



EXECUTIVE VICE PRESIDENT, CORPORATE AFFAIRS & GENERAL COUNSEL

British Columbia Ferry Services Inc
1112 Fort Street
Victoria, BC V8V 4V2
Tel (250) 978-1304
Fax (250) 380-3958
www.bcferries.com

June 19, 2008

Mr. Martin Crilly
British Columbia Ferries Commissioner
290 Longview Road
Comox, BC V9M 3T7

Dear Mr. Crilly:

Alternative Service Providers Process
Brentwood Bay to Mill Bay Route

I am writing to advise you that in accordance with the Additional or Alternative Services Providers Plan for Performance Term Two, BC Ferries has now completed the process for seeking alternative service providers (ASPs) for the Brentwood Bay – Mill Bay ferry service and that the management and operation of this route will continue to be provisioned by BC Ferries directly.

As you are aware, in February 2007, BC Ferries issued a Request for Proposal (RFP) to operate the Brentwood Bay – Mill Bay ferry service to the two parties who had responded to the Request for Expression of Interest (RFEOI).

Only one of the two RFEOI respondents, Western Pacific Marine Ltd. (WPM), submitted a proposal. Based on a thorough analysis of this proposal, it was determined that the continued operation of the route by BC Ferries directly, represents superior *value for money* for reasons largely, but not exclusively, due to the level of service fee being proposed by the proponent.

BC Ferries' assessment of the proposal has been reviewed by The Glisten Associates who agree that the proposal a) fails to deliver a cost advantage, b) fails to demonstrate an improved level of service reliability, and c) fails to appropriately address BC Ferries' contractual risk under the Coastal Ferry Services Contract.

In January 2008, discussions were held with WPM to provide feedback on its initial proposal and provide an opportunity for WPM to make refinements to it. BC Ferries also offered consultations with its technical experts regarding the proposed vessel design. This offer was declined. However, WPM expressed an interest in using BC Ferries' vessel, *MV Klitsa*, on Route 12, a request that was consistent with the terms of the RFP and was agreed to by BC Ferries. WPM was offered, but declined, the opportunity to inspect the vessel.

As we discussed with you at our meeting on June 2, 2008, the modified proposal submitted by WPM on March 31, 2008 represented an even more costly form of

service provisioning as compared to the original proposal, an assessment with which WPM concurs.

After consideration of the foregoing, the Board of Directors of BC Ferries, on June 12, 2008, confirmed that BC Ferries will not pursue the proposals received from WPM for alternative service delivery on Route 12 and that the process for seeking ASPs on this route is complete. BC Ferries will continue to be the provider of service on this route.

Should you require any further information concerning this matter, please do not hesitate to contact me.

Sincerely,

BRITISH COLUMBIA FERRY SERVICES INC.



William R. Cottick
Executive Vice President, Corporate Affairs & General Counsel

cc: Alan Eastwood, Assistant to the Commissioner
Carol Prest, BC Ferries