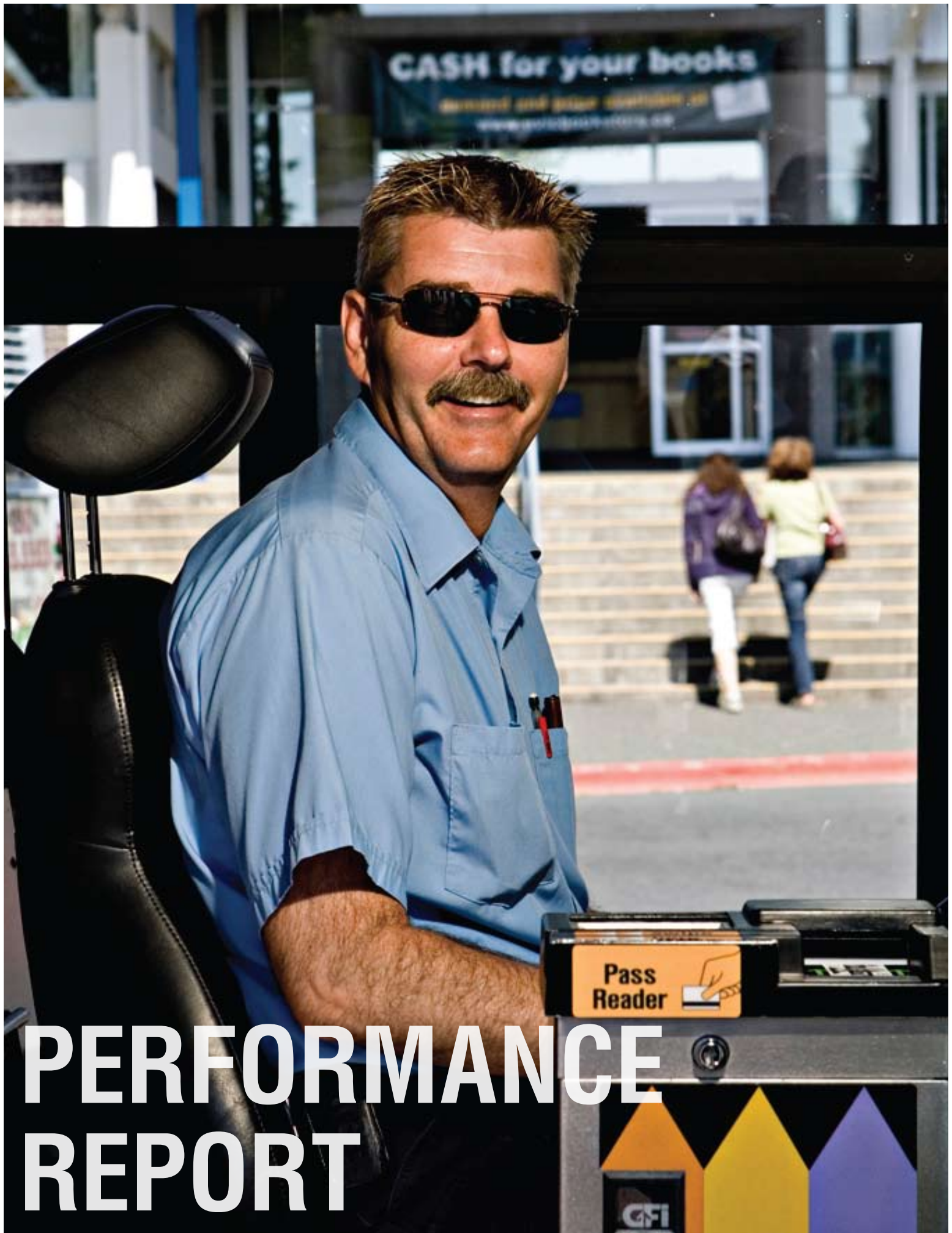
A key partnership has developed with VANOC to prepare for local transit services in the Sea to Sky corridor - Squamish, Whistler and Pemberton for the 2010 Olympic and Paralympic Winter Games. In February 2009, BC Transit completed its Olympic Games service plan that formed part of VANOC’s integrated transportation plan. The agreement included a service level agreement with recovery of the incremental costs of the service delivery.

With the long term objectives of the Provincial Transit Plan clearly in sight, the corporation has initiated two significant efforts leading to its growth and renewal.

The organization was restructured to align resources with clear lines of business and ensure professional, high quality support was available to all transit systems in the province. This significant reorganization across all divisions created work teams that integrated all levels of expertise and provided consistent standards and policies throughout BC Transit’s systems.

The second initiative, which will be completed in 2010, is the development of a corporate strategic plan. This plan aims to examine not only the service elements but the corporate and financial requirements to achieve goals as set out in The Provincial Transit Plan.

For the past 31 years, BC Transit has been a leader in transit services linking communities, businesses and lifestyles throughout the province. The strategic plan will provide the framework needed to ensure BC Transit meets and exceeds the needs of communities and residents of British Columbia for the next 30 years.



PERFORMANCE REPORT

Performance Report

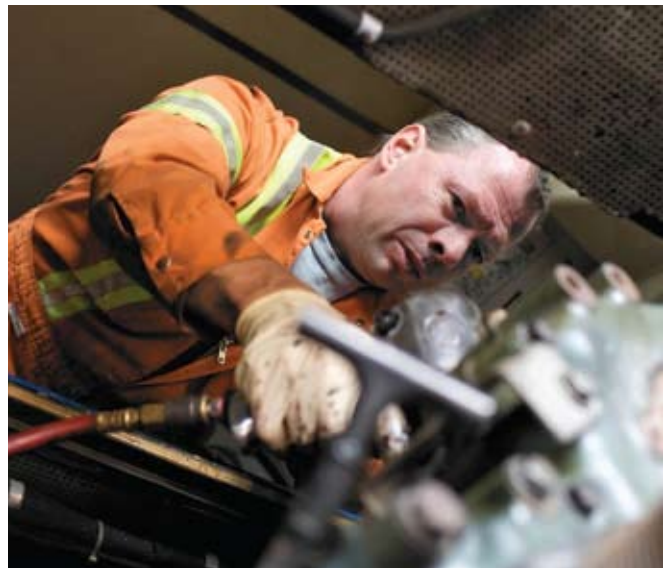
This performance report highlights the results achieved by BC Transit in the fiscal year ending March 31, 2009. The first section presents the corporate goals, objectives and targets initially set for the corporation in the 2008/09 – 2010/11 Service Plan along with a statement assessing performance against target.

The next section provides the summary corporate level financial and performance results with comparative figures for prior years and the original service plan targets from the 2008/09 – 2010/11 Service Plan. Significant results including variances from target are discussed in the Management Discussion and Analysis section.

To provide further comparative results, Appendix 3 presents standard transit industry performance results for BC Transit compared to peer transit systems in the rest of Canada for the latest reporting period available.



“Service was increased by 10 per cent in over 20 communities. This was achieved by expanded service providing more frequency for commuters, students and seniors.”



Goals, Targets and Results

GOAL 1

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

OBJECTIVE 1:

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

Target: Measurement, reporting, verifying process in place in 2008/09.

Result:

Conducted greenhouse gas inventory monitoring and introduced SMARTTool¹ reporting system.

Target: Carbon neutral status through emissions reductions and offsets by Year 3 (2010).

Result:

Submitted its first Carbon Neutral Action Report to Ministry of Transportation and Infrastructure.

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

Target: Increase service quality and capacity – 10 per cent average increase per annum.

Result:

Service was increased by 10 per cent in over 20 communities. This was achieved by expanded service providing more frequency for commuters, students and seniors. Total ridership increased by 6.5 per cent over 2008/2009. Major regional centres increased by 6.5 per cent; Victoria by six per cent.

Target: Increase travel mode share as reflected by increased rides per capita in conventional transit service markets – eight per cent average per annum.

Result:

Ridership increased by over six per cent – faster than population growth indicating that transit's mode share of travel has increased.

1 Web-based tool to estimate and track Government's greenhouse gas emissions from its operations.

GOAL 2

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

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

Target: Victoria - 32 passengers per service hour.

Result:

33 passengers per service hour.

Target: Municipal Systems - 26 passengers per service hour.

Result:

26 passengers per service hour.

Target: handyDART Victoria – 2.7 passengers per service hour.

Municipal Systems – 4.7 passengers per service hour.

Result:

handyDART Victoria – 2.5 passengers per service hour.

Municipal Systems – 4.8 passengers per service hour.

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

Target: Victoria – Phase 1 Douglas Street – Year 2 (2010/11).

Result:

Douglas Street busway project was cancelled in favour of a more comprehensive and regional approach to planning future rapid transit investments. Building on the objectives and funding commitments of the Provincial Transit Plan, the Victoria Regional Rapid Transit project has initiated research, creation of a Community Liaison Committee and hosted a number of public open houses. Recommendations will be delivered in 2010.

Target: Kelowna – Rapid Bus² from University of British Columbia Okanagan to downtown Kelowna – Year 3 (2011/12).

Result:

The Kelowna Rapid Bus project was reassessed according to the objectives of the Provincial Transit Plan. Key initiatives underway include determining route and service strategies, assessing supportive technology requirements and station design.

OBJECTIVE 3: Provide efficient, cost-effective transit services.

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

2 Formerly identified as Bus Rapid Transit (BRT)

Result:

Canadian Consumer Price Index for 12 months ending March 2009 was 2.4 per cent excluding fuel. Victoria conventional – cost per hour increased 2.8 per cent. Municipal conventional systems – cost per hour increased 6.6 per cent. Primary drivers were higher operating contracted costs in nine conventional renewals and expansion costs for salary and resources.

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

Target: Initial pre-production bus testing in Victoria and Whistler with enhanced fueling station in Victoria – Year 1 (2009/10).

Result:

Completed pre-production testing and issued a Notice to Proceed for the 20 fuel cell bus demonstration fleet.

Target: Balance of 20 fuel cell bus fleet delivery, testing and in-service in Whistler.

Result:

Delivery of full 20 bus demonstration fleet scheduled for December 2009.

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

Target: Establish agreements with VANOC and complete development of Olympic Games service plan – Year 1 (2009/10).

Result:

In February 2009, BC Transit completed its Olympic Games service plan and concluded a service level agreement with VANOC for the Olympic Games service, including recovery of incremental costs of the services delivered.

Target: Assemble fleet and arrange contract provision of transit services February/March 2010 – Year 2 (2010/11).

Result:

BC Transit continued development of its Olympic Games fleet plan and initiated the provision of transit services with Request for Proposals to select transit management companies in the Sea to Sky corridor.

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

Target: At least one U-PASS initiative per year.

Result:

Three U-PASS referendums were passed (College of New Caledonia, University of Northern British Columbia graduate students and University of the Fraser Valley) with two U-PASS implementations (University of Northern British Columbia undergraduate and graduate students).

Target: Assist local governments in maximizing the number of successful applications to federal funding programs currently in place.

Result:

Municipalities advanced transit supportive projects in several regions including Victoria, Kelowna, as well as 42 communities receiving Public Transit Agreement/Public Transit Infrastructure Program funding.

Target: Complete conversion of conventional bus fleet to full low-floor/accessibile status by Year 3 (2011/12).

Result:

Developed a fleet expansion and replacement program to ensure a fully accessible fleet by 2010.

GOAL 3

Work with stakeholders to enhance support for and funding of BC Transit's programs and services.

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

Target: Ongoing contribution to Canadian Urban Transit Association, Federation of Canadian Municipalities and the Union of British Columbia Municipalities activities in support of a national transit strategy and enhanced federal funding.

Result:

BC Transit continued to play an active role on the national scene working with other transit systems and organizations to encourage continued investment in urban transit by the federal government.

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

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

Result:

Implemented service to Mt Waddington area through funding with Health Authority.
Initialized service between Duncan and Victoria with provincial funding.
Implemented U-PASS programs with post-secondary institutions.
Implemented Pro-PASS program in Kamloops.

Progress Against Shareholder's Letter of Expectations

The Minister of Transportation and Infrastructure, to whom BC Transit reports, outlines performance expectations in support of customer needs and government priorities through an annual Shareholder's Letter of Expectations. The terms of the agreement are reviewed and updated annually. The complete 2008 agreement can be viewed at or on the [BC Transit website](#) at BC Transit General Information.

The key requirements identified for BC Transit for the fiscal year 2008/09 and actions taken are outlined in the table below.

Specific Direction to the Corporation	BC Transit Actions in 2008/09
<p>Provide advice and support to the Shareholder on transit services and technologies that support government's environmental and climate change objectives.</p>	<p>BC Transit initiated service expansion and increased ridership across the province resulting in higher travel mode share to transit, lower greenhouse gas emissions and less reliance on automobiles.</p> <p>BC Transit partnered with a supplier to demonstrate and test North America's first hybrid double-deck bus in the Victoria region.</p> <p>BC Transit took delivery of 105 new buses, the first in the fleet to meet the 2007 emission regulations which drastically reduce the allowable amount of particulate matter.</p> <p>BC Transit completed a Diesel Engine Particulate Matter Emissions Reduction Program for Nova, DART and double-deck buses.</p>
<p>In support of the Hydrogen Highway initiative, develop and place into service in Whistler a fleet of 20 hydrogen-powered fuel cell buses and associated fueling infrastructure.</p>	<p>BC Transit issued a Notice to Proceed authorizing the manufacture and delivery for the hydrogen fuel cell bus fleet. The buses will be delivered to BC Transit in 2009 and will be in use during and after the 2010 Olympic and Paralympic Winter Games in the Resort Municipality of Whistler, British Columbia. The demonstration fleet of 20 buses will be the world's largest fleet of fuel cell buses in a single location.</p>
<p>Work with VANOC toward the development, implementation and full recovery of the incremental costs of a public transportation plan in support of the 2010 Olympic and Paralympic Winter Games that may include showing the most advanced transport technology and service delivery capability possible.</p>	<p>BC Transit and VANOC concluded a service level agreement for the Olympic Games, including recovery of the incremental costs of the services to be delivered.</p>
<p>Provide advice and support to the Shareholder in the development and implementation of transit funding strategies.</p>	<p>BC Transit initiated the corporate strategic plan to reassess how to plan, fund invest, and promote public transportation throughout the province. The plan will be finalized in 2009/10 and include a province-wide strategic planning process complete with vision and values with input from employees, customers, transit partners, local governments and community leaders.</p>



FINANCIAL REPORT

Performance Summary

NON-GAAP FINANCIAL MEASURES

Throughout this performance summary and management's discussion and analysis, BC Transit uses the terms "ridership", "rides per capita", "service hours", "revenue passengers", "net debt service costs", "FTEs" and "total capitalization". These terms do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles (GAAP) and, therefore, may not be comparable with the calculation of similar measures presented by others.

The terms used are considered to be industry-wide standard indicators and performance measures used throughout the North American transit industry and are used to measure the achievement of BC Transit's strategic goals. Data reliability is obtained as follows: ridership information is collected using an industry-standard reporting protocol and common definitions. (The same information is used by Statistics Canada for its Standard Industrial Classification reports.) Estimates are derived using statistically valid sampling measures from sources of data which include comparisons between revenue, farebox passenger counts and automated passenger counts. Per capita estimates use population figures from the most recently published census, adjusted annually by B.C. Statistics and collated for the respective Transit Service Areas by BC Transit. Service hours delivered is calculated based on billings and operating statements in the Municipal Systems Program, which are verified by audits. Service hours delivered in Victoria are based on payroll records. Actual financial results are derived from BC Transit's audited financial statements which are prepared in accordance with Canadian generally accepted accounting principles.

FORWARD LOOKING STATEMENTS

This performance summary and management's discussion and analysis contain certain "forward looking statements". These statements relate to future events or future performance and reflect management's expectations regarding our growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management's current internal projections, expectations or beliefs and are based on information currently available to management.

Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include ridership, the Canadian Dollar relative to U.S. Dollar, fuel costs, fleet maintenance costs, labour costs and availability, transit system request for proposal costs, facilities and environmental compliance and the provincial and local economies in which BC Transit operates. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, readers should specifically consider various factors including, but not limited to, the risks and uncertainties associated with ridership risk, currency risk, commodity risk, asset risk, safety and security, environmental risk, regulatory risk, labour disruption risk, risk of default under material contracts.

Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this management's discussion and analysis are based upon reasonable assumptions, readers cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this management's discussion and analysis, and BC Transit assumes no obligation to update or revise them to reflect new events or circumstances.

IMPACT FROM CHANGES IN ACCOUNTING POLICY

Unless otherwise stated, budget and target information included in management's discussion and analysis does not reflect the impact of changes in accounting policy. See "Significant Accounting Changes" section in the management discussion and analysis and BC Transit's audited financial statements for accounting policy changes and impact to comparative year.

CORPORATE PERFORMANCE

The table below summarizes revenue, operating costs, service hours and passengers for all BC Transit programs (Municipal Systems Program and Victoria Regional Transit System combined) for the 2008/09 fiscal year, compared to corporate targets. Separate program level results for the Victoria Region and the Municipal Systems program are provided in **Appendix 1 and 2**.

Corporate Performance

Figures in thousands

	2006/07	2007/08	2008/09	2008/09	2009/10	2010/11	2011/12
SUMMARY	Actual	Actual	Actual	Corporate Target	Service Plan Target **	Service Plan Target **	Service Plan Target **
Operating cost	129,508	145,044	169,427	166,602	188,432	201,610	229,130
Passenger and advertising revenue	50,917	55,925	59,632	62,333	67,505	74,147	85,083
Service hours	1,720	1,833	2,011	2,056	2,140	2,230	2,430
Revenue passengers	42,534	44,684	47,576	48,307	50,076	52,580	55,209

* Total operating cost above is operations, maintenance, administration, salaries and benefits expenses on the audited financial statements.

** Service Plan Targets are based on the 2009/10 - 2011/12 Service Plan

In May of 2008, the BC Transit Board of Directors amended corporate targets to reflect service changes. The revised targets reflect the corporate targets for 2008/09.

The following Management Discussion and Analysis is based upon these revised targets.

Corporate Target Revision

Figures in thousands

	Service Plan (Feb/08)	Corporate Budget (May/08)
Revenue	\$63,455	\$62,333
Operating Costs	\$164,355	\$166,602
Service Hours	2,075	2,056
Passengers	48,921	48,307

Management Discussion and Analysis

DATED MAY 22, 2009

The following is our discussion and analysis of the financial condition and results of operations for BC Transit as of May 22, 2009. This should be read in conjunction with our audited financial statements and related notes for the years ended March 31, 2009 (fiscal 2009) and March 31, 2008 (fiscal 2008). These documents are available at http://www.bctransit.com/corporate/general_info/annual_reports.cfm.

Except where indicated, all financial information herein is expressed in thousands and Canadian dollars.

Financial Report

Management Discussion and Analysis

Figures in thousands, except FTEs

	2004/05	2005/06	2006/07	2007/08	2008/09		
	Actual *	Actual *	Actual *	Actual	Actual	Target	Variance (Un- Favourable)
Revenue							
Passenger and advertising	44,996	47,366	50,917	55,925	59,632	62,333	(2,701)
Investment and other income	1,486	1,748	2,364	3,380	2,859	2,516	343
Provincial Contributions	47,102	52,055	52,065	58,126	71,874	69,874	2,000
Amortization of deferred capital contributions on capital assets	5,185	4,266	5,960	7,237	9,743	12,452	(2,709)
Contributions from municipalities	30,877	32,948	39,734	47,606	53,847	54,093	(246)
Total Revenues	129,646	138,383	151,040	172,274	197,955	201,268	(3,313)
Expenditures							
Operations	73,915	83,802	89,325	98,031	114,437	114,197	(240)
Maintenance	24,987	25,014	27,660	30,226	36,237	34,795	(1,442)
Administration	12,005	12,739	13,291	16,600	18,752	17,611	(1,141)
Debt Service	18,962	16,950	22,332	25,127	28,253	34,665	6,412
Total Expenditures	129,869	138,505	152,608	169,984	197,679	201,268	3,589
Revenue From Transit Operations	(223)	(122)	(1,568)	2,290	276	0	276
Adjustments for Non-Transit Operating Items:							
Amortization of capital assets under lease	(15,861)	(14,895)	(15,291)	(32,654)	(32,654)	(32,654)	0
Amortization of deferred capital contributions on capital assets under lease	15,861	14,895	15,291	31,242	31,242	32,654	(1,412)
Loss on disposal of assets	103	800	26	(94)	(329)	0	(329)
Loss on foreign exchange and derivatives	0	0	0	821	(1,073)	0	(1,073)
Net Revenue (Expenditures) for the Year	(120)	678	(1,542)	1,605	(2,538)	0	(2,538)
Capital expenditures							
Vehicle	3,983	16,869	15,753	35,893	63,933	68,775	4,842
Non-Vehicle	4,229	4,544	1,033	2,399	5,041	5,050	9
	8,212	21,413	16,786	38,292	68,974	73,825	4,851
FTEs (as at year end)	579	609	646	706	760	789	(29)
Service hours	1,601	1,654	1,716	1,827	2,011	2,056	(45)
Passengers	38,609	40,716	42,534	44,685	47,576	48,307	(731)

* Excludes impact of changes in accounting policies adopted during 2008/09

REVENUES

Passenger and advertising revenues

- Unfavourable \$2,701,000 or four per cent from target

Passenger and Advertising

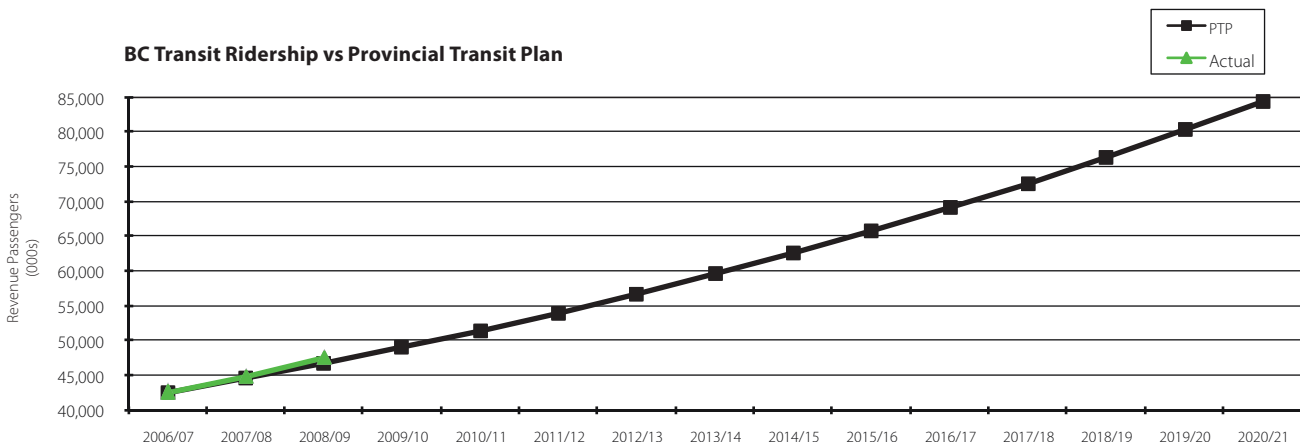
Variance From Target	(Un)favourable	% of Total
<i>Figures in thousands</i>	\$	Variance
Victoria		
- ridership	(168)	6%
- fares	(914)	34%
Municipal Systems		
- ridership	(694)	26%
- fares	(830)	31%
Advertising	(95)	4%
Total Passenger and Advertising Revenue	(2,701)	100%

Victoria passenger revenue was three per cent (\$1.08 million) below target. Most of the variance is attributable to lower average fares per passenger as more riders are taking advantage of prepaid passes and the elimination of multi-zone fares. Ridership increased over prior year by six per cent, marginally below target.

Municipal Systems passenger revenue was 5.5 per cent (\$1.5 million) below target. Of this, three per cent or \$0.8 million is due to lower average fares per passenger as a result of higher use of prepaid fare media than planned while 2.5 per cent or \$0.7 million is due to lower than planned ridership although ridership increased from prior year by seven per cent.

Throughout the province, BC Transit services are experiencing unprecedented demand. Ridership has increased by approximately six per cent during 2008/09. The ridership growth indicates the success of improved transit service. Transit ridership has also been influenced by growing concern with respect to the environment and the costs of driving. The Provincial Transit Plan has set aggressive ridership targets whereby ridership will double in 15 years. The baseline year is 2006/07. The target is for growth of 15 per cent over the next three years. Actual ridership has trended ahead of that targeted in the Provincial Transit Plan through 2008/09 demonstrating the strong demand in transit services.

Advertising revenue was 10 per cent or \$95,000 below target due to the significant volatility and downturn in the financial markets and economy.



GOVERNMENT FUNDING

Contribution from the Province

Provincial operating contributions of \$71.9 million were \$2 million greater than target of \$69.9 million. The Ministry of Transportation and Infrastructure provided \$2 million to offset the provincial share of higher fuel and maintenance costs which were incurred in the year.

Local Taxation

Local taxation revenues were marginally lower than target by \$0.2 million or less than one per cent. The increase year over year in local taxation revenues was \$6.2 million or 13 per cent. The increase in contributions from local governments year over year is due to service expansion and general cost increases primarily related to fuel prices volatility and higher fleet maintenance costs.

EXPENSES

Functional Description

Variance From Target	(Un)favourable	% of Total
<i>Figures in thousands</i>		Variance
Operations	(240)	-11%
Maintenance	(1,442)	-66%
Administration	(1,141)	-52%
Debt Service	6,412	293%
Derivatives and other	(1,402)	-64%
Total	2,188	100%

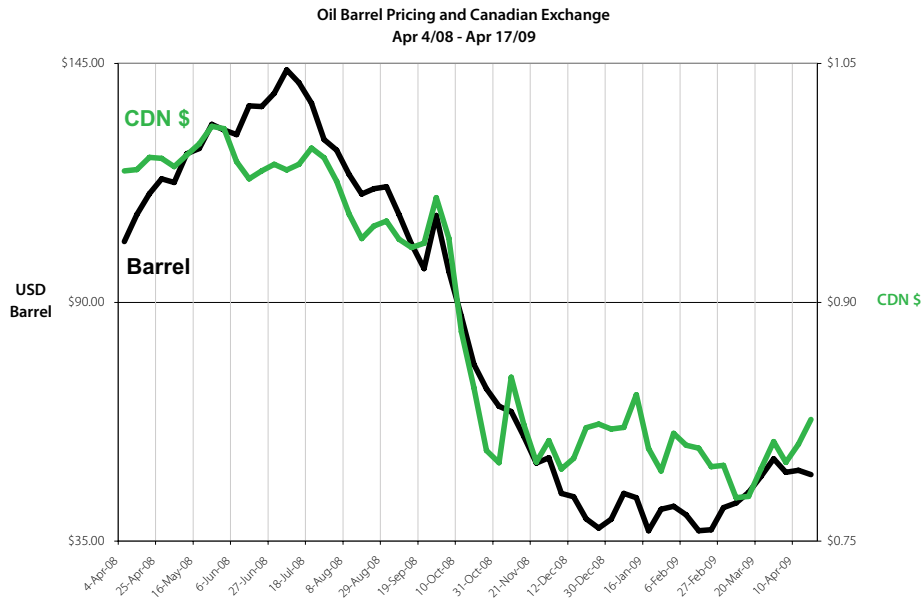
*** Note: Comparative year and targets do not reflect impact from changes in accounting policies.**

OPERATIONS COSTS

The two primary cost drivers for operations expenses for BC Transit are fuel and labour with fuel generating the most significant volatility in operations expenditures.

Fuel Prices

Fiscal 2008/09 saw record oil prices driven by robust demand from the world's largest economies, combined with concerns over limited production capacity. The 2008/09 budget was established at a time when 2008/09 fuel costs were forecast at US\$80/barrel equating to a budget of \$0.95 per litre. However; during the year, world oil prices exceeded US\$147/barrel. Further, the Canadian dollar has stabilized relative to the U.S. dollar and no longer insulates Canadian consumers from the impact of higher world oil prices. Prices have receded considerably from the highs experienced in the first part of the fiscal year (approximately US\$60/barrel at time of writing, May 2009); however, oil futures markets are increasing over time compared to present day pricing. There remains a significant amount of uncertainty in the market around economic recovery, oil supplies and production capacity.



Despite the inherent volatility in fuel pricing, BC Transit continues to purchase fuel on a weekly rack rate rather than hedge fuel prices as a significant hedging premium exists in the western diesel market. Further, the company receives a significant commercial discount relative to retail rates. (At the time of writing, May 2009, the company was paying \$0.77/litre against a retail rate of \$0.927/litre.) In response to this unprecedented volatility, management is developing a long-term commodity price risk management program which will be implemented in fiscal 2009/10 to help mitigate the volatility risk and thereby reduce the budget risk to provincial and local partners. In the short term, management is monitoring current weekly rack rates versus fixed physical pricing and may lock-in fixed pricing on a portion of fiscal 2009/10 fuel requirements.

Fuel

	2008	2009	
	Actual	Target	Actual
Fuel volume (000s litres)	20,002	22,477	22,075
Fuel price per litre*	\$0.96	\$0.98	\$1.11
Total fuel cost (000s)	\$19,202	\$22,028	\$24,504

Over 80 per cent of the fuel utilized has a minimum five per cent bio content (B5). This fuel mix helps position the company with fuel vendors who under provincial legislation must meet strict provincial bio content targets effective January 1, 2010. It also assists in achieving corporate

environmental initiatives. However, the cost of biofuels is increasing as producers shift to a market pricing model based on conventional petroleum product pricing. While higher fuel costs have generated increased ridership, it is unlikely that the lift will fully compensate for increased costs.

Labour Costs

With the strong regional economy, Victoria had among the lowest unemployment rates in the country during 2008/09. The buoyant local labour market resulted in increased difficulty in recruiting staff particularly in skilled trades, technical vocations and the professions. This combined with the accelerating pace of retirements, continuing service expansion and emerging requirements including environmental monitoring and compliance and project evaluation and management, created significant recruiting challenges.

As a result of these challenges, overtime costs were \$1.6 million over target. Of this variance, approximately 35 per cent was attributable to maintenance and 55 per cent attributable to operations and the remainder due primarily to supply chain. Overtime costs are a function of the challenges discussed above. Management will be reviewing plans to mitigate overtime costs while at the same time balancing the needs for meeting service and operational requirements.

Further, the challenge in recruiting staff is already easing somewhat with the economic downturn.

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

In the Victoria Regional transit system, collective agreements with the Canadian Auto Workers Union and the Canadian Office & Professional Employees' Union, representing over 600 employees, expire on March 31, 2010. Negotiations with these bargaining units will likely begin late in 2009. A third collective agreement with the Canadian Union of Public Employees representing transit supervisors expires on December 31, 2010 and negotiations will commence in the fall of 2010.

Service Expansion

BC Transit executed the largest service expansion in its history to meet the goals set in the Provincial Transit Plan. Service expansion is reflected in increased ridership including an increase of 1.3 million passengers or six per cent from prior year in Victoria conventional transit and 1.6 million passengers or seven per cent from prior year in Municipal Systems conventional transit.

Within Municipal Systems, there were significant ridership increases in the following tier 1 communities:

- Prince George - Ridership increased 15.6 per cent from 2007/08. The continued ridership growth can be attributed to further expansion and service improvements targeted at the University of British Columbia student market.
- Central Fraser Valley – Ridership increased 13.5 per cent from 2007/08. Commuter and student markets continue to account for most ridership growth.
- Kelowna Region - Ridership increased 13 per cent from 2007/08. New evening and Sunday service,

with the continued effects of the previous year's route and schedule restructure were the main contributors to this increase.

Resource constraints on fleet and staffing resulted in service expansion delays aggregating \$2.4 million in 2008/09.

MAINTENANCE

Fleet Maintenance

Total fleet maintenance increased \$4.7 million or 20 per cent from the prior year. The cost of fleet maintenance support has increased significantly over the past five years. Maintenance costs for running repairs, major component overhauls and mid-life tune-ups are largely attributable to the age of the fleet, increasing costs of parts, labour and outside service providers, and the technological complexity of newer vehicles. Maintenance costs are also expected to increase due to the lower Canadian dollar, higher shipping and base metal costs. Most parts originate from American or European suppliers.

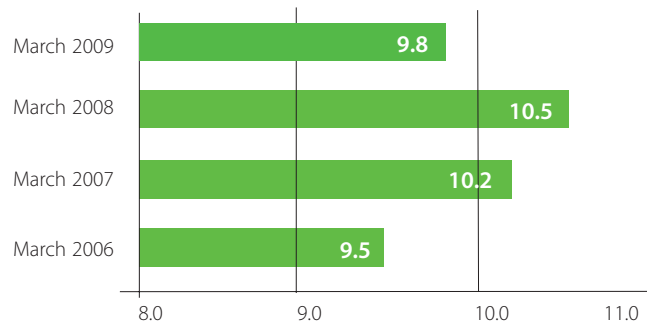
Maintenance costs continue to increase at a rate greater than inflation (Canadian Consumer Price Index). In Victoria, fleet maintenance costs exceeded target by \$1.07 million or nine per cent. The amount of overtime expended due to the shortage in the targeted number of mechanics in Victoria was the main contributor to the overage. In the Municipal Systems, the cost per hour of running repairs increased 16 per cent over the previous year.

The aging fleet is a driver of maintenance costs. BC Transit's fleet replacement and expansion capital plan will in part mitigate some of these cost pressures. During fiscal 2009, BC Transit acquired 77 conventional buses and 50 custom vehicles. In addition, 12 conventional buses were retired. As a result of this fleet replacement and expansion, the average age of the fleet has improved year over year from 10.5 years for conventional vehicles to 9.8 years.

Most replacement parts are purchased directly or indirectly from offshore or the United States. The appreciation in the Canadian dollar seen during 2007/08 and into the first quarter

of 2008/09 did not significantly reduce costs owing to the concurrent increase in base metal prices. As commodity prices have fallen the Canadian dollar has depreciated as well which has resulted in parts pricing remaining high. Further, maintenance costs for older fleets are increasing significantly as they near the end of their useful life, particularly those in which significant maintenance has been deferred. However, life cycle analysis indicates it is still economic to maintain these vehicles rather than replace them outright and

Average Age of Conventional Vehicles



incur significant write-offs in addition to accelerated fleet replacement debt service charges. Finally, the increasing complexity of the transit fleet continues to contribute to increased parts costs and resource demands.

In response to the cost pressures, the aging fleet and fleet acquisition pursuant to Provincial Transit Plan targets, management is developing a Long Range Maintenance Plan (LRMP). The LRMP includes analysis of the existing and planned future fleet, maintenance requirements, capacity and labour constraints and funding requirements. Future fleet maintenance will be conducted under the LRMP to ensure the most efficient and effective use of assets. It will also result in a maintenance program that is proactive rather than reactive in nature.

As a consequence of evolving accounting standards and the development of the LRMP, management implemented a change in accounting policy whereby assets are capitalized and amortized on a “component” basis rather than a “single asset” basis. Under a component approach, an asset is broken down into its major components that have significantly

different useful lives. The asset components are those that have been identified under the company’s LRMP. As a result of the change, a significant portion of the expenditures incurred under BC Transit’s long range maintenance plan which were previously expensed are now capitalized and amortized over their estimated useful lives. In management’s view, the change to component-based capitalization and amortization more accurately reflects asset capitalization principles and the useful life of the long range maintenance plan expenditures. Management believes that the change in accounting policy will also provide increased comparability between both current and future industry practice. Further, moving component replacement to the capital program results in improved program oversight and more predictable funding.

Other initiatives implemented during fiscal 2008/09 in response to increasing maintenance costs and the planned fleet expansion includes:

- Realignment of corporate focus and structure towards an asset lifecycle model by linking the relationship between fleet asset management, fleet engineering and fleet maintenance functions.
- Review of warranty coverage and claims to date resulting in estimated cost savings of \$327,000.
- Completion of mid-life refurbishments of nine Dennis Darts.



BC Transit – Owned and Leased Facilities

Location	Land	Building	Construction Date	Estimated capacity remaining
Whistler	leased	leased	1992	-25%
Kelowna	leased	owned	1999	-20%
Kamloops	owned	owned	1982	-7%
Vernon	leased	leased	1981	-5%
Victoria Admin Building	owned	owned	1989	-5%
Central Fraser Valley	leased	owned	2000	0%
Dawson Creek	leased	leased	2002	0%
Victoria Custom Facility	owned	owned	1987	0%
Victoria Garage	owned	owned	1952	0%
Campbell River	leased	leased	1990	5%
Fort St. John	leased	leased	1979	5%
Trail	leased	leased	1981	15%
Victoria/Langford Admin. & Garage Facility	leased	owned	1998	25%

Facilities Maintenance

Total facilities maintenance increased \$1.3 million or 21 per cent from prior year. BC Transit's aging facilities require increasing repair and modifications to meet the physical requirements of expanding service levels. In 2008/09, costs exceeded target by \$0.3 million primarily as a result of higher than expected utility and maintenance costs. Many of BC Transit's existing facilities are at capacity with several operating beyond capacity which is a driver for maintenance costs but also future facilities expansion. This issue is compounded by the difficulty in securing appropriate tenure on sites of a size and location conducive to efficient transit operations. Increased growth and expansion of the fleet to meet Provincial Transit Plan targets will put pressure on existing facilities driving the requirement for new and expanded facilities.

The capital plan includes a long-term phasing strategy for facilities. Capital planning initiatives are underway to deal with the capacity issues summarized in the above table including the construction of a new facility in Whistler, Vernon and Victoria and facility expansions in Central Fraser Valley, Kelowna, Kamloops and Campbell River. These facilities are required in order to meet service expansion targets in these core growth areas.

Administration

Total administration expenses increased \$2.2 million or 13 per cent from prior year (\$1.1 million or six per cent over target). The increase year over year is associated primarily with the incremental costs for planning, execution and promotion of the largest service expansion in BC Transit history through the Provincial Transit Plan. In addition to the service expansion, there are a number of other corporate initiatives under the Provincial Transit Plan that have increased administrative costs including climate action initiatives and increased safety and security measures. Of the \$1.1 million increase over target, \$0.6 million is due to Provincial Transit Plan initiatives, \$0.2 million is due to administration in Municipal Systems, \$0.2 million is due to overtime costs greater than target, and \$0.1 is due to miscellaneous administrative costs.

Fiscal 2008/09 saw a significant increase in recruitment initiatives driven from expansion and an aging workforce. Over 30 per cent of BC Transit's workforce is eligible to retire in the next five years. During fiscal 2007/08, recruitment and replacement costs accounted for the largest administrative cost overrun and as a result, management reviewed existing recruitment processes and implemented new initiatives. These new initiatives resulted in a reduction of general recruiting costs by over \$125,000 compared to prior year although there was a 24 per cent increase in recruitment from fiscal 2007/08.

* A component of Investment and Other Income

Debt Service

Description	2008		2009		Variance	
	Actual	Target	Actual	From 2008	From Target	
Amortization of Capital Assets	18,105	28,066	21,397	3,292	(6,669)	
Amortization of Capital Assets Under Lease	32,654	32,654	32,654	0	0	
Long Term Debt Interest	7,022	6,599	6,856	(166)	257	
Debt Service Cost	57,781	67,319	60,907	3,126	(6,412)	
Amortization of Deferred Capital Contributions	7,237	12,452	9,743	2,506	(2,709)	
Amortization of Deferred Capital Contributions - Assets Under Lease	31,242	32,654	31,242	0	(1,412)	
Amortization of Net Assets	861	1,412	1,412	551	0	
Sinking Fund Interest *	1,834	2,516	1,684	(150)	(832)	
Net Debt Service Cost	16,607	18,285	16,826	219	(1,459)	

DEBT SERVICE

Net debt service costs represent those capital program costs recoverable from local partner rather than federal, provincial or other grants and funding sources.

The lower than targeted net debt service cost is primarily attributable to the later than planned capital spending and anticipated in-service dates relating to project timing on facilities, information technology, low-floor bus acquisitions and security related infrastructure. This is partially offset by the change in accounting policy relating to componentization which resulted in increased capitalization of assets and related amortization.

Other Revenues and Expenditures

Other revenue of \$2.8 million is greater than target by \$0.3 million. Other revenue consists of interest earned on bank deposits, short term deposits and debt sinking funds.

Derivatives and other expenditures of \$1.4 million consist of losses resulting from the revaluation of foreign currency account balances and foreign currency derivative contracts (\$1.1 million) and the loss on disposal of assets (\$0.3 million).

Included in the statement of net assets are mark to market losses on recording debt sinking funds at fair value.

The recognition of debt sinking funds at fair value is a result of accounting standards changes which were adopted by BC Transit in fiscal 2008. These mark to market valuation changes are recorded in net assets until they are realized at which time they are recognized in income. No amounts were recognized in income in the year.

BALANCE SHEET

BC Transit operates on a cost recovery basis. Consequently, transit operations do not generate changes in the corporate balance sheet aside from working capital shifts caused by the timing and realization of revenues and expenditures.

The major balance sheet driver remains the capital program and related financing. In this regard, BC Transit is increasing capital expenditures in line with expansion requirements. Capital grants from federal and provincial funding partners are accounted for as deferred contributions and amortized on the same basis as the related asset. The local share of expenditures is financed by fiscal agency loans arranged through the debt management branch of the Ministry of Finance. Debt service costs thereon are recovered from the local partner.

Capital Expenditures

Actual 2008/09 capital expenditures were \$70 million. Projected spending forecast for the 2009/10 to 2013/14 five year capital plan will significantly exceed historical average spending.

Current year acquisitions are comprised primarily of fleet replacement and expansion including the following acquisitions:

- Acquisition of 26 Alexander Dennis double-deck buses as part of the 2008/09 service expansion.
 - Acquisition of 22 conventional Nova buses as part of the 2008/09 service expansion.
 - Acquisition of eight commuter Nova buses to support the new Malahat / Cowichan Valley commuter service. The buses are the first of their kind in the BC Transit conventional fleet.
 - Acquisition of 21 conventional Nova buses as part of the 2009/10 replacement plan. These buses were used to replace a significant portion of the Whistler and Sea to Sky commuter fleet.
 - Acquisition and implementation of 28 Ford Polar III handyDART community buses for service expansion 08/09. An additional 22 Ford Polars were acquired as part of on-going custom fleet replacement plans.
- Implementation of a four month trial of a Dodge Sprinter handyDART bus for trials in the Victoria fleet. The pilot trial is to be used to gain an understanding of the new vehicle type in service, operational feedback from operators and fuel usage data. All information to be collated and aid the long term strategic fleet plan for the custom division of the business.
 - Successful negotiation of a 12 month trial of North America's first double-deck hybrid bus with bus manufacturer, Alexander Dennis. The bus will be entered into full revenue service. All information to be collated and aid the long term strategic fleet plan.

In prior years, spending was largely restricted to vehicle replacements. With the expansion required to meet the goals of the Provincial Transit Plan, expansion fleet, facilities expansion and system replacement projects are included in the long term capital plan.

As part of the planning and execution of the largest capital and service expansion in BC Transit's history, a capital and fixed asset management department was formed providing oversight over all capital programs. This new department has been instrumental in the planning of capital projects providing improved budgeting, cost monitoring, internal control and reporting capability over BC Transit's capital program and will be instrumental in ensuring the expanded capital program adheres to budget, schedule and scope.

Other fleet initiatives in the year include:

- Issued a Notice to Proceed authorizing the manufacture and delivery for the hydrogen fuel cell bus demonstration fleet. The buses will be delivered to BC Transit in 2009 and will be in use during and after the 2010 Olympic and Paralympic Winter Games in the Resort Municipality of Whistler, British Columbia. The BC Transit demonstration fleet of 20 buses will be the largest fleet of fuel cell buses in the world.

Working Capital Changes

Cash and cash equivalents increased year over year by \$1.9 million due primarily to working capital timing of receipts and payments. Accounts receivable decreased year over year by \$2.9 million due to the collection of federal capital grants of \$6.7 million offset by an increase in receivables from municipalities, trade and other of \$3.8 million which is due primarily to the corresponding increase in operations. Accounts payable and accrued liabilities are up year over year by \$1.8 million or 10 per cent due the increase in operations year over year. Changes in accounting policy, as discussed below under Significant Accounting Changes, resulted

in restatement of prior year balances in accordance with Canadian generally accepted accounting principles.

CRITICAL ACCOUNTING ESTIMATES

The preparation of BC Transit's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. These estimates and assumptions are developed based on the best available information and are believed by management to be reasonable under the existing circumstances. New events or additional information may result in the revision of these estimates over time. A summary of the significant accounting policies used by BC Transit can be found in the notes to the financial statements.

SIGNIFICANT ACCOUNTING CHANGES

Current Year Changes

Effective April 1, 2008, BC Transit implemented the following accounting policy changes:

- Amortization of capital assets changed from the sinking fund method to straight line amortization. In management's view, the change to straight line amortization more accurately reflects the charge of the asset over its useful economic life and is more consistent with industry practice resulting in greater comparability.
- Capitalization and amortization of capital assets changed from a "single asset" approach to a "component" approach. Under a component approach, an asset is broken down into its major components that have significantly different useful lives. As a result of the change, a significant portion of the expenditures incurred under BC Transit's long range maintenance plan which were previously expensed are now capitalized and amortized over their estimated useful lives. In management's view, the change to component based capitalization and amortization more accurately reflects asset capitalization principles and the useful life of the long range maintenance plan expenditures. Management believes that the change in accounting policy will also provide increased comparability between both current and future industry practice. This is permissible under existing Canadian accounting principles but is required under International accounting standards should this become BC Transit's disclosed basis of accounting (see discussion below under future accounting changes).
- BC Transit adopted Section 3031, "Inventories". The new standard replaces the previous inventory standard and requires inventory to be measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out or weighted average cost basis. Net realizable value is determined as the selling price less costs to complete and sell. Under the new standard, major spare parts having a life greater than the normal operating cycle are reclassified from inventory to capital assets.
- BC Transit adopted Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation". The new disclosure standards increase the disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed.

Future Changes

At date of writing, there remains uncertainty over the future direction of financial reporting for government organizations. In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian General Accepted Accounting Principles, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board over a transitional period to be complete by 2011. This raised the question as to whether

government entities were considered publicly accountable enterprises and whether they should adopt IFRS or a separate set of accounting standards.

Based on comments received in 2007 by the Public Sector Accounting Board (PSAB), the body governing accounting standards for government entities, PSAB concluded that government entities would follow IFRS. Subsequent to that decision, certain stakeholders expressed concerns about this change and requested PSAB to re-evaluate this decision. PSAB decided to re-examine their conclusions and on February 24, 2009, PSAB released an Invitation to Comment on Financial Reporting by Government Organizations. The comment period closed on April 17, 2009 and final approval is anticipated in September 2009.

The Invitation to Comment provides various alternatives with respect to the future accounting framework for government organizations other than a government not-for-profit. Based on the definitions of government organizations and the alternatives available, the Invitation to Comment would allow management to self-select between the Public Sector Accounting Handbook or IFRS.

Once the Invitation to Comment is complete and upon all final approvals from PSAB, management will be able to complete its evaluation process. Accordingly, BC Transit is not able to determine the potential impact of this changeover or its impact at this date. Management will prepare pro-forma financial statements under either option to assist in the comparison and evaluation of accounting standards.

OPPORTUNITIES AND RISK FACTORS

Provincial Climate Action Initiatives

The key document guiding BC Transit development plans is the Provincial Transit Plan announced in January 2008. This document which supports the provincial climate action initiatives calls for ridership to double in B.C. communities over the next 20 years.

To achieve these objectives, BC Transit will invest in new services, new physical and technical infrastructure and seek

to take a more significant role in influencing urban form. In addition, long-term master plans will be developed for all the transit systems throughout the province to chart the course for transit expansion aimed at achieving provincial goals.

BC Transit will continue to work with our municipal partners in support of municipal plans to develop more compact, sustainable and efficient communities so as to reduce energy use and greenhouse gas emissions; and to advance municipal plans that support increased population and employment densities near transit hubs and along transit corridors.

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

Economic Uncertainty

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

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

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

Growing Demand

Throughout the province, BC Transit services are experiencing unprecedented demand. Ridership increased by six per cent during 2008/09. The ridership growth indicates the success of improved transit service. Transit ridership has also been influenced by growing concern with respect to the environment and the costs of driving. However, in several communities ridership growth exceeds the capacity of the transit system to respond. The continued rapid growth challenges the financial capacity of funding partners to supply additional service, expanded bus fleets and associated infrastructure.

Labour Force Challenges

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

Vancouver 2010

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

OUTLOOK

BC Transit's 2009-2012 Service Plan describes the transit improvement program to be undertaken in the next three years in response to Shareholder's direction. The plan can be found on BC Transit's website at http://www.bctransit.com/corporate/general_info/annual_reports.cfm#service_plan. Included in the Service Plan is an outlook for the three year service plan period.

2009/10 will also include several challenges. The current economic downturn will place stress on funding partners and volatility of commodity and foreign currency prices could create cost and funding pressures. Management is implementing plans to help mitigate these risks to the extent possible. The future will challenge BC Transit but will also provide significant opportunities.



REPORT OF MANAGEMENT

Year ended March 31, 2009

The financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts based on management's best estimates and careful judgment. A precise determination of many assets and liabilities is dependent upon future events and, consequently, the preparation of periodic financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the financial statements and incorporate, within reasonable limits of materiality, all information available as at May 22, 2009.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees.

The financial statements have been examined by KPMG LLP, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the financial statements in all material respects, present fairly the financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Their report follows. The Board of Directors meets regularly with management and the external auditors to satisfy itself that the company's system of internal control is adequate, to ensure that responsibilities for financial reporting are being met, and to provide an opportunity for full and open access to the Board of Directors in respect to financial reporting matters.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.



Manuel Achadinha
President and Chief Executive Officer
May 22, 2009



Tony Sharp, CA
Vice President, Finance and Chief Financial Officer



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the Board of Directors of
British Columbia Transit

We have audited the balance sheet of British Columbia Transit as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Victoria, Canada

May 22, 2009

BRITISH COLUMBIA TRANSIT

Balance Sheet

March 31, 2009 (\$000)

	2009	2008 (restated - note 2(n))
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 23,540	\$ 21,666
Accounts receivable:		
Federal Capital Grants	5,487	12,148
Municipalities	10,219	9,675
Trade and other	7,620	4,431
Prepaid expenditures	1,336	1,284
Derivative financial instruments (note 13)	-	737
	48,202	49,941
Deferred contributions (note 10)	-	203
Debt sinking funds (note 4)	39,193	32,553
Capital assets (note 5)	224,566	176,674
Capital assets under lease (note 6)	778,699	811,454
Investment in Transportation Property and Casualty Company Inc.	20	20
	\$ 1,090,680	\$ 1,070,845
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,034	\$ 17,220
Deferred revenue (note 7)	11,318	9,825
Current portion of long-term debt (note 8)	9,829	-
Current portion of obligations under capital leases (note 9)	22	17
	40,203	27,062
Long-term debt (note 8)	121,339	113,933
Obligations under capital leases (note 9)	137	162
Deferred contributions (note 10)	1,874	-
Deferred capital contributions (note 11)	854,315	853,285
	1,017,868	994,442
Net Assets		
Contributed surplus	66,048	67,561
Accumulated net assets	6,764	8,842
	72,812	76,403
Commitments and contingencies (note 15)		
	\$ 1,090,680	\$ 1,070,845

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA TRANSIT

Statement of Operations

Year ended March 31, 2009 (\$000)

	2009	2008 (restated - note 2(n))
Revenue:		
Operations	\$ 59,632	\$ 55,925
Investment and other income	2,859	3,380
	<u>62,491</u>	<u>59,305</u>
Expenditures:		
Operations	114,438	98,031
Maintenance	36,236	30,226
Administration	18,752	16,600
Interest on long-term debt	6,856	7,022
Amortization of capital assets	21,397	18,105
	<u>197,679</u>	<u>169,984</u>
Recoveries:		
Contributions from the Province of British Columbia:		
Operating grants	69,874	52,029
Supplementary operating grant	2,000	6,097
Contributions from municipalities (note 10)	53,847	47,606
Amortization of deferred capital contributions - capital assets	9,743	7,237
	<u>135,464</u>	<u>112,969</u>
Revenue from transit operations	276	2,290
Other:		
Amortization of capital assets under lease	(32,654)	(32,654)
Amortization of deferred capital contributions - capital assets under lease	31,242	31,242
Loss on disposal of capital assets	(329)	(94)
(Loss) gain on foreign exchange and derivatives	(1,073)	821
	<u>(2,814)</u>	<u>(685)</u>
Net revenue (expenditures) for the year	\$ (2,538)	\$ 1,605

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Changes in Net Assets

Year ended March 31, 2009 (\$000)

	Accumulated net assets	Contributed surplus	Total 2009	2008 (restated - note 2(n))
Balance, beginning of year as restated (note 2(n))	\$ 8,842	\$ 67,561	\$ 76,403	\$ 72,630
Transitional adjustment for fair value of investments (note 2(m))	-	-	-	2,616
Net revenue (expenditures) for the year	(2,538)	-	(2,538)	1,605
Unrealized gain (loss) from change in fair value of debt sinking funds	(952)	-	(952)	125
Return of contribution to the Province (note 7)	-	(101)	(101)	(573)
Internal transfer	1,412	(1,412)	-	-
Balance, end of year	\$ 6,764	\$ 66,048	\$ 72,812	\$ 76,403

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Cash Flows

Year ended March 31, 2009 (\$000)

	2009	2008 (restated – note 2(n))
Cash provided by (used for):		
Operations:		
Net revenue (expenditures) for the year	\$ (2,538)	\$ 1,605
Items not involving cash:		
Amortization of capital assets	21,397	18,105
Amortization of capital assets under lease	32,654	32,654
Amortization of deferred capital contributions	(40,985)	(38,479)
Loss on disposal of capital assets	329	94
Unrealized loss (gain) on foreign exchange derivative	1,073	(737)
Net changes in non-cash operating working capital:		
Accounts receivable	(3,733)	(1,869)
Prepaid expenditures	(52)	125
Accounts payable and accrued liabilities	1,814	2,867
Deferred revenue	1,493	(4,460)
	11,452	9,905
Investing:		
Proceeds from sale of capital assets	20	537
Additions to capital assets	(69,974)	(38,292)
Recoveries from capital assets under lease	101	573
	(69,853)	(37,182)
Financing:		
Repayment to the Province of British Columbia of proceeds on disposal of contributed land	(101)	(573)
Increase in deferred contributions	2,077	609
Capital lease payments	(20)	(18)
Proceeds on issuance of (repayments of) long-term debt	17,235	(7,991)
Increase in debt sinking funds	(7,592)	(3,883)
Deferred capital contributions received	48,676	24,043
	60,275	12,187
Increase (decrease) in cash and cash equivalents	1,874	(15,090)
Cash and cash equivalents, beginning of year	21,666	36,756
Cash and cash equivalents, end of year	\$ 23,540	\$ 21,666

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

1. Purpose:

British Columbia Transit ("BC Transit") was established under the British Columbia Transit Act, as amended in 1998, to operate the urban transit systems in the Province of British Columbia (the "Province") outside of the Metro Vancouver Regional service area. In 2009 BC Transit recovered 49.6% (2008 - 48.4%) of its expenditures from the Province of British Columbia with the balance from transit operations and municipalities.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. The financial position and changes in the funds during the year are set out in note 12.

2. Summary of significant accounting policies:

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The significant accounting policies are set out here under:

(a) Short-term investments:

Short-term investments are classified as held for trading and carried at fair value.

(b) Parts inventory:

Parts inventory is recorded at cost and included in capital assets as it has an estimated useful life greater than the normal operating cycle. Provision is made for assets that no longer have service potential or are removed from service.

(c) Debt sinking funds:

Debt sinking funds, consisting of pooled investment portfolios and Canada, Provincial government and Crown Corporation bonds, are classified as available for sale and recorded at fair value. Fair values are determined on the basis of quoted bid price.

(d) Capital assets:

(i) All capital assets, including major replacements and improvements, are recorded at cost, including capitalized interest as described in note 2(f).

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

2. Summary of significant accounting policies (continued):

- (ii) Amortization is provided on the basis that results in a matching of these charges with BC Transit's statutory power to recover the cost of the related assets. Contributed assets are not subject to recovery and are amortized over their estimated useful lives. All assets are amortized on a straight line basis (see Note 2(n)(ii)). Estimated useful lives for the majority of BC Transit's capital assets are as follows:

Category:	Estimated Useful Life:
Land	Indefinite – not amortized
Leasehold Improvements	term of lease
Buildings	
- main asset	40 years
- major components	10 – 20 years
Revenue Vehicles	
- main asset	20 years
- major components	3 – 15 years
Equipment and Other	3 – 15 years

- (e) Investment in Transportation Property and Casualty Company Inc.:

BC Transit's 10% interest in Transportation Property and Casualty Company Inc. is recorded on the cost basis of accounting.

- (f) Capitalization of interest:

Interest incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service is capitalized.

- (g) Revenue recognition:

BC Transit follows the deferral method of accounting for contributions. Contributions from third parties for defined purposes are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured, and performance has been met.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

(h) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by prepaid capital advances from the Province and capital grants from the federal government. These are recorded by BC Transit as deferred capital contributions and are recognized in the statement of operations on the same basis as the related assets are amortized. This matches the amortization of the deferred capital contributions with the expenditures incurred through amortization of the capital assets acquired with the funds.

(i) Employee future benefits:

BC Transit and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 54,000 active plan members and approximately 33,000 retired plan members. Required contributions to the Plan are expensed as incurred.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at March 31, 2008, indicated a \$486,591 surplus for basic pension benefits. The actuary does not attribute portions of the surplus to individual employers. The next required valuation is March 31, 2011. BC Transit paid \$3,357 (2008 - \$3,031) for employer contributions to the Plan in fiscal 2009.

(j) Use of estimates:

The preparation 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 and the reported amounts of revenue and expenditures during the reported periods. Significant areas requiring the use of management estimates include the determination of amortization periods and certain accrued liabilities. Actual results could differ from the estimates. Adjustments, if any, are reflected in operations in the period of settlement or when revisions to estimates are made.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

2. Summary of significant accounting policies (continued):

(k) Income and capital taxes:

BC Transit is exempt from Canadian federal and British Columbia provincial income and capital taxes.

(l) Impairment of long-lived assets:

BC Transit monitors the recoverability of long-lived assets, including capital assets, whenever events or changes in circumstances indicate that the asset no longer has service potential. When a capital asset no longer contributes to BC Transit's ability to provide transit services, its carrying value is written down to residual value.

(m) Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity of another party. Financial assets include cost and rights to receive cash or another financial instrument from another party. Financial liabilities represent contractual obligations to deliver cash or other financial instruments to another party.

Cash and cash equivalents, including short-term investments and all derivative financial instruments are classified as held for trading and carried at fair value with unrealized gains or losses recorded in current year operations.

Accounts receivable, accounts payable and accrued liabilities and long-term debt are all initially recorded at fair value and then carried at amortized cost thereafter. Transaction costs and debt premiums or discounts are reflected in the carrying amount of long-term debt and amortized on an effective interest rate basis.

Investments in sinking funds are classified as available for sale and carried at fair value. The unrealized change in fair value is reflected as an adjustment to accumulated net assets to be recorded in income when realized.

BC Transit adopted CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and related financial instrument sections effective April 1, 2007. The impact to the opening fund balances as a result of this change in accounting policy in the preceding year was to increase debt sinking funds and accumulated net assets by \$2,616 representing the adjustment to fair value of investments.

(n) Changes in Accounting Policy:

(i) Componentization of Capital Assets

Effective April 1, 2008, BC Transit changed its accounting policy with respect to the capitalization and amortization of assets to a "component" approach from a "single asset" approach. Under a component approach, an asset is broken down into its major

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

2. Summary of significant accounting policies (continued):

components that have significantly different useful lives. As a result of the change, a significant portion of the expenditures incurred under BC Transit's long range maintenance plan which were previously expensed are now capitalized and amortized over their estimated useful lives. BC Transit's long range maintenance plan was implemented effective April 1, 2008. In management's view, the change to component based capitalization and amortization more accurately reflects asset capitalization principles and the useful life of the long range maintenance plan expenditures. Management believes that the change in accounting policy will also provide increased comparability between both current and future industry practice.

The change in accounting policy was applied retrospectively and the comparative period March 31, 2008 has been restated. The effect of the change on the March 31, 2008 comparative year is as follows:

	Increase (Decrease)
Maintenance Expense	\$ (1,357)
Amortization Expense	520
Capital Assets	2,936
Opening Accumulated Net Assets	2,099

(ii) Amortization of Capital Assets

Effective April 1, 2008, BC Transit changed its accounting policy for the amortization of capital assets from the sinking fund method to straight line amortization. In management's view, the change to straight line amortization more accurately reflects the charge of the asset over its useful economic life and is more consistent with industry practice resulting in greater comparability.

This accounting change has been adopted retrospectively and the comparative period March 31, 2008 has been restated. The effect of the change on the March 31, 2008 comparative year is as follows:

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

2. Summary of significant accounting policies (continued):

	Increase (Decrease)
Capital assets	\$ (30,050)
Capital assets under lease	<u>(69,702)</u>
	(99,752)
Deferred contributions	(17,276)
Deferred capital contributions	(79,827)
Contributed surplus	<u>(2,649)</u>
	(99,752)

(iii) Inventory

Effective April 1, 2008, BC Transit adopted Section 3031, "Inventories" which replaced Section 3030, "Inventories". The new standard replaces the previous inventory standard and requires inventory to be measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out or weighted average cost basis. Net realizable value is determined as the selling price less costs to complete and sell. Under the new standard, major spare parts having a life greater than the normal operating cycle are reclassified from inventory to capital assets. The impact as a result of this accounting policy change is that inventory of \$7,048 has been reclassified to capital assets (2008 - \$6,215).

(o) Future Accounting Standards:

(i) Financial Reporting by Government Organizations

In 2006, Canada's Accounting Standards Board ratified a strategic plan that would result in Canadian generally accepted accounting principles, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board over a transitional period to be complete by 2011. This raised the question as to whether government entities were considered publicly accountable enterprises and whether they should adopt IFRS or a separate set of accounting standards.

Based on comments received in 2007 by the Public Sector Accounting Board ("PSAB"), the body governing accounting standards for government entities, PSAB concluded that certain government entities would follow IFRS. Subsequent to that decision, certain stakeholders expressed concerns about this change and requested PSAB to re-evaluate

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

2. Summary of significant accounting policies (continued):

this decision. PSAB decided to re-examine their conclusions and on February 24, 2009, PSAB released an Invitation to Comment on Financial Reporting by Government Organizations. The comment period closed on April 17, 2009 and final approval is anticipated in September 2009.

The Invitation to Comment provides various alternatives with respect to the future accounting framework for government organizations other than a government not-for-profit. Based on the definitions of government organizations and the alternatives available, the Invitation to Comment would allow management to self-select between the Public Sector Accounting Handbook or IFRS.

Once the Invitation to Comment is complete and upon final approvals from PSAB, management will be able to complete its evaluation process. Accordingly, BC Transit is not able to determine the potential impact of this changeover or its impact at this date.

(p) Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

3. Cash and cash equivalents:

BC Transit considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

(a) Major components of cash and cash equivalents are as follows:

	2009	2008
Cash	\$ 4,872	\$ 3,783
Short-term investments	18,668	17,883
	\$ 23,540	\$ 21,666

(b) Supplemental cash flow information:

	2009	2008
Cash paid during the year for:		
Interest on long-term debt and notes payable	\$ 6,554	\$ 6,936
Cash received:		
Interest on investments	2,860	3,338

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

4. Debt sinking funds:

Investments held in the sinking funds, including interest earned, are to be used to repay the related debt at maturity.

Investment income in 2009 includes \$8 (2008 - \$286) of realized gains on disposition of investments in the sinking funds.

Sinking funds and related investments are managed by the British Columbia Investment Management Corporation ("BCIMC"). Investment management fees totaling \$26 (2008 - \$19) were paid directly from individual portfolios to BCIMC.

5. Capital assets:

March 31, 2009	Carrying value	Accumulated depreciation and amortization	Net book value
Land	\$ 2,608	\$ –	\$ 2,608
Leasehold improvements	3,304	1,744	1,560
Buildings	22,292	13,894	8,398
Revenue vehicles – main asset	264,208	118,652	145,556
Revenue vehicles – major components	28,457	2,946	25,511
Revenue vehicles – under capital lease	294	135	159
Equipment and other	19,157	12,672	6,485
Capital projects in progress	27,242	–	27,242
Capital inventory	7,047	–	7,047
	\$ 374,609	\$ 150,043	\$ 224,566

March 31, 2008 (restated – note 2(n))	Carrying value	Accumulated depreciation and amortization	Net book value
Land	\$ 2,608	\$ –	\$ 2,608
Leasehold improvements	2,554	1,576	978
Buildings	22,292	12,797	9,495
Revenue vehicles – main asset	239,607	106,765	132,842
Revenue vehicles – major components	3,942	1,006	2,936
Revenue vehicles – under capital lease	294	115	179
Equipment and other	18,345	10,995	7,350
Capital projects in progress	14,071	–	14,071
Capital inventory	6,215	–	6,215
	\$ 309,928	\$ 133,254	\$ 176,674

During the year, \$329 of equipment was recognized as a write-down when the equipment was removed from service.

Interest capitalized for capital projects in 2009 was \$906 (2008 - \$207).

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

6. Capital assets under lease:

These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the South Coast British Columbia Transportation Authority ("SCBCTA") for their use pursuant to an Order in Council and operating lease and represent one of the Province's contributions toward public transportation in the Metro Vancouver service area.

The operating lease arrangements with SCBCTA are for one dollar per year under an initial 15-year term to 2014, with additional five-year renewal periods upon the agreement of BC Transit and the SCBCTA.

March 31, 2009	Carrying value	Accumulated amortization	Net book value
SkyTrain	\$ 1,204,098	\$ 496,629	\$ 707,469
West Coast Express	128,848	57,618	71,230
	\$ 1,332,946	\$ 554,247	\$ 778,699

March 31, 2008 (restated – note 2(n))	Carrying value	Accumulated amortization	Net book value
SkyTrain	\$ 1,204,199	\$ 468,270	\$ 735,929
West Coast Express	128,848	53,323	75,525
	\$ 1,333,047	\$ 521,593	\$ 811,454

7. Deferred revenue:

	2009	2008
Unexpended contributions:		
Provincial funding	\$ 3,717	\$ 3,390
Fuel Cells Canada	1,045	1,045
Public Transit Agreement	6,556	5,390
	\$ 11,318	\$ 9,825

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

BC Transit owns certain West Coast Express and SkyTrain infrastructure in Vancouver. The SkyTrain infrastructure included lands surplus to the operation of the Expo Line. As in prior years BC Transit has disposed of certain surplus lands. The total proceeds of \$101 (2008 - \$573) are included in deferred revenue. The Ministry of Transportation and Infrastructure granted these and other accumulated funds to BC Transit to use for operating and capital expenditures. \$ - (2008 - \$6,097) was recognized in operations during the year and \$2,000 (2008 - \$458) was used to purchase capital assets. The remaining unexpended amounts represent funds designated for capital and special projects.

Deferred revenue also includes \$775 received from the Ministry of Environment and held for retro-fitting diesel motors.

BC Transit earned interest of \$ - (2008 - \$45) and \$152 (2008 - \$237) respectively on deferred capital grants from Fuel Cells Canada and the Public Transit Agreement. As required under the related contribution agreements, this interest has been deferred.

8. Long-term debt:

BC Transit's debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this indemnity. Under the British Columbia Transit Act, BC Transit is subject to a borrowing limit of \$500 million in total. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request.

Total fees paid for these fiscal agency services were \$26 (2008 - \$17).

During 2009, BC Transit issued bonds of \$17,235 with a weighted average interest rate of 4.47% and a weighted term to maturity of 14 years.

Long-term debt outstanding at March 31 is as follows:

	2009	2008
Sinking fund bonds, weighted average interest rate of 5.49%, maturing at various dates to 2023, amortized from 10 to 20 years	\$ 117,410	\$ 100,184
Sinking fund bonds under interest rate and currency conversion agreements, effective weighted average interest rate of 6.06%, maturing at various dates to 2011, amortized over 12 years	13,758	13,749
	131,168	113,933
Less current portion	9,829	-
	\$ 121,339	\$ 113,933

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

8. Long-term debt (continued):

Schedule of long-term debt maturities in each of the next five years are as follows:

2010	\$	9,829
2011		8,364
2012		9,918
2013		-
2014		9,604
Thereafter		93,453

Schedule of long-term debt sinking fund installments in each of the next five years are as follows:

2010	\$	7,465
2011		7,155
2012		6,672
2013		5,238
2014		4,783
Thereafter		29,898

9. Obligations under capital leases:

BC Transit leases equipment under leases which are classified as capital leases. The future minimum annual lease payments are as follows:

2010	\$	34
2011		34
2012		34
2013		34
2014		34
Thereafter		29
		199
Less amount representing interest at 8.36%		(40)
Present value of capital lease obligations		159
Less current portion		(22)
	\$	137

Interest incurred during the year with respect to obligations under capital leases amounted to \$14 (2008 - \$16).

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

10. Deferred contributions:

Debt service contributions to fund sinking fund and interest payments are recovered from municipal partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

	2009	2008 (restated – note 2(n))
Balance, beginning of year	\$ (203)	\$ (811)
Contributions from municipalities - Victoria	24,782	22,688
Contributions from municipalities - other municipalities	31,142	25,526
Contributions from municipalities expended	(53,847)	(47,606)
Balance, end of year	\$ 1,874	\$ (203)

11. Deferred capital contributions:

	2009	2008 (restated – note 2(n))
Federal and Provincial contributions subject to amortization		
Capital assets:		
Balance, beginning of year	\$ 100,120	\$ 71,096
Contributions	42,017	36,351
Amortization	(9,743)	(7,327)
Balance, end of year	132,394	100,120
Capital assets under lease:		
Balance, beginning of year	\$ 753,165	\$ 784,406
Amortization	(31,242)	(31,242)
Balance, end of year	721,921	753,165
	\$ 854,315	\$ 853,285

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

12. Victoria Regional Transit Fund:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the financial statements. The fund balance and transactions during the year are as follows:

	2009	2008
Fund balance, beginning of year	\$ 987	\$ 2,475
Revenue:		
Fuel tax	11,145	8,085
Property tax	14,663	12,888
Interest earned	62	227
Contributions	(24,782)	(22,688)
Fund balance, end of year	\$ 2,075	\$ 987

13. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. The estimated fair value of obligations under capital leases approximates their carrying value as they bear interest at rates approximating current market rates. Debt sinking funds are reflected on the balance sheet at fair value. The fair value of long-term debt at March 31, 2009 is \$144,480 (2008 - \$126,528).

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Risks associated with financial assets and liabilities:

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.

Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk and foreign exchange risk and is discussed below.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

Commodity Price Risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, entering into a physical hedge agreement to fix all or a portion of fuel prices with a supplier and / or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the BC Transit Act to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors.

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate from changes in market interest rates. BC Transit is exposed to interest rate risk to the extent of changes in the prime interest rate. BC Transit may from time to time enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. These arrangements with respect to long term debt are \$13,758 maturing in 2010 and 2011. The net fair value of these derivative instruments is nominal at March 31, 2009 and 2008.

Foreign exchange risk:

BC Transit is exposed to currency risk on purchases and loans denominated in the U.S dollar and U.K. pound sterling. BC Transit periodically makes commitments to acquire certain capital assets, primarily transit vehicles, from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. No such derivative contracts were entered into during the year.

Sensitivity Analysis:

The following table is a sensitivity analysis indicating the impact on net revenue (expenditures) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the recent volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

	1% Change
Commodity Price Risk	\$ 236
Interest Rate Risk	1,300
Foreign Exchange Risk	160

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

Credit Risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. A substantial portion of BC Transit's accounts receivable are with government entities, either Federal, Provincial or from municipal government partners. The maximum credit risk exposure is the total carrying value of accounts receivable. BC Transit monitors the creditworthiness and concentration of credit. Cash and cash equivalents and debt sinking funds are held only at major financial institutions.

Liquidity Risk:

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long term debt is disclosed in note 8. Other commitments with future minimum payments are disclosed in note 15.

14. Capital Disclosures

BC Transit defines capital as net assets plus deferred capital contributions. BC Transit receives the majority of these operating and capital funds from the Province and municipal partners.

BC Transit's objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.

BC Transit is not subject to debt covenants or other restrictions with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. BC Transit has complied with the external restrictions on any external funding provided.

15. Related Party Transactions

As a Crown Corporation of the Province, BC Transit and the Province are considered related parties. All transactions between BC Transit and the Province are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions and balances have been disclosed elsewhere in the financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2009 (\$000)

16. Commitments and Contingencies:

BC Transit has outstanding commitments as summarized below:

As at March 31	2010	2011	2012	2013	2014
Operating leases	\$ 1,318	\$ 1,323	\$ 1,310	\$ 1,332	\$ 1,264
Facilities	2,515	-	-	-	-
Vehicle purchases	100,816	-	-	-	-
Other capital commitments	1,044	-	-	-	-
Total	\$ 105,693	\$ 1,323	\$ 1,310	\$ 1,332	\$ 1,264

The nature of BC Transit's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2009, management has determined that BC Transit has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.

APPENDICES

Appendix A1 – Performance Summary

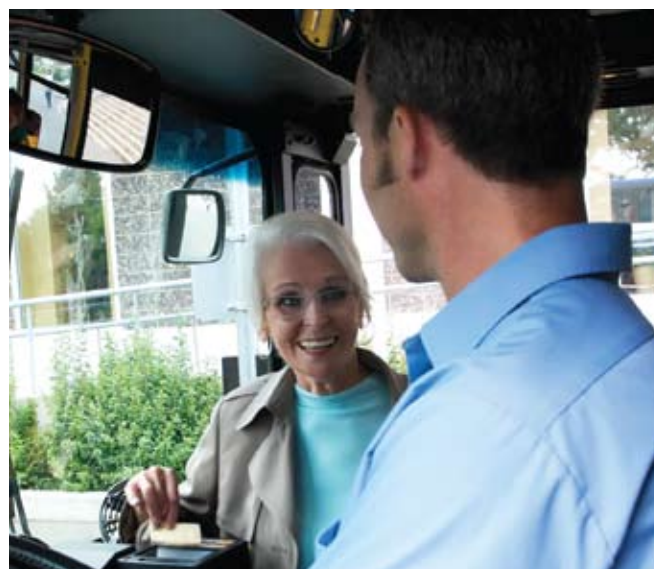
Victoria Regional

VICTORIA REGIONAL TRANSIT SYSTEM PERFORMANCE SUMMARY

Overall, transit service in the Victoria Regional Transit System exceeded the prior year by 64,000 hours (eight per cent). In 2008/09 a record 24.1 million passengers chose public transit – 1.3 million passengers or six per cent more than the preceding year. The results for conventional and custom transit were as follows.

Victoria Conventional Transit	2006/07 Actual	2007/08 Actual	2008/09 Actual	2008/09 Corporate Target	2009/10 Service Plan Target	2010/11 Service Plan Target
SERVICE, EFFECTIVENESS & EFFICIENCY						
Service hours (000s)	623	664	723	737	761	770
Revenue passengers (000s)	21,845	22,386	23,716	23,837	24,016	24,513
Revenue passengers per service hour	35.1	33.7	32.8	32.3	31.6	31.8
Operating cost per service hour	\$87.10	\$89.97	\$93.77	\$90.73	\$96.21	\$101.37
Operating cost per revenue passenger	\$2.48	\$2.67	\$2.86	\$2.81	\$3.05	\$3.18

Victoria Custom Transit	2006/07 Actual	2007/08 Actual	2008/09 Actual	2008/09 Corporate Target	2009/10 Service Plan Target	2010/11 Service Plan Target
SERVICE, EFFECTIVENESS & EFFICIENCY						
Service Hours (000s)	104	109	114	115	116	122
Revenue passengers (000s)	353	375	378	399	406	424
Revenue passengers - van only (000s)	272	285	285	326	310	326
Revenue passengers per service hour - van	2.6	2.6	2.5	2.8	2.7	2.7
Operating cost per service hour	\$51.17	\$53.15	\$54.93	\$55.24	\$58.02	\$59.63
Operating cost per revenue passenger - van	\$19.59	\$20.26	\$22.01	\$19.52	\$21.78	\$22.33



Appendix A2 - Performance Summary

Municipal Systems

MUNICIPAL SYSTEMS PROGRAM PERFORMANCE SUMMARY

Overall, there was a 11 per cent increase in service delivered compared to the previous year, for a total of 1,175,000 service hours in the conventional, custom and paratransit programs combined. A record 23.5 million passengers chose public transit - an increase of 1.6 million passengers (seven per cent) over the previous year. The results for conventional and custom transit were as follows.

Municipal Systems Conventional Transit	2006/07 Actual	2007/08 Actual	2008/09 Actual	2008/09 Corporate Target	2009/10 Service Plan Target	2010/11 Service Plan Target
SERVICE, EFFECTIVENESS & EFFICIENCY						
Service hours (000s)	723	772	854	875	901	946
Revenue passengers (000s)	18,895	20,408	21,776	22,262	23,652	25,439
Revenue passengers per service hour	26.1	26.4	25.5	25.4	26.3	26.9
Operating cost per service hour	\$76.07	\$80.85	\$87.36	\$83.53	\$92.41	\$92.87
Operating cost per revenue passenger	\$2.91	\$3.06	\$3.42	\$3.28	\$3.52	\$3.45

Municipal Systems Custom/Para Transit	2006/07 Actual	2007/08 Actual	2008/09 Actual	2008/09 Corporate Target	2009/10 Service Plan Target	2010/11 Service Plan Target
SERVICE, EFFECTIVENESS & EFFICIENCY						
Service hours (000s)	266	282	321	329	355	384
Revenue passengers (000s)	1,441	1,515	1,706	1,809	2,002	2,204
Revenue passengers - van only (000s)	1,303	1,363	1,540	1,540	1,784	1,967
Revenue passengers per service hour - van	4.9	4.8	4.8	4.7	5.0	5.1
Operating cost per service hour	\$51.15	\$55.22	\$59.37	\$56.57	\$61.96	\$63.75
Operating cost per revenue passenger - van	\$10.44	\$11.42	\$12.36	\$12.09	\$12.32	\$12.45



Appendix A3 - Comparison to Industry Benchmarks

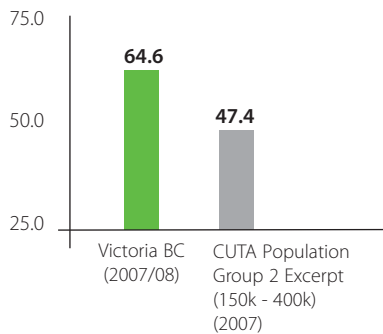
A recent review of the performance of the Victoria Regional Transit System and Municipal Systems Program provided the following summary of comparative results based on figures supplied by the Canadian Urban Transit Association (CUTA).

Performance of BC Transit's systems in 2007/08 is also benchmarked against comparable Canadian transit systems using the most recently available data from CUTA for 2007 or 2007/08. The performance ratios selected are the most common measures used by the North American transit industry to gauge and compare service effectiveness and efficiency.

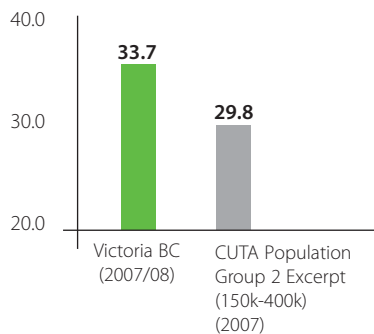
VICTORIA REGIONAL TRANSIT SYSTEM BENCHMARKS

The Victoria Regional Transit System conventional service is compared with similar systems in the CUTA Urban Transit Population Group 2 (service area population 150,000-400,000). The Victoria custom service is compared with similar systems in the CUTA Specialized Transit Population Group 1 (service area population greater than 150,000).

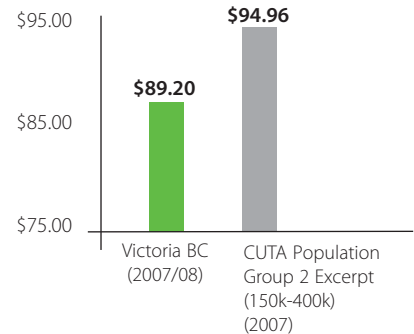
**Victoria Conventional
Passengers/Capita**



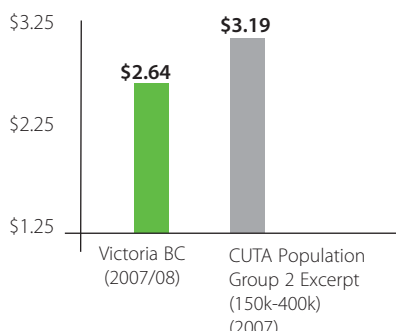
**Victoria Conventional
Passengers/Hour**



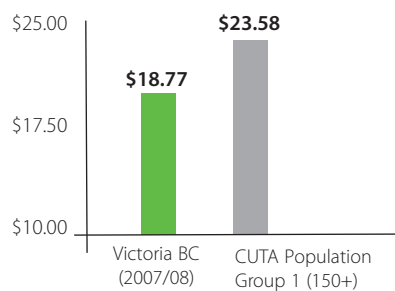
**Victoria Conventional
Operating Cost/Hour**



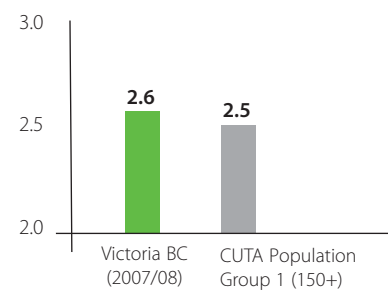
**Victoria Conventional
Operating Cost/Passenger**



**Victoria Custom
Operating Cost/Van Passenger**



**Victoria Custom
Van Passenger/Hour**

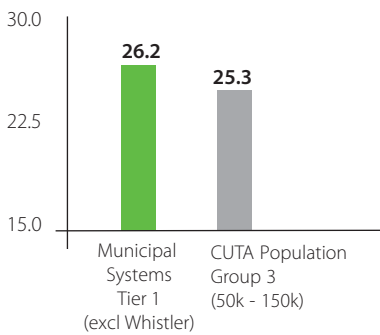


MUNICIPAL SYSTEMS PROGRAM BENCHMARKS

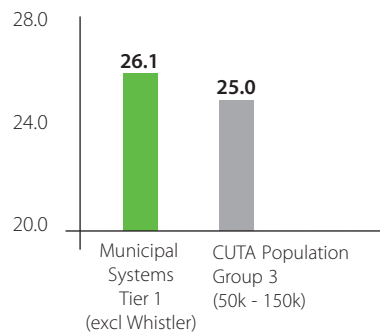
In the case of the Municipal Systems Program, tier 1 conventional transit systems (those with service area populations over 50,000) are compared with the CUTA Urban Transit Population Group 3 (service area population 50,000-150,000).

The Municipal Systems Program custom program averages the seven largest systems to compare with the CUTA Specialized Transit Population Group 2 (service area population 50,000-150,000).

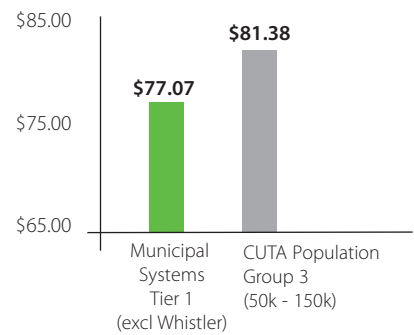
**Municipal Systems Conventional
Passengers/Capita**



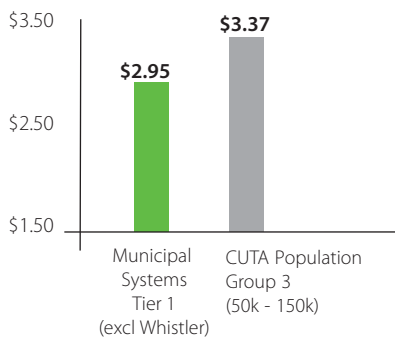
**Municipal Systems Conventional
Passengers/Hour**



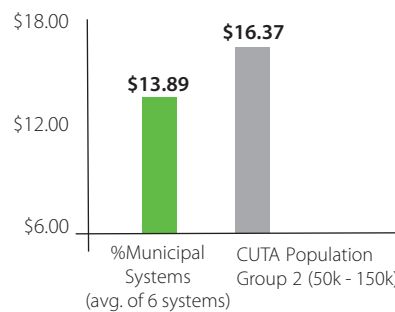
**Municipal Systems Conventional
Operating Cost/Hour**



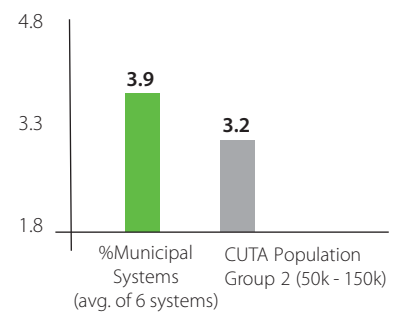
**Municipal Systems Conventional
Operating Cost/Passenger**



**Municipal Systems Custom/Para
Operating Cost/Van Passenger**



**Municipal Systems Custom/Para
Van Passenger/Hour**



Appendix A4 - Glossary

Glossary

Accessible buses – Accessible buses are able to accommodate riders who have wheelchairs or scooters. Accessible bus stops are clearly marked with the international wheelchair symbol, and routes that are fully accessible are indicated in the Rider's Guides.

Biodiesel – Biodiesel is a combination of a clean burning non-toxic biodegradable alternative fuel combined, at any percentage, with diesel to be used in diesel engines. The biofuel component is produced from renewable sources such as vegetable oil and animal fats. Minimum biodiesel content in fuels will be regulated by governments in the future.

Canadian Urban Transit Association – CUTA is the association for providers of urban transit services and the voice of the public transit industry in Canada.

Capital Costs – The sum of money paid for facilities and equipment (including taxes and interest charges) with a service life exceeding one year.

Community Bus – Using minibuses on fixed routes used to efficiently serve lower density/suburban markets and feed the mainline bus networks.

Componentization – Componentization is where an asset is broken down into its major components that have significantly different useful lives.

Conventional transit – Serves the general population in urban settings using mid-sized, large or double-deck buses. The buses are accessible and low-floor and run on fixed routes and fixed schedules.

Custom transit – Employs vans and minibuses and taxis for dial-a-ride and door-to-door handyDART service for passengers with disabilities who cannot use conventional transit. Contracted Taxi Supplement and Taxi Saver (discounted coupon) programs make for a flexible service that adapts to customer needs.

Cost-sharing agreement – An agreement between BC Transit and the municipality for the provision of transit service or the development of a transit study.

Double-deck bus – BC Transit's low-floor double-deck buses are 12 metres (40 feet) long, 2.5 metres (eight feet) wide, and 4.3 metres (14 feet) tall and can carry 110 passengers. Compared to a single deck, 12-metre bus, the double-deck bus provides a 120 per cent increase in carrying capacity at a capital cost that is only 40 per cent higher.

Effectiveness – A measure of the ability of the transit system to carry out the required services.

Feasibility study – A two-phase study, performed by BC Transit, consisting of a Transit Concept Plan and a Transit Service Plan under the terms of a cost-sharing agreement between BC Transit and the municipality.

handyDART – Custom door-to-door service for those passengers who cannot use conventional transit due to a disability. Riders must be registered with the handyDART office before they can use the service. Also known as custom transit, handyDART stands for handy Dial-a-Ride-Transit.

Hybrid vehicle – A vehicle that uses two or more distinct power or fuel sources. The term most commonly refers to a hybrid electric vehicle which combines an internal combustion engine and an electric motor powered by batteries.

Hydrogen fuel cell – An electrochemical energy conversion device that uses hydrogen gas to produce electricity, water and heat. It operates much like a battery but does not require recharging. If sufficient hydrogen fuel is available it can generate electricity almost indefinitely.

Low-floor bus – Designed for easy boarding so the entire floor is close to the pavement with no entry steps. For passengers who use walkers, crutches or who have difficulty stepping up, all low-floor buses have a kneeling feature that lowers the entry level even further and provides a ramp for wheelchair and scooter access.

Mode – A form of travel, e.g., transit, pedestrian, bicycle, automobile, or mixed mode such as bicycle and transit.

Municipality – For the purpose of agreements under the British Columbia Transit Act, municipalities are defined as cities, townships, villages, or regional districts, or a combination of these, involved in the operation, funding or feasibility assessment of a transit system.

Operating cost – The sum of all costs associated with the operation, maintenance and administration of the transit system during a specified period excluding depreciation and interest paid on loans for capital outlays.

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

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

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

Operating company – The company selected by BC Transit and the municipality to operate the transit system under the terms of the Transit Service Agreement and the Annual Operating Agreement.

Operating expenses – The sum of all costs associated with the operation, administration and maintenance of the transit system during a specified period, excluding depreciation and interest paid on loans for capital outlays.

Paratransit – Serves small town and rural B.C. as well as some suburban areas using minibuses, taxis and vans for a flexible routing and schedules.

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

Per capita – estimates use population figures from the most recently published census, adjusted annually by B.C. Statistics and collated for the respective Transit Service Area by BC Transit.

Performance measures – Are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Paratransit – Bus or van service in towns and rural areas where the population density does not warrant conventional bus service. More flexible than conventional fixed route transit, paratransit typically offers both custom door-to-door and fixed route service, with a flexible timetable to accommodate route deviation.

Peak period (or Hours) – That period of time during a typical weekday in which the maximum amount of travel occurs. Usually a morning and evening peak are observed as a result of work and school related trips. The opposite of peak period is base or off peak period.

Rapid transit – High quality rail and bus transportation that meets service demand between regional and local town centres and serves future population growth, land use development, economic development, and employment trends.

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

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

Service hours – Represent the total number of hours that the transit fleet is in regular passenger service.

SMARTTool – A web-based tool to estimate and track Government's greenhouse gas emissions from its operations. SMARTTool has been developed to ensure that estimates of greenhouse gas emissions are credible, exhibit continuous improvement, and are consistent with the [Carbon Neutral Government Regulation](#).

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

Taxi saver program – "Taxi Saver" is the name of a discounted coupon program which provides registered handyDART clients with up to \$80 of taxi coupons at half price, valid for use in local taxi services. BC Transit has established agreements with local taxi firms in more than a dozen communities.

Tier 1 – A conventional transit system whose service area population is over 50,000.

Total revenue – Includes passenger and advertising revenue. It excludes property tax and fuel tax revenue.

ULSD – Ultra Low Sulphur Diesel – describes the current standard for refining diesel fuel with substantially lowered sulphur content. As

of October 2006, the ULSD standard is 15 parts per million, much lower than the previous LSD standard of 500 ppm. This standard dramatically reduces emissions of sulphur compounds as well as reducing oxides of nitrogen, and particulates.

U-PASS – universal bus pass for post-secondary institutions where all students pay a fee for a bus pass.

Appendix A5 - Contact Information

BC Transit Senior Leadership Team & Contact Information

Manuel Achadinha, President and CEO

Tony Sharp, Vice-President, Chief Financial Officer

Mike Davis, Vice-President, Business Development

Ron Drolet, Vice-President, Planning

Steve New, Vice-President, Chief Operating Officer

Debbie Nussbaum, Vice-President, Human Resources

Contact information:

For further information about BC Transit contact our head office:

BC Transit
520 Gorge Road East
PO Box 610
Victoria, British Columbia V8W 2P3

Telephone: (250) 385-2551
Fax: (250) 995-5639
Web: www.bctransit.com

BC Transit's Annual Reports are available on the BC Transit website at www.bctransit.com.

Appendix A6 - Map of BC Transit Systems







Linking Communities, Businesses & Lifestyles