Corporate Plan Summary

2015/16 – 2019/20

Marine Atlantic
Marine Atlantique

April 29th, 2015

Executive Summary

2014/15 was another successful year for Marine Atlantic. The Corporation is continuing to deliver an efficient and timely service with on time performance levels reaching 93% in 2014/15. This is well above the Corporation's target and a clear indicator that the investments that the Corporation has made in its vessels and shore based infrastructure are paying off. Further improvements in the Corporation's business processes will help to sustain current progress and drive further efficiencies across the Corporation.

Financial results for the 2014/15 fiscal year have been positive. Cost recovery has remained stable at 70.1%, revenue per unit of traffic has increased over 2013/14 levels and the Corporation has maintained the previous efficiencies realized with respect to the cost per unit of traffic. Both passenger and commercial traffic levels continued to decline during the year. The decrease in traffic levels has been more than offset by cost savings initiatives as well as rate increases.

Customer satisfaction levels for the Corporation's passenger traffic are continuing to trend in a positive direction, with 2014/15 results projected to exceed the Corporation's targets for both overall customer satisfaction and the percentage of customers that would be likely to recommend Marine Atlantic to friends and family.

MAI received confirmation from the Government of Canada that it has approved funding for both 2015/16 and 2016/17, with additional funding allocated for 2017/18 to allow the Corporation to continue on the path towards a homogenous fleet. This is a major milestone for the Corporation. With the approved funding and the approval of the Corporation's 2014/15 Corporate Plan, MAI is planning to purchase both the MV *Highlanders* and the MV *Blue Puttees* at the end of their current charter period in 2015/16. The Corporation has also officially renewed the MV *Atlantic Vision's* charter agreement until 2017/18 and in 2015/16 will begin the search to replace it with a new vessel. The MV *Leif Ericson* will remain in the Corporation's fleet for the upcoming planning period.

All rates increased by 3% on April 1, 2014. Given the recent fluctuation in oil prices, MAI will review its fuel surcharge on a regular basis, and increase or decrease it as required based on the price of oil and the Corporation's overall fuel costs. The Corporation will continue to explore ways to reduce fuel consumption and has already installed fuel monitoring equipment to help manage fuel consumption on the MV *Blue Puttees* and the MV *Highlanders*.

With most of the Corporation's collective bargaining agreements expired, contract negotiations will continue into 2015/16. MAI hopes to conclude negotiations and settle all of its remaining collective bargaining contracts before the end of the 2015/16 fiscal year. This will also provide stability with the workforce; a key element to future success.

For the upcoming planning period, the Corporation will continue to build on previous successes and successfully deliver on the Strategic Priorities identified by the Corporation's Board of Directors: Safety, reliability and cost efficiency.

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1.0 Introduction

When Newfoundland joined Canada in 1949, the ferry service between the Province of Newfoundland and Labrador and the mainland was accorded special constitutional status under Term 32(1) of the Terms of Union (*The Newfoundland Act,* 1949) which guarantees that Canada will "*maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles".* Marine Atlantic exists to fulfill that mandate.

Marine Atlantic was created on June 27, 1986 as a parent Crown Corporation through the *Marine Atlantic Inc. Acquisition Authorization Act*. As a Crown Corporation, Marine Atlantic is regulated under Part X of the *Financial Administration Act*. As per the Order in Council of March 12, 1987 (P.C. 1987-463), the Bilateral Agreement between Her Majesty the Queen and Marine Atlantic established the relationship between the Parties under which subsidiary operating, capital, and land lease agreements relating to the operation of specific ferry and coastal services in Atlantic Canada may be executed.

Vision Statement

To ensure that MAI's Vision Statement is reflective of the organization's current state, the Board of Directors met in October of 2014 to revisit the statement. MAI's new vision statement is "*Building on our rich tradition, we provide a valued public transportation link that enhances the well-being of our customers and those who depend on them*."

Mission Statement

The Corporation's Mission Statement is "to provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner".

Corporate Values

In 2013-2014, MAI introduced its Corporate Values throughout the organization.

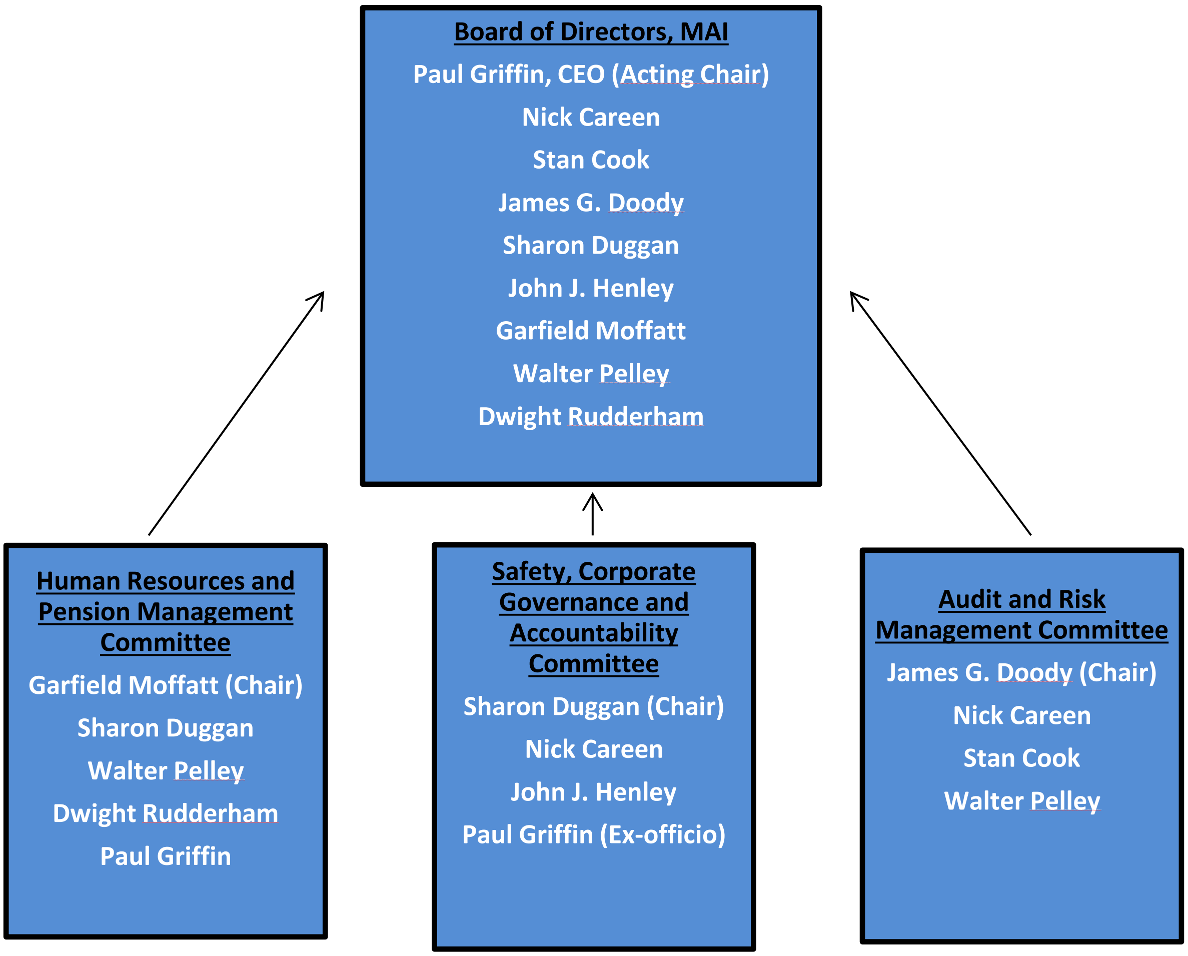
1. Safety - *Protection of people, property, and the environment is our ultimate priority.*
2. Integrity - *We say what we mean, mean what we say, and do what we say.*
3. Excellence - *We are passionate about our internal and external customers and our services.*
4. Teamwork - *We always help each other. Working together always results in better outcomes.*
5. Commitment - *We are all responsible for our performance and the success of the business.*

Governance Structure

Like all Crown corporations, Marine Atlantic was established to allow it to operate at arm's length from its sole shareholder, the Government of Canada. While the shareholder provides policy direction and funding for the Corporation's ongoing operations, as stated in the *Financial Administration Act,* Marine Atlantic's Board of Directors ensures that the Corporation fulfils its mandate by setting the Corporation's strategic direction and organizational goals and overseeing their implementation by management. Up to ten Board members are appointed. The Chairman of the Board and the President and CEO are appointed by the Governor in Council on the recommendation of the Minister of Transport and the Board of Directors are appointed by the Minister of Transport with the approval of the Governor in Council.

The former Chair of the Board's terms ended on October 29, 2014. Until the search for a new Chair is complete, MAI's CEO will act as Chair of the Board.

The current Board Membership is identified below.



The Human Resources and Pension Management Committee (HRPMC) has three areas of responsibility:

1. Ensure governing policies are in place and implemented by management to provide employees at MAI with fair and meaningful employment in a healthy and respectful workplace.
2. Provide oversight with respect to the appointment, monitoring and compensation of executive management.
3. Provide advice to the Board on the stewardship of pension plans for the employees of MAI.

The Safety, Corporate Governance and Accountability Committee has five areas of responsibility:

1. Facilitate the evolution of the Corporation's governance practices to ensure that the Board's duties are met, regulatory requirements are fulfilled, and that the Board is fulfilling its accountability to the Corporation.
2. Ensure the development and fulfillment of policies which provide for the desired ethical conduct by Directors and employees.

3. Oversee the social accountability of MAI with respect to the community and the environment.
4. Ensure governing policies are in place and implemented by management to provide employees at MAI with employment in a healthy and safe workplace.
5. Ensure that MAI has a robust and appropriate strategic plan.

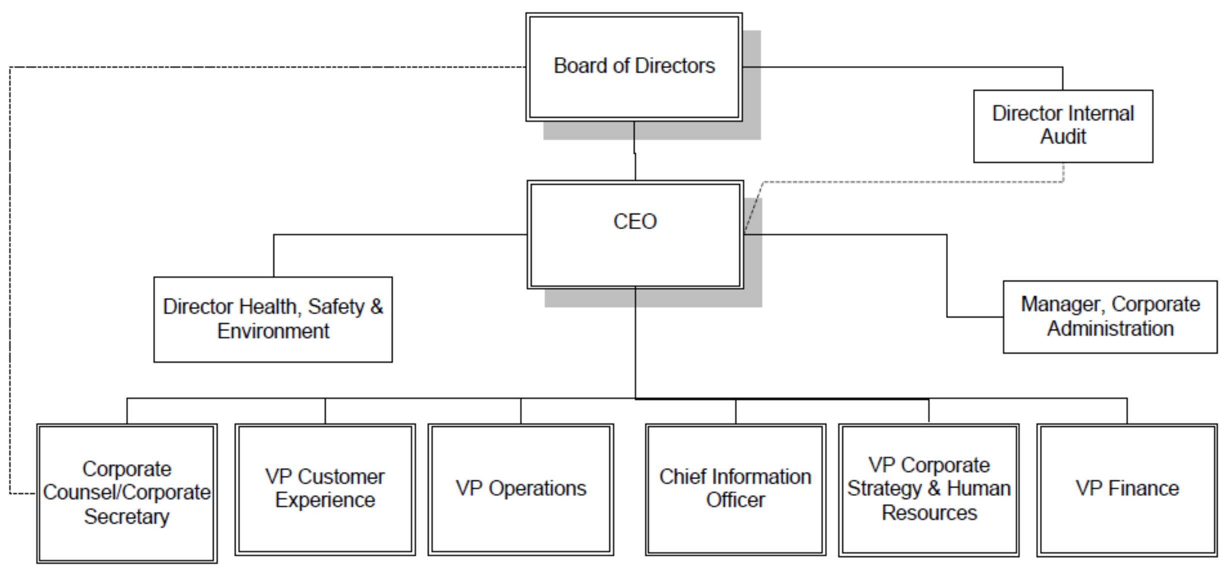
The Audit and Risk Committee oversees MAI's standards for financial reporting, internal audit, risk management and management control practices. Specifically, the Committee will provide governance and oversight in the following areas:

1. Oversee the design and establishment of an appropriate enterprise risk management (ERM) framework for identifying and managing risks inherent to the business and operations of MAI.
2. Ensure that the elements of a financial control framework are in place to support management in achieving corporate goals and objectives.
3. Ensure that there are effective processes in place to prepare and present the annual operating budget (corporate plan) for Board approval, and to monitor, manage and report on performance relative to the approved annual budget.
4. Provide for the independence of the internal audit function and to ensure that a risk based internal audit methodology is used in the conduct of its work.
5. Provide oversight of the external auditors on the delivery of their financial audit services for the benefit of the shareholder.

Each committee reports directly into the BOD, and each meets at least quarterly, with additional meetings scheduled as required.

Executive Team

MAI's Executive team is responsible for directing the operations of the Corporation. The current organizational structure is below.



Workforce

Marine Atlantic has a diverse workforce that is represented by six bargaining units as well as a number of management/non-union employees. The breakdown in full time equivalents (FTEs) by agreement is outlined below.

Agreement & Expiry Date	Representing	Bargaining Agent	Collective Bargaining Status	2014/15 Year End Forecast FTEs
A Dec-31-2013	Licensed Officers	Canadian Merchant Service Guild (CMSG)	Agreement expired 31 December 2013	131
B Dec-31-2013	Unlicensed Vessel Crew	Unifor	Agreement expired 31 December 2013	394
C Dec-31-2013	Shore-Based Maintenance Employees	Unifor	Agreement expired 31 December 2013	61
D Dec-31-2016	Shore-Based Terminal and Clerical Employees	The United Steel Workers/ International Longshoremen, Council of Trade Unions	Agreement expires 31 December 2016	266
E Dec-31-2012	Masters, Chief Engineers and Chief Electrical Officers	Canadian Merchant Service Guild	Agreement expired 31 December 2012	28
F Dec-31-2013	Shore-Based Supervisory Employees	Public Service Alliance of Canada	Agreement expired 31 December 2013	66
N/A	Management / Non-Union	N/A	N/A	80
Total				**1,026**

Organizational Structure

To better manage the changing needs of the organization, the Corporation implemented a slight organizational restructuring in October of 2014. The goal of the restructuring was to increase management capacity to help drive further change throughout the organization, as well as to allow the Corporation to increase its focus on its strategic priorities. Some highlights of the restructuring include the implementation of a new Health, Safety and Environment Division, the implementation of a new Associate Vice President of Operations position to be responsible for vessel operations and maintenance and the amalgamation of the Strategy and Corporate Affairs Division with the Human Resources Division (to form the Corporate Strategy and Human Resources Division).

MAI's Strategic Priorities

In October of 2012, MAI's Board of Directors identified three main areas of strategic focus for the organization. The Corporation continues to manage its strategic planning process within the realm of these strategic priorities:

1. Safety

    - The number one priority of the organization
    - An integral part of everything MAI does

2. Reliability

    - Increased focus on improving service reliability, improving on-time performance, and reducing service interruptions

3. Cost Efficiency

    - The identification and implementation of operational efficiencies to drive improved financial performance

MAI's Strategic Objectives

In October 2013, MAI's Board of Directors identified five strategic objectives for the Corporation to further guide the Corporation's strategic direction.

1. Improve the safety culture of the organization.

2. Create and implement a strategy to increase leadership capabilities, create an appropriate performance management culture and process, clarify roles and responsibilities, and adequately match supply and demand for skills.

3. Increase effectiveness of stakeholder/shareholder engagement and management.

4. Create a process and technology architecture to support strategic business objectives.

5. Create and implement a commercial customer strategy.

These continue to be the focus of the 2015/16 Strategic Plan, with all initiatives designed to deliver on one or more of these five objectives.

In 2014/15 MAI's Board of Directors reconfirmed the Corporation's strategic direction.

2.0 The Year in Review – 2014/15

2014-15 was another successful year for Marine Atlantic. The Corporation is continuing to deliver an efficient and timely service with on time performance levels reaching 93% in 2014/15. This is well above the Corporation's target and a clear indicator that the investments that the Corporation has made in its vessels and shore based infrastructure are paying off. Further improvements in the Corporation's business processes will help to sustain current progress and drive further efficiencies across the Corporation.

With the significant investment of cash in the Corporation by the Shareholder in Budget 2010, the Corporation has been able to successfully address all of the issues identified by the OAG in the 2009 Special Exam (all recommendations were implemented by 2014/15).

Financial results for the 2014/15 fiscal year have been positive. Cost recovery has remained stable at 70.1%, revenue per unit of traffic has increased over 2013/14 levels and the Corporation has maintained the previous efficiencies realized with respect to the cost per unit of traffic. Both passenger and commercial traffic levels continued to decline during the year. The decrease in traffic levels has been more than offset by cost savings initiatives as well as rate increases.

Customer satisfaction levels for the Corporation's passenger traffic are continuing to trend in a positive direction, with 2014/15 results projected to exceed the Corporation's targets for both overall customer satisfaction and the percentage of customers that would be very likely to recommend Marine Atlantic to friends and family.

Accomplishments to Date

Despite some service interruptions and ongoing weather delays, overall PRV (personal related vehicle) customer satisfaction came in at 73% for 2014/15 October year to date compared to 69% for the same period last year. Terminal satisfaction has increased slightly to 75% from 74% for the same time period and onboard satisfaction results have remained stable at 76%.

Report on Savings Commitments

The table below outlines the Corporation's Revitalization Strategy savings opportunities, its Budget 2011 savings commitments and also its Budget 2012 savings commitments. The Corporation is committed to achieving these savings opportunities.

Year	Revitalization Strategy Opportunities *(in millions)*	Budget 2011 Savings Commitments *(in millions)*	Budget 2012 Savings Commitments *(in millions)*	Total
2011/12	$ 2.40	$ -	$ -	$ 2.40
2012/13	$ 5.00	$ 1.22	$ 0.50	$ 6.72
2013/14	$ 7.00	$ 5.40	$ 2.20	$ 14.60
2014/15 & onward	$ 7.00	$ 5.40	$ 10.90	$ 23.30

The Corporation's forecasted year end results for 2014/15 and the pro forma financials included within this Corporate Plan for 2015/16 demonstrate that the Corporation has achieved its overall savings targets, as evidenced by the Corporation's ability to operate successfully within the reduced funding amounts available to it as a result of these savings targets.

The overall savings generated are a culmination of a number of productivity improvements and efficiency measures that include but are not limited to: a.) fine-tuning of the vessel operating plan and sailing schedule, b.) significant changes to the Corporation's maintenance programs, including a reduction in annual vessel maintenance periods from two to one, c.) fuel savings initiatives, including the advancement of shore power for the Corporation's vessels, and d.) a reduction in overtime expenditures.

While the Corporation did not follow the exact path as originally intended to achieve the proposed savings, which makes it difficult to link the overall savings to the originally proposed savings measures, the results speak for themselves. Prior to the implementation of the Budget 2012 savings commitments, for example, MAI had forecasted maintenance expenses at $18.9M for 2014/15. Forecast results show maintenance expense at only $9.2M, over a 50% reduction. Changes to the overtime policy have resulted in a 50% reduction in forecasted overtime expense for 2014/15 when compared to 2009/2010 levels, for an annual savings of $2.3M. All of these activities combined have enabled MAI to meet its savings commitments to date, and ensures that the Corporation will be able to sustain these savings in the future.

It must be noted that while not part of its savings commitments, Marine Atlantic was directed to assume the responsibility for washing vehicles at the Canadian Food Inspection Agency's (CFIA) vehicle treatment facilities in both Port aux Basques and Argentia in 2014, as part of the CFIA's Budget 2012 savings commitments.

Bar Harbor

Marine Atlantic owns a terminal facility located in Bar Harbor, Maine that is surplus to its needs and outside of its current mandate. The Corporation has undergone an environmental assessment of the property and has developed remediation plans to address any environmental issues. An appraisal was also conducted on the property.

MAI has received Shareholder concurrence to divest of this property, and currently has a tentative agreement in place with a potential buyer. This deal is subject to a successful negotiation regarding the handling and future responsibility for the environmental liabilities associated with the property. The Corporation plans to use the proceeds of the sale to supplement its capital program.

2014/15 Strategic Initiatives Update

The Corporation implemented its Strategic Planning process in 2013/14 to develop the strategic initiatives that were the focus of MAI's activities in 2014/15. While several of these initiatives will be completed at the end of fiscal 2014/15, most represent multi-year projects that will be carried forward into 2015/16 and beyond.

Updates on these strategic initiatives are outlined below.

Strategic Objective	Strategic Initiative	2014/15 Year End Objectives
Improve the Safety Culture	Review the structure and governance of the Safety Management Program a) Determine requirements to adequately resource HSE Department b) Review Disability Management Program and implement required improvements c) Revamp Safety Reporting System to increase quality and validity of information	Complete
	Implement TC approved Hazard Prevention Program	Complete
	Obtain certification under the Green Marine Environmental Certification Program	Certification process well underway - certification in early 2015/16
Create and Implement a Strategy to Increase Leadership Capabilities, Create an Appropriate Performance	Complete Roles and Responsibilities Agreements and Implement a Corporate Performance Management Program	Management/supervisory group has performance management agreements in place for the following year and training/education has taken place

Strategic Objective	Strategic Initiative	2014/15 Year End Objectives
Management Culture, Clarify Roles and Responsibilities, and Match Supply and Demand for Skills	Continued implementation of Leadership Development Program	Complete
	Develop Vessel Staff Standardized Education and Evaluation Program	-RFP awarded for pilot program -Fleet Operations Officer engaged with vendor -Project plan development initiated
	Establishment of Work Standards (Starting with PAX in 2014/15)	50% of work processes documented and tested
	Recruitment, Selection, Retention System Review	Complete
	Develop a Workforce Plan	Complete
	Corporate Values Integration	-High level plan in place -Project Team identified -Graphics developed and launched
Increase Effectiveness of Stakeholder/ Shareholder Engagement and Management	Develop a Stakeholder Relations Plan to ensure all key stakeholders – both internal and external – are kept informed of and engaged with ongoing activities at MAI.	-Plan fully developed and signed off by Executive -Reporting mechanism implemented and reporting commenced

Strategic Objective	Strategic Initiative	2014/15 Year End Objectives
Create a Process and Technology Architecture to Support Strategic Business Objectives	Implementation of Fuel Monitoring Equipment	-Investments made in fuel meters on the MV *Blue Puttees* and MV *Highlanders* -Regular reporting mechanism to SLT developed
	Implement recommendations stemming from Shore Maintenance Review	-Categorical assessment of Shore Maintenance Program complete and recommendations approved -50% of existing work processes evaluated
	Develop and implement the strategic planning process throughout the organization	Complete
	Develop and implement corporate reporting dashboard	Complete
	Develop and implement an Active Revenue and Cost Management Strategy	-System enhancement complete (to handle discounting) -Policy direction clarified with Shareholder -Detailed scoping study complete and Software in development (for pricing and scheduling tool)
	Implementation of the Terminal Yard Management System	Complete
	Analyze Supply Chain Management function and implement recommended changes	-Analysis completed to determine path forward -Consultant report and recommendations approved by BOD
	Implement Control Environment Project	Revised: Resource assigned and project initiated

Strategic Objective	Strategic Initiative	2014/15 Year End Objectives
	Business Process Renewal	-Steering Committee and Project Team established -Business process master list developed -Current state analysis commenced
	Complete IT Vulnerability Security and Information Protection Project	Complete
Create and Implement a Commercial Customer Strategy	Review commercial traffic management and make recommended improvements	Traffic backlog issue fully analyzed
	Develop a new focused marketing strategy on how to better meet the needs of our commercial customers	Complete
	Effective management and utilization of our vehicle deck space to drive revenue and improve customer satisfaction	Project Team Identified
	Review customer touch points and make recommended improvements	Consultant developed process map, identifying total virtual and live customer experience from start to finish

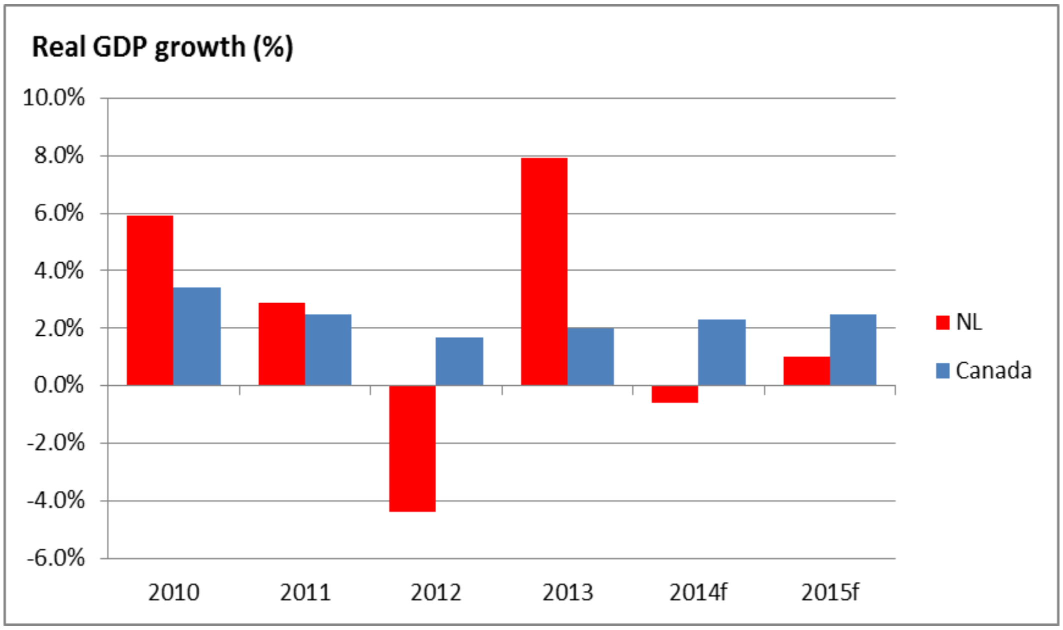
3.0 Situation Analysis

In order to determine the best course of action to deliver on the Corporation's strategic direction, a review of MAI's current operating environment was completed and is reviewed annually for any changes. After reviewing the economic environment in which the Corporation operates, the demographic trends of its key market, the trends in consumer behaviour, and the resulting traffic trends, a SWOT analysis was completed. A SWOT analysis looks at the strengths and weaknesses of the organization, in relation to the opportunities and threats of the environment in which it operates.

2015 Economic Outlook

According to the Atlantic Provinces Economic Council, the economy of Newfoundland and Labrador (NL) will start to soften in 2014. As indicated in the chart below, a rebound in oil production lifted the GDP growth to 7.9% in NL in 2013. However, with little change in oil production or investment, a slight decline in real GDP growth is expected in 2014, with a slight rebound in 2015.

Also, in January 2014, Goldman Sachs released its forecast for oil prices, noting that the U.S. benchmark West Texas Intermediate crude is expected to fall to $46 a barrel in early 2015 (first quarter), down almost $30 a barrel from its previous forecast and down significantly from the Province's revenue budget. A softening of oil prices could potentially slow the Province's oil production, at least in the short term. Furthermore, employment levels in NL are forecasted to decline in 2014 due to the end of the main construction phase at Long Harbour. This softening of the NL economy will likely negatively impact MAI's commercial traffic volumes.



*Provided by the Atlantic Provinces Economic Council

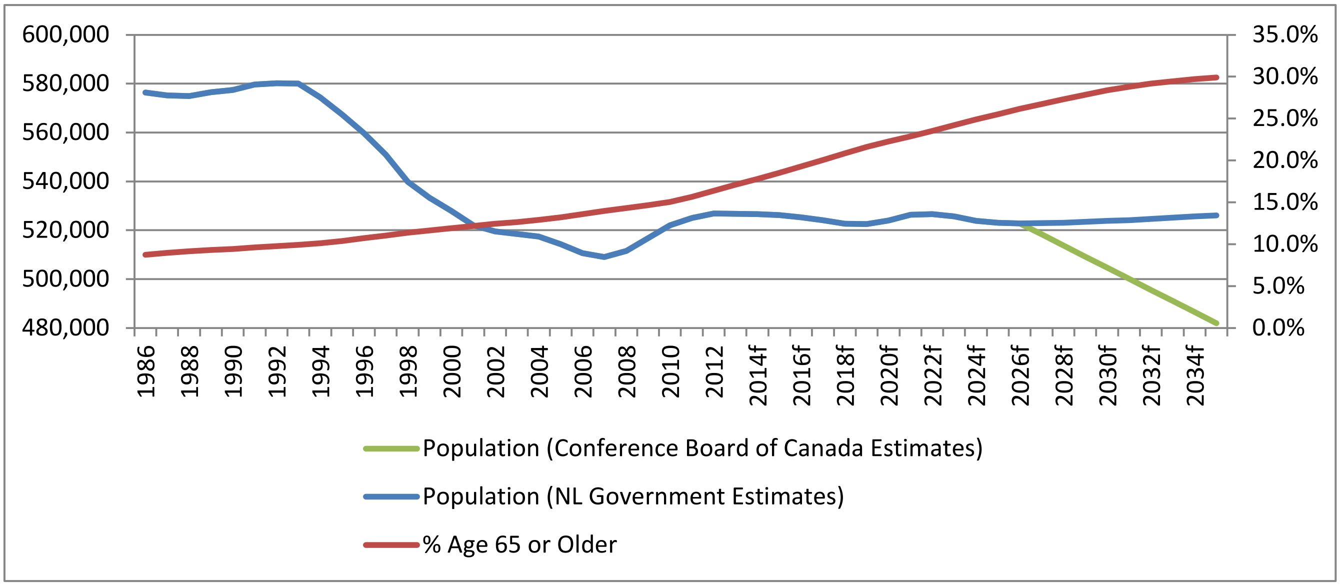
Demographic Trends

There are several changes in the demographic make-up of the population of Newfoundland and Labrador that may impact MAI's passenger traffic levels.

- The geographical distribution of the population has become more concentrated on the Avalon Peninsula. As of 2013, the Avalon Peninsula contained 50.8% of Island's total population, compared to 43.9% in 1993.
- NL's population is aging. By 2035, almost 30% of the population will be over the age of 65, compared to less than 10% pre-1996.
- While the population is forecasted to be relatively flat out to 2035 by the Newfoundland Provincial Government in its "most likely" scenario for population growth, the most recent long-term forecast by the Conference Board of Canada predicts the province's population will fall from current levels of 527,000 to 482,000 by 2035.
- NL is the only province that has recently experienced 3 years of negative natural increase (i.e. more deaths than births in 3 consecutive years).

These population trends are reflected in MAI's passenger and PRV traffic forecasts, which are projected to decline by 12% and 11% respectively by the end of the planning period.

Newfoundland and Labrador Population Projections



* Population Projections for Newfoundland and Labrador produced by the Economic Research and Analysis Division of the Department of Finance, Government of Newfoundland Labrador, April 2014 update, based on the "most likely" (medium) scenario as integrated with the government's economic forecast.

** Conference Board of Canada (CBOC) estimates based on the CBOC's most recent long-term forecast (February 2014) for the province's population (from approximately 527,000 in 2014 to 482,000 by 2035).

*** % Age 65 or Older based on calculations from the NL Government's Population Projections.

Consumer Trends

Consumer behavior has a significant impact on MAI's traffic levels, both commercial and personal. Income levels and the amount of disposable income affect consumer spending, which drives commercial traffic. Similarly, higher income levels and a greater value placed on individual's time impact the types of travel people choose, which can negatively impact MAI's passenger traffic levels.

Average weekly wages in NL continue to trend higher than the Canadian average. Since 2010 the NL average weekly wage has increased by 17%, compared with an increase of 8% for NS and 9% for Canada as a whole.

	CAN	NL	NS
2010	$852.07	$836.67	$758.88
2011	$872.82	$879.00	$765.85
2012	$894.71	$926.56	$789.37
2013	$910.74	$949.33	$798.19
2014 (July YTD)	$931.30	$982.60	$820.50

*Provided by the Atlantic Provinces Economic Council

Meanwhile, retail growth rates in NL have been increasing at a faster rate than both Canada and Nova Scotia in recent years, although, as shown below, those growth rates are projected to decline by the end of 2014, with a further decrease projected for 2015.

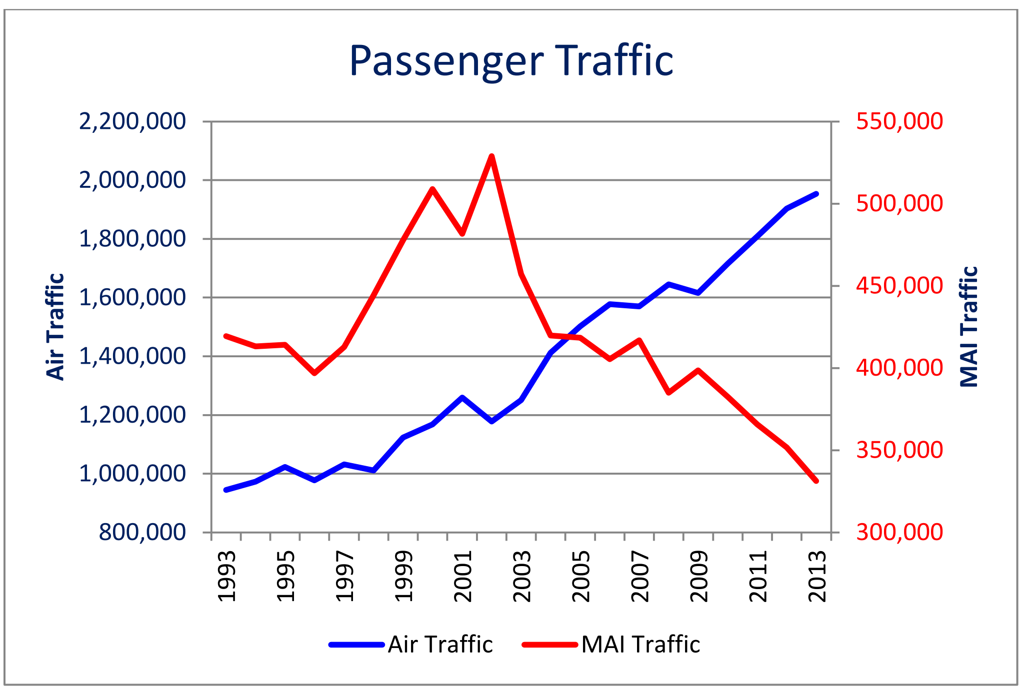
	CAN	NL	NS
2013	3.2%	5.0%	2.9%
2014f	4.6%	4.1%	3.4%
2015f	2.5%	2.5%	2.4%

*Provided by the Atlantic Provinces Economic Council

The increase in retail spending has had a positive impact on MAI's CRV (commercial related vehicle) traffic over the past several years; however, a projected decrease in 2014 and 2015 could result in lower CRV traffic levels for MAI, as already evidenced in declining commercial traffic throughout 2014-15. As a result, the Corporation has numerous strategic initiatives in place aimed at commercial customers that will help to maintain modest commercial traffic growth moving forward.

Impact of Air Travel

Another relevant trend in traffic patterns shows that air traffic to and from the island of Newfoundland has increased significantly over the past several decades.



*Air traffic provided by NL Dep. Of Tourism

As indicated in the above chart, the ratio of air passengers to ferry passengers has increased from 2:1 in 1993 to 6:1 in 2013. Meanwhile, while the number of total travellers has increased from approximately 1.4M in 1993 to 2.3M in 2013, the percentage of those passengers travelling by ferry has decreased from 30% to 15% over the same time period (MAI considered adding a graph to compare its commercial traffic to the total commercial traffic moving to/from the Island, but there was not enough publicly available information to illustrate this comparison).

With newer choices in discount air carriers, more routes, and direct charter flights to many top vacation destinations, this trend will likely continue.

SWOT Analysis

Looking at the current opportunities and threats in our operating environment, in combination with MAI's organizational strengths and weaknesses, the following SWOT analysis was developed to help guide the development of the 2015-16 Strategic Initiatives. The Corporation's situation has not changed significantly from the 2014-15 Corporate Plan.

SWOT Analysis

Strengths	Weaknesses
1. Sufficient capacity to carry the traffic 2. Relatively new fleet 3. Only option for daily freight importation to the Island 4. Only option for the transportation of some dangerous goods 5. Decades of experience 6. Core base of users 7. Strong management team in place 8. Strong shareholder support	1. Limited revenue generating opportunities (all are closely tied to traffic levels) 2. Limited ability to increase prices without negatively impacting demand 3. Lack of a performance-based culture 4. Labour uncertainty. All collective agreements are currently being re-negotiated. 5. Limited management resources available in some departments to affect change 6. Decision making ability limited by governance environment
Opportunities	**Threats**
1. Numerous opportunities for efficiency improvements – automation of processes, business process renewal	1. Declining passenger traffic 2. Increased service alternatives for customers 3. Future economic slowdown 4. Rising cost of doing business 5. Exchange rate volatility 6. Increasingly competitive airfare pricing 7. Public dissatisfaction with increasing rates (negative perception of value for money)

4.0 Looking Ahead – 2015/16 – 2019/20

2015/16 will be an exciting year for MAI, as the Corporation continues to build on the successes of the past five years. Since 2013, MAI has been working diligently with Transport Canada to secure funding for its long term fleet strategy. MAI received confirmation from the Government of Canada that it has approved operating funding for both 2015/16 and 2016/17, with additional funding allocated for 2017/18 to allow MAI to continue down the path towards a homogenous fleet.

A significant portion of the approved funding will enable MAI to purchase both the MV *Blue Puttees* and the MV *Highlanders* at the end of their current charter period in 2015/16. This is a major milestone for the organization. Since being brought into service, these vessels have allowed MAI to achieve the operational efficiencies and high level of customer satisfaction as noted earlier in this plan. By purchasing them outright, MAI benefits not only financially, but also strategically, as it is now in a position to build a homogenous fleet. Purchasing the vessels also provides a level of stability for the organization, as the uncertainty around the makeup of the fleet and availability of replacement vessels is removed for a significant period of time.

The Shareholder also provided MAI with sufficient funding to secure the MV *Atlantic Vision* until 2017/18, along with sufficient monies to start the process of replacing the vessel. Again, this decision allows MAI to proceed with its long term fleet strategy, while providing a degree of stability around its current fleet.

The Corporation hopes to settle the current contract negotiations with all of its collective bargaining units in 2015/16.

2015/16 will also see the completion of the new ferry terminal in North Sydney, another significant milestone for the organization. This terminal will put a more modern face on the organization, and allow MAI to continue to meet its customers' demands.

Fleet

With the approval of the Corporation's 2014/15 Corporate Plan, MAI is planning for the following with respect to fleet renewal over the upcoming planning period:

- The Corporation will purchase both the MV *Blue Puttees* and the MV *Highlanders* according to the terms of the existing agreement. In February 2015, MAI will give notice to Stena that the Corporation will be purchasing both of the vessels with the plan of finalizing the purchase in December 2015.

- The Corporation has successfully negotiated a renewed charter agreement for the MV *Atlantic Vision.* This agreement will allow MAI to have some stability from a fleet perspective until 2017/18, while it begins its search for a replacement vessel.

  The process to replace the MV *Atlantic Vision* will start immediately. MAI will establish an internal committee made up of various employees at the executive and operational levels to discuss all of the options available to the Corporation for vessel replacement. Brokers will be engaged to ensure that MAI is well connected to the various vessel owners.

  One of the key considerations for the replacement of the MV *Atlantic Vision* is the availability of funding for fleet renewal beyond 2017/18. While the Shareholder has provided funding over the next three years to begin the search for the vessel's replacement, the Corporation does not have the funding or the authority to commit any monies beyond its current funding period.

- The MV *Leif Ericson* will continue to be a part of the fleet for the upcoming planning period. The requirement to replace the MV *Leif Ericson* will be assessed as traffic demand dictates.

Vessel Maintenance

Marine Atlantic has made significant strides in its vessel maintenance practices in recent years. The recommendations that were implemented from the DNV (Det Norske Veritas) review have helped to position the Corporation to have a better overall understanding of its preventative maintenance needs. Moving forward this will help enable MAI to continue to be an efficient operation with a high degree of on-time performance that is capable of meeting the traffic demand throughout the year.

In 2015/16 the Corporation has three dry-dockings planned for the MV *Highlanders*, the MV *Atlantic Vision* and the MV *Leif Ericson*, in order to complete the two year inspection of each vessel's hull as per regulatory requirements. The dry-docking for the MV *Blue Puttees* will occur early in 2016/17. While MAI received a one year extension for the regulatory dry-docking from the MTRB (Marine Technical Review Board) early in 2014/15 for this vessel (due to shipyard capacity limitations), the Corporation was able to perform the required dry-docking work in Boston, Massachusetts.

One of the current risks that MAI faces with respect to vessel maintenance is the lack of availability of shipyards to do the necessary work. The shipyard that MAI has historically used is not available, so MAI is currently in the process of issuing an RFP for dry docking facilities. The response to this RFP will determine both the location and costs of dry docking for the upcoming planning period.

Other vessel maintenance will be performed as needed, including any preventative maintenance activities that the Corporation deems necessary. With the decision to keep the MV *Atlantic Vision* until 2017, the Corporation is planning to complete additional maintenance on the vessel. This will drive additional maintenance costs in 2015/16. As well, as the MV *Leif Ericson* approaches 25 years in service, the Corporation anticipates that maintenance costs may increase to ensure that the vessel continues to operate in a reliable, effective and efficient manner.

Shore Based Operations

The spring of 2015 will see the opening of the Corporation's new Terminal Building in North Sydney. The building will be located on the opposite side of the marshalling yard from the former terminal building, adjacent to downtown businesses. The new terminal building will allow the Corporation to provide a greater level of customer service and will also allow for greater traffic management on the North Sydney terminal lot. The completion of this project will help to position MAI to successfully and efficiently meet the traffic demand moving forward.

The Corporation has completed phase one of its Shore Based Maintenance Optimization project and now has a categorical assessment of its Shore Based Maintenance Program. In 2015/16 MAI will be working with a consultant to implement a new shore based maintenance program, optimized to position MAI for future success through the identification of correct work flow processes.

MAI will also be reviewing its vehicle loading and deck space allocation methods in 2015/16 to ensure that MAI is maximizing the amount of vehicles it carries on each crossing and utilizing the optimal amount of vessel deck space for the traffic demand and traffic mix that the Corporation receives throughout the year.

Enterprise Risk Management

MAI has an Audit and Risk (A&R) Committee which has ultimate oversight of the organization's risk. VP's and Senior Level Managers of the various Divisions monitor and report on their respective risk areas while a Centralized Risk Department facilitates the organization's risk process and provides horizontal leadership with respect to the risks that impact various divisions.

MAI's current risk process includes a Corporate Risk Profile and seven Divisional Risk Profiles that have been developed and are formally reviewed by the Board on a quarterly basis. A description of the risk factors used by the Corporation can be found in Appendix A. Each Divisional profile includes all of the corporate risks as well as additional risks which are unique to the division. These risk profiles are comprehensive and include a description of the risks, history and background pertaining to the risk, inherent risk ratings, current controls, residual risk ratings and planned controls.

The Divisional quarterly review is conducted by the Risk Department who works directly with the VP's and Managers of each Division to obtain updates relative to each of the risks. Different approaches are used to obtain these updates:

- High level general discussions with VP's and Managers;
- Development of pointed questions pertaining to particular controls, ratings, etc. which form the basis of the consultation with VP's and Managers;
- Strategic reviews that focus on a specific level of risks (i.e., High).

The Corporate risk profile quarterly update is compiled based on the Divisional consultations. The Risk Department will cross reference all divisional updates and build them into the Corporate Risk Register. When necessary additional questions and or consultations pertaining to a particular risk may need to be completed in order to ensure a comprehensive update is achieved.

Recognizing that effective risk management is critical to the Corporation's capacity to meet its objectives, and that its current risk processes need to be continually improved, MAI is planning to undertake a Risk Transformation Initiative in 2015/16 designed to create:

1) A more efficient and effective risk management process that is strategically focused on assisting the Corporation to meet its key objectives.
2) A process that is more aligned with the Strategic Planning Process (i.e., Risk evaluations and subsequent accountability formally interjected as a component in the implementation of a Strategic Initiative)
3) A more value added process for individual departments that allows users to identify and monitor risks which are pertinent at their level.

An external consultant is currently engaged to review the existing Risk Process and assess MAI's current state in comparison to industry best practices. A gap analysis identifying areas requiring development and/or further enhancement will be outlined and will help set the stage for the 2015/16 initiative.

Pension Plan

Marine Atlantic's pension plan is a defined benefit plan. Budget 2013 announced that "the Government will continue to work with Crown Corporation's with a view to moving to a 50:50 cost sharing between the employer and employees by 2017 and aligning the age at which retirement benefits become available with those announced in the Economic Action Plan 2012 for post-2012 hires under the Public Service Pension Plan." Marine Atlantic, as a Crown Corporation, is aligning with these requirements.

For employees hired before January 1, 2014, the normal retirement date is the last day of the month in which an employee reaches age 65; however, employees may retire as early as age 45. Employees can work beyond age 65, but must begin to draw their pension at age 71. For employees hired after January 1, 2014, the normal retirement date is the last day of the month in which an employee reaches age 65; however, an employee may retire as early as age 55. If an employee has 30 years of allowable service, the employee may retire as early as 50.

By 2017, the goal is to have MAI and its employees share equally in the cost of benefits being accrued in any year – a 50/50 contribution target. To achieve this, employee contributions will increase gradually in the intervening years. In 2014, the estimated employee share of this cost is estimated to be between 36% and 38%, depending on the date of hire.

	% of *pensionable earnings* up to the *YMPE*		% of *pensionable earnings* above the *YMPE*		Estimated employee share of cost for service accruing in the year	
Year	Hired before Jan 1 2014	Hired after Jan 1 2014	Hired before Jan 1 2014	Hired after Jan 1 2014	Hired before Jan 1 2014	Hired after Jan 1 2014
2014	6.0	5.0	7.75	6.5	36%	38%
2015	6.75	5.5	8.75	7.0	40%	42%
2016	7.5	6.0	9.75	7.5	45%	45%
2017	8.25	6.5	10.5	8.0	50%	50%

*YMPE – Yearly Maximum Pensionable Earnings

Marine Atlantic contributes the additional amounts that are necessary to cover the benefits, in accordance with legislated requirements for funding.

2015/16 Strategic Initiatives

Having laid the foundation for organizational success with significant investments in the Corporation's vessels, terminals, docks and infrastructure, MAI will continue to shift its focus to business process improvements in 2015/16 and beyond. MAI's focus for the upcoming planning period is not only on ***what*** it does – providing a valuable transportation link that connects the island of Newfoundland to the rest of Canada - but more particularly on ***how*** it does it.

Unlike investments in physical infrastructure, whose benefits are immediately apparent, the payback on investments in business process renewal are less tangible, less visible, and, from a financial perspective, not necessarily immediate. They are, however, no less important. The ultimate goal of business process transformation is to improve organizational effectiveness and to reduce risk – leading to a safer organization, an improved corporate culture, a better performing workforce, and an improved service offering. To that end, and to continue to deliver on the Corporation's strategic priorities of safety, reliability and cost efficiency, MAI will focus its efforts on the following initiatives for 2015/16.

Strategic Objective	2015/16 Year End Objectives
Improve the Safety Culture	Revamp the Safety Management System, including the development of leading KPI's, on-site training, and a Behaviour Based Safety Program. New initiative for 2015/16
	Establish Internal Case Management for MAI's Disability Management Program. New initiative for 2015/16
	Obtain certification under the Green Marine Environmental Certification Program (Level 2) in both Terminals and Vessels.
Create and Implement a Strategy to Increase Leadership Capabilities, Create an Appropriate Performance Management Culture, Clarify Roles and Responsibilities, and Match Supply and Demand for Skills	Develop and implement new training programs, with a focus on alternative delivery methods, based on current gaps and future training requirements. New Initiative for 2015/16
	Ongoing implementation and evaluation of performance management process to VP minus 2 levels of management.
	Implement vessel standardized education and evaluation program for 6 different vessel positions.
	Complete documentation of work processes and establish new work standards for all Passenger Services positions.
	Successful execution of the Corporate Values Integration Plan.
Increase Effectiveness of Stakeholder/Shareholder Engagement and Management	Ongoing implementation of Stakeholder Relations Plan, including the development of a regular reporting mechanism.
	Develop and implement a Shareholder Engagement Program, focusing on the streamlining of processes and more formalized relationship management. New Initiative for 2015/16
Create a Process and Technology Architecture to Support Strategic Business Objectives	Define and implement the revised risk management process New initiative for 2015/16
	Develop and implement a Project Management facilitation process to improve program delivery and implementation New initiative for 2015/16
	Evaluate and implement required changes to Financial Internal Controls

Strategic Objective	2015/16 Year End Objectives
	Utilize new capacity tool to develop 2016/17 operating schedule. Trial and evaluate various in-market price testing to develop future pricing strategies.
	Finalize and implement new shore maintenance structure and processes.
	Evaluate and implement new/revised financial processes as part of the ongoing Business Process Renewal program.
	Implement the Fuel Management System on the MV *Atlantic Vision* as part of MAI's ongoing Fuel Management strategy.
	Develop new processes and structure for improved Materials Management.
Create and Implement a Commercial Customer Strategy	Develop and implement a commercial customer engagement model for our top 10 commercial customers. New initiative for 2015/16
	Determine viable options for addressing customer backlog issues, using the outcomes to determine go-forward commercial management requirements.
	Identify and develop a plan to address and improve customer pain points to improve customer interactions.
	Analyse and develop standardized procedure for loading vessels

5.0 Financial Outlook

The following sections outline the financial assumptions used as the basis for the projected financial statements for the upcoming planning period.

Traffic Demand and Revenue Forecasts

As a result of the current downward pressure on traffic levels, and the overall downward trend in passenger traffic, MAI has revised its traffic forecast for the upcoming planning period from its 2014/15 Corporate Plan.

The Canadian Forces Appreciation Fare has been received well by MAI customers and will continue to be offered throughout the planning period.

The resulting revenue forecast based on the forecasted traffic demand, projected rate increases, and proposed pricing models is as follows.

Revenues (000's)	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Total Revenues	**$ 104,807**	**$ 107,449**	**$ 111,869**	**$ 118,062**	**$ 120,257**	**$ 562,445**

*numbers may not add due to rounding

Operating Expenses

Expense projections for the upcoming five year planning period take into consideration the operation of the current fleet, comprised of the MV *Blue Puttees*, the MV *Highlanders*, the MV *Leif Ericson*, and the MV *Atlantic Vision* up until its replacement in 2017.

Fuel Expense

Fuel is, and will continue to be, a large portion of the Corporation's operating budget, accounting for upwards of 15 per cent of total operating expenses. The Corporation faces large uncertainties surrounding future fuel prices, and fuel supply, as its regular supplier of fuel is no longer in business.
The Corporation intends to maintain its fuel hedging program, which is focused on minimizing the impacts of price fluctuations, thereby stabilizing the company's fuel budget.

To align with new regulatory requirements for Vessel Air Emissions, MAI has been working with Transport Canada to develop its fleet averaging plan to meet the requirements for 0.10% sulfur content standard. MAI's plan has been approved by Transport Canada's Marine Technical Review Board and allows MAI until December 2019 to gradually reduce sulfur dioxide emissions.

As a result of this plan, however, MAI will be required to switch to more expensive Marine Gas Oil (MGO) sooner than originally anticipated, limiting the impacts of lower oil prices on MAI's bottom line. As such, any reductions in fuel consumption will be offset by the increase in price/liter (MAI currently blends a mixture of Bunker and MGO to produce Intermediate Fuel Oils to power its vessels).

Foreign Exchange Rate

The Corporation utilizes a foreign exchange hedging strategy to proactively mitigate exposure to foreign currency. The Corporation negotiated to pay in Canadian currency for the charter of two of their vessels in the initial five year charter period (ending December 2015 and February 2016). The Corporation also secured forward contracts with a financial institution for the Euro currency requirements over the remaining charter period of the vessels. Marine Atlantic hedges its exposure to this foreign currency obligation by utilizing forward contracts to ascertain the Canadian dollar equivalent to these monthly charter payments. Marine Atlantic's hedging strategy has been successful in bringing stability and cost certainty to the charter obligations for the duration of the charter agreements.

Labour Costs

The Corporation's collective bargaining agreement with the United Steel Workers/International Longshoreman Council of Trade Unions (Agreement D) was renewed by ratification during the third quarter of 2014/15. The new agreement is for three years from January 1, 2014 to December 31, 2016. The agreement includes annual increases of 1.75% on January 1 of each year of the agreement and a one-time payment upon ratification ranging from \$150 to \$500 per employee, based upon the hours worked in the previous year.

All of the other contracts within the Corporation's workforce are currently expired, and negotiations with each union are ongoing (with four of the five remaining agreements going to interest arbitration over the coming months). The Corporation's historical collective bargaining rate increases are as follows:

Year	Agreement					
	Canadian Merchant Services Guild (A)	Unifor – Unlicensed Vessel Crew (B)	Unifor – Shore-Based Maintenance Employees (C)	United Steel Workers/Intl. Longshoremen Council of Trade Unions (D)	Canadian Merchant Service Guild (E)	Public Service Alliance of Canada (F)
2009	2.8%	2.8%	2.8%	2.5%	2.8%	2.8%
2010	2.8%	2.8%	2.8%	2.5%	2.8%	2.8%
2011	2.5%	2.5%	2.5%	2.5%	2%	2.5%
2012	2.5%	2.5%	2.5%	2.5%	2%	2.5%
2013	2.5%	2.5%	2.5%	2.5%	expired	2.5%

Inflation Rates

Canada's inflation policy, as set out by the Federal Government and the Bank of Canada, aims to keep inflation at two per cent, the midpoint of the one to three per cent inflation-control target range. For the purposes of this Corporate Plan, MAI has used a more conservative estimate and is assuming a three per cent general inflation rate annually over the planning period.

Pension Costs

Solvency payment obligations of the Pension Plan are vulnerable to actual performance of the plan, the rules set by the Federal pension regulator and the guidelines established by the actuarial regulatory body. Deviations in this expense could be significant.

Capital Requirements

The recent funding decision by the Government of Canada has provided MAI with sufficient capital funds to purchase the MV *Blue Puttees* and the MV *Highlanders* in 2015/16, along with additional capital to begin the process of finding a replacement vessel for the MV *Atlantic Vision* in 2017/18.

For 2015/16 and 2016/17, shore-based major capital includes monies for MAI's fendering replacement, electronic vehicle measurement, paving upgrades at the marshalling yards, and removal of the old terminal building in NSY. In addition to the planned dry-dockings, vessel-based capital projects include refurbishing of the elevators on the MV *Blue Puttees* and MV *Highlanders*, general repair and maintenance on the MV *Leif Ericson,* as well as the continuous machinery surveys for the MV *Atlantic Vision.* Base capital funding includes a host of smaller IT projects all designed to drive our business process transformation initiatives.

Beyond 2016/17, there are a number of larger projects identified that impact the level of funding requested. From a vessel-based perspective, in addition to dry dockings, there are monies identified for Bridge upgrades, and increasing costs associated with maintaining the MV *Leif Ericson* as the vessel ages. From a shore-based perspective, big ticket items include upgrades to the mooring systems, dock re-facing and fender upgrades and replacement. There are also funds identified to enable MAI to comply with environmental regulations for sewage treatment.

The capital plans for the outer years of the planning period are still at a very high level, and will be refined as requirements dictate and updated in future corporate plans.

Cost Recovery

As part of the recent funding commitment made to MAI for 2015/16 – 2017/18, the Shareholder has provided new direction with respect to cost recovery. Specifically, the Shareholder has established a cost recovery target of 65% for MAI's overall service.

6.0 Key Performance Indicators

In addition to achieving revenue and cost recovery targets, MAI has identified the following Corporate-level KPIs.

KPI	2014/15 Target	2014/15 YTD[1]
Cost Recovery	67.8%	70.1* (year-end forecast)
On-time performance (excl. weather)	86-90%	93%
Unplanned service interruptions	3% or lower	2.1%
Capacity Utilization	68%	76%

Note 1 – Year to date: April 1, 2014 – October 31, 2014

TBD – To be determined (KPI formula not yet finalized)

7.0 Specific Approvals Sought

MAI seeks Governor in-Council approval of MAI's 2014 – 2019 Corporate Plan, Treasury Board approval of the operating and capital plans contained herein (See Section 8 – Financial Statements), and approval for the continuation of a line of credit as described below.

Bank Line of Credit

Marine Atlantic's bank line of credit is currently approved at $35,622,000. The Corporation utilizes $31,422,000 to secure letters of credit related to the Corporation's defined benefit pension plan. This is in accordance with Section 9.11 of the *Pension Benefits Standards Act, 1985* (the "Act") and is utilized to replace solvency special payments. These letters of credit must be maintained and can only be reduced if equivalent additional contributions are made to the Plan. These letters of credit could also be reduced without additional contributions if a future actuarial valuation shows a solvency ratio and an average solvency ratio that meet certain criteria defined in the Act.

The remaining $4,200,000 is utilized as security against long-term liabilities arising from Marine Atlantic employees' past injury claims and this Corporation's status as a "deposit account company" with the New Brunswick Workers' Compensation Board.

The Corporation is currently seeking approval for a line of credit sufficient to handle the $35,622,000 requirements for the pension plan and the Workers' Compensation Board requirement. In addition, upon completion of the 2014 pension plan fiscal year actuarial valuation in June of 2015, if the solvency position of the pension plan improves as expected, the line of credit requirement may be reduced.

8.0 Financial Statements

Statements A through E present financial projections over the planning period, based on the operational plans, forecasts and assumptions discussed in previous sections of this Corporate Plan and are presented based on Public Sector Accounting Standards.

Statement A: Statement of Financial Position

Marine Atlantic Inc.

Statement of Financial Position - Year Ended March 31st

As at March 31, 2014 and Projected for 2014/15 to 2019/20

(In $ Thousands)	Actual 2013/14	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	2019/20
Financial assets							
Cash	13,364	13,364	13,364	13,364	(110,415)	(242,762)	(378,888)
Accounts receivable	9,868	8,384	6,842	6,842	6,842	6,842	6,842
Receivable from Government of Canada	-	-	-	-	-	-	-
Inventories for resale	313	313	313	313	313	313	313
Derivative financial instruments	739	-	-	-	-	-	-
Accrued pension asset	89,624	102,354	132,021	157,614	183,243	203,619	226,905
	113,908	124,415	152,540	178,133	79,983	(31,988)	(144,828)
Liabilities							
Accounts payable and accrued liabilities	30,089	31,202	28,660	28,660	28,660	28,660	28,660
Derivative financial instruments	227	3,977	3,977	3,977	3,977	3,977	3,977
Deferred revenue	2,278	2,278	2,278	2,278	2,278	2,278	2,278
Payable to Government of Canada	2,604	2,604	2,604	2,604	2,604	2,604	2,604
Accrued liabilities [Note 1]	60,114	60,114	60,114	60,114	60,114	60,114	60,114
	95,312	100,175	97,633	97,633	97,633	97,633	97,633
Net financial assets (debt)	18,596	24,240	54,907	80,500	(17,650)	(129,621)	(242,461)
Non-financial assets [Note 2]	251,294	232,606	443,705	433,286	433,170	418,663	404,406
Accumulated surplus (deficit)	269,890	256,846	498,612	513,786	415,520	289,042	161,945

The accompanying notes are an integral part of these financial statements

Notes to Statement A – Statement of Financial Position

1. Accrued liabilities consist of: accrued vacation pay; accrued pension liability; accrued liability for other non-pension post-retirement benefits; and accrued liability for post-employment benefits.

2. Non-financial assets consist of: prepaid expenses; inventories held for consumption; and vessel, facilities, and equipment.

3. Numbers may not add due to rounding.

Statement B: Statement of Operations and Accumulated Surplus

Marine Atlantic Inc.
Statement Operations and Accumulated Surplus
For the Year Ended March 31, 2014 and Projected for 2014/15 to 2019/20

(In $ Thousands)	Actual 2013/14	Budget 2014/15	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	2019/20
Total Revenues	104,886	101,277	104,125	104,807	107,449	111,869	118,062	120,257
Expenditures								
Wages and benefits	80,396	81,235	79,971	85,201	89,066	90,879	93,199	95,212
Fuel	29,288	29,227	29,303	28,399	30,213	36,534	37,415	39,877
Charter fees	44,600	43,675	43,187	34,856	13,829	19,116	22,098	22,098
Charter importation taxes	5,034	2,861	2,861	2,386	-	3,140	3,140	3,140
Repairs and maintenance	8,479	9,380	9,183	10,634	11,745	10,835	12,742	11,976
Materials, supplies and services	17,195	16,763	16,788	19,375	22,908	33,084	22,483	21,302
Insurance, rent and utilities	7,295	7,669	7,788	7,596	7,678	7,963	8,263	8,588
Other	5,846	4,785	5,367	8,584	8,613	8,867	9,160	9,434
Employee future benefits [Note 1]	18,374	10,820	10,706	10,337	8,110	6,721	6,934	7,105
Foreign currency exchange (gain) loss	45	-	-	-	-	-	-	-
Realized (gain) loss on derivative financial instruments	(33)	-	(289)	-	-	-	-	-
(Gain) Loss on disposal of tangible capital assets	112	-	-	-	-	-	-	-
Amortization	34,930	35,000	35,300	30,000	40,231	53,907	48,490	48,007
Total Expenditures	251,561	241,415	240,165	237,368	232,393	271,045	263,924	266,737
(Deficit) before government funding	(146,675)	(140,138)	(136,039)	(132,561)	(124,944)	(159,176)	(145,862)	(146,481)

Marine Atlantic Inc.
Statement Operations and Accumulated Surplus
For the Year Ended March 31, 2014 and Projected for 2014/15 to 2019/20

(In $ Thousands)	Actual 2013/14	Budget 2014/15	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	2019/20
Government funding								
Operations	117,742	109,354	109,354	132,016	110,306	55,910	14,384	14,384
Capital	35,358	18,130	18,130	242,311	29,812	5,000	5,000	5,000
Total Government funding	153,100	127,484	127,484	374,327	140,118	60,910	19,384	19,384
Surplus (deficit)	6,425	(12,654)	(8,555)	241,766	15,174	(98,266)	(126,478)	(127,097)
Accumulated surplus (deficit), beginning of year	265,690	272,115	272,115	263,560	505,326	520,500	422,234	295,756
Accumulated surplus, end of year	272,115	259,461	263,560	505,326	520,500	422,234	295,756	168,659

Notes to Statement B – Statement of Operations and Accumulated Surplus:

1. Employee future benefits expenses for 2013/14 are based on actuarially determined numbers. For 2014/15 and future years, expense is assumed to equal cash requirements for non-pension employee future benefits and current service pension cost payments.

2. Numbers may not add due to rounding.

Statement C: Statement of Remeasurement Gains and Losses

Marine Atlantic Inc.
Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2014 and Projected for 2014/15 to 2019/20

(In $ Thousands)	Actual 2013/14	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	2019/20
Accumulated remeasurement gains (losses) on derivative financial instruments, beginning of year	(4,299)	(2,225)	(6,714)	(6,714)	(6,714)	(6,714)	(6,714)
Remeasurement gains (losses) arising during the year							
Unrealized gain (loss) on foreign exchange of cash	1,422	(4,778)	-	-	-	-	-
Unrealized gain (loss) on derivatives	619	-	-	-	-	-	-
Reclassifications to the statement of operations							
Realized gain (loss) of derivatives	33	289	-	-	-	-	-
Net remeasurement gains (losses) for the year	2,074	(4,489)	-	-	-	-	-
Accumulated remeasurement gains (losses) on derivative financial instruments, end of year	(2,225)	(6,714)	(6,714)	(6,714)	(6,714)	(6,714)	(6,714)

Notes to Statement C – Statement of Remeasurement Gains and Losses:

1. Numbers may not add due to rounding.

Statement D: Statement of Changes in Net Financial Assets (Debt)

Marine Atlantic Inc.
Statement of Change in Net Financial Assets (Debt)
For the Year Ended March 31, 2014 and Projected for 2014/15 to 2019/20

(In $ Thousands)	Actual 2013/14	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	2019/20
Surplus (deficit)	6,425	(8,555)	241,766	15,174	(98,266)	(126,478)	(127,097)
Change in tangible capital assets							
Acquisition of tangible capital assets	(35,358)	(18,130)	(242,311)	(29,812)	(41,231)	(37,123)	(36,890)
Amortization of tangible capital assets	34,930	35,300	30,000	40,231	53,907	48,490	48,007
Loss on disposal of tangible capital assets	112	-	-	-	-	-	-
Decrease (increase) in tangible capital assets	(316)	17,170	(212,311)	10,419	12,676	11,367	11,117
Change in other non-financial assets							
Net change in inventories held for consumption	(1,734)	(1,343)	(1,174)	-	-	-	-
Net change in prepaid expenses	4,275	2,861	2,386	-	(12,561)	3,140	3,140
Decrease (increase) in other non-financial assets	2,541	1,518	1,212	-	(12,561)	3,140	3,140
Remeasurement (losses) gains	2,074	(4,489)	-	-	-	-	-
Decrease (increase) in net debt	10,724	5,643	30,667	25,593	(98,150)	(111,971)	(112,839)
Net financial assets (debt), beginning of year	7,872	18,596	24,240	54,907	80,500	(17,650)	(129,621)
Net financial assets (debt), end of year	18,596	24,240	54,907	80,500	(17,650)	(129,621)	(242,461)

Notes to Statement D – Statement of Change in Net Financial Assets (Debt):

1. Numbers may not add due to rounding.

Statement E: Statement of Cash Flows

Marine Atlantic Inc.
Statement of Cash Flows
For the Year Ended March 31, 2014 and Projected for 2014/15 to 2019/20

(In $ Thousands)	Actual 2013/14	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	2019/20
Operating transactions							
Cash receipts from customers	105,615	104,020	104,658	107,299	111,719	117,912	120,107
Other income received	218	106	150	150	150	150	150
Government funding – operations (current year)	115,963	109,354	132,016	110,306	55,910	14,384	14,384
Government funding – operations (prior year)	5,727	7,000	-	-	-	-	-
Government funding – capital (current year)	29,667	18,130	242,311	29,812	5,000	5,000	5,000
Government funding – capital (prior year PAYE)	1,660	1,800	-	-	-	-	-
Cash paid to suppliers and employees	(196,325)	(197,044)	(196,819)	(184,052)	(222,978)	(205,360)	(208,486)
Cash paid for EFBs [Note 1]	(31,281)	(23,435)	(40,004)	(33,703)	(32,350)	(27,310)	(30,391)
Interest and foreign exchange on cash	1,360	-	-	-	-	-	-
	32,604	19,930	242,311	29,812	(82,548)	(95,224)	(99,236)
Capital transactions [Note 2]							
Capital asset purchases from current year funding	(29,667)	(18,130)	(242,311)	(29,812)	(41,231)	(37,123)	(36,890)
Capital asset purchases from prior year funding [Note 3]	(1,660)	(1,800)	-	-	-	-	-
	(31,327)	(19,930)	(242,311)	(29,812)	(41,231)	(37,123)	(36,890)
Net (decrease) increase in cash	1,277	-	-	-	(123,779)	(132,347)	(136,126)
Cash, beginning of year	12,087	13,364	13,364	13,364	13,364	(110,415)	(242,762)
Cash, end of year	13,364	13,364	13,364	13,364	(110,415)	(242,762)	(378,888)

Notes to Statement E– Statement of Cash Flows:

1. Cash paid for EFBs (Employee Future Benefits) includes cash paid for pension, worker's compensation and other non-pension employee future benefits.

2. Capital assets are also referred to as tangible capital assets elsewhere throughout these statements. It was shortened to capital assets on this statement simply for presentation purposes.

3. Capital asset purchases from prior year funding represents cash outlays for capital goods and services received in the prior fiscal year and paid in the current fiscal year. A payable at year end (PAYE) was established to fund these purchases out of prior year funding.

4. Numbers may not add due to rounding.

Appendix A – Risk Management Framework

Risk Definitions:

Severity	Factors				Probability
	Safety	Reputation	Financial	Service	
Critical	**Loss of life**	**Shareholder Intervention**	**More than 4% of Budget**	**6+ days to recover**	**Almost Certain**
Major	Lost Time Injury with permanent disability	Loss of Stakeholder support and trust	Between 2% and 4% of Budget	5 days to recover	Likely (1 in 10)
Serious	Lost Time Injury	Serious Stakeholder dissatisfaction	Between 1% and 2% of Budget	4 days to recover	Possible (1 in 100)
Moderate	Injury that requires treatment	Sustained complaints by multiple stakeholders	Between 0.50% and 1.0% of Budget	3 days to recover	Plausible (1 in 1,000)
Minor	Injury but no treatment required	Multiple Stakeholder complaints	Between 0.25% and 0.50% of Budget	2 days to recover	Unlikely (1 in 10,000)
Low	No Injury	Stakeholder complaint	Up to 0.25% of Budget	1 day to recover	Almost Impossible