

For Immediate Release
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January 2, 2014

BC FERRIES TO IMPLEMENT FUEL SURCHARGE EFFECTIVE JANUARY 17

VICTORIA – Due to current world fuel market conditions that influence the prices that BC Ferries must pay its diesel fuel suppliers, the company is advising customers that a fuel surcharge will be implemented on the majority of its routes on January 17.

The fuel surcharge will be 3.5 per cent on average on all of its routes with the exception of the Port Hardy - Prince Rupert and Prince Rupert – Haida Gwaii routes. There will not be a fuel surcharge added to these routes at this time.

BC Ferries is currently paying approximately \$0.14 per litre higher than the Commissioner approved fuel price included in its fares (set price). In determining price caps (maximum average fares) for the current four year performance term, the Commissioner established a regulatory set price for fuel for the current year of \$0.952 per litre. In November 2013, monthly fuel prices reached a new high for this year of \$1.09 per litre.

“Market pricing indicates that the price differential will continue throughout the year,” said Mike Corrigan, BC Ferries’ President and CEO. “We are well aware that implementing a fuel surcharge is unpopular with our customers, and we are doing everything we can to keep our fuel costs as low as possible, including building new ships with LNG capability. We have waited as long as we can to implement a surcharge, however we must act now as it is clear that fuel prices are unlikely to decline in the foreseeable future.”

While the company has reduced its fuel consumption by 5.8 million litres since 2004, the cost of fuel in fiscal 2013 was \$121 million, up from \$50 million in fiscal 2004. The company is not immune to world commodity markets and their impact on the price of diesel. Each 1 cent per litre increase in the cost of diesel translates into a \$1.2 million increase in company expenses.

Over the past nine years, BC Ferries has had fuel surcharges, fuel rebates and periods of time with neither, all based on the market price of diesel fuel. BC Ferries utilizes fuel deferral accounts as a tool to help mitigate the impact that fluctuating fuel prices has on the cost of ferry travel.

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Backgrounder and fuel surcharge table attached

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BACKGROUNDER

SURCHARGES, FUEL SET PRICE AND PRICE CAPS

Price caps are set by the Commissioner based on financial forecasts for each four year performance term. These forecasts include the best estimates for operating expenses which include a forecast fuel price. The government recognized the risk of fuel prices fluctuations and the potential negative impact on BC Ferries by specifying in the Coastal Ferry Act, that (41.1) the Commissioner had the power to establish fuel deferral accounts and to allow surcharges or rebates. Commissioner Order 12-03 allows BC Ferries to manage the financial risks associated with volatile and unpredictable fuel prices using fuel deferral accounts and a surcharge & rebate mechanism.

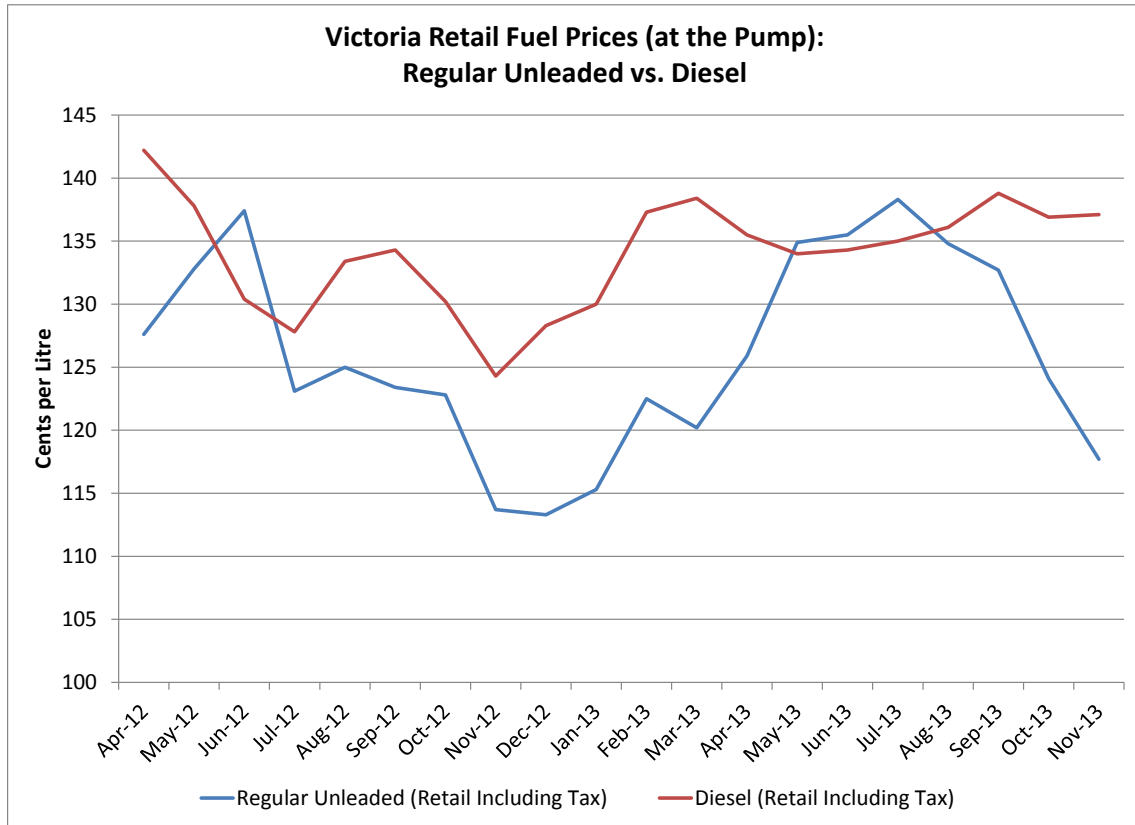
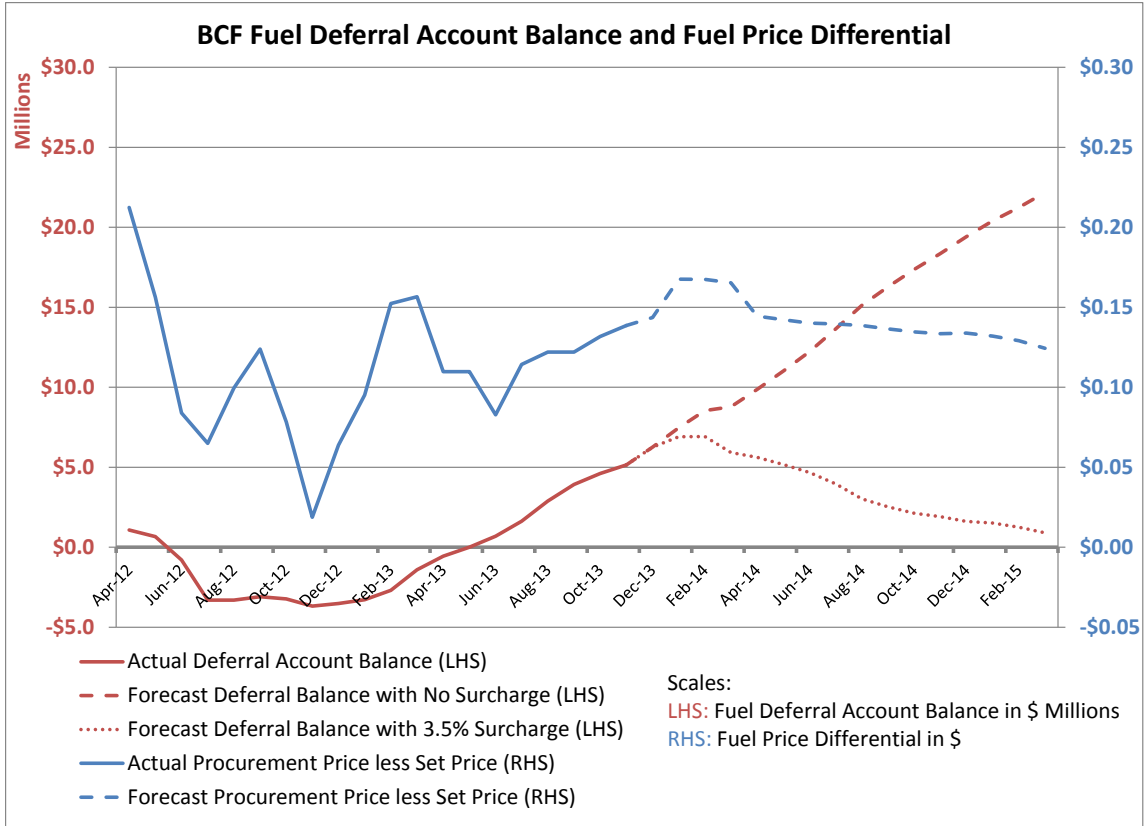
In the setting of Performance Term Three (“PT3”) price caps, the commissioner established a regulatory set price for fuel of \$0.933/litre starting April 1, 2012 and growing at 2% per year through March 31, 2016. The PT3 set price, based on an average of oil price forecasts, was set \$0.12/litre higher than the final PT2 set price. Despite this substantial increase, marine diesel prices have been consistently above the set price since the beginning of PT3. In 2013 monthly fuel prices have exceeded the set price by at least \$0.08/litre and reached a new high for the year in November of \$1.09/litre or \$0.14/litre above the set price.

The deferral account balance has risen to over \$5 million (November 2013) reflecting fuel expense that the company has incurred in excess of the set price. If this pricing continues as forecast and with no fuel surcharge in place, this balance will rise to \$8.8 million by the end of the fiscal year (March 31, 2014). With a fuel surcharge of 3.5 per cent the non-northern routes’ fuel deferral account is forecast to be \$5.2 million at March 31, 2014 and zero at March 31, 2015.

NORTHERN ROUTES

The northern routes will not be subject to a fuel surcharge at this time. In establishing the fuel price management process, the Commissioner established a different process for managing the northern routes, pursuant to the British Columbia Ferry Commission Order 12-03 (2f).

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Examples of Fuel Surcharges in the Transportation Industry as of December 18, 2013

Marine Atlantic

Fuel surcharge on passenger and vehicle fares between Port Aux Basques, Newfoundland – North Sydney, Nova Scotia is 21 per cent.

Northumberland Ferries

Fuel surcharge on passenger vehicles between Digby, Nova Scotia – Saint John, New Brunswick is 23 to 25 per cent depending on the time of year.

Victoria Clipper

Fuel surcharge on a one-way passenger fare between Seattle, Washington – Victoria, British Columbia is 8 per cent.

Purolator Courier

The fuel surcharge effective December 2, 2013 to January 5, 2014 is 12 per cent for Preferred Savings, List Rate or non-account customers and 19 per cent for Purolator Volume Discount Program customers.

UPS

Standard within Canada

Through December 29, 2013: 15 per cent

Effective December 30, 2013: 15.5 per cent

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		FUEL SURCHARGE		PASSENGERS		PASSENGER VEHICLE **	
ROUTE	ROUTE DESCRIPTION	Adult	Child (age 5-11)	Cars/Pickup Trucks	Motorcycle		
01	Tsawwassen - Swartz Bay	0.50	0.25	1.75	0.85		
02	Horseshoe Bay - Departure Bay	0.50	0.25	1.75	0.85		
30	Tsawwassen - Duke Point	0.50	0.25	1.75	0.85		
03	* Horseshoe Bay - Langdale	0.50	0.25	1.70	0.85		
04	* Swartz Bay - Fulford Harbour	0.35	0.15	1.15	0.55		
05	* Swartz Bay - Gulf Islands	0.40	0.20	1.30	0.65		
06	* Vesuvius Bay - Crofton	0.35	0.15	1.15	0.55		
07	* Saltery Bay - Earl's Cove	0.45	0.25	1.65	0.80		
08	* Horseshoe Bay - Snug Cove	0.35	0.15	1.10	0.55		
09	Gulf Islands to Tsawwassen (Off Peak)	0.30	0.15	0.80	0.60		
09	Gulf Islands to Tsawwassen (Regular)	0.30	0.15	1.25	0.60		
91	Tsawwassen to Gulf Islands (Off Peak)	0.60	0.30	1.95	1.15		
91	Tsawwassen to Gulf Islands (Regular)	0.60	0.30	2.30	1.15		
31	Inter-Southern Gulf Islands	0.20	0.10	0.45	0.20		
17	Comox - Powell River	0.45	0.20	1.55	0.75		
18	* Powell River - Texada Island	0.35	0.15	0.85	0.40		
19	* Gabriola Island - Nanaimo	0.35	0.15	0.85	0.40		
20	* Thetis Island - Kuper Island - Chemainus	0.35	0.15	0.85	0.40		
21	* Buckley Bay - Denman Island	0.30	0.15	0.75	0.35		
22	* Denman Island - Hornby Island	0.30	0.15	0.75	0.35		
23	* Campbell River - Quadra Island	0.30	0.15	0.75	0.35		
24	* Quadra Island - Cortes Island	0.35	0.15	0.90	0.45		
25	* Alert Bay - Sointula - Port McNeill	0.35	0.15	0.90	0.45		
26	* Skidegate - Alliford Bay	0.30	0.15	0.75	0.35		
12	Mill Bay - Brentwood Bay	0.25	0.10	0.55	0.25		
13	Langdale - Keats Island - Gambier Island	0.20	0.10	-	-		

*Surcharge covers return trip

Fuel Surcharge: Effective January 17, 2014

3.5% Fuel Surcharge excludes the Northern Route Group;

** The Passenger Vehicle fuel surcharge values listed above are for vehicles up to 20 feet only.

EXEMPTIONS:

Children under 5 years of age

Bicycles, Stowage, Canoe/Kayak