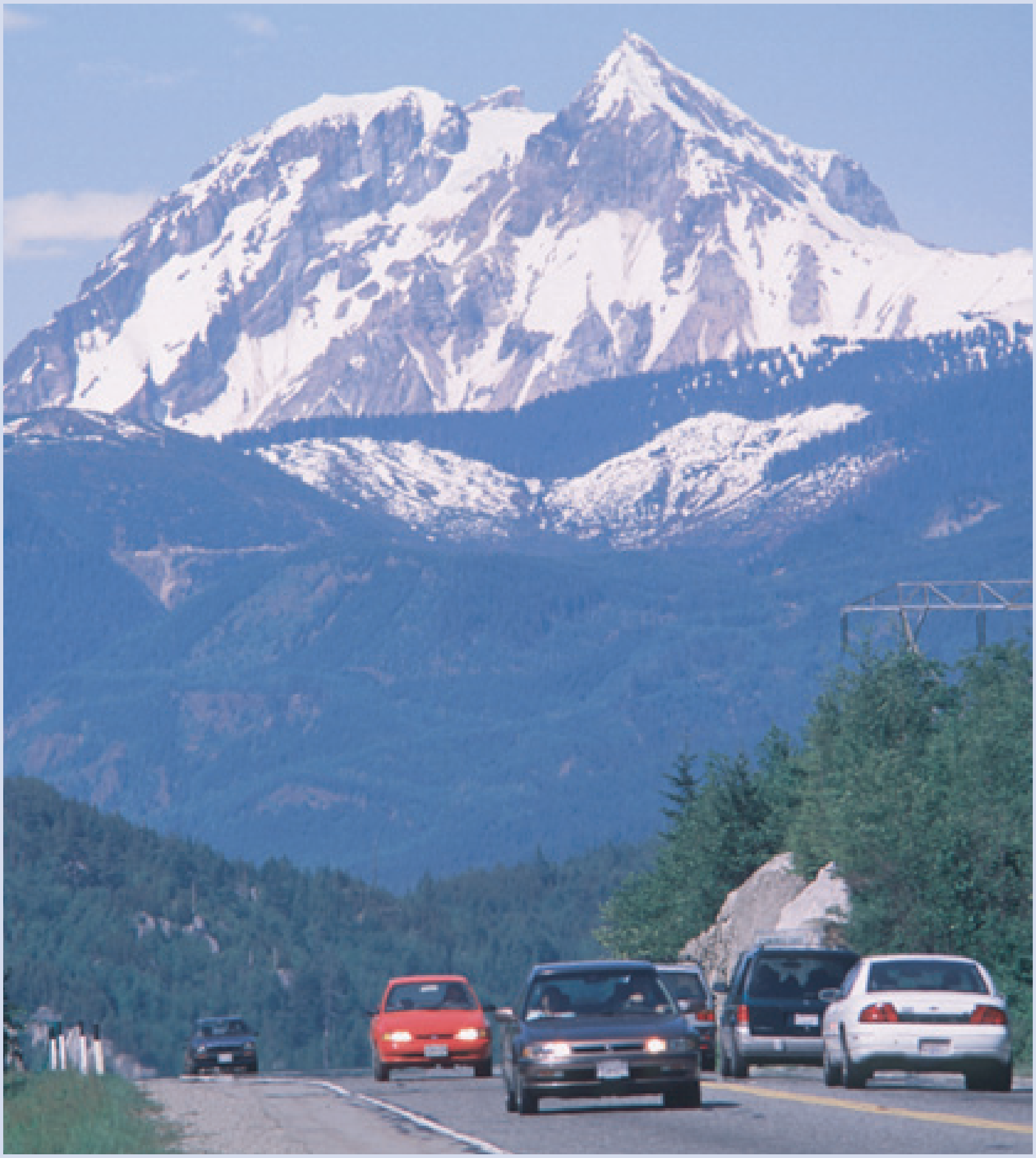

# Annual Service Plan Report

MINISTRY OF TRANSPORTATION 2002/03

British Columbia

*Ministry of Transportation*

# 2002/03
# Annual Service Plan Report

BRITISH COLUMBIA

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# Accountability Statement

The 2002/03 Ministry of Transportation Annual Service Plan Report was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. This report compares the actual results to the expected results identified in the ministry's 2002/03 Service Plan. I am accountable for the ministry's results and the basis on which they have been reported.

Judith Reid

Honourable Judith Reid
Minister of Transportation

June 12, 2003

BRITISH COLUMBIA

**Ministry of Transportation**

We've made a good start. In the fiscal year 2002/03 our government approved a three-year Transportation Investment Plan that anticipates a total investment of $5.5 billion in future transportation infrastructure. A modern, safe, reliable and integrated transportation system will be the foundation for economic growth in all regions of our province. The investments outlined in the plan will improve public safety, stimulate economic activity and enhance the movement of people and goods throughout the province and across our trade borders.

We are investing in upgrading our highways and bridges, spending $609 million over the next three years to rehabilitate roads in our heartlands, working to ease urban congestion, expanding our ports and airports, improving the movement of goods to keep our province's industries competitive, renewing our ferry system and improving public transit. These investments in transportation will create jobs, invigorate local communities and lay a solid foundation for future prosperity.

We will finance our plans with government funds, creative partnerships with other governments and the private sector, the recent increase in fuel tax and tolls when justified. All new money from these sources will be dedicated to improving and expanding transportation infrastructure in the North, the Interior, coastal communities, urban centres and at our border crossings. The process will be transparent and accountable and the government will report to the public on its activities.

The ministry established eight Regional Transportation Advisory Committees during the year 2002/03 to allow regions the opportunity to recommend their priorities for inclusion into the overall provincial transportation program.

Another highlight of the year was the Ministry's endorsement of new 10-year agreements between road and bridge maintenance contractors and their unions, that will reduce labour costs by 16 per cent and save the province $26 million annually, while continuing to protect public safety.

Organizationally, the Office of the Superintendent of Motor Vehicles was transferred to the Ministry of Public Safety and Solicitor General; and the Motor Carrier Branch, the administrative arm of the Motor Carrier Commission, was transferred from ICBC to the Ministry of Transportation. On April 1, 2003, the provincial weigh scales program also moved from ICBC to the Ministry of Transportation because weigh-scale operation is consistent with the mandate and service plan of this Ministry.

Judith Reid

Honourable Judith Reid
Minister of Transportation

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# Year-at-a-Glance Highlights

## Three-year Transportation Investment Plan

The government approved a three-year Transportation Investment Plan that contemplates a total investment of $5.5 billion in transportation infrastructure. The investments outlined in the plan will improve safety, increase economic activity, and enhance the movement of people and goods throughout the province and across international borders. The Plan will be funded through participation in federal cost sharing programs, third party contributions, public-private partnerships and dedicated revenue from a 3.5 cents per litre increase in the provincial motor fuel tax that took effect March 1, 2003.

Highlights of the plan include:

- an increase in the annual investment towards improving northern and heartlands roads by $75 million per year;
- improvements to the Okanagan Valley's main corridor, Highway 97, and to other priority corridors such as Highway 3 through the Southern Interior, Highway 95 through the Kootenays and a new Okanagan Lake Bridge at Kelowna;
- smaller-scale localized improvements to other major highways throughout the province; such as Highways 4, 5, 16, 20, 37, 101 and others; intended to improve safety and increase effectiveness through the addition of passing lanes, realignments and other safety features;
- funding of $145 million per year (up from $135 million) for rehabilitation to protect the public's investment in transportation assets;
- secured funding of $225.8 million for capital projects from the Government of Canada. This includes $62.5 million for the 10-Mile (Park) Bridge project on Highway 1 in the Kicking Horse Canyon, $75.3 million under the Strategic Highway Infrastructure Program and $88 million under the Border Infrastructure Fund;
- a multi-year investment program to undertake critical improvements to the Sea-to-Sky Highway; and
- funding for community and regional airports and ports of $10 million per year to stimulate incremental economic activity.

## Public-Private Partnerships

The Legislature adopted the *Transportation Investment Act*, which established the policy and legal framework to enable Public-Private Partnerships (P3s). The Act enables the government to enter into P3 arrangements where the financial analysis shows these would provide a clear public benefit. Specifically, the Act allows the government to reach agreements with private investors who may build, operate and maintain highways and recover their costs by charging user fees. The province will regulate the amount of the tolls that the private sector operators can charge.

The ministry, in cooperation with other provincial agencies, developed a plan to transfer the operation of the Coquihalla Highway to the private sector. A request for proposals was issued in spring 2003.

In order to solicit and develop P3 proposals in Greater Vancouver, the ministry is working with the Greater Vancouver Transportation Authority to evaluate the feasibility of a coordinated program to identify and implement transportation improvements in the Fraser River corridor. The goal of the program would be to contribute significantly to the regional and provincial economies through better movement of goods and people. Translink's Fraser River Crossing, scheduled for completion in 2007, would be part of the program; other candidate projects under consideration include the proposed South Fraser Perimeter Road, Highway 1 widening (Vancouver to Langley), and a new crossing at Port Mann. The overall program would involve user charges as a prerequisite to implementation.

The ministry also hosted the BC Transportation Partnerships International Conference in July 2002.

## Regional Transportation Advisory Committees (RTACs)

The ministry established RTACs in eight B.C. regions, covering the entire province outside Greater Vancouver. The committees will identify regional transportation needs and advise the Minister on regional priorities, fulfilling a *New Era* commitment to give regions more control over their transportation needs and planning.

## Integrated Provincial Transportation Strategy

Work commenced with other provincial Crown transportation agencies on the development of a high-level strategic plan, intended to identify potential new efficiencies and points of integration across B.C.'s transportation system. This will fulfill a *New Era* commitment to examine the status of the transportation system in terms of both operations and infrastructure, and to consider various regional transportation models. Input from the RTACs will support the development of the strategic plan.

## Infrastructure Management

The ministry endorsed new agreements between road and bridge maintenance contractors and their unions that will reduce labour costs by 16 per cent and save the province $26 million annually, while continuing to protect public safety. Without these efficiencies, annual costs would have risen to $347 million by 2004/05. The savings will enable the ministry to bring the costs of maintenance contracts back down to $321 million by 2004/05, the same level as in the 2001/02 fiscal year. New contracts to be tendered in 2003 and 2004 will be extended to a 10-year term. The new 10-year contracts will enable maintenance contractors to plan more effectively and provide a more favourable time frame for amortizing the cost of heavy equipment and facilities.

The ministry developed a Contractor Assessment Program, a new and improved procedure for achieving a standard of excellence in contracted highway maintenance. The program includes an enhanced contract auditing process, which for the first time formally incorporates input from stakeholders such as police, emergency service providers, the trucking and bus industries, school districts, and resource industries.

## Streamlined Processes

The ministry implemented 10 new processes as part of its Business Process Re-engineering project. These processes will improve front-line customer service, records management, expenditure reporting, hiring and contracting, gravel management and emergency response capabilities.

The ministry initiated the privatization of inland ferry services at Francois Lake, and made provisions to transfer the ferry route at Little Fort to road and bridge maintenance contractors in 2003/04.

## Organizational Restructuring

The Office of the Superintendent of Motor Vehicles, formerly a part of the Transportation Ministry, more appropriately fits within the mandate of the Ministry of Public Safety and Solicitor General, and was therefore transferred to that ministry at the end of 2002/03.

The Motor Carrier Branch, the administrative arm of the Motor Carrier Commission, was housed within the Insurance Corporation of British Columbia (ICBC) from 1996 through 2002/03. It was transferred back into the ministry effective April 1, 2003.

It was determined that operating provincial weigh scales under the supervision of the Ministry of Transportation (MoT) is consistent with the mandate and service plan of the ministry. Effective April 1, 2003, the weigh scales were returned from ICBC to the jurisdiction of MoT. The scales are to be jointly administered with the Ministry of Public Safety and Solicitor General. The result will be improved customer service, maximizing the trucking industry's ability to move goods and create economic activity.

In support of the government strategic direction towards shared support services and common information technology services across government and the broader public sector, the ministry transferred 52 positions to Solutions BC, the government's newly established shared services agency. The agency will deliver innovative, client-focused services in such areas as information technology, payroll, accounting, and procurement. The intended result is improved service and reduced costs over time.

Similarly, in support of the government's vision of achieving excellence in public service, the ministry transferred 24 human resources staff positions to the new BC Public Service Agency. The Agency provides leadership in people management and human resource services for government as a whole.

## BC Ferry Services

The government announced a decision to transform BC Ferries into an independent, self-financing company, dedicated to improving service while fostering greater consumer choice. BC Ferries, which had operated as a taxpayer-supported Crown corporation, was restructured under the *B.C. Company Act* and renamed BC Ferry Services. The new company will be governed by the British Columbia Ferry Authority, an oversight body modelled on the successful Vancouver International Airport Authority. An independent regulator will regulate rates and protect consumer interests.

# Ministry Role and Services

## Introduction

The role of the Ministry of Transportation is to support B.C.'s regions and industries by working to keep their transportation system safe and cost effective.

The ministry is responsible for building, operating and managing the provincial highway system, including inland ferries. The ministry's role in this regard has shifted over time: away from direct delivery of highway maintenance, routine design work and construction; and towards planning, establishing partnerships, setting standards and auditing results. This trend accelerated in 2002/03, allowing the ministry to reduce its full-time equivalent (FTE) staff complement from about 2,300 to just under 1,550, and remain on course to meet its target of 966 FTEs by 2004/05.

The ministry works with local authorities and the private sector to develop various forms of transportation improvements in support of economic development, such as improvements to local airports. It provides policy advice to the government on air, rail and marine issues.

Up until the end of 2002/03, the ministry also served as an oversight and appeals body on the licensing and testing of all B.C. drivers, through the Office of the Superintendent of Motor Vehicles.

The independent Motor Carrier Commission regulates the commercial passenger industry on B.C. highways and local roads.

The ministry's business also includes the BC Transportation Financing Authority (BCTFA), a Crown corporation incorporated under the *Build BC Act*, which owns and finances provincial transportation assets. The BCTFA's chair is the Minister of Transportation, and its CEO is the Deputy Minister of Transportation.

The Minister of Transportation is responsible for British Columbia Railway Company, BC Transit, and Rapid Transit Project 2000. These Crown-owned entities prepare their own annual service plan reports. The Minister was also responsible for BC Ferries until it was restructured and placed under the supervision of an independent authority on April 1, 2003.

## Ministry Vision, Mission and Values

### Vision

The vision of the Ministry of Transportation is a fully integrated transportation system that advances economic and social growth, and moves goods and people within British Columbia and to markets beyond.

## Mission

The mission of the Ministry of Transportation is to:

- create an integrated transportation network that incorporates all modes of transport, reflects regional priorities, and provides a strong foundation for economic growth; and
- maintain and improve the provincial highway system, ensuring the safe and efficient movement of people and goods provincially, nationally and internationally.

## Values

- We respect regional and community goals and priorities.
- We are responsive to the needs of British Columbia business.
- We strive for excellence and innovation.
- We respect the people we serve and work with.

The ministry refined the definitions of its vision, mission and values during 2002/03; however, the themes that were established in the 2002/03 – 2004/05 Service Plan were retained.

# Ministry Operating Context

The following external and internal conditions had a significant impact on the demand for the ministry's services and the ministry's ability to deliver its programs and services during 2002/03.

- The demand for transportation infrastructure in B.C. tends to reflect long-term, rather than short-term trends. 2002/03 saw a continued rise in highway traffic congestion in urban areas, and continued significant growth in the number and size of trucks operating in all areas of the province. These trends may contribute to growing public support for investment in new infrastructure, and growing acceptance that tolling strategies may be required to accelerate investment.

- The government continued to pursue the revival of B.C. resource industries such as forestry, mining, oil and gas. In recognition of the need to support this policy thrust with transportation improvements, the government approved a three-year Transportation Investment Plan along with the resources to pay for it.

- The government also showed continuing interest in promoting public-private partnerships, for example through the sponsorship of an international conference on transportation partnerships and the creation of a new agency, Partnerships BC. Against this background, the ministry and other provincial agencies laid the foundation for a partnership initiative in the Coquihalla corridor, and for the adoption of a new provincial tolling policy. This policy, adopted early in the 2003/04 fiscal year, recognizes the emerging opportunity for the private operation of transportation facilities, as well as the fact that most existing highway and related transportation infrastructure will continue to be owned and operated by the public sector.
- The federal government greatly increased its level of participation in the delivery of the provincial transportation strategy. The federal pattern of investment signalled a particular interest in trade corridors, and also reflected concerns about international security and the need for major investments at and around border crossings.
- Internally, the ministry continued to experience dramatic reorganization, including considerable downsizing and reassignment of tasks. The ministry's People Plan, developed with staff from across the province, emphasizes the technical and professional opportunities that lie ahead in the new, leaner, more focused organization.

## Update on *New Era* Commitments

- The ministry established Regional Transportation Advisory Committees (RTACs) in eight B.C. regions, covering the entire province outside Greater Vancouver. The committees will identify regional transportation needs and advise the Minister on regional priorities, fulfilling a *New Era* commitment to give local communities more control over their transportation needs and planning.
- Work commenced with other provincial Crown transportation agencies on the development of a high-level strategic plan, intended to identify potential new efficiencies and points of integration across B.C.'s transportation system. This will fulfill a *New Era* commitment to examine the status of the transportation system in terms of both operations and infrastructure, and to consider various regional transportation models. Input from the RTACs will support the development of the strategic plan.
- The ministry's three-year Transportation Investment Plan increased the annual investment toward improving northern and heartlands roads by $75 million per year. This addresses the *New Era* commitment to focus resources on improving northern and rural transportation.

## Ministry Goals

The ministry's vision contemplates "a fully integrated transportation system that advances economic and social growth, and moves goods and people within British Columbia and to markets beyond". The ministry's mission is to achieve this vision through the creation of an integrated transportation network that reflects regional priorities and provides a strong foundation for economic growth, and the maintenance and improvement of the highway system to ensure the safe and efficient movement of people and goods. The ministry's goals for 2002/03 listed below specifically address each of these elements:

- Develop an integrated transportation strategy.
- Maximize private sector investment in the highway system.
- Improve the movement of goods and services between regions and through interprovincial and international gateways.
- Obtain and incorporate regional input.
- Focus on northern and rural areas.
- Maintain a highway system that is safe, reliable and supports the economy.
- Utilize cost-effective and accountable management practices.

The above ministry goals support the government's goal of a strong and vibrant provincial economy and the following government objectives:

- British Columbia will have a prosperous economy.
- British Columbia will have employment opportunities.
- Government will be affordable and fiscally responsible.

# Core Business Areas

The following outlines the organization of the ministry's core business areas at the time its Service Plan for 2002/03 – 2004/05 was adopted. The ministry's objectives, key strategies and results for 2002/03 are described in the "Performance Reporting" section immediately following this section.

## Core Business Area 1: Highway Operations

The Highway Operations business area encompasses four major program areas. They are:

*Rock Scaling*

- *Maintenance and Traffic Operations,* including regional and district operations, pavement marking, avalanche control, rock slope stabilization, and road and bridge maintenance contracts;
- *Asset Preservation,* including road and bridge surfacing, bridge rehabilitation and replacement, safety improvements, and minor betterments;
- *Inland Ferries;* and
- the *Coquihalla Toll Administration*.

The Highway Operations business area supports the ministry goals to:

- **Maintain a highway system that is safe, reliable and supports the economy.**
- **Focus on northern and rural areas.**

## Core Business Area 2: Transportation Improvements

The Transportation Improvements business area encompasses three program areas:

- *Transportation Policy and Legislation*, providing guidance on the development of transportation, highway and corporate policy and legislation;
- *Partnerships*, focussing on the development of partnerships with the private sector and other levels of government, and on making efficient use of property under the ministry's jurisdiction to reduce the cost to taxpayers of new highways facilities; and
- *Planning, Engineering and Construction*, responsible for highway planning, capital program development and monitoring, investment strategies, quality management, access management, direction and management of projects, engineering, survey and design, construction, and property acquisition for provincial highways.

The Transportation Improvements business area supports the ministry goals to:

*Road grading for lane expansion*

- **Develop an integrated transportation strategy.**
- **Obtain and incorporate regional input.**
- **Improve the movement of goods and services between regions and through interprovincial and international gateways.**
- **Maximize private sector investment in the highway system.**

## Core Business Area 3: Motor Vehicle Regulation

The Motor Vehicle Regulation business area encompasses two programs:

- The *Office of the Superintendent of Motor Vehicles* (OSMV), which administers sections of the *Motor Vehicle Act* relating to dangerous drivers and the fitness of drivers; conducts appeals of administrative driving prohibitions and vehicle impoundment; and conducts hearings and reviews of the Insurance Corporation of British Columbia's (ICBC) decisions regarding driver license sanctions, driver training and driver licences, vehicle inspection facility and inspector licences, and licensing sanctions affecting motor carriers regulated under the National Safety Code.
- The *Motor Carrier Commission* (MCC), an independent body that regulates the province's commercial passenger industry (buses and taxis) pursuant to the *Motor Carrier Act*. The Commission, by delegation pursuant to the *Motor Vehicle Transport Act* (Canada), also issues licenses for the interprovincial and international road transport of passengers.

The Motor Vehicle Regulation business area supports the ministry goal to:

- **Maintain a highway system that is safe, reliable and supports the economy.**

*This business area was reorganized at the end of the 2002/03 fiscal year. The Office of the Superintendent of Motor Vehicles was transferred to the Ministry of Public Safety and Solicitor*

*General. The Motor Carrier Branch, the audit and investigations arm of the Motor Carrier Commission, was transferred into the ministry from ICBC.*

## Core Business Area 4: Corporate Services

The Corporate Services business area encompasses the minister's and deputy minister's offices; finance; administration; human resources; facilities management; information systems; service planning, reporting and performance measurement; and freedom of information, protection of privacy and records management.

The Corporate Services business area supports the ministry goal to:

- **Utilize cost-effective and accountable management practices.**

# Performance Reporting

## Ministry Objectives, Key Strategies, and Results

The objectives, key strategies and performance measures identified in this section reflect the ministry's 2002/03 – 2004/05 Service Plan.

The ministry assesses its performance using results-based performance targets and measures. The past two years have seen rapid progress in this area. The ministry is shedding measures that relate simply to gross business activity or to factors beyond the ministry's control, and is developing new data collection systems to measure how the ministry's work will benefit the public and the provincial economy. The following list of measures represents a transitional phase in this evolution.

### Objective: To maintain and preserve provincial highways.

**Core business area responsible:** Highway Operations

**Key strategy:** The ministry successfully contracted and monitored maintenance activities in all areas of the province. Private sector firms delivered services such as roadside, traffic, winter and drainage maintenance through fixed price contracts in 28 service areas across the province.

The cost of maintenance is a substantial portion of the ministry budget, and the cost per lane kilometre gives an indication of how well the ministry has contained costs in this area. Cost figures include the cost of road and bridge maintenance contracts as well as maintenance activities performed by ministry staff. The increase in costs shown here is due mostly to inflation and especially to the increase in the cost of fuel.

The variance in the number of lane kilometres maintained is attributed to various transactions, such as the devolution of infrastructure and incorporations, and the extension of some municipal boundaries, all of which have resulted in less kilometres for the ministry to maintain.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Highway Maintenance: | | | | | |
| • Maintenance cost per lane kilometre | $3,977 | $4,124 | $4,180[1] | $4,159 | ($21) |
| • Number of lane kilometres of road maintained | 84,414 | 84,412 | 84,624 | 83,944 | (680) |

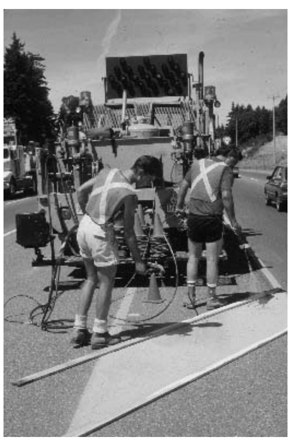
[1] The 2002/03 target in the previous three-year service plan for cost per lane kilometre was $3,888, which omitted certain maintenance costs. As a result of an improved accounting method that more accurately captures the true costs associated with highway maintenance, such as costs for avalanche control and electrical maintenance, the target was revised to include those costs.

Note – The number of lane kilometres maintained will not be reported as a corporate performance measure in the future. This measure is influenced by changes in the ministry's road inventory and hence it is not considered a good indicator of ministry performance.

The overall present state rating is a measure of the contractor's performance based on random inspections of selected roads. The purpose of the inspections is to assess how well the contractor is meeting the contract requirements related to surface maintenance, drainage, roadside and winter maintenance. The ratings for each contract area are averaged to provide a province-wide Quality Assurance Rating. The trend shows that over all the maintenance contractors' compliance with standards has been consistently good.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Quality Assurance Rating for maintenance contracts on a scale of 0 to 1.0 (overall present state) | 0.91 | 0.92 | 0.91 | 0.92 | 0.01 |

Note – The ministry developed a new system for measuring the performance of road and bridge maintenance contractors in 2002/03, which will be the method of reporting for future Annual Service Plan Reports. The new process will be more accurate than the spot-inspection system in measuring compliance with maintenance contracts. It incorporates local and regional audits, and road user satisfaction ratings obtained through stakeholder assessments.



The performance measures for pavement marking are the number of line kilometres painted and the cost per line kilometre for painting highway centrelines and edgelines. The calculation encompasses all direct costs associated with pavement marking. Weather is a key variable affecting the amount of marking that is completed. Good weather through the 2002/03 program season contributed to increased productivity and a reduced cost per line kilometre.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Pavement Marking: | | | | | |
| • Number of kilometres painted | 30,218 | 27,362 | 28,000 | 30,162 | 2,162 |
| • Cost per line kilometre | $254 | $270 | $280 | $258 | ($22) |

The frequency and duration of road closures are important measures of reliability. Work to date on these measures includes a review of the data available and a proposal to develop a technological solution to improve the collection and reporting of this data. The ministry will report on progress in this area in the next Annual Service Plan Report.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Reliability (road closures) | N/A | See paragraph above | N/A |

**Key strategy:** The Rehabilitation Program embodies a strategy to preserve and systematically replace essential highway infrastructure (roads and bridges). The ministry monitored the condition of the main highway system and its deterioration to provide a framework for the $135 million annual investment to ensure the main roads and bridges were maintained to their present overall condition.

Pavement condition is measured by surface distress, which is a true engineering measure of the pavement deterioration, and pavement roughness which measures the riding comfort experienced by the road user. Combined, both types of information provide a Pavement Condition Rating, which is the basis for the ministry to determine highway rehabilitation needs. The Bridge Condition Index is a measure of the average condition of a bridge and its components. During the last few years, the results of the program have been consistent with the intended strategy based on the needs analysis. The amount of paving completed was affected by higher oil prices worldwide, which caused the condition to drop marginally by one per cent. Similarly, higher oil prices had a negative effect on the amount of road resurfacing accomplished, as the cost of asphalt and contractors' fuel costs increased.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Pavement Condition for main highways: per cent of kilometres where condition is good or excellent | 76% | 76% | 76% | 75% | (1%) |
| Bridge Condition: per cent of bridges where condition is good or excellent | 78% | 81% | 80%[1] | 82% | 2% |
| Highway Rehabilitation: Number of lane kilometres resurfaced | 2,465 | 2,180 | 2,500 | 2,165 | (335) |

[1] The 2002/03 target in the previous three-year service plan for Bridge Condition was 78%. As a result of investment in expansion capital, the ministry's inventory of bridges in good condition increased in 2001/02 and 2002/03.

Note – The above measure for pavement condition for main highways was split into primary and secondary highways in the 2002/03 – 2004/05 Service Plan. For comparative purposes, the measure is now combined to show the condition of all main highways.

*Good condition*

*Poor condition*

**Key strategy:** While 75 per cent of our main highways are in good condition, only 34 per cent of our side roads, which are so vital to our resource industries and rural and remote communities, are in good condition. A $30 million investment was dedicated to the northern and rural/heartlands road network at the beginning of 2002/03 at $10 million annually over three years. While the effects of this investment have already started to make a difference toward addressing priority improvements in the interior of the province, the investment was not sufficient to keep up with the accelerating deterioration of the heartlands road system. A recent increase in the investment by $75 million per year will yield significant additional improvements, which will be reported in future Annual Service Plan Reports.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Surface Condition: per cent of kilometres where condition is good or excellent | | | |
| • Northern and rural/heartlands roads | 34% | 34% | none |

Note – The tracking of data for this measure commenced in 2002/03. The actual result of 34% is being used as a baseline measurement for future years.

Crash data is gathered by the RCMP as part of its on-site accident investigation, and recorded by the Insurance Corporation of British Columbia. The data is then sent to the ministry to be input into its Highway Accident System. The RCMP data is not available until the autumn following the end of a fiscal year, and hence the actual figures shown here are data from 2001/02. The Highway Accident System does not discriminate between injury types, and therefore the figure of 34 refers to all injuries, regardless of whether they were classified as serious or not serious, hence the variance of 5.6 above the target.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Highway Safety (per 100 million vehicle km travelled): | | | |
| • Number of fatalities | 1.08 | 0.99 | (0.09) |
| • Number of serious injuries | 28.4 | 34.0 | 5.6 |

Note – This measure includes factors that are beyond the ministry's control, such as impaired driving, speeding and weather conditions. This aspect, coupled with the ministry's inability to obtain up-to-date data, resulted in a decision to replace this with new measures that will reflect assessments performed by the ministry and its agents, and will be reported in future Annual Service Plan Reports.

## Objective: To streamline operations

**Core business area responsible:** Highway Operations

**Key strategy:** Ministry staff identified interim measures to significantly improve the time required to process a preliminary subdivision application. The use of screening tools such as risk assessment mapping and easier access to electronic data banks is expected to reduce the number of referrals of applications to other agencies. Improvements to the program are to be implemented as they become available. Work continued on the analysis of cost recovery options for the subdivision approvals program, with the objective of making the program self-financing in 2004/05.

**Key strategy:** In order to deliver the Inland Ferry system at a reduced net cost to government by spring 2003, the ministry proposed to initiate a number of measures including service reductions, implementation of tolls and privatization. Potential service reductions and consultation regarding the introduction of user fees (tolls) triggered strong adverse reaction from users of the ferry system. Consequently, service reductions were scaled back, and the proposal to charge user fees starting January 1, 2003 was not implemented.

The following performance measures for inland ferries show that traffic volumes were less than projected on most routes, even where service reductions were not implemented. This is attributed in part to user uncertainties about hours of service and whether or not user fees were in place. The increase in the cost per vehicle carried is attributed to the decrease in traffic volumes, increases in fuel and labour costs, and mostly to an accounting policy change which resulted in ferry refit costs of 1.6 million being expensed in 2002/03, rather than amortized over several years.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Provincial Inland Ferries: | | | | | |
| • Number of vehicles carried | 1,640,410 | 1,715,000 | 1,539,620 | 1,493,933 | (3%) |
| • Cost per vehicle carried | $7.79 | $7.23 | $7.65 | $8.85 | $1.20 |
| • Actual hours of service vs. scheduled hours | 99% | 99% | 99% | 99.3% | 0.3% |

## Objective: To increase regional/local input, participation and priority setting within the transportation system.

**Core business area responsible:** Transportation Improvements

**Key strategy:** The ministry successfully established Regional Transportation Advisory Committees that will focus initially on priorities for maintaining the road and highway system, and provide input into the ministry's annual planning processes.

**Key strategy:** Progress toward development of an integrated transportation strategy has begun with the recent appointment of a new project director. Progress was slowed by the ministry's focus on the three-year Transportation Investment Plan, developed in conjunction with the Ministry Service Plan. A revised target date was set for March 31, 2004, which the ministry is on track to meet. Liaison with stakeholder groups continued through 2002/03. The establishment of Regional Transportation Advisory Committees will facilitate wider public consultations.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Status of Integrated Transportation Plan/Strategy | Complete Consultations | Consultations are continuing, but not yet complete | N/A |

Note – The document in question, which was identified as the Integrated Transportation Plan in the previous three-year Service Plan, is now being referred to as the Integrated Provincial Transportation Strategy.

## Objective: To improve the highway infrastructure and network, increasingly through public-private partnerships.

**Core business area responsible:** Transportation Improvements

**Key strategy:** Through the enactment of the *Transportation Investment Act*, the ministry established the policy and legal framework necessary to enable public-private partnerships for building/owning/financing/operating provincial highways. The act will assist the ministry with its ongoing strategy to develop partnerships and promote investment by the private sector and other levels of government in highway expansions or improvements.

**Key strategy:** The ministry utilizes design/build procurement within a specified area of public lands, in order to make efficient use of the land and defray or reduce the costs of improvements.

The measure for investments leveraged equals funds contributed from non-provincial treasury sources at the time of construction. These include contributions from municipalities, Crown corporations, First Nations and the private sector, but exclude contributions from the federal government, which are now measured separately. The contribution/recovery from partners and the land contribution by the province are measured against the gross cost of the capital project. The variance shown here is due to schedule delays for some partnerships projects, which will be made up next fiscal year.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Partnerships: investments leveraged .............. | $20 M | $15.3 M | ($4.7 M) |

**Key strategy:** The ministry continued toward completion of its legal and functional commitments, such as the Vancouver Island Highway Project, and the current Nisga'a Highway Upgrade. The ministry measures its ability to successfully complete projects on budget and on time, using the best project management practices.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Capital Project Performance | | | | | |
| • % of work completed on or under budget | 100% | 95% | 100% | 100% | none |
| • % of work completed on time | 97% | 100% | 100% | 100% | none |

**Key strategy:** The ministry aims to enhance capacity and reduce congestion through partnership opportunities, by providing high occupancy vehicle lanes, by operational improvements aimed at maximizing the efficiency of existing infrastructure, and by pursuing access management plans which seek an appropriate balance between highway mobility and access to lands.

Segments of the highway system are categorized as urban or rural. Previous calculations for the rural congestion rate resulted in very low rates of congestion, so the reporting emphasis is now on urban areas where congestion is a growing problem. A congested condition is defined as a measured hourly traffic volume which is above 80 per cent of the highway's capacity. Actual congestion rates shown here worsen over time due to increasing population and travel demand. Reduced congestion is expected after 2006, as the benefits of major transportation improvements are realized.

| Performance Measure | 2000/01 Actual | 2001/02 Actual | 2002/03 Target | 2002/03 Actual | 2002/03 Variance |
|---|---|---|---|---|---|
| Mobility: Level of traffic congestion for urban highways | | | | | |
| • % of vehicle kilometres travelled in congested conditions | 13.0% | 13.4% | 13.8% | 13.6% | (0.2%) |

Work is ongoing to determine the best method of reporting on the following measure. The ministry has contacted private trucking firms to assess the possibility of obtaining data that will support this measure; however, the feasibility of this approach remains to be confirmed.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Commercial trucking travel time between major economic gateways | N/A | See paragraph above | N/A |

## Objective: To reduce regulatory requirements and minimize the functional and paper burden on the public, stakeholders and industry.

**Core business area responsible:** All

**Key strategy:** The ministry has made significant progress toward the elimination of non-essential procedures, forms, licenses and regulations that add to the cost of dealing with government. These improvements are described in the Deregulation section later in this report.

## Objective: To ensure a high degree of safety of British Columbia's roads by protecting the public from unfit drivers while recognizing individual needs for driving privileges.

**Core business area responsible:** Motor Vehicle Regulation

**Key Strategy:** In cooperation with the Insurance Corporation of British Columbia and other jurisdictions, the ministry undertook a review of driver fitness standards. As part of this process, the ministry proposed a new vision standard for national consideration through the Canadian Council of Motor Transport Administrators.

The review and evaluation of the Remediation for Impaired Drivers Program led to the release of a comprehensive strategy and consultation paper in spring 2003.

## Objective: To regulate commercial passenger transportation to promote public access at reasonable costs, safety and an economically viable industry.

**Core business area responsible:** Motor Vehicle Regulation

**Key strategy:** The ministry participated in the government's Administrative Justice Project and identified ways to streamline regulation, reduce red tape and costs. The ministry also worked cooperatively with industry, the public and other transportation interests to improve the regulation of motor carriers. Proposed changes in the way the Motor Carrier Commission operates will make doing business easier for bus, taxi and limousine companies and improve enforcement, while continuing to protect public safety. Potential regulatory and legislative changes aimed at streamlining the application process have been identified and will ease the bureaucratic load on carrier businesses and provide better service for their passengers.

The ministry's 2002/03 – 2004/05 Service Plan did not include a performance measure for this objective. The 2003/04 – 2005/06 Service Plan includes a relevant performance measure, i.e. the percentage reduction in the number of motor carrier regulatory requirements.

## Objective: To ensure ministry expenditure management meets the three-year budget target.

**Core business area responsible:** Corporate Services

**Key strategy:** Ongoing monitoring ensured that the ministry's budget target for 2002/03 was achieved. For details on the results, see the resource summary table in the Report on Resources section.

### Objective: To increase the ministry's efficiency and effectiveness.

**Core business area responsible:** All

**Key strategies:** Many initiatives contributed toward the successful achievement of this objective, such as:

- the implementation of 10 significant changes to the ministry's business practices through the Business Process Re-engineering project;
- cost-effective contract administration, including a 16 per cent reduction in labour costs in the road and bridge maintenance contracts; and
- participation in the government-wide shared services initiative.

A survey was initiated in 2002/03 to determine highway users' satisfaction with ministry services and delivery processes. The tracking of data for this measure commenced in 2002/03, and the overall rating of 6.5 for the year will be used as a baseline measurement for future years.

| Performance Measure | 2002/03 Target | 2002/03 Actual | Variance |
|---|---|---|---|
| Client Satisfaction Survey (scale of 1 to 10) .......... | N/A | 6.5 | N/A |

### Objective: To increase public accountability.

**Core business area responsible:** Corporate Services

**Key strategy:** The 2003/04 – 2005/06 Service Plan was made available to the public on Feb. 18, 2003, in accordance with the *Budget Transparency and Accountability Act* (BTAA). As well, an audit confirming that the BTAA requirements have been met is nearing completion.

## Deregulation

The provincial government, in its *New Era* document, committed to cut red tape and reduce regulatory burden by 33 per cent by June 2004. These reductions are intended to eliminate obsolete and redundant regulatory requirements that waste the taxpayers' time and money, and the ministry is on track to meet the 33 per cent reduction target.

From June 5, 2001 to March 31, 2003, the ministry eliminated 54 regulatory requirements and added six, for a net reduction of 48 requirements. This represented a 1.81% reduction from the previous ministry total of 2,651 regulations.

Eliminated:

- 32 requirements associated with the operations of Highway Constructors Ltd., a company whose operations have been wound up;

- 14 requirements under the *Motor Vehicle Act* and regulations, streamlining forms associated with programs administered by the Office of the Superintendant of Motor Vehicles (OSMV);
- 7 requirements related to the defunct photo radar program; and
- 1 requirement under the *Ministry of Transportation and Highways Act* with regard to the use of the ministry seal on certain contracts.

Added:

- 5 provisions under the *Motor Vehicle Act* to allow for the early release of impounded vehicles in specified cases; and
- 1 provision under the *Highway Act* to grant authority to permit highway right of way commercialization.

On April 1, 2003, the OSMV was transferred to the Ministry of Public Safety and Solicitor General, removing 1,207 regulatory requirements from the Ministry's jurisdiction, leaving a total of 1,396 requirements.

# Report on Resources

## 2002/03 Resource Summary — Ministry of Transportation

| | Estimated | Other Authorizations | Total | Actual | Variance |
|---|---|---|---|---|---|
| **Operating Expenses ($000)[1]** | | | | | |
| **Highway Operations** | 449,304 | | 449,304 | 455,205 | (5,901) |
| **Transportation Improvements** | 13,981 | | 13,981 | 9,817 | 4,164 |
| **Motor Vehicle Regulation** | 4,537 | | 4,537 | 4,255 | 282 |
| **Corporate Services** | 20,521 | | 20,521 | 18,578 | 1,943 |
| **Public Transit** | 250,162 | 10,466 | 260,628 | 260,628 | — |
| **Statutory Accounts** | | 70 | 70 | 70 | — |
| **Total** | **738,505** | **10,536** | **749,041** | **748,553** | **488** |
| **Full-time Equivalents (FTEs)[2]** | | | | | |
| **Total** | **1,695** | **—** | **1,695** | **1,542** | **153** |
| **Ministry Capital Expenditures (CRF) ($000)[3]** | | | | | |
| **Highway Operations** | 4,265 | | 4,265 | 3,388 | 877 |
| **Transportation Improvements** | 1,420 | | 1,420 | 1,915 | (495) |
| **Motor Vehicle Regulation** | 250 | | 250 | 345 | (95) |
| **Corporate Services** | 2,815 | | 2,815 | 652 | 2,163 |
| **Total** | **8,750** | **—** | **8,750** | **6,300** | **2,450** |
| **Other Financing Transactions ($000)[4]** | | | | | |
| **Prepaid Capital Advances (Public Transit)** | **155,070** | | **155,070** | **71,354** | **83,716** |
| **Revenue ($000)[5]** | | | | | |
| **Revenue** | **46,285** | | **46,285** | **47,938** | **1,653** |

[1] The ministry manages its operating budget to the bottom line by monitoring expenditures during the year, identifying potential savings and cost pressures, and reallocating funds accordingly. Cost pressures funded in 2002/03 included revised operating schedules for inland ferries and remedial work resulting from slides and washouts. Public Transit's "Other Authorization" of $10.466 million was funded by the Contingencies (All Ministries) and New Programs Vote for the write-off of Rapid Transit Project 2000 capital costs.

[2] Full-time Equivalents (FTEs) staff usage was under budget due to the voluntary departure and early retirement incentive programs, and the earlier than anticipated transfer of shared services staff to central agencies.

[3] Ministry Capital Expenditures (CRF) were lower than anticipated due to the transfer of responsibility for funding of information systems acquisitions to Solutions BC, and ferry rehabilitation work being charged to the operating budget.

[4] Prepaid Capital Advances were under budget due to lower than anticipated expenditures for the delivery of the Rapid Transit Project 2000.

[5] The majority of the ministry's revenue comes from Coquihalla tolls ($45.4 million in 2002/03).

## 2002/03 Resource Summary — BC Transportation Financing Authority

| | Estimated | Actual | Variance |
|---|---|---|---|
| **Revenues ($000)** | | | |
| **Dedicated Revenue[1]** | 203,200 | 223,224 | (20,024) |
| **Capital Contributions** | 181,054 | 187,457 | (6,403) |
| **Contractor fees[2]** | 19,000 | 753 | 18,247 |
| **Other** | 6,130 | 7,668 | (1,538) |
| **Total** | **409,384** | **419,102** | **(9,718)** |
| **Expenditures ($000)** | | | |
| **Amortization** | 280,736 | 286,275 | (5,539) |
| **Interest[3]** | 154,119 | 126,078 | 28,041 |
| **Operations and Administration** | 6,332 | 2,971 | 3,361 |
| **Sierra Yoyo Desan Road Improvements** | | 2,830 | (2,830) |
| **Construction and wage benefits[2]** | 19,000 | 753 | 18,247 |
| **Grant programs** | 4,800 | 377 | 4,423 |
| **Write down of project costs and disposal of assets** | | 12,848 | (12,848) |
| **Total** | **464,987** | **432,132** | **32,855** |
| **Net Income (Loss) ($000)** | | | |
| **(Loss) Earnings before extraordinary item** | **(55,603)** | **(13,030)** | **42,573** |
| **Extraordinary Item** | **—** | **6,739** | **(6,739)** |
| **Net (Loss) earnings after extraordinary item** | **(55,603)** | **(19,769)** | **35,834** |
| **Consolidated Capital Plan Expenditures (CCP) ($000)** | | | |
| **Total** | **254,020** | **274,618** | **(20,598)** |

1 Dedicated revenues exceeded budget due to the new 3.5 cents per litre fuel tax levied March 1st, 2003 to finance the Transportation Investment Plan. $19.6 million was collected and will be used for future expenditures under the plan.
2 Contractor fees to recover construction wages and benefits were down as BCTFA's subsidiary, Highway Constructors Ltd. completed projects and is winding up.
3 Interest costs were significantly below budget due to continued low interest rates.

Complete BC Transportation Financing Authority Financial Statements are available in Appendix 3.

# Major Capital Projects

## Nisga'a Highway

**Objectives:**

The key component of the Nisga'a Highway project is the upgrading of the gravel resource road in the Nass Valley. The road is a vital connection between three Nisga'a communities, linking them with Terrace and the provincial highway network. The province is continuing a seven-year investment program with two components:

- upgrading the Nisga'a Highway to an all weather two-lane highway (general 70 kilometre per hour standard) to better serve Nass Valley residents and resource industries in the area.
- construction of the new Greenville to Kincolith road to open up access to the Village of Kincolith. This project is financed under a cost sharing partnership comprising the federal and provincial governments and the Nisga'a Tribal Council.

**Costs:**

- The estimated total project cost for the Nisga'a Highway Upgrade is $52 million. Expenditures to March 31, 2003 are $25.1 million.
- The estimated total project cost for Greenville-Kincolith Road (new route) is $34.6 million ($17.5 million provincial share). Expenditures to March 31, 2003 are $32.5 million.

**Benefits:**

- Safety, access and mobility improvements.
- Increased economic development (e.g. tourism).

**Risks:**

- Technical and financial risks. The Greenville to Kincolith route traverses some very rugged terrain, including sections where high cliffs drop sharply to the Nass River. The project presents numerous engineering and construction challenges.

## Kicking Horse Canyon

**Objectives:**

The improvement program for the Kicking Horse Canyon involves upgrading the 26-kilometer section of the Trans Canada Highway between Golden at the junction of Highway 95 and the western boundary of Yoho National Park to a modern four-lane standard. This investment would represent a major service improvement to the Trans Canada Highway and is directed at:

- responding to continual and severe safety problems;
- minimizing road closures due to slides and accidents;
- replacing of two major structures that are nearing the end of their service lives;

- supporting the efficient movement of goods and services;
- facilitating trade and commerce;
- supporting tourism and associated local business opportunities; and
- augmenting the capacity of a critical provincial/national gateway.

**Costs:**

The estimated capital cost of the improvement program is $730 million. The upgrade will proceed in three phases:

- 5-Mile (Yoho) Bridge ($61 million). This work is being cost shared with the Government of Canada under the Strategic Highway Infrastructure Program (SHIP): $23 million federal and $38 million provincial. Construction is in progress and expenditures to March 31, 2003 are $19.2 million. Construction of this section is on target and is expected to be completed by fall 2006.
- 10-Mile (Park) Bridge ($130 million). This work is being cost shared with the Government of Canada under the Strategic Infrastructure Fund (SIF): $62.5 million federal and $67.5 million provincial. Construction is in progress and expenditures to March 31, 2003 are $2.3 million. Financing and project delivery options through a public-private partnership are being investigated.
- Golden to 5-Mile and 10-Mile to Yoho National Park. The estimated total cost of constructing these two sections and final third phase is $539 million. The federal government had made no commitment to cost sharing on this section as of the end of 2002/03.

**Benefits:**

- The net present value of the 5-Mile (Yoho) Bridge and 10-Mile (Park Bridge) sections is $110 million based on safety, travel time, reliability and economic development benefits.

**Risks:**

- Technical Risk: Rock and slope stability and climatic conditions.
- Financial Risk: Possible construction problems due to difficult topography and material costs.
- Uncertainty around ongoing availability of federal funding.

## Okanagan Lake Bridge

**Objectives:**

- Construct a new four lane bridge (expandable to five lanes) to reduce congestion in peak hours and through the summer. Includes construction of a couplet system in downtown Kelowna to improve traffic flow and the addition of a truck climbing lane on the west side of Okanagan Lake.
- Reduce travel time from the South to the Central Okanagan and facilitate tourism, goods movement and business travel.

**Costs:**

- The estimated total cost of the project is $100 million. Financing and project delivery options through a public private partnership are being investigated.
- Expenditures to March 31, 2003 are $7.6 million for the project development and design.

**Benefits:**

- The net present value of the benefits of the project is $109.1 million, and includes improved safety, travel time savings and economic development.

**Risks:**

- Technical Risk: The risks associated with the construction of floating bridges have been substantially reduced in recent years with the introduction of new flotation technologies.
- Financial Risk: Possible construction problems due to engineering challenges.
- Schedule Risk: The delivery of the project through the P3 process may delay the initial construction of the bridge.

## Sea-to-Sky Highway

**Objectives:**

The Sea-to-Sky Highway Upgrade is part of a long-term corridor improvement needs project. It involves critical safety improvements to Highway 99 (Sea-to-Sky), and lane expansions along certain sections of the highway between Horseshoe Bay and Whistler. The upgrade addresses continual and severe safety and mobility concerns, will reduce road closures due to slides and accidents, and at the same time will meet the requirements of the 2010 Olympic Bid.

**Costs:**

- The estimated project cost is $600 million, and expenditures to March 31, 2003 are $10.4 million related to environmental studies, geotechnical investigations, financing and procurement strategies, traffic management planning, consultation with stakeholders, and technical support for the 2010 Olympic bid.

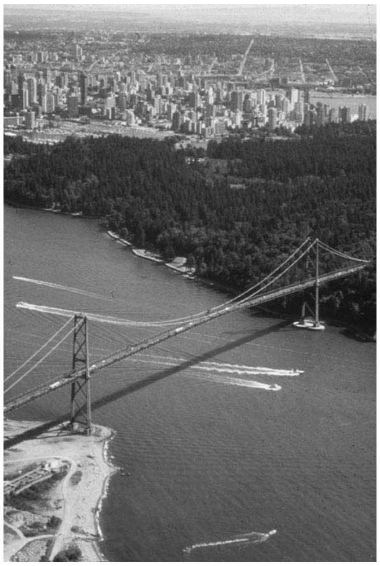
**Benefits:**

- The estimated value of user benefits over the period 2010 to 2025 is $873 million, and includes travel time savings, operating and accident cost savings.

**Risks:**

- Technical Risk: Rock and slope instability and climatic conditions.
- Financial Risk: Possible construction problems due to difficult topography and material costs.

## Lions Gate Bridge


*Lions Gate Bridge*

**Objectives:**

- Replace the aging bridge deck to reduce maintenance costs and eliminate the possibility of deck failure.
- Create a safer and more efficient route for motor vehicles, cyclists and pedestrians.

**Costs:**

- The project budget was $125 million. Expenditures to March 31, 2003 are $124 million. The project was completed during 2002/03.

**Benefits:**

- Increased safety and extended useful life of the bridge.

**Risks:**

- Risks became negligible with project completion.

## Vancouver Island Highway

**Objectives:**

- Provide a transportation corridor that addresses the needs of Vancouver Island residents, visitors and the economy, and improves safety.

**Costs:**

- The project budget was $1.3 billion, and expenditures for the 2002/03 fiscal year were $30.6 million. The project was formally initiated in 1993/94, and is now complete with total expenditures to March 31, 2003 of $1.3 billion.

**Benefits:**

- Benefits include time savings, reductions in the number of traffic accidents of up to 60 per cent in some sections, and reduced vehicle operating costs.

**Risks:**

- Risks became negligible with project completion.

# Summary Reports on Other Planning Processes

## Human Resource Management Plan

### Implementation of a Human Resources Plan

The ministry adopted a "People Plan" which contains strategies and programs to meet ministry needs.

Implementation began in late 2002, with the following priorities:

- development of a job and career information package;
- preparation of a directory of development, mentoring and training/learning opportunities within the ministry and the government;
- definition of core competencies for all employees;
- preparation of an individual skill set inventory for each employee; and
- development of processes to involve staff in the planning and decisions that affect their daily work.

### Organizational Structure

The ministry's goal for a new organizational design was completed and successfully implemented.

### Workforce Adjustment

The ministry is on target to complete its workforce adjustment and organizational realignment by 2004/05.

## Information Resource Management Plan

**Current Information Management/Information Technology Environment**

The ministry operated information systems in support of a broad range of information types and subjects, from standard corporate systems such as human resources and finance to engineering and highway-specific systems including road inventory, road condition, road design, and road management.

The ministry's technical architecture conforms to government standards including its Local Area Network (LAN).

### Future IM/IT Environment (Major Projects)

The following projects focused on stabilization and standardization of ministry information resources:

- Preparation for the implementation of information technology (IT) shared services.
- Conversion of the ministry's LAN to Windows 2000 Shared File and Print.
- Continuation of Electronic Service Delivery initiatives including the Road Inventory and Maintenance System (RIMS), Snow Avalanche and Weather System (SAWS), Data Sharing Framework, and Motor Vehicles Work Management System.

### Opportunities for Sharing

The ministry played a lead role in partnering with Solutions BC and other ministries in the development of IT shared technical infrastructure, service level agreements and the appropriate human resource management plans to ensure a successful transition to shared services.

# Appendix 1 — Crown Corporations and Commissions

The Minister of Transportation is responsible for the following Crown corporations and commissions:

**BC Transportation Financing Authority**

The BC Transportation Financing Authority (BCTFA) is a financing mechanism with no dedicated full-time staff. Its chair is the Minister of Transportation, and its CEO is the Deputy Minister of Transportation. Under the *Build BC Act*, the BCTFA makes capital investments in transportation infrastructure and finances these investments through borrowing and dedicated fuel taxes.

**BC Transit**

BC Transit is a Crown corporation charged with providing public transportation throughout the province, outside of Greater Vancouver. The *British Columbia Transit Act* mandates the corporation 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".
BC Transit web site: http://www.bctransit.com.

**Rapid Transit Project 2000**

Rapid Transit Project (RTP) 2000 Ltd. is a provincially held company incorporated under the *B.C. Company Act*. RTP 2000's primary mandate is to design and construct the Millennium Line, which links Vancouver and New Westminster via the Broadway-Lougheed corridor. TransLink commenced operation of the Millennium Line on August 31, 2002. The project is proceeding with the construction of one more station and associated guideway at Vancouver Community College, which is expected to be completed in early 2006.
RTP 2000 web site: http://www.rapidtransit.bc.ca

**British Columbia Railway Company**

The British Columbia Railway Company (BCRC) is a commercial Crown corporation with three principal business units, BC Rail, BCR Marine and BCR Properties. BC Rail's mandate is to ship goods, especially forest, energy and agricultural products. Passenger rail services were discontinued effective October 31, 2002. In March 2002, the corporation announced its intention to seek a private sector buyer for BCR Marine. In January 2003 an agreement was signed for the sale of two BCR Marine divisions, Casco Terminal and Canadian Stevedoring, to P&O Ports. BCR Properties manages all of the Company's real estate assets, the majority of which are required for Rail operations. BC Rail web site: http://www.bcrail.com.

**Motor Carrier Commission**

The Motor Carrier Commission is responsible for regulating commercial passenger carriers, such as taxis and buses. Every commercial passenger carrier that operates in British Columbia must hold a motor carrier license, along with a motor carrier certificate and plate for each vehicle in the carrier's fleet. Commissioners examine applications for new and altered motor carrier licenses.

Motor Carrier Commission web site: http://www.th.gov.bc.ca/mcc/mcc.htm.

# Appendix 2 — Minister's Legislative Mandate

The *British Columbia Railway Act* establishes the British Columbia Railway Company, establishes a board of directors and sets out the reporting and institutional relationships with the provincial government.

The *British Columbia Transit Act* establishes the British Columbia Transit Authority, establishes a board of directors and sets out the reporting and institutional relationships with the provincial government.

The *Build BC Act* establishes the BC Transportation Financing Authority, establishes a board of directors and sets out the reporting and institutional relationships with the provincial government.

The *Commercial Transport Act* (section 3 only). The Act establishes legislative and licensing requirements for commercial vehicles, as well as commercial vehicle configuration and safety standards. Section 3 exempts roadbuilding machines from the licensing and other provisions of the Act.

The *Ferry Act* permits the ministry to provide inland ferry service either directly or through contractors.

The *Ferry Corporation Act*[1] establishes the British Columbia Ferry Corporation, establishes a board of directors and sets out the reporting and institutional relationships with the provincial government.

The *Greater Vancouver Transportation Authority Act* establishes the Authority (TransLink), establishes a board of directors and sets out funding mechanisms, powers and authorities.

The *Highway Act* deals with the establishment, maintenance, alteration and regulation of public highways under provincial jurisdiction in the province, including bridges and tunnels.

[1] New legislation was enacted during the spring 2003 Session of the Legislature. BC Ferries, which had operated until March 31, 2003 as a taxpayer-supported Crown corporation, was restructured during 2003 into an independent company under the *B.C. Company Act* and renamed BC Ferry Services effective April 1, 2003. An independent regulator will be appointed to regulate rates and protect consumers' interests.

The *Highway (Industrial) Act,* in combination with other acts, governs the operation of resource roads and vehicles using those roads.

The *Highway Scenic Improvement Act* allows the ministry to remove abandoned vehicles and requires the removal of unsightly accumulations on property adjacent to highways or sections of highways designated as scenic routes.

The *Ministry of Transportation and Highways Act* (excluding section 34) creates the ministry and sets out its mandate. The act also authorizes the collection of tolls for the Coquihalla Highway.

The *Motor Carrier Act* establishes the Motor Carrier Commission and sets out licensing and tariff requirements for passenger motor carriers.

The *Motor Vehicle Act*[2] is shared between the Minister of Transportation and the Minister Responsible for ICBC. The Minister Responsible for ICBC is responsible for the sections on vehicle and driver licensing, driver training, vehicle standards and inspections. The Minister of Transportation is responsible for those sections that set out the rules of the road, traffic control device standards, and (until April 1, 2003) authorities for the Office of the Superintendent of Motor Vehicles.

The *Railway Act* allows for the administration of railway safety standards and inspection procedures by the Ministry of Community, Aboriginal and Women's Services, with the Minister of Transportation responsible for the remaining provisions regarding corporate matters.

The *Riverbank Protection Act* enables the Lieutenant Governor in Council to take appropriate measures to prevent the encroachment of a river on its banks.

The *Transport of Dangerous Goods Act* (section 23 only) sets out regulations and standards for movement of dangerous goods by truck within the province.

The *Transportation Investment Act*[3] provides a framework for developing public-private partnerships, known as P3s, to expand and improve provincial transportation infrastructure.

[2] Provisions of the Act administered by the Office of the Superintendent of Motor Vehicles were reassigned to the Minister of Public Safety and Solicitor General on April 1, 2003. Provisions of the Act administered by the Compliance Operations Division and the Motor Carrier Department of the ICBC were transferred from the Minister Responsible for ICBC to the Minister of Public Safety and Solicitor General and the Minister of Transportation, as appropriate, on April 1, 2003.

[3] Act was given Royal Assent on October 31, 2002, but is not yet in force.

# Appendix 3 — BC Transportation Financing Authority Financial Statements

## Management Report

**Year ended March 31, 2003**

The consolidated financial statements of the BC Transportation Financing Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for the review and approval of the financial statements and meets with management and the external auditor to discuss the results of the audit examination and financial reporting matters. The external auditor has full access to the Board of Directors with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Auditor's report outlines the scope of his examination and expresses an opinion on the financial statements of the BC Transportation Financing Authority.

Dan Doyle
Chief Executive Officer

Sharon Moysey
Executive Director
Finance and Administration and
Corporate Secretary

# BC Transportation Financing Authority

## Report of the Auditor General of British Columbia

*To the Chair of the Board of the BC Transportation Financing Authority, and*

*To the Minister of Transportation, Province of British Columbia:*

I have audited the consolidated balance sheet of *BC Transportation Financing Authority* as at March 31, 2003 and the consolidated statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *BC Transportation Financing Authority* as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

*Victoria, British Columbia*
*May 9, 2003*

Wayne Strelioff, CA
Auditor General

# BC Transportation Financing Authority

## Consolidated Balance Sheet

| As at March 31 | 2003 | 2002 |
|---|---|---|
| **Assets** | ($ 000s) | ($ 000s) |
| Current assets | | |
| Cash and temporary investments (Note 2) | 4,036 | 4,634 |
| Marketable securities (Note 3) | 317 | 317 |
| Accounts receivable | 37,378 | 26,986 |
| Assets held for resale (Note 4) | 8,000 | — |
| | 49,731 | 31,937 |
| Long term receivables (Note 5) | 5,897 | 6,276 |
| Corridor protection (Note 6) | 33,507 | 33,823 |
| Capital assets (Note 7) | 6,128,042 | 6,150,861 |
| Debt issue costs | 10,694 | 8,461 |
| | 6,227,871 | 6,231,358 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 94,357 | 54,550 |
| Interest payable | 34,496 | 28,406 |
| | 128,853 | 82,956 |
| Capital debt net of sinking funds (Note 8) | 2,660,755 | 2,513,839 |
| Deferred capital contributions (Note 9) | 2,841,414 | 3,016,733 |
| | 5,631,022 | 5,613,528 |
| **Equity** | | |
| Retained earnings | 77,637 | 97,406 |
| Contributed surplus (Note 9) | 519,212 | 520,424 |
| | 596,849 | 617,830 |
| | 6,227,871 | 6,231,358 |

The accompanying notes are an integral part of these financial statements.

# BC Transportation Financing Authority

## Consolidated Statement of Earnings and Retained Earnings

| Year ended March 31 | 2003 | 2002 |
|---|---|---|
| | ($ 000s) | ($ 000s) |
| **Revenues** | | |
| Dedicated taxes (Note 10) | 223,224 | 196,724 |
| Provincial grant | — | 42,160 |
| Contractor fees (Note 11) | 753 | 30,098 |
| Amortization of deferred contributions (Note 9) | 187,457 | 188,667 |
| Other (Note 12) | 7,668 | 8,145 |
| | 419,102 | 465,794 |
| **Expenditures** | | |
| Operations | | |
| Construction wages and benefits (Note 11) | 753 | 30,160 |
| Grant programs (Note 13) | 377 | 17,293 |
| Sierra Yoyo Desan Road improvements (Note 14) | 2,830 | 2,775 |
| Transportation planning | — | 1,943 |
| Training programs | — | 35 |
| General and administrative expenses | | |
| Ministry of Transportation (Note 15) | 2,832 | 15,400 |
| Salaries and benefits | 98 | 3,623 |
| Professional services | 7 | 1,049 |
| Office | 16 | 806 |
| Rent | 8 | 369 |
| Travel | 10 | 224 |
| Amortization | 286,275 | 263,417 |
| Interest (Note 16) | 126,078 | 118,578 |
| Write down of project costs and disposal of assets (Note 17) | 12,848 | 10,042 |
| | 432,132 | 465,714 |
| (Loss) Earnings before extraordinary item | (13,030) | 80 |
| Extraordinary item (Note 4) | 6,739 | — |
| Net (loss) earnings after extraordinary item | (19,769) | 80 |
| Retained earnings, beginning of year | 97,406 | 97,326 |
| Retained earnings, end of year | 77,637 | 97,406 |

The accompanying notes are an integral part of these financial statements.

# BC Transportation Financing Authority

## Consolidated Statement of Cash Flows

| Year ended March 31 | 2003 | 2002 |
|---|---|---|
| | ($ 000s) | ($ 000s) |
| Cash flows from operating activities | | |
| Net (loss) earnings after extraordinary item | (19,769) | 80 |
| Amortization, which does not involve cash | 286,275 | 263,417 |
| Deferred capital contributions | (187,457) | (188,667) |
| Extraordinary item | 6,739 | 0 |
| Write down of project costs and disposal of assets | 12,848 | 10,023 |
| Change in non-cash operating working capital | 69,271 | (1,280) |
| | 167,907 | 83,573 |
| Cash flows from financing activities | | |
| Increase in capital debt — borrowings | 195,265 | 360,130 |
| Change in payables related to capital infrastructure | (40,684) | (83,052) |
| Contribution to sinking funds | (48,349) | (42,411) |
| Additions to deferred revenue | 1,735 | 27,194 |
| Change in debt issue costs | (2,233) | 2,101 |
| | 105,734 | 263,962 |
| Cash flows used in investing activities | | |
| Additions to capital assets | (274,618) | (344,058) |
| Long term receivables | 379 | (6,276) |
| | (274,239) | (350,334) |
| Increase (decrease) in cash and temporary investments | (598) | (2,799) |
| Cash and temporary investments, beginning of year | 4,634 | 7,433 |
| Cash and temporary investments, end of year | 4,036 | 4,634 |

The accompanying notes are an integral part of these financial statements.

# BC Transportation Financing Authority

## Notes to Consolidated Financial Statements

## Year ended March 31, 2003

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown Corporation of the Province of British Columbia by the enactment of the *Build BC Act* with a mandate to plan, acquire, construct, hold and improve transportation infrastructure throughout British Columbia.

While BCTFA owns all provincial highways and lands held for future highway development, administration, regulatory responsibility and operational authority for management of the highways, as set out in the *Highway Act*, are the responsibility of the Minister and the Ministry of Transportation.

Highway Constructors Ltd. (HCL), a wholly owned subsidiary, was formed to provide the labour force and labour relations structure for contractors working on major transportation infrastructure projects. HCL will cease operations when its legal obligation to provide the labour force for contractors is complete. This work is expected to be completed in 2003/2004.

**1. Significant accounting policies:**

a) Basis of presentation:
As prescribed by Section 18(8) of the *Build BC Act*, the consolidated financial statements of BCTFA are prepared in accordance with Canadian generally accepted accounting principles.

b) Principles of consolidation:
The consolidated financial statements include the assets, liabilities and operating results of BCTFA and its wholly owned subsidiary, HCL. Inter-company accounts and transactions are eliminated. General and administrative costs of HCL that relate directly to the provision of labour and associated services of BCTFA projects are capitalized as part of the cost of constructing the related infrastructure.

c) Temporary investments and marketable securities:
Temporary investments and marketable securities are carried at the lower of cost and fair market value.

d) Corridor protection:
Corridor protection properties are stated at cost. These properties are held for future highway development. The cost of these properties will become part of work in progress when the applicable projects commence.

## BC Transportation Financing Authority

**Notes to Consolidated Financial Statements**

**Year ended March 31, 2003**

e) Capital assets:
Land is stated at cost.

Work in progress consists of direct project expenditures and related financing costs. Capitalization of interest during construction ceases semi-annually when a project is substantially complete and ready to use. Project costs are written down in the year it is determined no tangible asset will result.

Highway infrastructure transferred from the Province of British Columbia is recorded at net book value and, where necessary, estimates were used.

Completed infrastructure is stated at cost. Assets are amortized on a straight-line basis over their estimated useful lives, as follows:

| Asset | | Useful Life |
|---|---|---|
| Completed infrastructure | — surfacing, safety improvements, and equipment | 15 years |
| | — all other completed infrastructure costs (excluding land) | 40 years |

f) Deferred capital contributions:
Deferred capital contributions include the offset for the highway infrastructure transferred to the BCTFA from the Province of British Columbia and other capital contributions received from outside agencies. These contributions are amortized to income at the same rate as the related highway infrastructure is amortized to expense.

g) Federal and provincial taxes:
Both the BCTFA and HCL are exempt from corporate income taxes. HCL is subject to the Goods and Services Tax.

h) Bond discounts, premiums and issue costs:
Bond discounts and premiums are amortized using the effective yield method over the term of the related debt. Fiscal agency fees are capitalized in the year incurred.
Other issue costs are deferred and written off on a straight-line basis over the term of the related debt.

i) Related party transactions:
The BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations, and are recorded at the exchange amount.

## BC Transportation Financing Authority

**Notes to Consolidated Financial Statements**

**Year ended March 31, 2003**

j) Use of estimates:
The presentation 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.

### 2. Cash and temporary investments:

Cash and temporary investments at the end of the period consist of deposits with banks and investments in money market instruments.

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Cash | 911 | 2,379 |
| Temporary investments | 3,125 | 2,255 |
| | 4,036 | 4,634 |

### 3. Marketable securities:

As part of the Ballard Power Systems Inc. and Province of BC Fuel Cell Program Agreement, BCTFA holds 28,250 shares with a market value of $0.4 million at March 31, 2003 (2002 — $1.4 million).

BCTFA also holds 499,720 share purchase warrants in Hillsborough Resources Ltd. These warrants expire on October 5, 2005. Each warrant entitles the BCTFA to purchase a common share at a price of $0.36. The market value at March 31, 2003 was $0.285 per share (2002 — $0.56).

### 4. Assets held for resale:

BCTFA, on behalf of the Province, purchased the Bombardier Centre for Advanced Transit Systems pursuant to a contractual commitment between Bombardier and Rapid Transit Project 2000 Ltd. The contract set out certain circumstances under which Bombardier could unilaterally elect to sell the Centre at a fixed amount to the Province. The assets are being held for resale in 2003/2004 and, based on an appraisal, were written down to a net realizable value of $8.0 million at March 31, 2003. The write down amount has been presented as an extraordinary item.

### 5. Long term receivables:

Long term receivables are due from partners in economic development projects. Interest rates range from 0% to 9.325% with terms from 8 to 17 years.

# BC Transportation Financing Authority

## Notes to Consolidated Financial Statements

## Year ended March 31, 2003

### 6. Corridor protection:

A corridor protection fund has been established to support the acquisition of properties in advance of need as part of a corridor protection strategy. The assessed value of corridor protected lands at March 31, 2003 was $251.8 million.

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Cash | 4,006 | 4,006 |
| Properties — Purchased by BCTFA | 5,624 | 5,624 |
| | 9,630 | 9,630 |
| Properties — Transferred from the Province | 23,877 | 24,193 |
| | 33,507 | 33,823 |

### 7. Capital assets:

| ($ 000s) | | | 2003 | 2002 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | 782,820 | | 782,820 | 781,683 |
| Work in progress | 106,487 | | 106,487 | 127,046 |
| Completed infrastructure | 6,299,455 | 1,060,720 | 5,238,735 | 5,242,132 |
| | 7,188,762 | 1,060,720 | 6,128,042 | 6,150,861 |

# BC Transportation Financing Authority

## Notes to Consolidated Financial Statements

## Year ended March 31, 2003

### 8. Capital debt and sinking funds:

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Bonds and notes payable to the Province of British Columbia | | |
| Fixed-rate debt: | | |
| Various issues at an average effective interest rate of 6.444% (2002 — 6.582%) maturing at various times to 2039. | 1,966,227 | 1,647,499 |
| Variable-rate debt: | | |
| Various issues at an average effective interest rate of 2.606% (2002 — 3.602%), maturing at various times to 2027 | 869,464 | 992,927 |
| | 2,835,691 | 2,640,426 |
| Sinking funds on deposit with the Province of British Columbia | (174,936) | (126,587) |
| Net capital debt | 2,660,755 | 2,513,839 |

At March 31, 2003, the coupon rates on fixed-rate debt ranged from 5.70% to 9.50% (2002 — 5.70% to 9.50%). All foreign currency debt has been swapped to Canadian dollars.

Sinking funds are established to retire debt. Projected sinking fund contributions for each of the next five years are (in 000s):

| | |
|---|---|
| 2004 | $61,080 |
| 2005 | $69,506 |
| 2006 | $78,295 |
| 2007 | $86,749 |
| 2008 | $88,670 |

The Minister of Finance and Corporate Relations is the fiscal agent of the BCTFA. Debt borrowed through the provincial government's fiscal agency program carries a provincial guarantee.

Pursuant to Section 23(1) of the *Build BC Act*, BCTFA may borrow the sums of money considered necessary to carry out its mandate. At March 31, 2003, the BCTFA was authorized to borrow up to $2,743 million, net of sinking funds.

## BC Transportation Financing Authority

### Notes to Consolidated Financial Statements

### Year ended March 31, 2003

### 9. Capital Contributions:

| ($ 000s) | Opening Balance | Additions/ (Disposal) | Amortization | Closing Balance |
|---|---|---|---|---|
| Deferred Capital Contributions | 3,016,733 | 12,138 | (187,457) | 2,841,414 |
| Contributed Surplus | 520,424 | (1,212) | | 519,212 |
| Total Contributions | 3,537,157 | 10,926 | (187,457) | 3,360,626 |
| Consisting of: | | | | |
| Provincial government | 3,482,802 | 309 | (186,589) | 3,296,522 |
| Federal government | 17,874 | 10,572 | | 28,446 |
| Municipal governments | 8,049 | — | (223) | 7,826 |
| Other | 28,432 | 45 | (645) | 27,832 |
| | 3,537,157 | 10,926 | (187,457) | 3,360,626 |

Contributed surplus represents the offset for land contributed to BCTFA by the province of British Columbia and is not amortized.

### 10. Dedicated taxes:

Under the *Build BC Act*, the Province of British Columbia collects gasoline and motor fuel taxes on behalf of BCTFA under Section 13 of the *Motor Fuel Tax Act* (3.25 cents per litre, increased by 3.5 cents March 1, 2003 to 6.75 cents per litre), and car rental taxes under Section 26 of the *Social Services Tax Act* ($1.50 per car rental day).

The increase on March 1, 2003 of 3.5 cents per litre resulted in additional revenues of $19.6 million for Fiscal 2002/2003. These funds are dedicated to future expenditures under the Transportation Investment Plan.

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Tax revenues earned: | | |
| *Motor Fuel Tax Act* | 212,224 | 185,724 |
| *Social Services Tax Act* | 11,000 | 11,000 |
| | 223,224 | 196,724 |

## BC Transportation Financing Authority

### Notes to Consolidated Financial Statements

### Year ended March 31, 2003

### 11. HCL operations:

HCL is the employer of the construction labour force on various transportation infrastructure projects. HCL recovers its construction labour costs from the construction contractors. Payments and recoveries in the year ended March 31, 2003 were $5.8 million (2002 — $56.1 million), made up of $0.8 million from contractors for non-BCTFA projects (Rapid Transit Project 2000 Ltd.) and $5.0 million from contractors on BCTFA projects. Construction labour costs on BCTFA projects are capitalized as part of the cost of constructing the related infrastructure.

### 12. Other revenue:

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Sierra Yoyo Desan Road tolls (Note 14) | 2,830 | 2,775 |
| Properties | 3,460 | 3,329 |
| Economic development projects | 1,130 | 1,014 |
| Other | 248 | 1,027 |
| | 7,668 | 8,145 |

### 13. Grant programs:

The BCTFA provided grants during the year under the following programs:

- Newly Incorporated Territory Program — road improvements to fulfil outstanding commitments under the former provincial Incorporation Assistance Program.
- Skytrain Millennium Line — a portion of an interim financial contribution advanced for start-up costs in 2002 was not required and was returned in 2003.

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Newly Incorporated Territory Program | 757 | 2,586 |
| Skytrain Millennium Line | (380) | 8,160 |
| Other | — | 6,547 |
| | 377 | 17,293 |

# BC Transportation Financing Authority

**Notes to Consolidated Financial Statements**

**Year ended March 31, 2003**

## 14. Sierra Yoyo Desan Road:

In 1999, BCTFA entered into a five year contract with Walter Construction (Canada) Ltd. for improvements to the Sierra Yoyo Desan Road, an industrial access road in north-eastern BC primarily serving petroleum, forest and pipeline companies. Costs are recovered from an annual contribution by the Ministry of Energy and Mines and from tolls levied on industrial users. Recovered costs are included in Other Revenue.

## 15. Ministry of Transportation services:

In 2003, $2.8 million (2002 — $15.4 million) was paid to the Ministry of Transportation for general services not specifically attributable to individual capital construction projects.

In addition to the services above, the Ministry of Transportation provided BCTFA the non-monetary services of the use of Ministry staff and related overhead estimated at $0.25 million.

## 16. Interest expense:

| ($ 000s) | 2003 | 2002 |
|---|---|---|
| Interest on capital debt | 140,088 | 132,546 |
| Interest on bank overdraft | 9 | 191 |
| Interest income | (9,797) | (7,403) |
| | 130,300 | 125,334 |
| Capitalized interest | (4,222) | (6,756) |
| Net interest expense | 126,078 | 118,578 |

## 17. Write down of project costs and disposal of assets:

Project costs of $10.4 million for the Sea-to-Sky Highway were written off in 2002/2003. These costs relate to aspects of the project that will not proceed.

In 2003, BCTFA transferred highways to recently incorporated communities and received government approval to transfer highways to local governments where the highways no longer served a provincial need. The net book value written off for these transfers is $2.4 million.

## BC Transportation Financing Authority

**Notes to Consolidated Financial Statements**

**Year ended March 31, 2003**

### 18. Commitments:

At the end of each year, the BCTFA has a number of general commitments outstanding for ongoing infrastructure projects. Such future expenditures are charged to the capital program of the year in which the work or service is performed. The approved capital program for 2003/04 is $297.8 million.

### 19. Contingencies:

Contingent liabilities of $79.6 million remain after deducting the estimated settlement expense currently accrued from gross claims and environmental issues outstanding for capital projects.

### 20. Obligations under Capital Leases:

Effective March 28, 2003, the BCTFA has assumed obligations under capital leases for the M.V. *Queen of Surrey* and the M.V. *Queen of Oak Bay*. These obligations are fully offset by irrevocable trust funds with the Province of British Columbia.

| | **Amount** | **Maturity Date** |
|---|---|---|
| MV *Queen of Surrey* | 17,519 | December 2005 |
| MV *Queen of Oak Bay* | 25,420 | March 2008 |
| | 42,939 | |

### 21. Subsequent Events:

Bill 18 (*Coastal Ferry Act*), passed on March 26, 2003, provided for the restructuring of BC Ferries. In April, 2003 the province retained ownership of the ferry terminal lands by having BCTFA purchase them from British Columbia Ferry Corporation (BCFC) at a fair market value of $74 million and subsequently lease these assets back to BCFC for a term of 55 years.

On May 6, 2003, the province announced its intention to seek a private-sector investor who will assume responsibility for the operation, maintenance and rehabilitation of the Coquihalla Highway between Merritt and Hope. Under the new arrangement, the BCTFA will retain ownership of the Coquihalla Highway roadbed and right-of-way. The financial effect of this proposed transaction on the operations of the BCTFA is not determinable at this time.

### 22. Comparative Change:

Where necessary prior years figures have been restated to conform to the current year's presentation.