



Annual Report | 2009/10



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, 2010.

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

An increasing number of British Columbians made BC Transit their sustainable transportation choice in 2009/10. During the past year, 48.8 million customers used BC Transit's services, a 2.5 per cent increase in ridership from 2008/09.

To meet this growing demand, BC Transit expanded service by 4 per cent and improved transit in all parts of the province. Among the many communities that increased service and passengers, Prince George, Squamish and Central Fraser Valley had notable ridership gains of 7 per cent or more.

In addition to core transit ridership of 48.8 million, BC Transit successfully carried over 1.4 million passengers in a four week period during the 2010 Olympic and Paralympic Winter Games in Whistler, Squamish and Pemberton. Through innovative planning, marketing and customer service, and careful contract and cost management, BC Transit delivered a five-fold increase to service levels to these communities at no incremental net cost.

As part of the Olympic efforts in Whistler, BC Transit placed into service 20 hydrogen fuel cell buses, the world's largest fuel cell bus fleet operating in a single location. The organization also completed a state of the art vehicle servicing and fueling facility on time and under budget that will see the Whistler community through decades of transit system growth.

Notwithstanding the volatility of fuel and maintenance costs and a less certain economic climate in 2009/10, BC Transit, through careful management, capped its total expenditures at \$218.0 million, which was 3 per cent (\$8.1 million) below budget. Passenger and advertising revenues were 4 per cent (\$2.6 million) below target and 2 per cent (\$1.1 million) higher than 2008/09 revenues. Revenues were also impacted by discounted fares, such as monthly passes and U-PASS and ProPASS programs however, these initiatives drove ridership gains in support of our provincial climate action goals.

BC Transit will not be without challenges in the year ahead. Continued economic uncertainty may affect our ability to grow service and ridership at levels targeted in the Provincial Transit Plan. In addition, fuel cost volatility can significantly affect our operating costs and requires continued rigorous management.

To manage these challenges and ensure our long term viability, BC Transit developed a corporate strategic plan in 2009/10. Created with significant input and consultation with our customers, staff, local governments, and other transit stakeholders, the strategic plan lays out our organization's vision and requirements for future success. The plan affirms BC Transit's focus on developing sustainable revenue sources and positively influencing land use decisions that impact transit.

In the year ahead, we look forward to working with our Provincial shareholder and local government funding partners to implement the strategic plan's recommendations and deliver the best possible value to the public. Building on this past year's success, BC Transit will continue to work diligently to connect people and communities to a more sustainable future.



Kevin Mahoney
Chair

Accountability Statement

BC Transit's 2009/10 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. 2009/10 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, 2010 in relation to our September 2009 Service Plan Update.

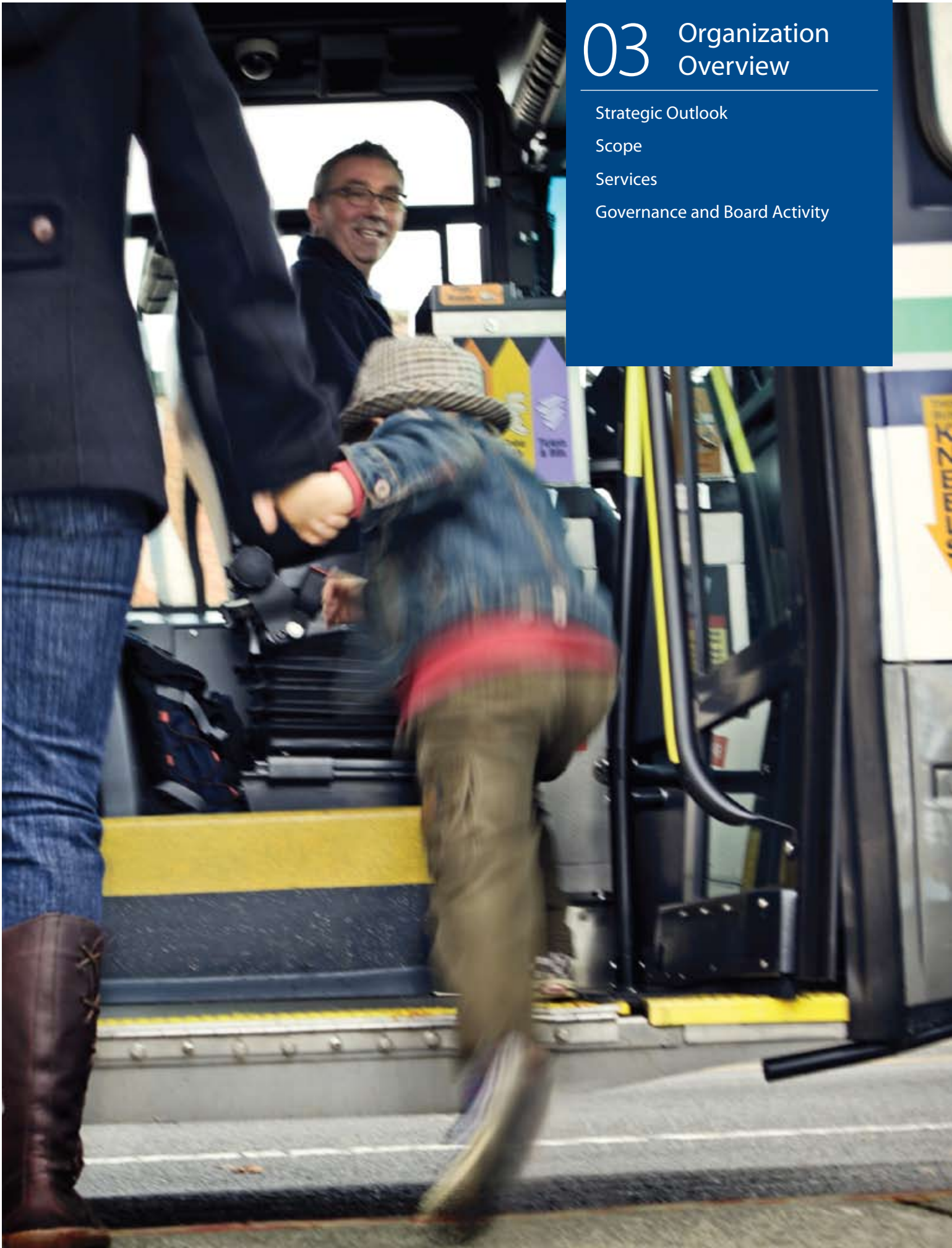
The Board is accountable for the contents of the report, including the selection of performance measures and how results have been reported. The measures presented are consistent with BC Transit's goals and objectives, and focus on aspects critical to the organization's performance.

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, 2010 have been considered in preparing the report. Any changes in mandate, direction, goals, strategies, measures or targets made since the September 2009 Service Plan Update was released and any significant limitations in the reliability of data are identified in the report.



Kevin Mahoney
Chair



03 Organization Overview

Strategic Outlook

Scope

Services

Governance and Board Activity

Organization Overview

BC Transit is the provincial Crown agency charged with coordinating transportation systems throughout British Columbia outside of 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."

Funding transit service is a partnership of local governments and the Province through BC Transit.

BC Transit headquarters is located in Victoria, British Columbia.

Strategic Outlook

BC Transit services link communities, businesses and lifestyles across the province with cost-effective, sustainable transit. BC Transit services contribute to government objectives in four key strategic areas:

1. To support the achievement of climate change initiative goals.
2. To support rural and First Nations communities by linking communities, businesses and services.
3. To increase the mobility of the aging population and provide improved transit to support aging in place.
4. To contribute to the economic, social and environmental sustainability of the province's communities through efficient and effective transit.

During the past year, BC Transit created a strategic plan— *Shaping our Future* —that establishes the vision, mission, values and strategic objectives needed to accomplish these government objectives and take the province's sustainable transportation networks to the next level of quality, ridership and effectiveness.

OUR VISION

To be a leader of integrated transportation solutions connecting people and communities to a more sustainable future.

OUR MISSION

Through the strength of our people and partners, we provide safe, effective, customer-focused transportation solutions that link communities, businesses, and lifestyles.

OUR VALUES

As we move forward on achieving our objectives and vision of success, the following values will guide our decisions and development:

Safety – We will ensure and improve the safety and security of our employees, customers and assets.

Customer Service – We will work with our customers to meet and exceed their needs and expectations.

Sustainability – We will measure, improve, and be accountable for our environmental, financial and social results.

Integrity – As stewards of public resources, we will use our assets prudently and be honest, professional and respectful in our communications and conduct.

Innovation – We will develop new opportunities and ways of doing business, and will work to continuously improve the value and quality of our services.

Collaboration – We will cultivate strong partnerships, recognize communities' complex needs, and create services and opportunities that promote healthy communities and enable choice and connection with other types of travel.

PRIORITY OBJECTIVES

To achieve our vision and mission, BC Transit is working toward five long term objectives:

- **Develop Financial Sustainability** – Secure the long term viability of transit by systematically renewing and revising our revenue sources, structures, and internal processes.
- **Support and Shape Livable Communities** – Encourage transit supportive community planning and development that make it easy to get around by walking, cycling, and transit.
- **Change the Perception of Transit** – Target transit messaging and advocacy to build public support and attract our next customers.
- **Deliver Operational Excellence** – Deliver safe, reliable, easy to use services that continuously improve through active public engagement.
- **Strengthen our People and Partnerships** – Create an adaptable, socially responsible organization that lives its values, develops its existing employees and partnerships, and attracts new people and opportunities.

Scope

The scope of BC Transit's program as of March 2010 includes:

- 58 local government partners, including the Victoria Regional Transit Commission
- Contracts with 20 private management companies and 15 non-profit agencies
- 48.8 million passengers carried in 2009/10
- Over 1.5 million people served in B.C.
- 81 transit system agreements – conventional, custom and paratransit
- Fleet of 1,030 conventional and double-deck buses, minibuses and vans
- \$218 million annual expenditures on transit operations

Services

BC Transit's systems are as diverse as our province and include a range of service types:

Conventional transit serves the general population in urban settings and offers scheduled bus service that operates on fixed routes. Most vehicles are accessible and range in size from minibuses to double-deck buses in order to best match ridership and community needs.

Custom transit employs vans, 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 offer additional flexible service to complement custom transit and adapt to customer needs.

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

In most BC Transit systems, service is provided through a partnership between BC Transit, local government and a contracted 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.

Sponsoring local governments provide a portion of funding for transit systems (less provincial funding and passenger fares), approve service levels and fare structures and maintain transit facilities such as bus stops, exchanges and shelters. Transit-related decisions are made in open sessions of sponsoring municipal councils or regional district boards.



The transit management company contracted to operate the service is selected through a public Request for Proposal process undertaken on a seven-year cycle. The exceptions to this process are systems operated by public organizations (Regional District of Nanaimo, City of Nelson, City of Powell River and the Sunshine Coast Regional District).

In the Victoria Region, the Victoria Regional Transit Commission makes decisions regarding service priorities, fares, and local taxation for transit purposes. All Victoria Regional Transit Commission members are appointed according to the British Columbia Transit Act. Its meetings are open to the public. BC Transit operates the Victoria Regional Transit System.

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 2010

Mr. Kevin Mahoney (Chair), North Vancouver

Mayor James Atebe, District of Mission

Councillor Susan Brice, District of Saanich

Mr. Kelly Cairns, Kelowna

Mayor Christopher Causton, District of Oak Bay

Mr. Bob De Clark, Nanoose Bay

Mayor Mary Sjostrom, City of Quesnel

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

To support the transit program during the year, the Board of Directors visited the Okanagan region to meet with local government partners and operating contractors, and to tour transit facilities.

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 and CIO

Steve New, Vice President, Chief Operating Officer

Debbie Nussbaum, Vice President,
Corporate and Human Resources

The Senior Leadership Team takes an inclusive and hands on approach to ensuring the safety, customer service and continuous improvement of our organization and services.

In 2009/10, the team had a significant presence in our communities. Activities included:

- meetings with individual transit partners to address issues
- eight regional meetings across the province to gather feedback and input from local governments and operating contractors
- workshops and one-on-one dialogue at BC Transit's annual province-wide workshop and the Union of BC Municipalities annual conference
- on-site direct involvement with BC Transit's delivery of transportation services to the 2010 Olympic and Paralympic Winter Games.



07 The Year's Accomplishments

Delivering Value, Building Foundations



The Year's Accomplishments

Delivering Value, Building Foundations

In 2009/10, BC Transit demonstrated the value we deliver to the province by growing ridership and improving the safety, effectiveness and customer-focus of our services while staying within budget. In addition to ongoing improvements to our 81 transit systems, we also successfully delivered transit service in the Sea to Sky region to support the 2010 Olympic and Paralympic Winter Games. Our organization also took on significant strategic and capital initiatives to ensure its long term viability and success.

Delivering Value to the Province

In 2009/10, BC Transit experienced a growing demand for service in communities throughout the province. While many other North American transit systems faced flat ridership, reduced funding, and service cuts due to lower fuel prices and a slower economy, BC Transit continued to improve and expand our services and increased ridership 2.5 per cent.

In 2009/10, BC Transit added 75,000 annual service hours to communities across B.C., including Victoria, Central Fraser Valley, Kamloops, Kelowna, Nanaimo, Prince George and Port Alberni. The enhanced service meets government objectives and had profound impacts on community mobility and economic development:

- New U-PASS initiatives in Central Fraser Valley, Chilliwack, and Prince George, and improvements to other communities' post-secondary services, provided students with easier access to post-secondary education.
- Improved regional connections created stronger links between communities.
- Increased service on evenings, weekends and statutory holidays gave youth, seniors and working adults access to new opportunities.
- Reevaluated and reconfigured transit systems, and the implementation of express and community

shuttle services, provided more effective and reliable links to major employers, schools, health facilities and recreation centres.

BC Transit showcased its capacity and service delivery best practices during the 2010 Olympic and Paralympic Winter Games. As the official provider of transit services in Pemberton, Squamish and Whistler, BC Transit served 1.4 million residents, visitors and athletes during a four week period with driving restrictions and limited parking. BC Transit delivered a five-fold increase in service during the Olympic service period and successfully recovered all incremental costs.

The new Whistler Transit Centre was completed under budget and on schedule, opening for the Winter Games. BC Transit also delivered the world's largest hydrogen fuel cell bus demonstration fleet operating in one location. The 20 hydrogen vehicles and fueling station will continue to operate in revenue service as part of the regular BC Transit fleet in Whistler for the next five years to assess their operational viability.

In 2009/10, BC Transit developed an enhanced corporate wide safety and security compliance and audit system. This measurable system is designed to ensure the safety of our customers and employees and reduce accidents in the workplace. Implemented in the Victoria Region, the Safety and Security Management System helped to deliver a decrease in employee, passenger, and vehicle incidents over the past year. BC Transit will be introducing this enhanced system across the province over the next two years to ensure consistent safety training and communication throughout our systems.

In addition to the environmental contributions made through increasing transit ridership, introducing hydrogen fuel cell buses, and ongoing fleet and facility procurement, BC Transit embarked on many environmentally-focussed initiatives. Taking a lead role in working with other Crown agencies towards carbon neutrality, BC Transit developed a Carbon

Neutral Action Report and delivered it to government. Our environmental fuel strategy resulted in a reduction of 2,800 tonnes of carbon dioxide (CO₂) this year while a province-wide retrofit of 187 buses will reduce emissions of particulate matter by more than 9 tonnes over the life of the program. BC Transit also initiated the development of an enhanced Environmental Management System that will ensure environmental stewardship and compliance across the province.

BC Transit presented a more consistent face to our customers in 2009/10. Our refreshed brand image and messaging on new vehicles, new bus stop signage and shelters, and all forms of printed and online information will continue to attract riders. The award-winning 'TreeBus' campaign, which promotes transit as part of a network of sustainable transportation options, positions transit as healthy, green and community minded.

Improvements to maintenance plans and programs increased service reliability to our customers. The long range maintenance plan includes analysis of existing and planned future fleet, maintenance requirements, capacity and labour constraints, and funding requirements. BC Transit also developed methods for greater oversight of Regional Transit System maintenance processes, expenditures and warranty recoveries.

During the year, BC Transit undertook new initiatives to manage historically volatile costs, including new strategies to mitigate fuel price fluctuations in most of our systems and a revised approach to how we plan, capitalize and finance major vehicle components and replacement parts. Finally, one of the most important ways BC Transit delivers value to our customers, communities and the province is by ensuring that investment in transit is used as prudently as possible.

Building the Foundations for the Future

From strategic planning to capital investments, many of BC Transit's 2009/10 accomplishments were targeted to build the foundations that will be critical to our long term environmental, social and economic sustainability.

In 2009/10, BC Transit developed and finalized Shaping our Future, our long term corporate strategic plan. The planning process included significant involvement and input from our customers, employees, partner local governments, transit management companies and other stakeholders from across the province.

This plan renewed our organization's vision, mission and values and lays out our long term priorities and direction. The plan outlines five key objectives required to meet the Provincial Transit Plan and improve the value we deliver to the public: develop financial sustainability, support and shape livable communities, change the perception of transit, deliver operational excellence and strengthen our people and partnerships.

Complementing the strategic plan, BC Transit also began developing an Information and Communications Technology Master Plan to assess long term technology needs and provide recommendations on how we can better monitor services and share information. Increasing our ability to inform and engage our customers is a major element of the plan and will add to work completed in 2009/10 which revamped the look and feel of our website and launched a pilot online trip planner in the Sea to Sky region.

BC Transit also initiated the implementation of upgraded farebox technology on board buses in all conventional transit systems. This technology will offer convenience to our passengers and improved revenue security and ease of use for our transit employees and systems. It will also provide more detailed information on ridership and revenue trends to further improve transit system effectiveness.

Master planning processes continued 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-focussed 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.

Rapid transit projects are progressing in Victoria and Kelowna. Phase one of the Victoria Regional Rapid Transit project was completed in October when the Board approved the Victoria to West Shore rapid transit alignment. The project is now assessing detailed alignments within the corridor and the use of various rapid transit technologies. In Kelowna, the first phase of the rapid transit project is scheduled to start service in September 2010. The planning for the remaining phases is underway and will be completed by the end of 2010.

To attract and develop our people for the future, BC Transit revised its Human Resources programs to emphasize new recruitment techniques and strategies to build an adaptable workplace of choice. We formed partnerships with other organizations to provide employee development opportunities. BC Transit also completed a full review and update of all corporate and operational policies and procedures.

The expansion of service and continued expectation of long-term growth has necessitated a number of new vehicle and facility projects. BC Transit completed the largest fleet acquisition in its history in 2009/2010 with

the purchase of 84 custom/paratransit vehicles, 115 conventional buses and 20 hydrogen fuel cell buses. All new vehicles are fully accessible, energy efficient and use environmentally-friendly transit technology. The new vehicle acquisitions were part of a three year strategy to offer expanded service and replace older model inaccessible vehicles.

Planning began for new facilities in Kamloops and Vernon. By using scalable, component-based designs, BC Transit will reduce the costs of new facilities to its funding partners and customers. Our Victoria head office undertook its first major retrofit since its construction in 1989 to enhance work flow, improve energy efficiency, and ensure that building systems have the capacity to continue operation during an emergency event such as a power disruption or earthquake.

In 2009/10, BC Transit delivered even more service to a growing ridership and took important steps to prepare for further growth and development. Guided by our strategic plan's renewed mission, vision, and priorities, BC Transit is committed to developing self-reliance and long term viability and to delivering even better value to the people and province that we serve. Above all, we intend to help connect people and communities to a more sustainable future.

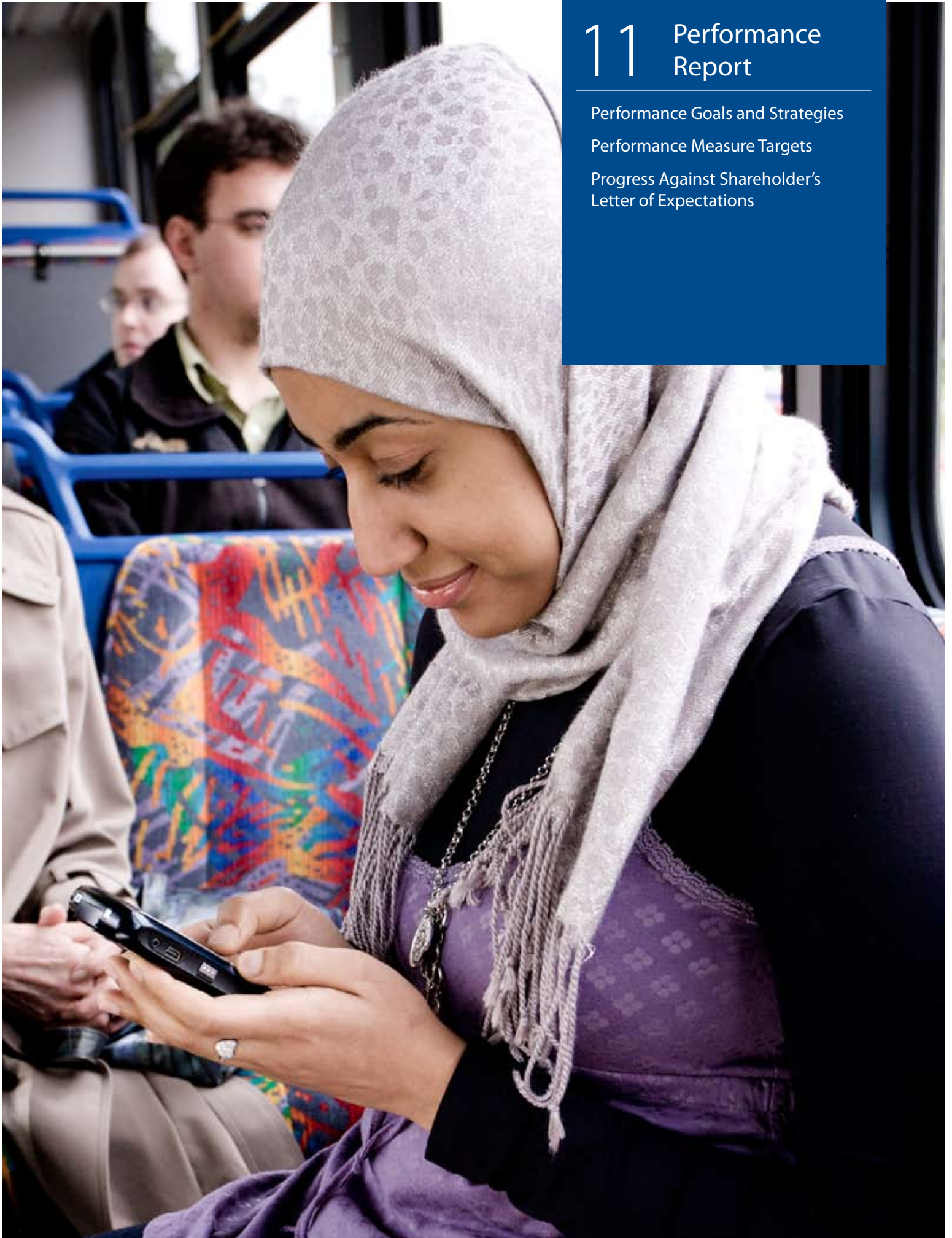


11 Performance Report

Performance Goals and Strategies

Performance Measure Targets

Progress Against Shareholder's Letter of Expectations



Performance Report

This performance report highlights the results achieved by BC Transit in the fiscal year ending March 31, 2010. This section presents the corporate goals, objectives and targets set for the corporation in the 2009/10 – 2011/12 Service Plan Update 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 2009/10 – 2011/12 Service Plan Update. 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.

Performance Goals and Strategies

This section assesses BC Transit's performance against the goals, objectives and strategies presented in the 2009/10 – 2011/12 Service Plan Update. Other than minor shifts in project timing specifically noted in strategy results below, there were no notable changes made to Service Plan Update goals and objectives over the past year. While BC Transit developed a corporate strategic plan in 2009/10, the strategic plan's objectives complement those of the 2009/10 – 2011/12 Service Plan Update and have been incorporated into the 2010/11 – 2012/13 Service Plan.

GOAL 1

Lead provincial initiatives for environmental and sustainable public transportation.

OBJECTIVE 1.1: Increase transit mode share to 9.5% (Victoria) and 4% (regional centres) of travel by 2020.

Strategy 1.1.1	Result
Expand transit service in an effective manner focusing on customer needs and high growth potential markets.	2009/10 service improvements focused on achieving more effective and reliable links to post-secondary institutions, major employers, schools and health facilities, as well as strengthening regional connections between communities. These efforts ranged from supporting new U-PASS initiatives in Central Fraser Valley and Prince George, to improving regional services in Nanaimo, to providing enhanced access to recreation and employment through longer hours of service in Port Alberni, to complete system overhauls in Fort St. John and Cowichan Valley, to implementation of limited-stop express service in Victoria.

Strategy 1.1.2

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

Result

Kelowna's rapid transit infrastructure is in place for service implementation in September 2010. New look transit shelters with enhanced passenger amenities are in progress and will be installed in conjunction with the September 2010 service start, with passenger information amenities to follow based on completion of the Information and Communications Technology master plan. Kelowna Regional master plan work is underway and on target for completion in December 2010.

Strategy 1.1.3

Implement rapid transit in Victoria by developing a regional master plan and corridor assessment in year one and commencing implementation in year two.

Result

BC Transit initiated work on the Victoria Regional master plan, including gathering data and meeting with area local governments and other stakeholders to confirm project goals and develop a draft 25 year transit vision for the region. The master plan will launch its first phase of public involvement in June 2010. Phase one of the Victoria Regional Rapid Transit project was completed in October when the Board approved the Victoria to West Shore rapid transit alignment. The project is now assessing detailed alignments within the corridor and the use of various rapid transit technologies.

Strategy 1.1.4

Invest in infrastructure needed to support expansion and to provide safe, reliable, effective and convenient service to customers:

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

Result

The Whistler garage is complete and the expanded rebuilt garage in Nanaimo is substantially complete. Work on Vernon's garage has been rescheduled to coincide with Kamloops to achieve cost-savings and logistical benefits by grouping the two nearby projects. The Victoria facilities master plan is initiated and will be completed once the Victoria Regional transit master plan is finalized. BC Transit began development of the Information and Communications Technology master plan to determine technical infrastructure needs. This plan is scheduled for completion in spring 2010/11 at which time work will begin to prepare for implementation.

Strategy 1.1.5

Work with business, major employers, health authorities and other public and private institutions to encourage greater use of public transit:

- Implement U-PASS at all provincial universities by year one and all colleges in larger communities by year three
- Increase the number of persons on ProPASS programs by 3% per year by targeting major employers in Victoria and larger communities.

Result

New U-PASS programs were implemented in 2009/10 in Pringe George (College of New Caledonia) and Central Fraser Valley and Chilliwack (University of the Fraser Valley). Work continues with Vancouver Island University in Nanaimo. BC Transit revised the ProPASS program and its marketing materials in 2009/10 and began the launch of the revised campaign in Victoria in March 2010. Similar campaigns will launch in regional centres over the next two years in tandem with upcoming farebox upgrades.

OBJECTIVE 1.2: Reduce the emissions of GHG and other pollutants from transit vehicles.

Strategy 1.2.1	Result
Include environmental assessments as part of all vehicle purchase decisions.	Environmental assessment and full lifecycle accounting were incorporated in the 2009/10 business case to purchase six Transit Supervisor vehicles for the Victoria Regional Transit System. Based on this assessment, the purchase of hybrid vehicles was recommended and approved. The intent is to incorporate this full lifecycle accounting methodology into all future vehicle procurements.
Strategy 1.2.2	Result
Implement a 20-bus demonstration fleet of hydrogen fuel cell buses for Whistler by January 2010.	BC Transit implemented the 20 vehicle hydrogen fuel cell demonstration fleet and associated fueling infrastructure in Whistler in January 2010.

OBJECTIVE 1.3: Establish a GHG emissions measurement and reporting system for BC Transit's operations and meet carbon neutrality by 2010.

Result
<p>BC Transit has confirmed SMARTTool reporting scope and will be carbon neutral for 2010.</p> <p>BC Transit supports provincial climate action goals by implementing more transit service hours and by measuring and reporting the overall emissions of our operations. A key benchmark tracks the amount of GHG emissions generated for every hour of transit service delivered. In calendar year 2009, we reduced our carbon intensity from 29.55 kgs of GHG emissions per service hour in the previous year to 29.38 kgs.</p>

OBJECTIVE 1.4: Ensure that leadership in energy and environmental design (LEED) standards of environmental responsibility are achieved at all new BC Transit facilities.

Result
BC Transit has committed to ensuring that new construction at BC Transit facilities will be designed and constructed by LEED accredited professionals utilizing best practices and sustainable and energy efficient materials where practical and feasible.

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

Result
BC Transit implemented new U-PASS programs in Prince George (College of New Calendonia) and Central Fraser Valley and Chilliwack (University of the Fraser Valley). BC Transit also successfully negotiated a contract with VANOC that—in addition to careful cost and revenue management—ensured that there were no incremental costs to BC Transit for its delivery of service for the 2010 Olympic and Paralympic Winter Games.

GOAL 2

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

OBJECTIVE 2.1: Ensure a safe public transit system.

Strategy 2.1.1

Develop and implement a provincial safety management system in year one and reduce incident rates by 2.5 per cent in years two and three.

Result

The Safety and Security Management System (SSMS) has been developed and implemented in Victoria and will be implemented on a province wide basis over the next two years. Results for the first year of the Victoria implementation are already very favourable, with a 10 per cent year over year reduction in employee days lost due to workplace injury, a 14 per cent reduction in passenger incidents per one million boardings and an 8 per cent reduction in preventable vehicle incidents per one million kilometres.

Strategy 2.1.2

Develop and implement a strategic fleet inspection plan in year one with implementation of specific program recommendations in year two and three to increase fleet reliability.

Result

BC Transit developed our Long Range Maintenance Plan (LRMP). This plan 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. Work was also undertaken in 2009/10 to prepare for implementation of major elements of this plan, such as the realignment of the provincial fleet proposed for 2010/11 which will consolidate vehicles of similar types in transit systems to streamline maintenance and parts requirements.

Strategy 2.1.3

Complete a security assessment master plan and develop an implementation plan in year one with implementation commencing in years two and three.

Result

Security requirements were evaluated as part of the Transit Secure program and have been incorporated into the Safety and Security Management System (SSMS). Work is underway to identify capital and resource needs required to meet security recommendations, with the intent of implementing over the next two years.

OBJECTIVE 2.2: Ensure a reliable public transportation system.**Strategy 2.2.1**

Develop a provincial transit operational support program to review transit schedule procedures in year one and implement program recommendations in years two and three.

Result

BC Transit increased the number of staff dedicated to operational planning and scheduling in 2009/10. This operational planning team is involved in all service changes to assess whether there are additional opportunities to improve the overall efficiency and effectiveness of transit systems and to ensure that consistent procedures are applied. Work continues to further develop and ensure efficient and reliable services. Overall, BC Transit staff from all areas of our organization increased their local presence in the communities we serve.

Strategy 2.2.2

Develop provincial maintenance support programs and standards in year one and implement specific recommendations in years two and three targeted to reduce costs and increase reliability.

Result

BC Transit developed methods to provide greater oversight of maintenance procedures, expenditures and warranty recoveries, and created new fleet inspection schedules and processes. Further recommendations will be implemented in 2010/11.

OBJECTIVE 2.3: Ensure an effective public transportation system.**Strategy 2.3.1**

Target service expansions to identified markets and ensure rides per capita continues to increase.

Result

Ridership per capita for 2009/10 was 36.9, up 2 per cent from 2008/09. 2009/10 service expansions targeted service improvements to major destinations (major employers, post-secondary institutions, schools), system accessibility improvements through increases to the breadth and duration of service (evening service, Sunday and holiday service, regional connections), and overall increases to system reliability and ease of use by restructuring existing routes and schedules.

Strategy 2.3.2

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

Result

Master Plan work is underway in Victoria, Kelowna and Central Fraser Valley. Data support and planning resources are ramping up to initiate work in other regions.

Strategy 2.3.3

Increase ridership by improving transit information infrastructure by rebuilding the BC Transit web site and information services by year two.

Result

BC Transit updated the look and feel of our website and all printed Rider's Guides in 2009/10. An online trip planning pilot project using Google Transit was successfully implemented in Whistler, Squamish, and Pemberton. BC Transit began developing its Information and Communication Technology master plan and this plan will guide further improvements to the website and passenger information amenities in the year ahead.

OBJECTIVE 2.4: Ensure an affordable public transportation system.**Strategy 2.4.1**

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

Result

BC Transit purchased fuel on a weekly rack rate through to September 1, 2009 and then entered into a fixed price fuel supply agreement through to March 31, 2010. The agreement stabilized the price of approximately 80 per cent of BC Transit's estimated annual fuel consumption, resulting in savings against budget, redirection of savings into transit service, and mitigation of cost volatility to our funding partners.

Strategy 2.4.2

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

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.

Strategy 2.4.3

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

Result

Federal funding was obtained to offset costs for the Whistler, Vernon and Kamloops garages and for new transit vehicles in the Alberni-Clayoquot, Powell River, Salt Spring Island, Penticton, Osoyoos, Castlegar and Kaslo Transit Systems.

OBJECTIVE 2.5: Implement a standardized customer satisfaction monitoring system in year one and maintain or increase satisfaction levels in year two and three.**Result**

In April 2009 BC Transit implemented a province wide monthly tracking survey administered by telephone. This survey provides information on transit system use and perception as well as customer satisfaction on a number of factors (safety, reliability, cleanliness, access to bus stops, etc.) for all major systems and regions in the province. Work is now underway to analyze survey results and determine priorities to improve customer service.

OBJECTIVE 2.6: Finalize the transportation plan and oversee service delivery arrangements for the Whistler site of the 2010 Winter Olympic and Paralympic Games.**Result**

BC Transit finalized the service delivery agreement with VANOC, delivered service, and fully recovered all incremental costs.

Performance Measure Targets

This section assesses BC Transit's performance against corporate performance projections presented in the 2009/10 – 2011/12 Service Plan Update. These performance measures are those universally adopted by the North American transit industry to track achievement of strategic goals.

Results provided in this section are corporate level and reflect the total of all BC Transit's locations and services. Appendices 1 and 2 provide more detailed results for the Victoria Region and Regional Transit Systems based on service type.

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

BC Transit benchmarks favourably against its Canadian peers, generally carrying more passengers per hour and more passengers per capita at a lower cost per passenger. Appendix 3 provides benchmark details.

As specified in the Service Plan Update, BC Transit's performance measures are broken into two categories: service effectiveness and cost efficiency.

BC Transit Corporate Performance Measures: Service Effectiveness

Service effectiveness performance measures describe how well BC Transit's services attract customers and serve communities. The measurements used include number of revenue passengers and passengers carried per capita.

<i>Measures of Service Effectiveness</i>	Actual			Service Plan Target			Results
	2007/08	2008/09	2009/10	2009/10	2010/11	2011/12	
Revenue passengers (thousands)	44,684	47,576	48,753	50,076	52,580	55,209	Did not meet target
Passengers per capita	29.7	31.2	31.5	32.5	33.7	34.9	Did not meet target

Measure definition, importance and data collection

Revenue passengers represent transit riders who have made a one-way trip using transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.) This is the primary measure of how many people use BC Transit's services. Passenger statistics are reviewed monthly and are based on statistically valid counting methodologies used throughout the transit industry.

Passengers per capita reflect annual passengers carried divided by service area population. This is a measure of market share and the effectiveness of services in transit markets. Increasing rides per capita reflects a transit system that is providing greater transportation benefit to the community. Population is based on the defined service area and uses Census Canada information updated by the latest BC Statistics data.

Performance Analysis

Although increased from previous years, BC Transit's 2009/10 revenue passengers and passengers carried per capita were below 2009/10 Service Plan Update targets. This is primarily due to a slower economy—which can reduce the demand for commuter services as well as the number of discretionary trips taken—and lower fuel prices which increase the competitiveness of automobile travel. Passengers per capita grew at a rate slower than revenue passengers, meaning that community populations increased at a greater rate than transit ridership.

Actions in Progress

BC Transit implemented transit scheduling and marketing initiatives in 2009/10 that are expected to bear longer term improvements to service effectiveness. This includes comprehensive transit system reviews to improve reliability and attractiveness to passengers, simplified passenger information materials and a province-wide transit marketing campaign. The 2010/11 – 2012/13 Service Plan includes revised targets that better align with the current economic projection, including revised service hours.

Benchmarks

Final Canadian Urban Transit Association data for 2009/10 is not yet available. However, many other Canadian systems have been reporting flat or declining ridership over the past year. Therefore, BC Transit's 2.5% increase over 2008/09 ridership is viewed as positive against its peers. Based on 2008/09 data (the most current year available), BC Transit carries a higher rate of passengers per capita than its peers. Benchmark details are provided in Appendix 3.

BC Transit Corporate Performance Measures: Cost Efficiency

Cost efficiency performance measures describe how well BC Transit's services offset costs through collection of passenger revenues and contain cost increases in comparison to passenger increases. The measurements used include operating cost recovery and cost per passenger.

<i>Measures of Cost Efficiency</i>	Actual			Service Plan Target			Results
	2007/08	2008/09	2009/10	2009/10	2010/11	2011/12	
Operating cost recovery	38.6%	35.3%	33.4%	35.8%	36.8%	37.1%	Did not meet target
Operating cost per revenue passenger	\$3.25	\$3.55	\$3.73	\$3.76	\$3.83	\$4.15	Met target

Measure definition, importance and data collection

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes provincial grants, property tax and fuel tax revenue.

Cost recovery reflects annual operating revenue divided by annual operating cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by local government transit partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This factor, however, is a municipal policy decision. Operating costs and revenues are based on actual information, reviewed monthly and audited annually.

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

Performance Analysis

Operating cost recovery declined over the past three years and did not meet the 2009/10 service plan target. This is primarily due to an increase in the proportion of discounted prepaid fares, particularly monthly passes and newly implemented U-PASS programs. These discounted fare products have resulted in ridership gains and progress toward climate action goals but lower than anticipated revenues. The average fare has remained constant for four years.

Operating cost per passenger increased from previous years but met the 2009/10 Service Plan target. 2009/10 operating costs were below budget mainly due to lower than anticipated fuel and maintenance expenditures and new approaches undertaken to control the volatility of these items.

Actions in Progress

One of BC Transit's strategic plan objectives is to increase the financial sustainability of transit, including implementing new revenue sources and further improving cost control and monitoring. Workshops and dialogue with local government partners has emphasized the need to increase the revenue yield per passenger through revised fare structures. BC Transit implemented a corporate Revenue Committee to provide greater oversight and direction in this area. A number of initiatives are underway for 2010/11 to further contain cost volatility.

Benchmarks

Based on 2008/09 data (the most current year available), BC Transit has a more favourable rate of operating cost recovery and a lower operating cost per passenger than its Canadian peers. Appendix 3 provides details.

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 2009 agreement can be viewed on the BC Transit website under BC Transit General Information.

The key requirements identified for BC Transit for the fiscal year 2009/10 and actions taken are outlined in the following table.

Specific Direction to the Corporation	BC Transit Actions in 2009/10
Provide advice and support to the Shareholder in the development and implementation of transit funding strategies.	<p>In 2009/10 BC Transit undertook significant public involvement to develop and finalize <i>Shaping our Future</i>, the organization’s corporate strategic plan. The plan defines “developing financial sustainability” as one of the five major objectives and outlines priorities and actions to support change.</p> <p>BC Transit is working with the Ministry of Transportation and Infrastructure to outline the challenges of existing governance and revenue structures and offer solutions.</p>
Provide advice and support to the Shareholder on transit services and technologies that support government’s environmental and climate change objectives.	<p>BC Transit initiated service expansions and increased ridership across the province to promote higher travel mode share for transit, lower greenhouse gas emissions and reduce reliance on automobiles.</p> <p>Approximately 10 per cent of the conventional bus fleet—93 older, more polluting and less energy efficient buses—were retired from service in 2009/10 and replaced by buses with the latest emissions regulations to significantly reduce particulate matter and air emissions.</p> <p>BC Transit assessed new vehicles, including North America’s first double-deck hybrid bus and the demonstration of a light weight, battery-dominant, plug-in electric hybrid fuel cell bus.</p> <p>With support from the Ministry of Environment through the BC Air Action Plan, BC Transit began implementation of an emissions reduction retrofit program to 187 older conventional buses to reduce emissions, including particulate matter.</p> <p>BC Transit initiated a program to convert the Victoria Regional Transit Operations Supervisor vehicle fleet to an all hybrid fleet (6 vehicles).</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>BC Transit implemented 20 hydrogen fuel cell buses in Whistler in January 2010, the world’s largest fleet of fuel cell buses operating in a single location. An associated hydrogen fueling station was also implemented. The vehicles and fueling station were operational throughout the 2010 Winter Olympic and Paralympic Games and continue to serve the community of Whistler.</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 showcasing the most advanced transport technology and service delivery capability possible.	<p>BC Transit signed a service agreement with VANOC, successfully delivered services, and recovered all incremental costs.</p> <p>The service showcased hydrogen fuel cell vehicles and a state of the art servicing and fueling facility, as well as existing BC Transit innovations and best practices, such as low floor double-deck vehicles, bus stop signage and wayfinding, online passenger information, and on-site customer service at events and exchanges.</p> <p>Services in the Sea to Sky region—serving Whistler, Pemberton, and Squamish—increased five-fold, substantially increased service frequencies, and adjusted on an ongoing basis to meet customer demand and expectations.</p>

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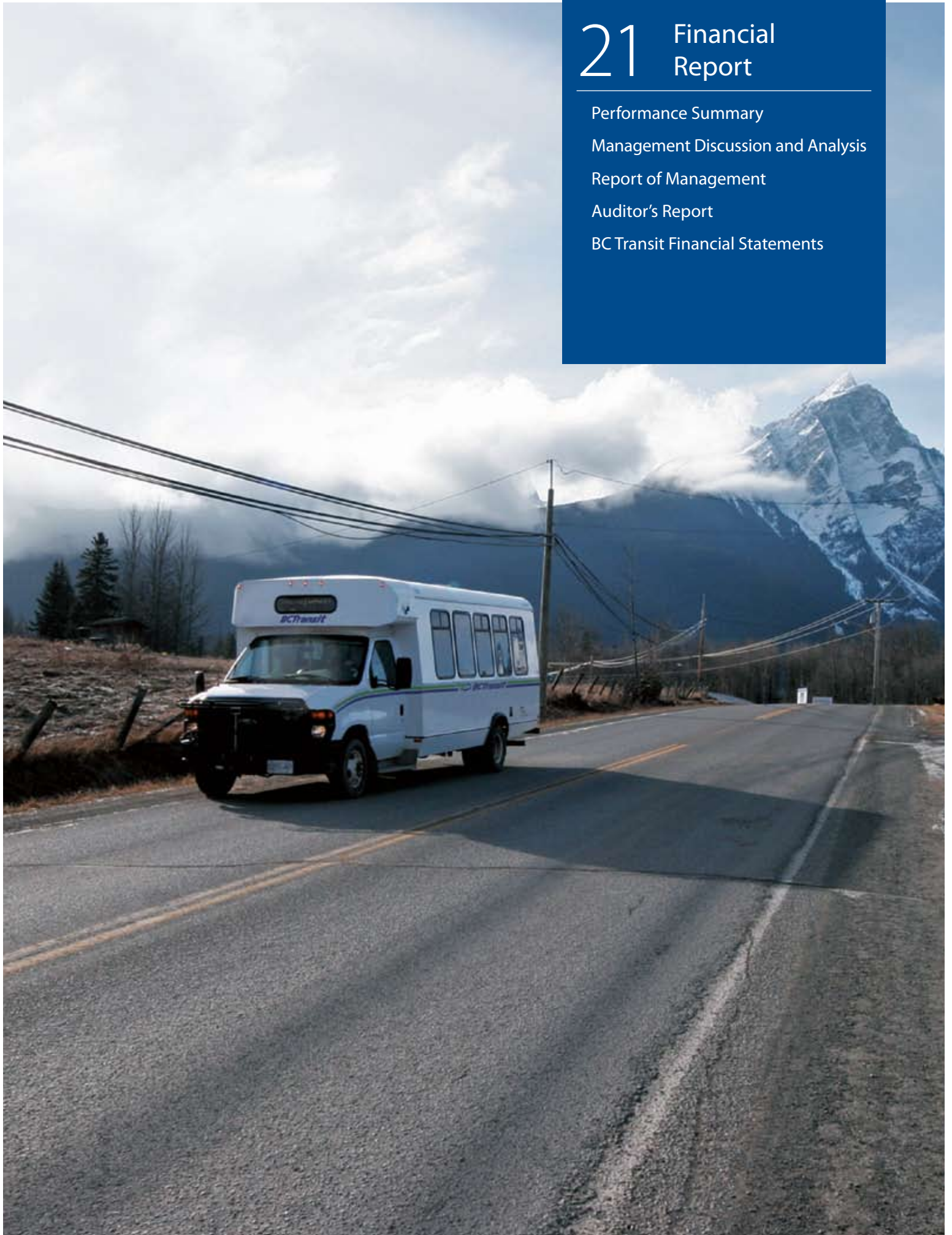
Performance Summary

Management Discussion and Analysis

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Auditor's Report

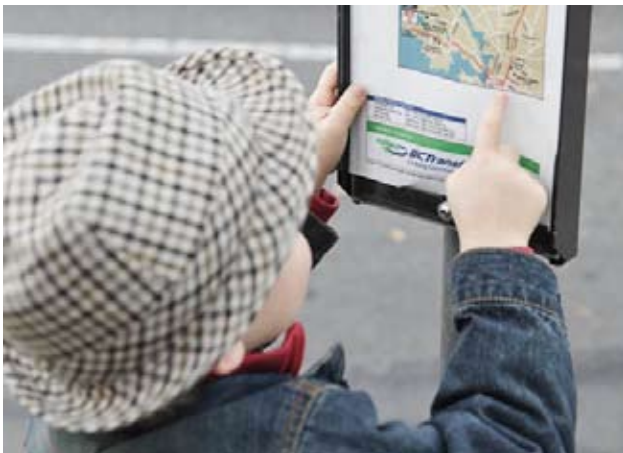
BC Transit Financial Statements



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" and "FTEs". 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 Regional Transit Systems, 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. See Appendix 4 for further definitions.

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, insurance costs, taxation, 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.

Corporate Performance

The table below summarizes revenue, operating costs, service hours and passengers for all BC Transit programs (Regional Transit Systems Program and Victoria Regional Transit System combined) for the 2009/10 fiscal year, compared to corporate targets. Separate program level results for the Victoria Region and the Regional Systems program are provided in Appendix 1 and 2.

SUMMARY <i>Figures in thousands</i>	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Corporate Target	2010/11 Service Plan Target	2011/12 Service Plan Target	2012/13 Service Plan Target
Operating Costs	145,044	169,427	181,837	187,842	201,611	217,188	230,095
Passenger and advertising revenue	55,925	59,632	60,679	63,245	63,429	64,524	65,232
Service Hours (000s)	1,833	2,011	2,086	2,140	2,230	2,307	2,358
Revenue Passengers (000s)	44,684	47,576	48,753	49,534	51,814	52,709	53,287

* Total operating cost above is operations, maintenance and administration expense on the audited financial statements

** Service Plan Targets are based on the 2010/11 – 2012/13 Service Plan

Management Discussion and Analysis

Dated May 20, 2010

The following is our discussion and analysis of the financial condition and results of operations for BC Transit as of May 20, 2010. This should be read in conjunction with our audited financial statements and related notes for the years ended March 31, 2010 (fiscal 2010) and March 31, 2009 (fiscal 2009). These documents are available at http://bctransit.com/corporate/general_info/annual_reports.cfm

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

Financial Report	2005/06	2006/07	2007/08	2008/09	2009/10		Variance (Un)Favourable
	Actual *	Actual *	Actual	Actual	Actual	Target	
Revenue							
Passenger & advertising revenue	47,366	50,917	55,925	59,632	60,679	63,245	(2,566)
Investment and other income	1,748	2,364	3,380	2,859	4,205	5,030	(825)
Provincial contributions	52,055	52,065	58,126	71,874	79,105	78,605	500
Amortization of deferred capital contributions on capital assets	4,266	5,960	7,237	9,743	14,024	15,722	(1,698)
Contributions from municipalities	32,948	39,734	47,606	53,847	60,840	63,458	(2,618)
Total Revenues	138,383	151,040	172,274	197,955	218,853	226,060	(7,207)
Expenditures							
Operations	83,802	89,325	98,031	114,437	124,025	128,881	4,856
Maintenance	25,014	27,660	30,226	36,237	37,772	38,891	1,119
Administration	12,739	13,291	16,600	18,752	20,040	20,070	30
Debt Service	16,950	22,332	25,127	28,253	36,177	38,218	2,041
Total Expenditures	138,505	152,608	169,984	197,679	218,014	226,060	8,046
Net Income (Loss) From Transit Operations	(122)	(1,568)	2,290	276	839	0	839
Non-Operating Items:							
Vancouver assets - amortization expense	(14,895)	(15,291)	(32,654)	(32,654)	(32,654)	(32,654)	0
Vancouver assets - amortization of deferred capital contributions	14,895	15,291	31,242	31,242	31,242	31,242	0
Loss on disposal of assets	800	26	(94)	(329)	0	0	0
Gain (Loss) on foreign exchange and derivatives	0	0	821	(1,073)	273	0	(273)
Net Profit from Olympic and Paralympic Games	0	0	0	0	18	0	(18)
Net Revenues (Expenditures) for the Year	678	(1,542)	1,605	(2,538)	(282)	(1,412)	1,130
Capital expenditures							
Vehicle	16,869	15,753	35,893	63,933	122,823	128,260	5,437
Non-Vehicle	4,544	1,033	2,399	5,041	28,094	47,140	19,046
	21,413	16,786	38,292	68,974	150,917	175,400	24,483
FTEs (as at year end)	609	646	706	760	825	850	25
Service hours	1,654	1,716	1,827	2,011	2,086	2,140	(54)
Passengers	40,716	42,534	44,684	47,576	48,753	49,534	(781)

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

The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles.

Note that the net loss reported of \$282,000 includes incremental amortization expense of \$1.4 million relating to the Vancouver assets which is in excess of the related grant amortization. This difference reverses through Net Assets.

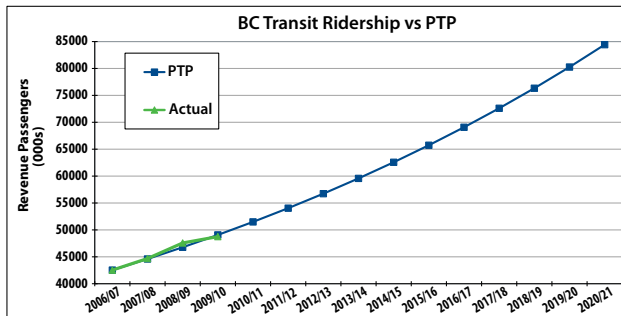
Revenues

Passenger and advertising revenues

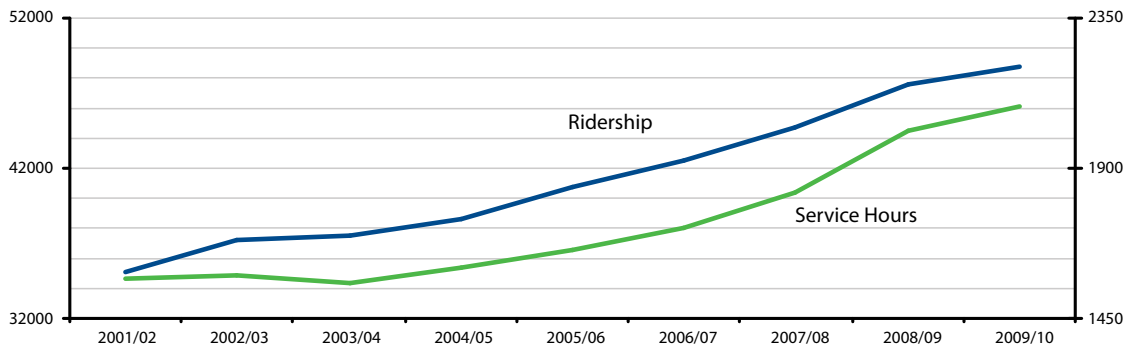
- Unfavourable \$2.6 million or 4 per cent per cent from target

Variance From Target <i>Figures in thousands</i>	(Un)favourable \$	% of Total Variance
Victoria		
- ridership	(1,210)	-47%
- fares	(350)	-14%
Regional Systems		
- ridership	(435)	-17%
- fares	(600)	-23%
Advertising	28	1%
Total Passenger and Advertising Revenue	(2,566)	-100%

The Provincial Transit Plan has set aggressive ridership targets whereby ridership will double in 15 years. Targeted growth is 5 per cent per annum throughout the term of the Provincial Transit Plan. The baseline year is 2006/07. Accumulated ridership growth from the base year is 15 per cent, in line with the targets set by the Provincial Transit Plan. The trend to date against Provincial Transit Plan is shown below:



Increases in ridership are a function of increased expansion (service hours) and investments in public transit (fleet, facilities, transit exchanges, park and rides, etc) as well as economic conditions such as fuel pricing, demographic and population changes. The relationship between ridership and service hour growth is illustrated below.



Ridership increased year over year by 2.5 per cent. The demand for expanded public transit services remains strong, and growth in ridership continues with improved and expanded transit service. A number of communities experienced higher growth in ridership during 2009/10, including:

- Prince George - 8 per cent
- Squamish - 8 per cent
- Central Fraser Valley - 7 per cent
- Whistler - 5 per cent
- Kelowna - 4 per cent
- Victoria - 3 per cent

Ridership growth has also been influenced by a growing concern for the environment, fuel prices and the current economic climate. We continue to develop both committed and expanded ridership. There will be significant challenges and opportunities in expanding the level of service and capital infrastructure required to meet the targets of the Provincial Transit Plan.

Discounted tariffs, such as prepaid fare media, have supported our ridership targets; however, they have offset general fare increases to the extent that the average fare has been flat for the last four years.

Victoria passenger revenue was 4.5 per cent (\$1.56 million) below target. Most of the variance is attributable to both lower average fares per passenger as more riders are taking advantage of prepaid discounted passes and lower than anticipated ridership results. Ridership increased over the prior year by 3.1 per cent.

Regional Systems passenger revenue was 3.7 per cent (\$1.04 million) below target. Ridership increased from the prior year by 1.8 per cent. Similar to Victoria, the variance is due to a combination of lower average fares and lower than anticipated ridership.

Advertising revenue was 3.5 per cent or \$29,000 above target reflecting a slight improvement in financial markets and the economy.

Government Funding

Contribution from the Province

The Provincial operating contribution has grown by 52 per cent since 2006/07. Provincial operating contributions funded 43.5 per cent of total operating expenditures incurred by BC Transit (2009 - 42.4 per cent). The Provincial operating contribution is targeted at \$85.8 million for 2010/11, an 8.4 per cent increase from 2009/10. The Province remains committed towards public transit, as demonstrated by the continued increase in contributions in a time of economic uncertainty and challenge.

Local Taxation

Local taxation revenues were below target by \$2.62 million or 4 per cent. The increase over 2008/09 in local taxation revenues was \$7 million or 13 per cent. The increase in contributions from local governments is due to service expansion, general cost increases and the capital program. The local government share of transit expenditures is based on cost sharing formulae and is funded by the combination of passenger revenue and local taxation as the residual funding source.

Expenses

Functional Description

Figures in thousands	2008/09 Actual	2009/10 Actual	2009/10 Target	Variance \$	Variance %
Operations	114,437	124,025	128,881	4,856	4%
Maintenance	36,237	37,772	38,891	1,119	3%
Administration	18,752	20,040	20,070	30	0%
Debt Service	60,907	68,831	70,872	2,041	3%
Total	230,333	250,668	258,714	8,046	3%

Operation Costs

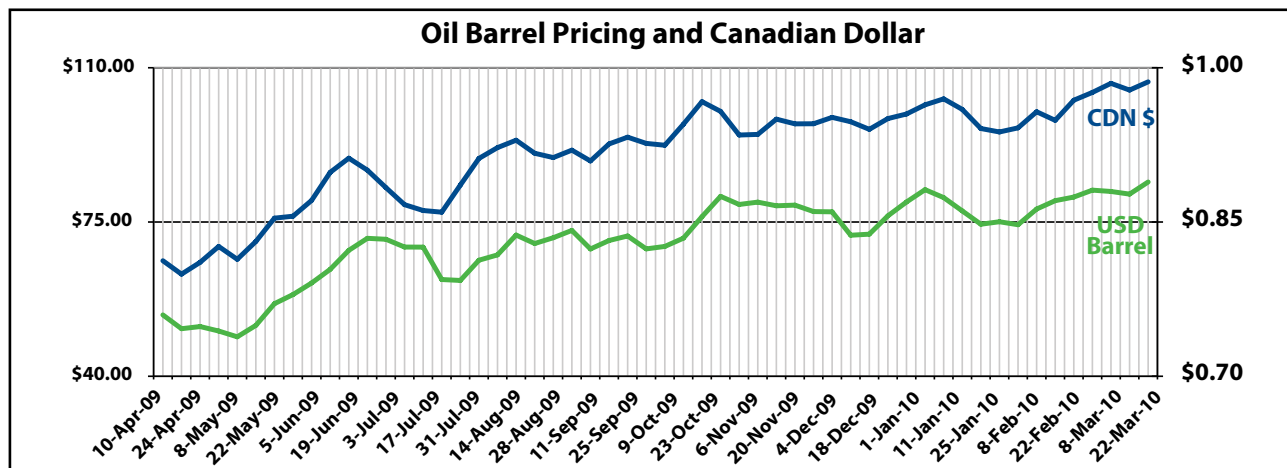
Operations costs were \$4.86 million lower than target (4 per cent) and \$9.59 million (8 per cent) greater than 2008/09. The two primary cost drivers for operations expenses for BC Transit are fuel and labour, with fuel generating the most significant volatility in operations expenditures.

Fiscal 2008/09 saw record oil prices driven by robust demand from the world's largest economies, combined with concerns over limited production capacity - during fiscal 2009, world oil prices reached US\$150/barrel but then receded to current prices of US\$86/barrel. Oil futures markets anticipated increased pricing throughout fiscal 2010 based on global economic recovery. The 2009/10 budget was established in this period of volatility and increasing future pricing resulting in a budgeted price of \$1.00/litre. A significant amount of volatility in fuel pricing was anticipated in the year given the timing of the global economic recovery, oil supplies and production capacity.

	2008/09		2009/10		Variance From Target	
	Actual	Target	Actual	\$	%	
Fuel volume (000s litres)	22,075	23,079	22,915	(164)	-1%	
Fuel price per litre	\$1.11	\$1.00	\$0.89	\$(0.11)	-11%	
Total fuel cost	\$24,504	\$23,079	\$20,318	\$(2,761)	-12%	

BC Transit purchased fuel on a weekly rack rate through to September 1, 2009 and then entered into a fixed price fuel supply agreement through to March 31, 2010. The agreement fixed approximately 80 per cent of BC Transit's estimated annual fuel consumption at a price of approximately \$0.90 / litre. Overall, the yearly average

Fuel Prices



was \$0.89/litre. This allowed BC Transit to realize savings against budget, redirect these savings into transit services and mitigate cost volatility to our funding partners. Management also developed a long term fuel price risk management program which includes utilizing fixed price supply contracts.

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

Labour costs were \$65.1 million, and on target, and \$4.1 million (6 per cent) greater than 2008/09.

In Victoria, although the economy slowed in 2009/10, unemployment rates were still among the lowest range in Canada. However, recruitment for transit operators within the Victoria Regional system was less challenging than previous years due to lower than anticipated retirements combined with modest service expansion.

Overtime costs were \$275,000 over target, but were \$290,000 favourable from 2008/09. Management successfully implemented plans during fiscal 2010 to mitigate overtime costs while at the same time balancing the needs for meeting service and operational requirements.

Service Expansion

BC Transit continues to support the goals set in the Provincial Transit Plan. As a result of service expansion, ridership has increased 754,000 passengers or 3.1 per cent from the prior year in Victoria, and 423,000 passengers or 1.7 per cent from the prior year in Regional Systems.

Municipalities with ridership growth in excess of 5 per cent include:

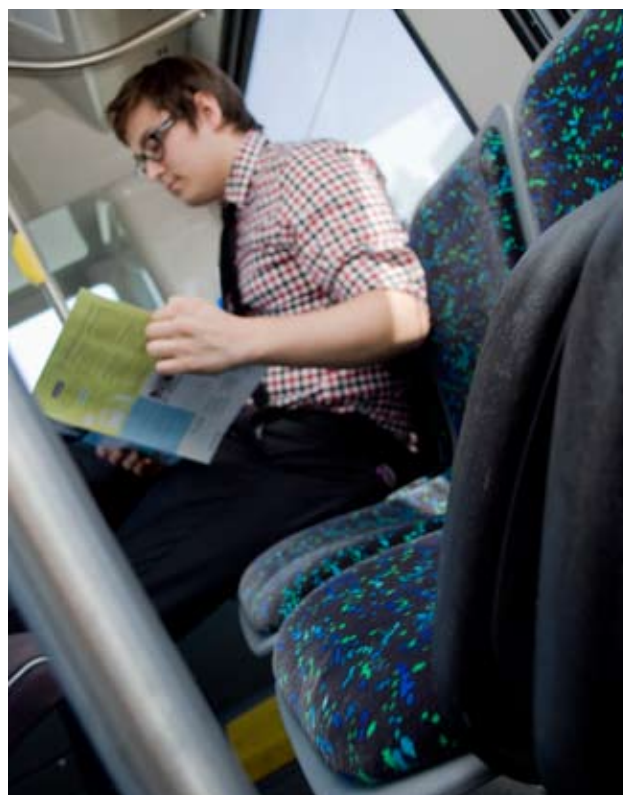
- Prince George - Ridership increased 8 per cent from 2008/09. Expansion and improved service was targeted at local University and College students and was supported by expanded U-PASS.
- Squamish - Ridership increased 8 per cent from 2008/09. The continued ridership growth is attributed to the effects of expansion and service improvements implemented in 2008/09.

- Central Fraser Valley - Ridership increased 7 per cent from 2008/09 primarily due to U-PASS which was introduced to students at the University of the Fraser Valley.

2010/11 expansion will be focused on HandyDart services, the frequent transit network and U-PASS services. BC Transit's funding partners, both provincial and local municipal partners, continue to support the expansion of the program in spite of difficult economic conditions. Regardless, both provincial and local municipal funding partners are constrained by global and local economic conditions making expansion funding more difficult to sustain.

Insurance

BC Transit holds a 10 per cent interest in the Transportation Property and Casualty Company Inc. (the "Captive"). The Captive served as a shared insurance services entity jointly owned and managed with the South Coast British Columbia Transportation Authority. During the year, management with external insurance specialists reviewed the insurance program and the Board of Directors approved the withdrawal from the Captive program. The new insurance coverage includes increased insurance coverage through the Insurance Corporation of British Columbia ("ICBC") and the purchase of stand-alone insurance policies. The change in insurance had no impact for fiscal 2009/10 and will be in place for fiscal 2010/11.



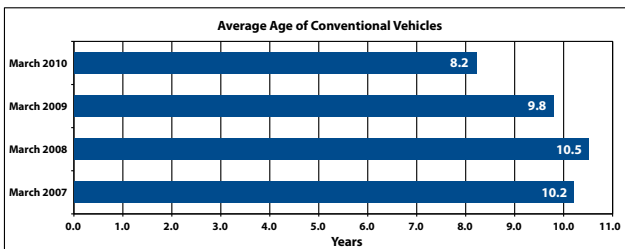
Maintenance

Fleet Maintenance

Total fleet maintenance was favourable \$1.7 million or 5.3 per cent to target (an increase from 2008/09 of \$1.1 million or 3.8 per cent). The favourable variance from target is primarily attributable to savings within the Regional Systems where there has been increased oversight including fleet inspections and warranty recoveries as well as the impact of the preventative maintenance program.

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 impacted by the Canadian dollar, higher shipping and base metal costs. Most parts originate from American or European suppliers.

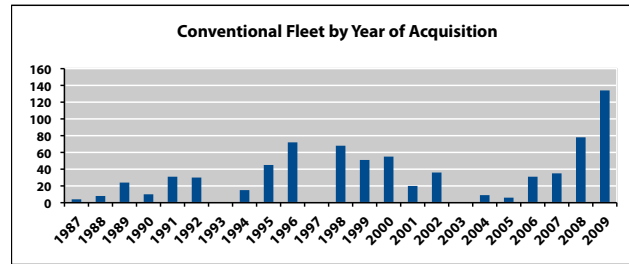
Fleet age and diversity are a driver of maintenance costs. BC Transit's fleet replacement and expansion capital plan will in part mitigate some of these cost pressures in future years. During fiscal 2010, BC Transit acquired 115 conventional buses, 84 custom/paratransit vehicles and 20 hydrogen fuel cell buses. As a result of this fleet replacement and expansion, the average age of the fleet has improved year over year from 9.8 years for conventional vehicles to 8.2 years.



Maintenance costs for older fleets increase 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 incur significant write-offs in addition to accelerated fleet replacement debt service charges. Additionally, the increasing complexity of the transit fleet continues to contribute to increased parts costs and resource demands. A significant amount of the conventional fleet requires upgrades and major retrofits; particularly those fleet assets that have reached their mid-life.

The chart below summarizes the number of conventional fleet by year they were acquired. Most conventional

fleet has a 20 year estimated useful life. Conventional fleet with a 20 year useful life requires significant refurbishment and major capital maintenance; particularly at mid-life. Older assets require significant maintenance in order to meet their full economic life. These costs are offset by the acquisition of a significant amount of new fleet for both replacement and expansion in the year.



The industry standard for fleet life has reduced as many transit agencies now amortize and replace fleet based on a 12-14 year life based on lifecycle cost analysis which includes acquisition cost, major capital maintenance, running repairs, fuel economy, environmental impact and supply chain costs. Based on lifecycle cost analysis, BC Transit will follow industry benchmarks for recommended asset life on future fleet acquisitions. This will result in a significant reduction in major capital maintenance including mid-life refurbishments.

In response to the cost pressures, the number of older fleet and fleet acquisition pursuant to Provincial Transit Plan targets, management has developed 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 in fiscal 2009 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 mitigated the volatility and impact of significant maintenance costs being incurred in a given year – also resulting in improved funding predictability for all funding partners.

Other fleet management initiatives implemented during fiscal 2009/10 include:

- The successful implementation of BC Transit's new brand and interior design on all 219 new 2009/10 expansion and replacement bus fleet;
- Acquisition of the largest fleet purchase in BC Transit's history including 84 custom/paratransit vehicles, 115 conventional buses and 20 hydrogen fuel cell buses;
- Implementation of the long range maintenance plan;
- Improved warranty recoveries - exceeding \$1 million for 2009/10; and
- Planning for and partial implementation of a Province wide fleet re-alignment plan. Full implementation is anticipated in 2010/11.

Facilities Maintenance

Facilities maintenance costs exceeded target by \$579,000 or 8 per cent above target (an increase from 2008/09 of \$432,000 or 6 per cent). This is primarily as a result of accelerated programs, including the Provincial bus stop signage program. BC Transit's aging facilities

require increasing repair and modifications to meet the physical requirements of expanding service levels. 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. Increased growth and expansion of the fleet to meet Provincial Transit Plan targets will put pressure on existing 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 table below including the construction of a new facility in Whistler (completed in 2009/10), 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 were \$30,000 favourable to target (\$1.29 million or 6.9 per cent over 2008/09). The increase from 2008/09 is associated primarily due to incremental costs for planning, execution and promotion of the service expansion through the Provincial Transit Plan. Other corporate initiatives to meet the goals of the Provincial Transit Plan have also increased administrative costs, including climate action initiatives, increased safety and security measures and increased expenditures on master planning, information technology, business development. Over the 2010/11 - 2012/13 Service Plan period, administrative related costs are anticipated to increase by 7% per annum to support these initiatives.

Location	Land	Building	Construction Date	Estimated Remaining Capacity
Victoria Custom Facility	owned	owned	1987	-21%
Kelowna	leased	owned	1999	-15%
Victoria Garage	owned	owned	1952	-10%
Campbell River	leased	leased	1990	-8%
Kamloops	owned	owned	1982	-5%
Vernon	leased	leased	1981	-5%
Victoria Administration	owned	owned	1989	-5%
Dawson Creek	leased	leased	2002	0%
Fort St. John	leased	leased	1979	5%
Central Fraser Valley	leased	leased	2000	7%
Langford	leased	owned	1998	15%
Trail	leased	leased	1981	15%
Whistler	leased	owned	2009	60%

Administrative costs face on-going pressures, many of which are regulatory including compliance with increasing environmental standards, Harmonized Sales Tax, changing procurement regulations and evolving accounting frameworks. Regardless of these cost pressures, BC Transit's administrative costs benchmark well below national averages primarily due to the shared services business model which achieves a significant economies of scale. BC Transit will continue to leverage the strength of the shared services model and achieve greater operational, capital and financial efficiencies as it continues to experience significant growth.

Olympic and Paralympic Games

BC Transit was responsible for the provision of public transit services in and for the Whistler area including Whistler local transit services, Squamish local services, Pemberton local services and the connector services between these three communities for the period during the 2010 Olympic and Paralympic Games.

The provision of the Olympic public transit services was established by VANOC and BC Transit in an agreement which provided for a five-fold increase in service hours with a total fleet requirement of over 140 buses. There were an estimated 1.4 million passengers for the entire month of February in the Sea to Sky region with at least 60 per cent of that comprising VANOC accredited and Olympic spectators, 5 times the ridership on the public transit system over normal winter levels.

BC Transit's financial performance met its target by achieving \$1 million in passenger revenue and favourable operational costs resulting in a marginal net profit from the games. The operational and financial performance of this service represented a significant effort by BC Transit and its partners and was a key focus of the organization. This objective was not only met but from a service and ridership perspective exceeded expectations.

Debt Service

Description	2009	2010	2010	Variance	
	Actual			Target	Actual
Amortization of Capital Assets	21,397	31,039	28,269	(6,872)	2,770
Vancouver Assets - Amortization Expense	32,654	32,654	32,654	-	-
Long Term Debt Interest	6,856	7,823	7,908	(1,052)	(85)
Debt Service Cost	60,907	71,516	68,831	(7,924)	2,685
Amortization of Deferred Capital Contributions	9,743	15,722	14,024	(4,281)	1,698
Vancouver assets - Amortization of Deferred Capital Contributions	31,242	31,242	31,242	-	-
Amortization of Net Assets	1,412	1,412	1,412	-	-
Sinking Fund Interest *	1,684	1,970	1,865	(181)	105
Net Debt Service Cost	16,826	21,170	20,288	(3,462)	882

* A component of Investment and Other Income.

Olympic and Paralympic Games - Financial Results

Figures in thousands

Revenue:	\$
Operations	1,019
VANOC	5,261
Operational Expenditures	(5,402)
Net Income From Operations	878
Amortization, commissioning and realignment	(860)
Net Profit from Olympic and Paralympic Games	18

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 bus acquisitions, facilities, information technology and major capital maintenance expenditures.

Other Revenues and Expenditures

Investment and other income of \$4.2 million is lower than target by \$0.8 million. This balance consists of interest earned on bank deposits, short term deposits and debt sinking funds and other special purpose funding. The variance from target is due to the diesel retrofit program. BC Transit received funding of \$1.15 million for the project which is 75% complete by year end. Accordingly, \$0.3 million of the funding has been deferred and will be recognized when the related expenditure is incurred.

Foreign exchange and derivatives of \$0.3 million consist of gains from the revaluation of foreign currency balances.

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 are recorded in Net Assets until they are realized at which time they are recognized in income.

Balance Sheet

BC Transit operates on a cost recovery basis. Consequently, transit operations do not generate changes in the corporate balance sheet other than working capital shifts caused by the timing and realization of expenditures as well as the impact of the capital expenditure program.

The capital program and its related financing is the major balance sheet driver. In this regard, BC Transit is increasing capital expenditures in line with Provincial Transit Plan 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

The BC Transit long term capital plan has grown substantially over the past few years from \$69 million in 2008/09 to approximately \$151 million in 2009/10.

Significant capital program expenditures incurred in 2009/10 include:

	\$ millions
Fuel Cell Bus Project	\$ 47
Vehicle Replacement Program	\$ 38
Vehicle Expansion Program	\$ 30
Whistler Transit Garage	\$ 17
Long Term Maintenance Program	\$ 6
Other	\$ 13
Total Capital Expenditures	\$151

The 3 year capital plan as presented in the 2010/11 service plan is summarized below (*figures in thousands*):

Capital Plan	2010/11	2011/12	2012/13	Total
Province-Capital Grants	33,051	61,666	59,331	154,048
Municipalities (FAL)	49,699	95,050	122,077	266,827
Other	6,693	6,206	26,709	39,608
Total Capital Projects	89,443	162,922	208,118	460,483

BC Transit's capital plan reflects the increased Provincial and local government investment associated with maintaining the existing asset base for vehicles, facilities, park and rides, equipment, exchanges and information technology as well as meeting the goals of the Provincial Transit Plan. The capital plan also includes significant investment for Rapid Transit in Victoria and Kelowna.

Hydrogen Fuel Cell Program

BC Transit is leading the way in adopting new technologies that support sustainable practices and reduce greenhouse gas emissions. From introducing North America's first low-floor conventional and double-deck buses, to using biodiesel and hybrid technology within its fleet, BC Transit is delivering the world's largest demonstration fleet of hydrogen fuel cell powered buses operating in a single location.

The demonstration fleet supports the:

- Hydrogen Highway;
- Clean Transportation Technology Initiative;
- BC Climate Action Plan; and
- The Provincial Transit Plan.

This demonstration fleet also supported the guiding principles for the Olympic Games in supporting sustainable, clean transportation.

The incremental cost of the program is funded by the Government of Canada and Province of British Columbia. BC Transit is the Crown Corporation charged with the delivery, operation and evaluation of the demonstration fleet.

During the 2010 Olympic and Paralympic Winter Games, the world's largest demonstration fleet of hydrogen fuel cell powered buses operating in a single location was showcased in Whistler. The zero emission buses were developed as part of the Government of British Columbia's plan to reduce greenhouse gas emissions by 33 percent by 2020. The project includes 20 hydrogen fuel cell buses and the infrastructure required for fuelling. The fueling infrastructure represents the largest hydrogen transportation fueling station in the world.

The total budget of the demonstration project is \$89.5 million, covering capital and operating costs to March 2014. The funding partners are:

- Government of Canada (\$45 million through the 2006 Public Transit Capital Trust Fund)
- Government of British Columbia (\$26.7 million)
- Resort Municipality of Whistler (\$16.8 million)
- Canadian Hydrogen Fuel Cell Association (\$1 million)

The ultimate goal of the project is to demonstrate for the first time the integration of hydrogen fuel cell buses into the regular service of an urban transit system, and to monitor the fleet's operations, maintenance and fuelling over a sustained period. Lifecycle costs for the fuel cell buses will be evaluated over the next few years to determine how they compare to current internal combustion engine technology. The outcome of this demonstration program will determine if hydrogen fuel cell buses can be put into service in other communities.

Working Capital Changes

Cash and cash equivalents increased year over year by \$13 million due primarily to working capital timing of receipts and payments. Accounts receivable decreased year over year by \$0.5 million due to the collection of federal capital grants of \$5.5 million offset by an increase in receivables from municipalities, trade and other including GST on a significant amount of capital expenditures in the final months of the year. Accounts payable and accrued liabilities are up year over year by \$16 million due primarily to the capital program (capital accruals and holdbacks).

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 in Accounting Policies

Effective April 1, 2009, BC Transit implemented the following accounting policy changes:

- CICA Handbook section 3064, "Goodwill and Intangible Assets". The new standard replaces the previous standard and revises the requirement for the recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has not had a material impact on BC Transit's financial statements.

Future Changes

The Public Sector Accounting Board ("PSAB"), which is the body governing accounting standards for government entities, recently approved changes to the scope of public sector accounting standards. Under these changes, BC Transit is considered an "other government organization" and accordingly has a choice of whether to adopt International Financial Reporting Standards ("IFRS") or with public sector accounting standards.

BC Transit has embarked on a project to assess and evaluate IFRS and PSAB and the changes required to comply to either accounting framework. Throughout



2010/11 BC Transit will revisit its timelines, processes and accounting policy choices to ensure it is fully prepared to comply with PSAB's directions.

Opportunities and Risk Factors

Long Term Funding

BC Transit's service plan and long term planning is based on a multi-year projection of operating and capital funding. However, both the local and provincial funding partners confirm budgets annually. Consequently, only the current year's funding levels are committed. Subsequent years' funding will be impacted by prevailing provincial and local economic conditions and funding capacity.

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. In response, BC Transit completed a long term strategic plan - Shaping Our Future - to identify the requirements of achieving Provincial objectives.

To achieve these objectives, BC Transit is investing in new services, new physical and technical infrastructure and is seeking to take a more significant role in influencing urban form. In addition, long term master plans are being 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 local partners in support of local plans to develop more compact, sustainable and efficient communities so as to reduce energy use and greenhouse gas emissions; and to advance Regional plans that support increased population and employment densities near transit hubs and along transit corridors.

The hydrogen fuel cell bus fleet demonstration program is a major initiative in support of provincial climate action goals. The project will assess the operational viability of the world's largest fleet of fuel cell buses to be operated in regular transit service in a single location.

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 11 per cent of BC Transit's costs.

Economic downturns can reduce transit ridership as overall travel usually decreases 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. Management has developed a long term commodity price risk management program to mitigate the risk of price fluctuations.

Growing Demand

Throughout the province, BC Transit services are experiencing unprecedented demand. Ridership increased by 2.5 per cent during 2009/10 and 15 per cent since the Provincial Transit Plan's base year of 2006/07. 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 and expand. The continued rapid growth challenges the financial capacity of funding partners to supply additional service, expanded bus fleets and associated infrastructure.



Labour Force Challenges

BC Transit relies on the experience and expertise of its employees to meet the requirements of the Provincial Transit Plan. To implement the services anticipated over the next three years will require over 80 additional staff at BC Transit to operate the Victoria Regional Transit System and provide the professional and administrative services supporting the provincial network. Additional new jobs will be required by contract operators delivering BC Transit service in the remainder of the province. Loss of or failure to attract and retain key personnel could have an adverse effect on BC Transit's ability to deliver on the Provincial Transit Plan.

Hourly paid employees in our Victoria Operations and Maintenance divisions, certain administrative and professional employees, and a small group of Transit Supervisors are unionized. Currently we administer and negotiate three collective agreements. Our unionized employees are represented by Canadian Autoworkers (CAW); Canadian Office & Professionals Employee's (COPE), and the Canadian Union of Public Employees (CUPE). Of the three agreements, two have expired effective March 31, 2010 and negotiations to renew the agreements are currently underway. The third collective agreement representing our Transit Supervisors (CUPE) will conclude December 31, 2010.

Should BC Transit be unable to negotiate an acceptable contract after any of these collective agreements expire with any of the unions, a labour disruption or work stoppage could occur. Furthermore, a labour disruption could have an adverse impact on our financial condition

or our operational results. In addition, BC Transit relies on certain third parties—such as our regional partners—some of whose workforces are also unionized. If those workers engage in strike or other work stoppages, operations of BC Transit systems could be disrupted.

Harmonized Sales Tax

Changes in taxation legislation and interpretation may have a financial impact. The Province of British Columbia announced that they are harmonizing provincial sales tax with the federal goods and services tax regime, effective July 1, 2010. Harmonized sales tax (HST) standardizes and integrates the collection of formerly separate provincial sales taxes and the federal goods and services tax (GST). BC Transit has established a project team and expects to dedicate significant resources to transition numerous systems and processes to accommodate the change.

Outlook

BC Transit's 2010/11 – 2012/13 Service Plan describes the transit 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://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.

2010/11 will also include several challenges. The economic downturn has placed a significant amount of stress on funding partners and cost volatility, primarily relating to fuel and fleet related expenditures could create cost and funding pressures. A significant amount of capital investment required to maintain and expand will create further 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, 2010

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 20, 2010.

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



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

May 20, 2010

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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, 2010 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, 2010 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 20, 2010

BRITISH COLUMBIA TRANSIT

Balance Sheet

March 31, 2010 (\$000)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 36,344	\$ 23,540
Accounts receivable:		
Provincial and Federal	1,078	5,487
Municipalities	10,671	10,219
Trade and other	11,038	7,620
Prepaid expenses	1,331	1,336
Inventory	267	86
	60,729	48,288
Debt sinking funds (note 5)	42,049	39,193
Prepaid lease payments (note 6)	919	-
Capital assets (note 7)	346,209	224,480
Vancouver assets - assets under lease (note 8)	746,045	778,699
Investment in Transportation Property and Casualty Company Inc. (note 4)	20	20
	\$ 1,195,971	\$ 1,090,680
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,297	\$ 19,034
Deferred revenue (note 9)	3,746	11,318
Current portion of long-term debt (note 10)	8,363	9,829
Current portion of obligations under capital leases (note 11)	22	22
	47,428	40,203
Long-term debt (note 10)	170,782	121,339
Obligations under capital leases (note 11)	115	137
Deferred contributions (note 12)	4,733	1,874
Deferred capital contributions (note 13)	900,095	854,315
	1,123,153	1,017,868
Net Assets		
Contributed surplus	64,636	66,048
Accumulated net assets	8,182	6,764
	72,818	72,812
Commitments and contingencies (note 19)		
	\$ 1,195,971	\$ 1,090,680

See accompanying notes to financial statements.

Approved on behalf of the Board:


Director


Director

BRITISH COLUMBIA TRANSIT

Statement of Operations

Year ended March 31, 2010 (\$000)

	2010	2009
Revenue:		
Operations	\$ 60,679	\$ 59,632
Investment and other income	3,361	2,859
Olympic and Paralympic Games – transit operations (note 15)	1,019	-
Olympic and Paralympic Games – VANOC contributions (note 15)	5,261	-
	<u>70,320</u>	<u>62,491</u>
Expenses:		
Operations	124,025	114,438
Maintenance	37,772	36,236
Administration	20,040	18,752
Interest on long-term debt	7,908	6,856
Amortization of capital assets	28,269	21,397
Olympic and Paralympic Games (note 15)	6,262	-
	<u>224,276</u>	<u>197,679</u>
Recoveries:		
Contributions from the Province of British Columbia:		
Operating grants	79,105	71,874
Other	844	-
Contributions from municipalities (note 12)	60,840	53,847
Amortization of deferred capital contributions - capital assets	14,024	9,743
	<u>154,813</u>	<u>135,464</u>
Revenue from transit operations	857	276
Other:		
Vancouver assets - amortization expense (note 8)	(32,654)	(32,654)
Vancouver assets - amortization of deferred capital contributions (note 8)	31,242	31,242
Loss on disposal of capital assets	-	(329)
Gain (loss) on foreign exchange and derivatives	273	(1,073)
	<u>(1,139)</u>	<u>(2,814)</u>
Net revenue (expenses) for the year	\$ (282)	\$ (2,538)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Changes in Net Assets

Year ended March 31, 2010 (\$000)

	Accumulated net assets	Contributed surplus	Total 2010	2009
Balance, beginning of year	\$6,764	\$66,048	\$72,812	\$76,403
Net revenue (expenses) for the year	(282)	-	(282)	(2,538)
Unrealized gain (loss) from change in fair value of debt sinking funds	288	-	288	(952)
Return of contribution to the Province	-	-	-	(101)
Amortization of contributed surplus – Vancouver assets (note 8)	1,412	(1,412)	-	-
Balance, end of year	\$8,182	\$64,636	\$72,818	\$ 72,812

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Cash Flows

Year ended March 31, 2010 (\$000)

	2010	2009
Cash provided by (used for):		
Operations:		
Net revenue (expenses) for the year	\$ (282)	\$ (2,538)
Items not involving cash:		
Amortization of capital assets	28,269	21,397
Vancouver assets – amortization expense	32,654	32,654
Amortization of deferred capital contributions	(45,266)	(40,985)
Loss on disposal of capital assets	-	329
Unrealized loss on foreign exchange derivative	-	1,073
Net changes in non-cash operating working capital:		
Accounts receivable	(4,948)	(3,733)
Prepaid expenditures	5	(52)
Inventory	(181)	(86)
Accounts payable and accrued liabilities	16,263	1,814
Deferred revenue	(7,572)	1,493
	18,942	11,366
Investing:		
Proceeds from sale of capital assets	-	20
Additions to capital assets and prepaid leases	(150,917)	(69,888)
Recoveries from capital assets under lease	-	101
	(150,917)	(69,767)
Financing:		
Repayment to the Province of British Columbia of proceeds on disposal of contributed land	-	(101)
Increase in deferred contributions	2,859	2,077
Capital lease payments	(22)	(20)
Proceeds on issuance of long-term debt	58,158	17,235
Repayments on long-term debt	(10,181)	-
Proceeds on disposition of sinking funds	6,989	-
Sinking fund payments	(9,557)	(7,592)
Deferred capital contributions received	96,533	48,676
	144,779	60,275
Increase in cash and cash equivalents	12,804	1,874
Cash and cash equivalents, beginning of year	23,540	21,666
Cash and cash equivalents, end of year	\$ 36,344	\$ 23,540

Supplemental cash flow information (note 3)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$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 2010, BC Transit recovered 49.28% (2009 - 49.6%) 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 14.

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 disclosed below:

(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. A 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.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

2. Summary of significant accounting policies (continued):

(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).
- (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. Estimated useful lives for capital assets are as follows:

Category:	Estimated Useful Life:
Land	not applicable
Leasehold improvements	term of lease
Buildings	5 – 30 years
Revenue vehicles	
- Main asset	2 - 20 years
- Major components	2 – 11 years
- Hydrogen fuel cell fleet	5 – 10 years
Non-revenue vehicles	10 years
Hydrogen fueling station	5 years
Equipment and other capital assets	4 – 20 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 and construction is capitalized based on actual interest costs incurred.

(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 criteria have been met.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

2. Summary of significant accounting policies (continued):

(h) Leases or arrangements containing a lease:

Leases or other arrangements entered into for use of property, plant and equipment are classified as either capital or operating leases. Leases or other arrangements that transfer substantially all of the benefits and risks of ownership of property to BC Transit are classified as capital leases. Equipment acquired under capital leases is amortized over the lesser of the term of the lease and estimated useful life. Rental payments under operating leases are expensed as incurred.

(i) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by capital grants from the Province and 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.

(j) Employee future benefits:

BC Transit and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trusted 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 58,000 active plan members and approximately 35,000 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 \$3,827 (2009 - \$3,357) for employer contributions to the Plan in fiscal 2010.

(k) 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, 2010 (\$000)

2. Summary of significant accounting policies (continued):

(l) Income and capital taxes:

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

(m) 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 with the write-down recorded as an expense in the period.

(n) 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 has elected to continue to apply the financial instruments disclosure and presentation standards in accordance with Section 3861 – Financial Instruments – Disclosure and Presentation.

(o) Changes in accounting policy:

(i) Goodwill and intangible assets

Effective April 1, 2009, BC Transit adopted CICA Handbook section 3064, "Goodwill and Intangible Assets". The new standard replaces the previous standard and revises the requirement for the recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has not had a material impact on BC Transit's financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

2. Summary of significant accounting policies (continued):

(ii) Amendments to Section 1000, Financial Statement Concepts

Effective April 1, 2009, BC Transit adopted CICA amendments to Section 1000 of the Handbook. These amendments clarify the criteria for recognition of an asset or liability removing the ability to recognize assets or liabilities solely on the basis of matching revenues and expenses. Adoption of these recommendations has not had a material impact on BC Transit's financial statements.

(p) Future accounting standards:

(i) Financial reporting by government organizations

The Public Sector Accounting Board ("PSAB"), which is the body governing accounting standards for government entities, recently approved changes to the scope of public sector accounting standards. Under these changes, BC Transit is considered an "other government organization" and accordingly has a choice of whether to adopt International Financial Reporting Standards ("IFRS") or public sector accounting standards.

BC Transit is continuing to assess and evaluate IFRS and public sector accounting standards and the changes required to comply to either accounting framework. Throughout 2010/11, BC Transit will revisit its timelines, processes and accounting policy choices to ensure it is fully prepared to comply with PSAB directions.

(q) Comparative figures:

Certain 2009 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:

	2010	2009
Cash	\$ 4,003	\$ 4,872
Short-term investments	32,341	18,668
	\$ 36,344	\$ 23,540

(b) Supplemental cash flow information:

	2010	2009
Cash paid during the year for:		
Interest on long-term debt	\$ 7,479	\$ 6,554
Cash received:		
Interest on investments	1,865	2,860

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

4. Investment in Transportation Property and Casualty Company Inc.:

During the year, BC Transit undertook a review of its insurance program including its continued participation in the Transportation Property and Casualty Company Inc. ("TPCC") Program. BC Transit's Captive insurance includes a significant component of self-insurance backed by segregated reserves. BC Transit holds a 10% interest in the Captive and the remaining interest is held by the South Coast British Columbia Transportation Authority ("SCBCTA"). Management considered maintaining the current TPCC program, augmenting the TPCC coverage to mitigate risks inappropriate to BC Transit's risk retention capacity or replacing the TPCC coverage in an open market with a stand-alone insurance program.

In January 2010, the Board of Directors approved the withdrawal from TPCC, the commencement of an orderly settlement of claims and obtaining a stand-alone insurance coverage. The program was placed effective April 1, 2010.

Wind down and withdrawal from TPCC, including settlement of claims incurred to March 31, 2010, will be completed in the year.

5. 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 2010 includes \$200 (2009 - \$8) 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 \$11 (2009 - \$26) were paid directly from individual portfolios to BCIMC.

6. Prepaid lease payments:

BC Transit has long term operating leases over land, which do not qualify for capitalization and as such, prepayments of lease costs have been deferred and are amortized on a straight line basis over the term of the operating lease agreement. The amortization periods range from 5 to 40 years.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

7. Capital assets:

March 31, 2010	Carrying value	Accumulated depreciation and amortization	Net book value
Land	\$ 2,608	\$ –	\$ 2,608
Leasehold improvements	10,103	2,087	8,016
Buildings	36,707	14,942	21,765
Revenue vehicles:			
Main asset	310,624	130,819	179,805
Major components	44,508	6,628	37,880
Under capital lease	294	158	136
Hydrogen fuel cell	51,624	1,237	50,387
Non-revenue vehicles	337	121	216
Hydrogen fuel station	10,807	180	10,627
Equipment and other	23,030	14,876	8,154
Capital projects in progress	18,086	–	18,086
Capital inventory	8,529	–	8,529
	\$ 517,257	\$ 171,048	\$ 346,209

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	264,102	118,546	145,556
Major components	28,457	2,946	25,511
Under capital lease	294	135	159
Non-revenue vehicles	106	106	-
Equipment and other	19,157	12,672	6,485
Capital projects in progress	27,242	–	27,242
Capital inventory	6,961	–	6,961
	\$ 374,523	\$ 150,043	\$ 224,480

During the year, \$148 (2009 - \$329) of equipment was recognized as a write-down when the equipment was removed from service.

Interest capitalized for capital projects in 2010 was \$1,903 (2009 - \$906).

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

8. Vancouver assets - 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.

Amortization on the Vancouver assets under lease is offset in part, by amortization of capital grants and in part by the amortization of contributed surplus. As a result of this treatment, there is a \$1,412 expense in excess of related amortization of deferred capital contributions that is recognized in net income each year over the life of these assets. This difference reverses in Net Assets through the transfer of the related contributed surplus.

March 31, 2010	Carrying value	Accumulated amortization	Net book value
SkyTrain	\$ 1,204,098	\$ 524,988	\$ 679,110
West Coast Express	128,848	61,913	66,935
	\$ 1,332,946	\$ 586,901	\$ 746,045

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

9. Deferred revenue:

	2010	2009
Unexpended contributions:		
Provincial funding	\$ 2,350	\$ 3,717
Fuel Cells Canada	-	1,045
Public Transit Agreement	1,396	6,556
	\$ 3,746	\$ 11,318

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

9. Deferred revenue (continued):

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. In prior years BC Transit has disposed of certain surplus lands. The total proceeds of \$0 (2009 - \$101) 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. \$1,000 (2009 - \$2,000) was used to purchase capital assets in the year. The remaining unexpended amounts represent funds designated for capital and special projects.

Deferred revenue also includes \$405 (2009 - \$775) received from the Ministry of Environment and held for retro-fitting diesel motors.

BC Transit earned interest of \$27 (2009 - \$152) on deferred capital grants from the Public Transit Agreement. As required under the related contribution agreements, this interest has been deferred.

10. 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 \$111 (2009 - \$26).

During 2010, BC Transit issued bonds of \$58.2M with a weighted average interest rate of 4.36% and a weighted term to maturity of 16.5 years.

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

	2010	2009
Sinking fund bonds, weighted average interest rate of 5.04%, maturing at various dates to 2023, amortized from 5 to 30 years	\$ 172,282	\$ 117,410
Sinking fund bonds under interest rate and currency conversion agreements, effective weighted average interest rate of 5.74 %, maturing at July 2010 amortized over 12 years	6,863	13,758
	179,145	131,168
Less current portion	8,363	9,829
	\$ 170,782	\$ 121,339

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

10. Long-term debt (continued):

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

2011	\$	8,364
2012		9,918
2013		-
2014		9,604
2015		19,273
Thereafter		132,306

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

2011	\$	11,383
2012		10,899
2013		9,466
2014		9,466
2015		7,892
Thereafter		44,802

11. 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:

2011	\$	34
2012		34
2013		34
2014		34
2015		29
Thereafter		-
		165
Less amount representing interest at 8.36%		(28)
Present value of capital lease obligations		137
Less current portion		(22)
	\$	115

Interest incurred during the year with respect to obligations under capital leases amounted to \$12 (2009 - \$14).

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

12. 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.

	2010	2009
Balance, beginning of year	\$ 1,874	\$ (203)
Contributions from municipalities - Victoria	28,684	24,782
Contributions from municipalities - other municipalities	35,015	31,142
Contributions from municipalities expended	(60,840)	(53,847)
Balance, end of year	\$ 4,733	\$ 1,874

13. Deferred capital contributions:

Deferred capital contributions include Federal and Provincial grants subject to amortization on the same basis as the related asset.

	2010	2009
Capital assets:		
Balance, beginning of year	\$ 132,394	\$ 100,120
Contributions and other additions	91,046	42,017
Amortization	(14,024)	(9,743)
Balance, end of year	209,416	132,394
Capital assets under lease:		
Balance, beginning of year	721,921	753,165
Amortization	(31,242)	(31,242)
Balance, end of year	690,679	721,921
	\$ 900,095	\$ 854,315

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

14. 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:

	2010	2009
Fund balance, beginning of year	\$ 2,075	\$ 987
Revenue:		
Fuel tax	11,142	11,145
Property tax	16,993	14,663
Interest earned	138	62
Contributions	(28,684)	(24,782)
Fund balance, end of year	\$ 1,664	\$ 2,075

15. Net profit from Olympic and Paralympic games:

During the year, BC Transit was contracted to provide public transit services along the Sea to Sky corridor during the 2010 Olympic and Paralympic Winter Games. The service provided was incremental to the core service provided in the area during the months of the Games. Operational results have been separately disclosed on the Statement of Operations.

16. 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, 2010 is \$194,497 (2009 - \$144,480).

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.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

16. Financial instruments (continued):

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.

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 fixed price 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. Management entered into a fixed price physical supply contract during the year which expired on March 31, 2010. No other fixed price agreements are in place as at March 31, 2010.

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. No such derivative contracts were entered into during the year.

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. These arrangements with respect to long term debt are \$6,863 maturing in July 2010. The net fair value of these derivative instruments is nominal at March 31, 2010 and 2009.

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 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.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

16. Financial instruments (continued):

	1% Change
Commodity Price Risk	\$ 240
Interest Rate Risk	394
Foreign Exchange Risk	428

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 10. Other commitments with future minimum payments are disclosed in note 19.

17. 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 Federal, Provincial or from municipal government 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.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2010 (\$000)

18. 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.

19. Commitments and contingencies:

BC Transit has outstanding commitments as summarized below:

As at March 31	2011	2012	2013	2014	2015
Operating leases	\$ 1,279	\$ 1,352	\$ 1,309	\$ 1,349	\$ 1,349
Facilities	3,494	254	-	-	-
Vehicle purchases	4,109	-	-	-	-
Other commitments*	6,140	2,086	2,086	2,086	750
Total	\$ 15,022	\$ 3,692	\$ 3,395	\$ 3,435	\$ 2,099

*Other commitments include fuel, machinery and equipment

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, 2010 management has determined that BC Transit has valid defenses 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.

57 Appendices

- A1 Victoria Regional Transit System Performance
- A2 Regional Transit Systems Performance
- A3 Comparison to Industry Benchmarks
- A4 Glossary
- A5 Contact Information
- A6 Map of BC Transit Systems



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 41,000 hours (5 per cent). In 2009/10, 24.8 million passengers chose public transit, 0.8 million passengers or 3 per cent more than the preceding year. The results for conventional and custom transit were as follows.

Victoria Conventional Transit Service, Effectiveness & Efficiency	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Corporate Target	2010/11 Service Plan Target	2011/12 Service Plan Target
Service hours (000s)	664	723	763	761	797	860
Revenue passengers (000s)	22,386	23,716	24,456	24,780	25,955	26,616
Revenue passengers per service hour	33.7	32.8	32.0	32.6	32.5	31.0
Operating cost per service hour	\$89.97	\$93.77	\$94.52	\$95.11	\$97.26	\$97.32
Operating cost per revenue passenger	\$2.67	\$2.86	\$2.95	\$2.92	\$2.99	\$3.14

Victoria Custom Transit Service, Effectiveness & Efficiency	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Corporate Target	2010/11 Service Plan Target	2011/12 Service Plan Target
Service hours (000s)	109	114	115	115	115	121
Revenue passengers (000s)	375	378	392	322	338	355
Revenue passengers – van only (000s)	285	285	285	284	288	302
Revenue passengers per service hour	2.6	2.5	2.5	2.5	2.5	2.5
Operating cost per service hour	\$53.15	\$54.93	\$55.88	\$59.18	\$60.32	\$60.39
Operating cost per revenue passenger – van	\$20.26	\$22.01	\$22.63	\$23.96	\$24.13	\$24.16

Appendix A2 – Performance Summary

Regional Transit Systems

REGIONAL TRANSIT SYSTEMS PERFORMANCE SUMMARY

Overall, there was a 3 per cent increase in service delivered compared to the previous year, for a total of 1,208,000 service hours in the conventional, custom and paratransit programs combined. 23.9 million passengers chose public transit - an increase of 0.4 million passengers (2 per cent) over the previous year. The results for conventional and custom transit were as follows.

Regional Conventional Transit <i>Service, Effectiveness & Efficiency</i>	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Corporate Target	2010/11 Service Plan Target	2011/12 Service Plan Target
Service hours (000s)	772	854	879	884	924	951
Revenue passengers (000s)	20,408	21,776	22,124	22,635	23,639	23,807
Revenue passengers per service hour	26.4	25.5	25.2	25.6	25.6	25.0
Operating cost per service hour	\$80.85	\$87.36	\$90.04	\$91.31	\$95.14	\$101.20
Operating cost per revenue passenger	\$3.06	\$3.42	\$3.58	\$3.57	\$3.72	\$4.04

Regional Custom/Para Transit <i>Service, Effectiveness & Efficiency – Van</i>	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Corporate Target	2010/11 Service Plan Target	2011/12 Service Plan Target
Service hours (000s)	282	321	329	338	339	356
Revenue passengers (000s)	1,515	1,706	1,781	1,797	1,883	1,931
Revenue passengers – van only (000s)	1,363	1,540	1,611	1,596	1,675	1,742
Revenue passengers per service hour	4.8	4.8	4.9	4.7	4.9	4.9
Operating cost per service hour	\$55.22	\$59.37	\$62.96	\$62.03	\$64.08	\$69.13
Operating cost per revenue passenger – van	\$11.42	\$12.36	\$12.86	\$13.13	\$12.97	\$14.14

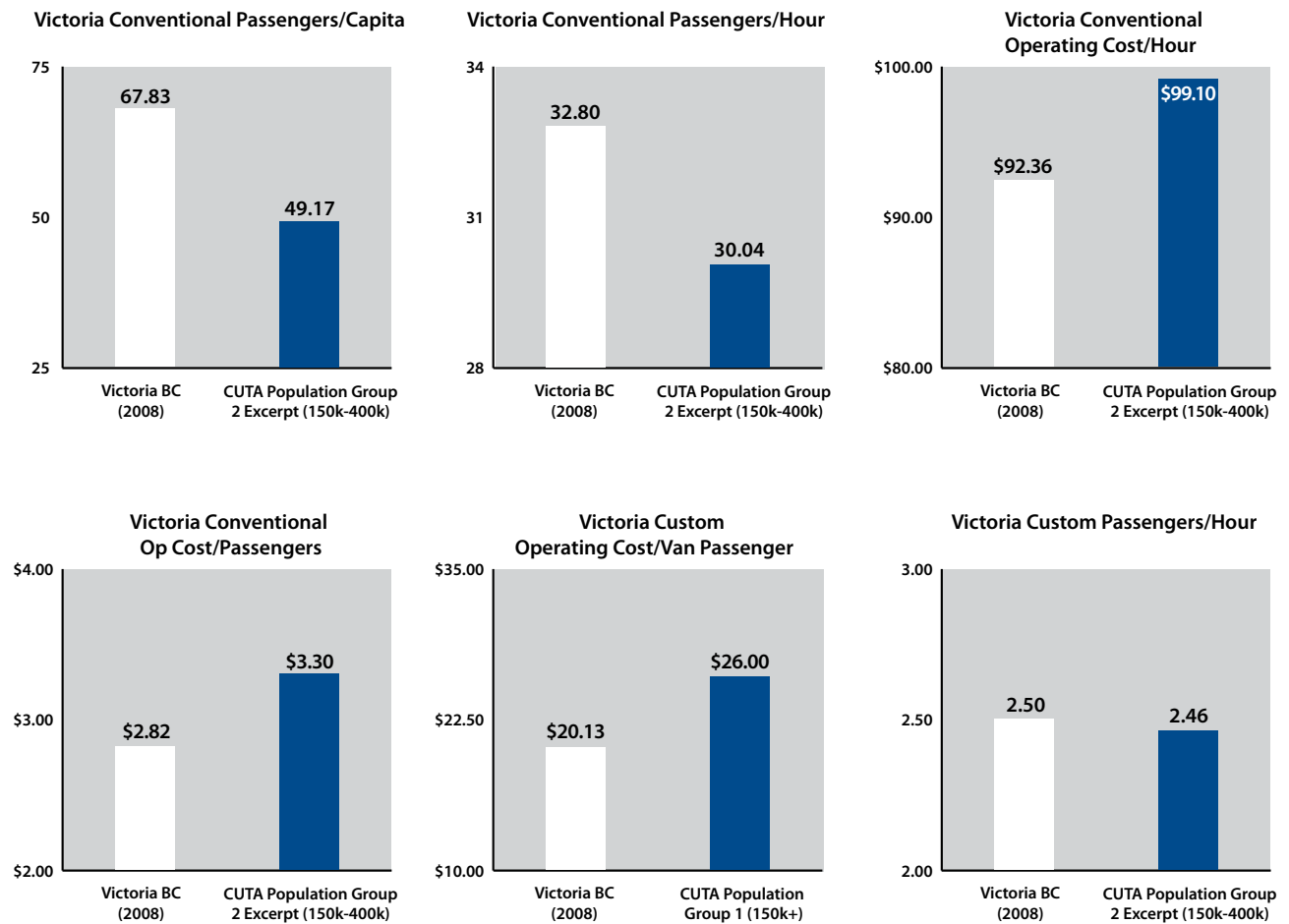
Appendix A3 – Comparison to Industry Benchmarks

A review of the performance of the Victoria Regional Transit System and Regional Transit Systems elsewhere in the province 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 2008/09 is also benchmarked against comparable Canadian transit systems using the most recently available data from CUTA for 2008 or 2008/09. 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

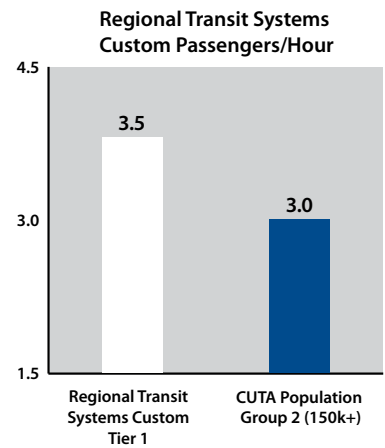
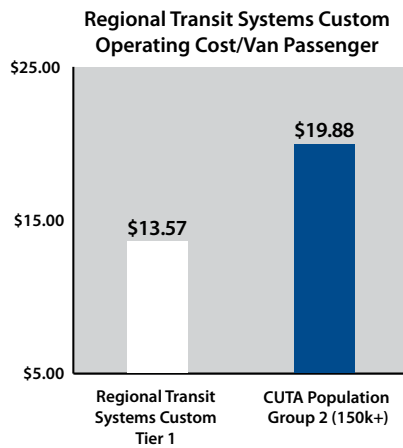
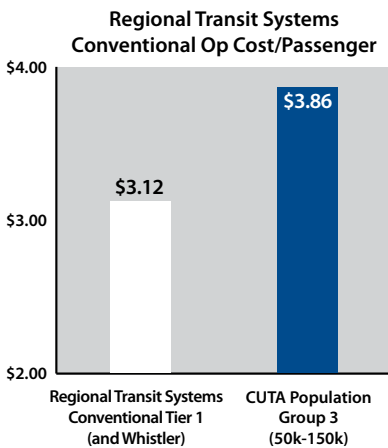
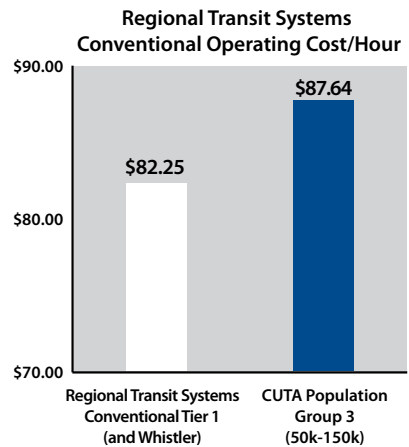
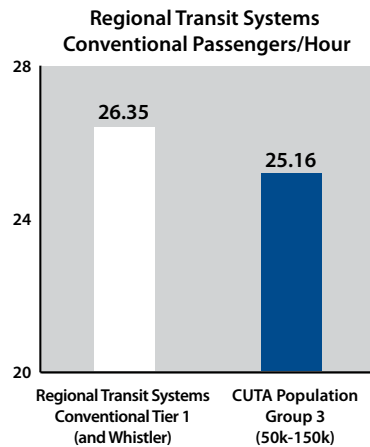
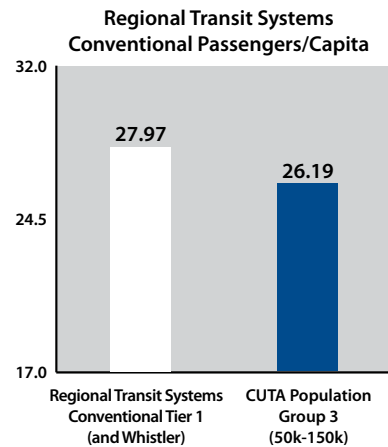
The Victoria Regional Transit System conventional service is compared with similar systems in the CUTA Urban Transit Population Group 2 (service area population 150,000-400,000). The Victoria custom service is compared with similar systems in the CUTA Specialized Transit Population Group 1 (service area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



REGIONAL TRANSIT SYSTEMS BENCHMARKS

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



Appendix A3 – 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 higher ridership, 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 – the web-based tool developed, owned and hosted by Ministry of Labour and Citizens' Services and used for estimating and reporting on greenhouse gas emissions.

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 and CIO

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BC Transit's Annual Reports are available
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Appendix A6 – Map of BC Transit Systems

