Marine Atlantic
Marine Atlantique
Canada

Marine Atlantic

2014/15 – 2018/19 Corporate Plan Summary

September 10, 2014

Executive Summary

2013/14 was a year of significant progress for Marine Atlantic Inc (MAI). On time performance reached 90%, a milestone not seen in recent history. Vessel reliability also increased substantially, with the Corporation beating its previously established target for unplanned service interruptions. This is a great accomplishment, especially when combined with decreasing vessel maintenance costs.

With further improvements to business processes and a continued focus on customer service, MAI has positioned itself well for future success and will continue to deliver on its savings commitments.

Financial results for the 2013/14 fiscal year were very positive, with cost recovery hitting 71% and the cost per unit of traffic decreasing. Passenger traffic continued to decrease in 2013/14 and commercial traffic decreased for the first time in a decade, but the revenue losses were more than offset by cost savings initiatives, which included a reduction in FTEs and the implementation of shore power for standby vessels that saved $2 million in fuel costs.

Customer satisfaction levels for the Corporation's passenger related vehicle (PRV) traffic is continuing to trend in a positive direction, with overall satisfaction increasing 3% to 67% in 2013/14. MAI also implemented its customer survey for its commercial related vehicle (CRV) traffic during 2013/14. The survey, along with plans for increased engagement with the commercial industry, will allow the Corporation to better understand the needs of its commercial customers moving forward.

Marine Atlantic experienced one significant issue in July 2013 when the MV *Blue Puttees* ran aground while exiting Port aux Basques Harbour. Following a review of the circumstances surrounding the incident, a number of actions were taken to address personnel involved in the incident and the onboard procedures utilized during departure operations.

Leadership and management development has been ongoing at the Corporation for the last three years as the organization moves to strengthen its management framework and renew its business practices. In February 2014, the Newfoundland and Labrador Employers Council presented Marine Atlantic with the 2013 Employer of Distinction Award to recognize the Corporation's efforts to train, engage and develop its employees.

MAI continues to see a change in its traffic mix. As a result, the Corporation has revised its traffic forecast for the upcoming planning period, and is now projecting a decrease of 5% in PRV and CRV traffic for 2014/15. PRV traffic will remain flat for the remainder of the planning period, with modest growth forecasted for commercial traffic. Overall auto equivalent unit (AEU) traffic is forecasted to decline by 1.6% by 2018/19.

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

Contents

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 Inc. (MAI) 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.

1.1 Vision Statement

The Corporation's Vision Statement is "to achieve excellence in fulfilling the federal mandate to provide a ferry service between the mainland of Canada and the Province of Newfoundland and Labrador".

1.2 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".

1.3 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.*

1.4 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 current board membership is identified below.

Board of Directors, MAI

Robert Crosbie (Chair)
Nick Careen
Stan Cook
James G. Doody
Sharon Duggan
John J. Henley
Garfield Moffatt
Walter Pelley
Dwight Rudderham
Paul Griffin (CEO)

Human Resources and Pension Management Committee

Garfield Moffatt (Chair)
Robert Crosbie
Sharon Duggan
Walter Pelley
Dwight Rudderham
Paul Griffin

Safety, Corporate Governance and Accountability Committee

Sharon Duggan (Chair)
Nick Careen
Robert Crosbie
John J. Henley
Paul Griffin (Ex-officio)

Audit and Risk Management Committee

James G. Doody (Chair)
Nick Careen
Stan Cook
Walter Pelley

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.

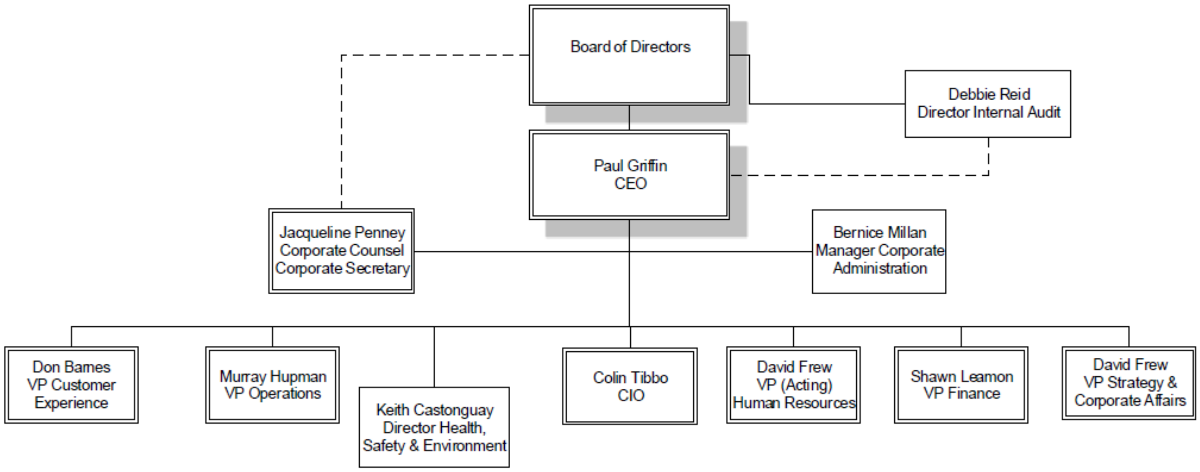
The Audit and Risk Committee will oversee MAI's standards for financial reporting, internal audit, risk management and management control practices. Specifically, the Committee will provide governance and oversight in the following areas:

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 meets at least quarterly, with additional meetings scheduled as required.

1.5 Executive Team

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



2.0 Accomplishments to Date

2.1 OAG Special Examination

In 2009, the Office of the Auditor General (OAG) of Canada completed a regularly scheduled Special Examination of MAI's operations. The OAG concluded that the organization was at risk of failing to meet its constitutional mandate, and had a variety of issues that needed to be addressed:

- Ageing ferries and shore-based assets
- Difficulties in ensuring sufficient capacity to meet traffic demand
- Failure to meet cost recovery targets
- Insufficient management capacity
- Lack of an operational planning framework to effectively manage its operations
    - Exceeding approved operating budgets
    - Capital asset management practices that were not robust
    - Failing to meet the commitments outlined in its corporate plans

However, with the significant investment of cash in the Corporation by the Shareholder in Budget 2010, MAI has made great strides in addressing all of the deficiencies identified by the OAG. The operation has been transformed physically, financially, and operationally into a more modern, efficient organization. Deficiencies related to funding, strategic and operational planning, risk management and business continuity planning have all been addressed and are well documented within the organization. The Board of Directors has completed its review of the corporate governance practices, and implemented the changes necessary to improve its governance measures. Changes in MAI's operations to accommodate new security requirements have also been implemented. A strategic human resources plan has been developed and was approved by the Board. The Corporation has secured the aid of external expertise to help improve its maintenance management functions, which will enable MAI to not only become more efficient and reliable, but also to continue to provide a service that is safe and timely for its customers.

2.2 Report on Savings Commitments

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

Table 1 - Revitalization Strategy Commitments, Strategic Review Commitments and Budget 2012 Savings Commitments

Year	Budget 2011 Savings Commitments *(in millions)*	Budget 2012 Savings Commitments *(in millions)*
2011/12	$ -	$ -
2012/13	$ 1.22	$ 0.50
2013/14	$ 5.40	$ 2.20
2014/15 & onward	$ 5.40	$ 10.90

The Corporation's actual year end results for 2013/14 and the pro forma financials included within this Corporate Plan for 2014/15 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 $17M for 2013/14. Actual results show maintenance expense at only $8.5M, over a 50% reduction. Similarly, MAI had forecasted that it would reduce the number of trips by 280 in 2013/14, as part of its Budget 2012 savings proposal. Last year's results show that MAI actually reduced the number of trips by 379 in total, 35% more than forecasted. Finally, changes to the overtime policy have resulted in a 50% reduction of overtime expense in 2013/14 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 continue to meet them in the future.

2.3 2013/14 – The Year in Review

2013/14 was a very successful year for Marine Atlantic, despite some operational challenges. On time performance reached 90%, a milestone not seen in recent history. Vessel reliability also increased substantially, with the Corporation beating its previously established target for unplanned service interruptions. This is a great accomplishment, especially when combined with decreasing vessel maintenance costs.

Financial results for the 2013/14 fiscal year were very positive, with cost recovery hitting 71% and the cost per unit of traffic decreasing. Passenger traffic continued to decrease in 2013/14 and commercial traffic decreased for the first time in a decade, but the revenue losses were more than offset by cost savings initiatives, which included a reduction in FTEs and the implementation of shore power for standby vessels that saved $2 million in fuel costs.

Customer satisfaction levels for the Corporation's passenger related vehicle (PRV) traffic is continuing to trend in a positive direction, with overall satisfaction increasing 3% to 67% in 2013/14. MAI also implemented its customer survey for its commercial related vehicle (CRV) traffic during 2013/14. The survey, along with plans for increased engagement with the commercial industry, will allow the Corporation to better understand the needs of its commercial customers moving forward.

Marine Atlantic experienced one significant issue in July 2013 when the MV *Blue Puttees* ran aground while exiting Port aux Basques Harbour. Following a review of the circumstances surrounding the incident, a number of actions were taken to address personnel involved in the incident and the onboard procedures utilized during departure operations.

Leadership and management development has been ongoing at the Corporation for the last three years as the organization moves to strengthen its management framework and renew its business practices. In February 2014, the Newfoundland and Labrador Employers Council presented Marine Atlantic with the 2013 Employer of Distinction Award to recognize the Corporation's efforts to train, engage and develop its employees.

Details of the past year's successes are outlined in the following sections.

2.3.1 Strategic Initiatives

The Corporation made significant progress on its strategic goals and priorities that were outlined in the 2013/14 Corporate Plan.

Strategic Goals	Priorities	Status
(1) Protection of People, Property and the Environment	• Prevent and reduce injuries to people and damage to property • Continuously monitor and improve security measures • Continuously monitor and improve emergency preparedness and continuity planning • Redevelop the Environmental Management Plan • Monitor and ensure compliance to emissions regulations	• Ongoing – deficiencies analyzed in 2013/14 with plans for improvement in place for 2014/15 • Ongoing – improved security on vehicle decks • Ongoing – redeveloped the Corporation's Crisis Communications Plan • Plan complete with recommendations to be implemented in 2014/15 • Plan under development to meet regulations approved by TC's Marine Technical Review Board (MTRB)

Strategic Goals	Priorities	Status
(2) Service Reliability	• Improve on-time performance • Reduce unplanned service interruptions • Improve management of vessel maintenance, refits and major overhauls • Finalize Fleet Strategy	• 90% target achieved – ongoing focus to maintain strong on-time performance • Improvements realized in 2013/14 – will strive to stay at, or below 3% • Ongoing – recommendations from DNV report implemented with further improvements planned for 2014/15 • Long term Fleet Strategy submitted to Transport Canada in April 2013
(3) Quality Customer Experience	• Improve customer service levels • Manage changing customer demand • Improve value perception of the service on part of customers	• Improvements achieved in 2013/14 – ongoing efforts to continue to improve over the planning period • Ongoing – increased the direct communication with the commercial industry to better gauge their needs • Ongoing – implemented more customer friendly sailing times on the Argentia route
(4) Effective Governance & Sustainable Funding	• Meet expectations of the OAG • Enhance risk management • Enhance internal controls • Finalize long term funding requirements	• Complete • Review complete with recommendations to be implemented in 2014/15 • Ongoing – strategic initiative planned for 2014/15 • Plan submitted to Government
(5) Be a Respectful & Engaging Employer	• Increase focus on human resource management • Achieve success in managing people based changes • Continue to implement long term strategy for labour relations	• Ongoing – improvements made to leadership development (internal and external training) • Ongoing – increased management capacity • Ongoing – contract negotiations currently underway
(6) Meet Cost Recovery Targets & Live Within Appropriation	• Deliver strong financial performance • Increase focus on business process efficiencies • Manage external impacts	• Ongoing – surplus generated in 2013/14 and cost recovery improved by 4% • Ongoing – significant reductions to overtime realized in 2013/14 as well as a decrease in FTEs • Ongoing – plan developed to meet new fuel regulations

2.3.2 Operational and Financial Results

MAI's operational and financial results also demonstrate a successful year in 2013/14.

- On-time performance reached 90%, up 4 points from 2012-13.

- Unplanned service interruptions dropped to 2% from 3% last year.
- Capacity utilization was at 62.9%, down 5.1 points from 2012-13.
- Overall customer satisfaction for PRV traffic increased 3% year over year to reach 67% in 2013/14.
- In 2013/14, MAI's cost recovery reached 71.0%, compared to 67.1% in 2012/13.
- On a Revenue/AEU[1] basis, revenues have increased from $192 per AEU in 2012/13 to $200 per AEU in 2013/14.
- The average spend per customer on discretionary items like cabins, dining services, gift shop, etc. has increased from $32.35 per passenger in 2012/13 to $34.95 per passenger in 2013/14.
- Operating costs/AEU has decreased from over $286/AEU to $281/AEU

Finally, 2013/14 realized significant improvements to MAI's shore-based infrastructure. MAI broke ground for the new ferry terminal in North Sydney, a multi-year project worth approximately $20M. Improvements to both the interior and exterior of the ferry terminal in Port aux Basques have also been completed, putting a much more modern face on MAI's operations. Other shore-based improvements include significant upgrades to the Corporation's docks and marshalling yards, including the completion of the new Gulfspan transfer bridge in Port aux Basques.

2.3.3 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) of the Corporation's workforce and the current status of contract negotiations is shown below.

Agreement & Expiry Date	Representing	Bargaining Agent	Collective Bargaining Status	FTEs 2013/14
A Dec-31-2013	Licensed Officers	Canadian Merchant Service Guild (CMSG)	Agreement expired 31 December 2013	128
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-31-2013	Shore-Based Terminal and Clerical Employees	The United Steel Workers/ International Longshoremen, Council of Trade Unions	Agreement expired 31 December 2013	274

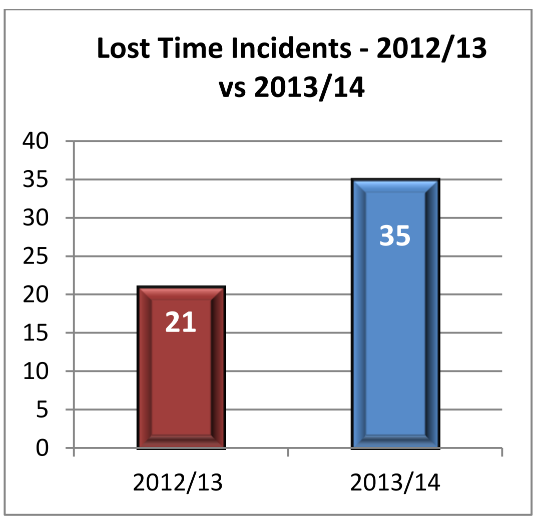
[1] The standard unit measurement employed by MAI is an Auto Equivalent Unit (AEU). An AEU is a way of standardizing the measurement of various types of vehicles carried as compared to the length of an average automobile (i.e. approximately 18 feet or 5.486 metres).

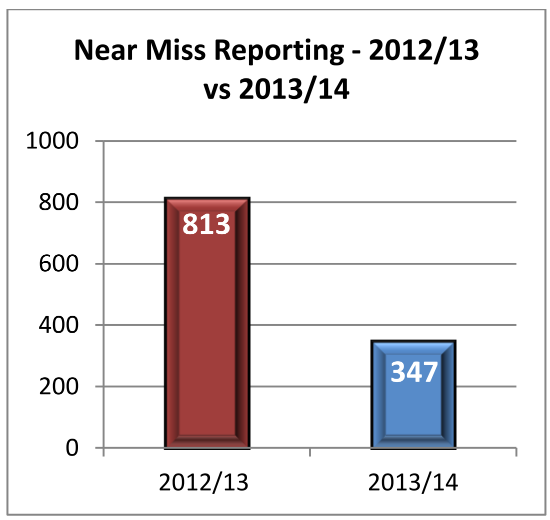
Agreement & Expiry Date	Representing	Bargaining Agent	Collective Bargaining Status	FTEs 2013/14
E Dec-31-2012	Masters, Chief Engineers and Chief Electrical Officers	Canadian Merchant Service Guild	Agreement expired 31 December 2012	27
F Dec-31-2013	Shore-Based Supervisory Employees	Public Service Alliance of Canada	Agreement expired 31 December 2013	65
N/A	Management / Non-Union	N/A	N/A	73
Total				**1,022**

2.3.4 Safety Results

At Marine Atlantic safety is the number one priority, and is an integral component of all operations. Marine Atlantic's services must be provided in a safe and efficient manner, which protects the health and safety of its customers and employees, and minimizes the impacts on the environment.

From fiscal year 2012/13 to 2013/14 MAI experienced an increase in Lost Time Injuries, and a decrease in Near Miss Reporting.





Both of these safety indicators highlight a negative trend, which MAI must work diligently to reverse. The Corporation will put a serious emphasis on safety education and safety awareness in 2014/15 to achieve this. Although there has been an increase in Lost Time Injuries, Marine Atlantic has seen a decrease in the overall number of employee injuries. For 2013/14, the Employee Injury Incident Rate was 0.18 compared to 0.21 in 2012/13, indicating that the risk of injury on the job for employees has reduced.

Improvements to Marine Atlantic's safety culture will continue to be a critical focal point in 2014/15. A new Director of Health Safety and Environment has been appointed and is currently in the process of reviewing MAI's safety management program.

2.3.5 Enterprise Risk Management

Integral to the Corporation's safety agenda is a robust Enterprise Risk Management program. The Risk Claims and Insurance (RCI) department continues to assist the Corporation with the implementation and maintenance of a comprehensive enterprise-wide approach to governing and managing risk. MAI focuses on risks that have significant severity and/or impact on the achievement of strategic goals, financial resources, service levels, and /or reputation of the Corporation.

MAI recognizes that as the Corporation's business landscape evolves and responds to the changing needs and expectations of its stakeholders, its Enterprise Risk Management (ERM) program must also adapt. To meet this goal, in fiscal 2013/14 a comprehensive stakeholder consultation was completed by the RCI department. The objective of this consultation was to assess the current risk process with end users including discussion of any issues/concerns, effectiveness of the process, and expectations of the RCI department. This review resulted in a number of key recommendations that will be instrumental toward the continual refinement of MAI's ERM program. In 2014/15 further analysis of MAI's ERM tools, policies and procedures will be realized through benchmarking with industry best practices.

A description of the risk factors used by the Corporation can be found in Appendix A.

2.3.6 Changes to the 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.

Year	% of *pensionable earnings* up to the *YMPE*		% of *pensionable earnings* above the *YMPE*		Estimated employee share of cost for service accruing in the 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%

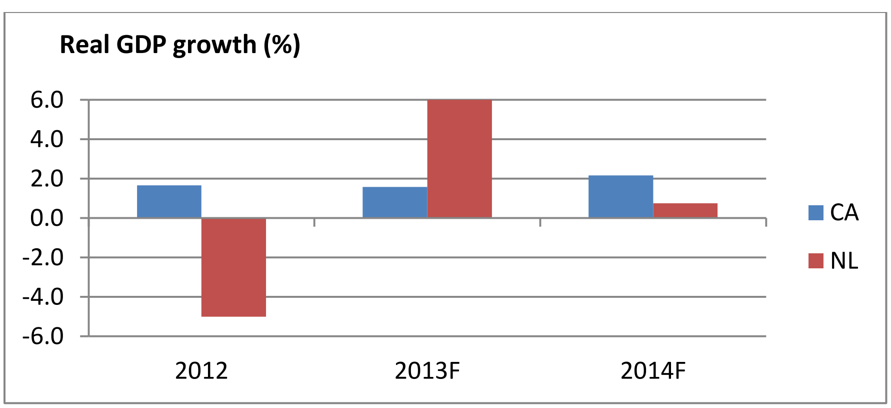
Marine Atlantic contributes the additional amounts that are necessary to cover the benefits, in accordance with legislated requirements for funding

3.0 Situation Analysis

In preparation for developing the Corporate Plan, MAI undertook a situation analysis of its current operating environment. After reviewing the economic environment in which it operates, the demographic trends of key markets, the trends in consumer behaviour, and the resulting traffic trends, a a SWOT analysis was completed, which looks at the strengths and weaknesses of the organization, in relation to the opportunities and threats of the environment in which it operates.

3.1 2014 Economic Outlook

According to the Atlantic Provinces Economic Council, the economy of Newfoundland and Labrador will start to soften in 2014. As indicated in the chart below, a rebound in oil production has lifted the GDP growth to 6.0% in NL in 2013. However, with little change in oil production or investment, real GDP growth is expected to soften to about 0.8% in 2014. Furthermore, employment levels in NL are forecasted to decline in 2014 due to the end of the main construction phase at the Vale nickel processing plant at Long Harbour. This softening of the NL economy will likely negatively impact MAI's commercial traffic volumes.

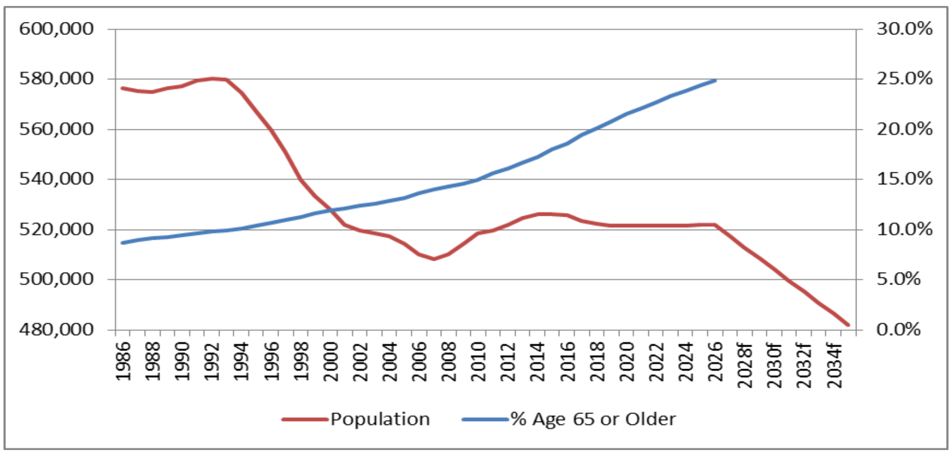


*Provided by the Atlantic Provinces Economic Council

3.2 Demographic Trends

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

- The geographical distribution of the population has become more concentrated on the Avalon Peninsula, on the east coast of the Island, away from the MAI port of Port aux Basques on the Island's southwest coast. As of 2011, the Avalon Peninsula contained 54% of the Island's total population, compared to 35% in 1996.
- NL's population is aging. By 2035, over 25% 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 2026, 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 experienced 3 years of negative natural increase (i.e. more deaths than births in last 3 years).



*Provided by the Atlantic Provinces Economic Council

These population trends have been reflected in MAI's passenger and PRV traffic forecasts, which assumes a drop in traffic in 2014/15 and then remain flat over the remaining four years of the forecast period.

3.3 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.

Average weekly wages in NL are now higher than the Canadian average, suggesting an increase in disposable income.

	CAN	NL	NS
2012	$896.71	$927.17	$789.55
2013	$911.82	$947.39	$798.08

*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.

	CAN	NL	NS
2012	4.4%	5.1%	4.1%
2013	1.7%	4.8%	-0.1%

*Provided by the Atlantic Provinces Economic Council

An increase in income levels and the financial wherewithal to travel further afield, combined with rising gas prices and the emergence of low cost airfares, has had a negative impact on MAI's PRV traffic levels. Meanwhile, the increase in retail spending has had a positive impact on MAI's CRV traffic to date.

3.4 Traffic Trends

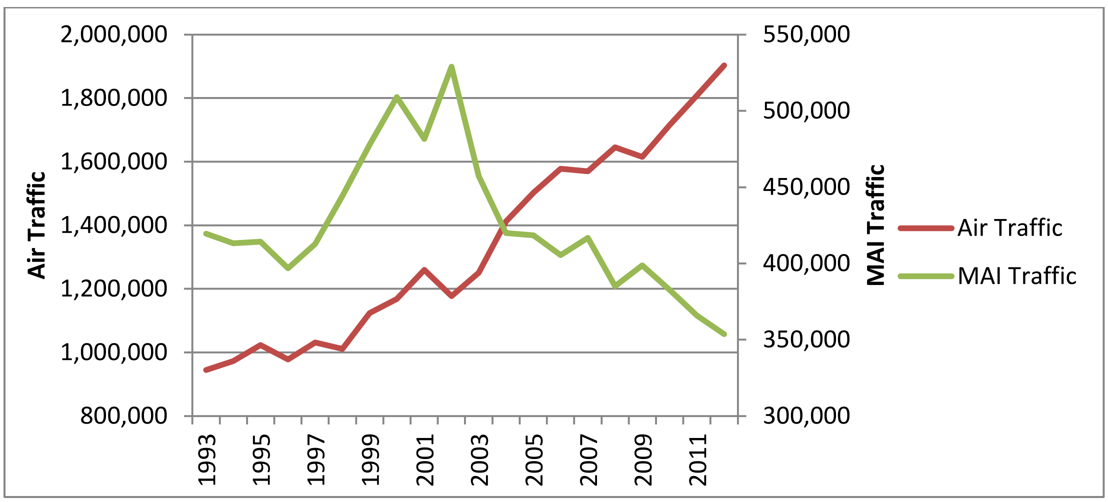
Analysis shows that passenger ferry traffic has been declining over the past several years, both internationally and nationally. In comparison to Canadian passenger ferry traffic, MAI's passenger traffic levels have been declining at a faster rate than the rest of Canada. According to the "*CFOA Industry Report – Keeping Canada Moving,*" published in October of 2013, Canadian passenger ferry traffic has declined by 3.6% over the past two years, whereas MAI's traffic has declined by 7.7%.

Ferry Passenger Traffic in Canada – 2010-2012

	2010	2011	% Change 2010-2011	2012	% Change 2011-2012	% Change 2010-2012
Atlantic	3,728,665	3,660,412	-1.8%	3,831,906	4.7%	2.8%
Québec	5,613,482	5,498,950	-2.0%	5,432,268	-1.2%	-3.2%
Ontario	1,903,726	1,781,486	-6.4%	1,662,146	-6.7%	-12.7%
Prairies	639,571	556,995	-12.9%	679,416	22.0%	6.2%
British Columbia	30,053,540	29,046,800	-3.3%	28,824,259	-0.8%	-4.1%
Northern Canada	256,967	257,764	0.3%	252,614	-2.0%	-1.7%
Total	42,195,951	40,802,407	-3.3%	40,682,609	-0.3%	-3.6%
Marine Atlantic	**383,576**	**365,398**	**-4.7%**	**354,103**	**-3.1%**	**-7.7%**

*Provided by the Canadian Ferry Operators Association (CFOA)
**The Atlantic Region in which Marine Atlantic operates includes all four Atlantic Provinces (NS, NB, PE & NL) and includes 11 ferry operators operating over 41 ferry routes in total.

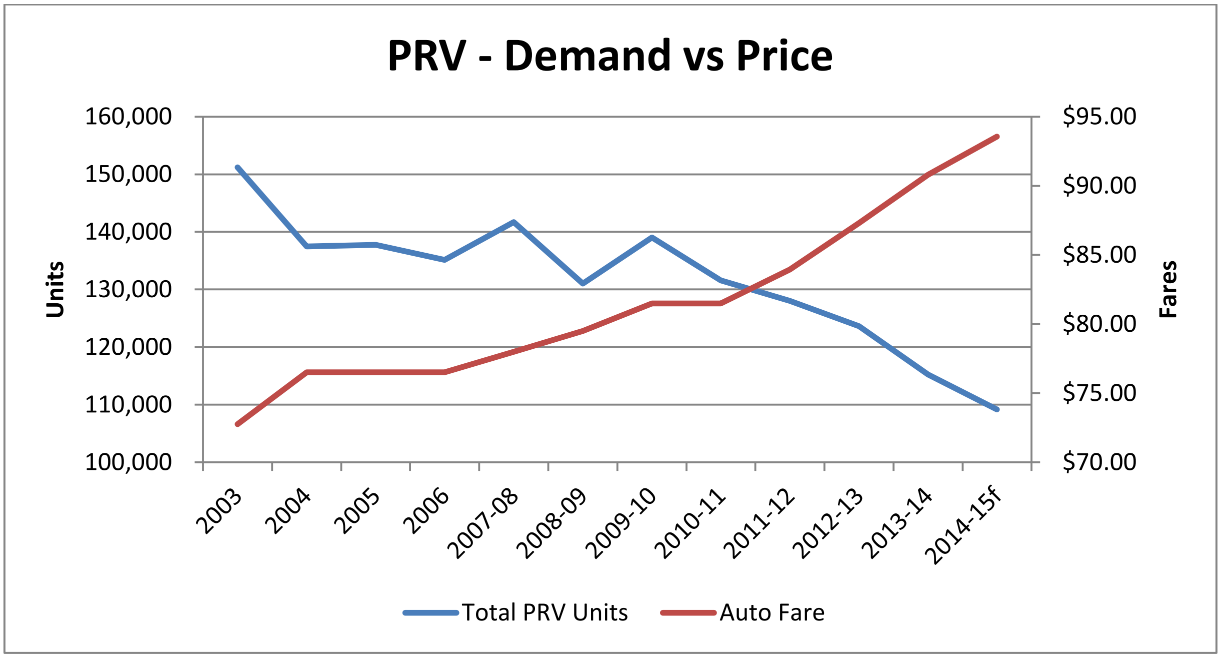
Another relevant trend in traffic patterns shows that air traffic to and from the island of Newfoundland has increased significantly over the past several decades.



*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 5:1 in 2012. Meanwhile, while the number of total travellers has increased from approximately 1.4M in 1993 to 2.3M in 2012, the percentage of those passengers travelling by ferry has decreased from 30% to 15% over the same time period.

It is also interesting to note that with the exception of BC Ferries, MAI's relative rate increases have been greater than other Canadian ferry operators in recent years. Although price is only one component of demand, the chart below would indicate that rate increases have negatively impacted demand for MAI's PRV service.



While passenger traffic levels have decreased, commercial traffic trends have been steadily increasing, in line with the strong GDP growth in Newfoundland and Labrador, and the increased retail spending. However, the increase in CRV traffic has slowed significantly, and MAI experienced a decline in CRV traffic in 2013/14 for the first time in well over a decade.

3.5 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 2014-2015 Strategic Initiatives.

Strengths	Weaknesses
1. Sufficient capacity to carry the traffic 2. Relatively new fleet 3. Funding secured for 2014/15 4. Only option for daily freight importation to the Island 5. Only option for the transportation of many dangerous goods 6. Decades of experience 7. Core base of users 8. Strong management team in place	1. Limited revenue generating opportunities (all are closely tied to traffic levels) 2. Limited ability to increase prices without negatively impacting demand 3. Limited integrated planning across MAI departments 4. Lack of a performance-based culture 5. Multiple bargaining units. All collective agreements are now expired. 6. Limited management resources available in some departments to affect change 7. Decision making ability limited by governance environment
Opportunities	**Threats**
1. Numerous opportunities for efficiency improvements – business process renewal	1. Declining passenger traffic 2. Increased service alternatives for customers 3. Future economic slowdown 4. Rising cost of doing business 5. Increases in fuel costs 6. Exchange rate volatility 7. Increasingly competitive airfare pricing 8. Public dissatisfaction with increasing rates (negative perception of value for money) 9. Uncertainty of funding levels and duration

4.0 Looking Ahead - 2014/15 to 2018/19

The upcoming planning period will be a period of more change and more progress at MAI, as the Corporation continues to build on the successes of the past five years. 2014/15 is the last year of MAI's current funding envelope, and the Corporation has submitted a proposal to the Shareholder for continued funding for its operations.

4.1 Fleet Renewal

The Corporation submitted a long term fleet strategy to Transport Canada as part of its submission for long term sustainable funding in April of 2013.

4.2 Vessel Maintenance

Marine Atlantic is continuing to make strides in its maintenance practices and the recommendations stemming from the DNV report referenced in the 2013/14 Corporate Plan have now been implemented. An internal governance committee has been formed to ensure that all recommendations are implemented effectively and are contributing to improved maintenance practices and efficiency gains. For example, maintenance job cards on the vessels have now been standardized, corporate procedures for the development of the Corporation's maintenance program have now been established based on risk methodology and significant improvements in the planning of in-service maintenance to reduce overdue jobs has occurred.

In 2014/15, the MV *Highlanders*, the MV *Atlantic Vision*, and the MV *Leif Ericson* are all scheduled for dockside maintenance planned work periods. Although unplanned, the MV *Blue Puttees* had to undergo a dry docking in order to affect necessary repairs to its bow thruster in advance of the summer season. The Corporation took advantage of this unplanned dry docking to perform an inspection of the vessel's hull thereby negating the requirement for its previously scheduled dry docking in 2015/16.

The Corporation has three dry-dockings planned for 2015/16 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.

Other vessel maintenance will be performed as needed, including any preventative maintenance activities that the Corporation deems necessary. With the MV *Leif Ericson* approaching 25 years old, the Corporation anticipates that it will have to keep a very close eye on any required and possible preventative maintenance to ensure that the vessel continues to operate in a reliable, effective and efficient manner.

4.3 Labour Relations

The Corporation is currently in contract negotiations with all of its collective bargaining units, as all contracts are currently expired. Significant preparation work has been completed and negotiations will be ongoing throughout 2014/15. Historically, the Corporation has settled through arbitration.

4.4 Shore-based Facilities

2014/15 will see the continued construction of the new terminal building in North Sydney, at an estimated cost of approximately $20M. The building will be constructed at a location on the opposite side of the marshalling yard from the existing terminal building, adjacent to downtown businesses.

Specifications for the new terminal building were derived from the Corporation's Terminal Master Plan and are expected to meet traffic demands over the course of the next 20 years. The new building's more efficient layout incorporates updated security facilities, including interview rooms, secure storage areas, modern security systems and scan card access technology. The new building will also feature many customer friendly amenities including modern washroom facilities with public showers, wifi access, digital signage and large open public spaces with natural light. The building itself will be a LEED[2] certified building, meaning that it will be energy efficient and will minimize the impact to the environment both during construction and subsequently during operations.

5.0 Strategic Priorities

In October of 2012, MAI's Board of Directors identified three main areas of strategic focus for the organization.

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

These three areas remain the strategic focus of the Corporation for the current planning period, and have been used to guide the development of the 2014/15 – 2018/19 Corporate Plan.

5.1 Strategic Objectives

In October of 2013, as part of its annual strategic planning process, MAI's Board of Directors identified five strategic objectives for the Corporation for the current planning period.

1. Improve the Safety Culture
2. Focus on Human Resource Development by creating and implementing a strategy to:
   a. Increase leadership capabilities
   b. Create an appropriate performance management culture and process
   c. Clarify roles and responsibilities
   d. Adequately match supply and demand for skills
3. Increase effectiveness of stakeholder/shareholder engagement and management
4. Increase focus on business process transformation by creating a process and technology architecture to support strategic business objectives
5. Create and implement a commercial customer strategy

[2] **Leadership in Energy and Environmental Design** (**LEED**) is a set of rating systems for the design, construction, operation, and maintenance of green buildings, homes and neighborhoods. Developed by the U.S. Green Building Council (USGBC), LEED is intended to help building owners and operators be environmentally responsible and use resources efficiently.

To deliver on these objectives, MAI's management team has developed a set of initiatives, each designed to ensure that the Corporation achieves its aim. The initiatives developed to deliver on each strategic objective are highlighted in the following sections.

5.1.1 Improve the Safety Culture

The Corporation has highlighted the following strategic initiatives to help improve the safety culture at MAI, which will be the focus of the current year's activities, and will lay the foundation for continuing improvements throughout the remainder of the planning period:

Strategic Initiative	Description
(1) Review the structure and governance of the Safety Management Program	• Determine requirements and adequately resource the Health, Safety & Environment (HSE) Department • Review and improve Disability Management Program • Revamp Safety Reporting System to improve quality and validity of information • Develop a Communications Plan for the Safety Management Program • Develop and implement an Injury Prevention Program
(2) Implement improvements to the Hazard Prevention Program	Develop preventative measures to control employee's exposure to hazards in the workplace
(3) Implementation of the Environmental Management Plan	• Waste Reduction Program • Energy Reduction Program • Assessing environmental issues specific to the marine industry (vessel fuel, vessel waste water, etc.)

5.1.2 Human Resource Development

From a human resource development perspective, the Corporation has identified a number of key initiatives that it will undertake in 2014/15, and continue on throughout the planning period. They include, but are not limited to:

Strategic Initiative	Description
(1) Develop Roles and Responsibilities and Implement a Corporate Performance Management Program	• Educate managers on performance management process • Complete Roles and Responsibilities Agreements • Implement and roll out new performance management tool
(2) Continued Implementation of Leadership Development Program	Ensure managers who have not availed of the recommended leadership courses to date have an opportunity to take the courses during the fiscal year.

Strategic Initiative	Description
(3) Develop Vessel Staff Standardized Education and Evaluation Program	Training, testing of practical skills and identification of continuous improvement opportunities to ensure vessel based employees are thoroughly familiarized with MAI's vessels.
(4) Establishment of Work Standards	Document all work processes within the Passenger Services Department to ensure consistency across the fleet
(5) Develop a Workforce Plan	Identify gaps between the labour demands of the organization and the available workforce supply within the markets in which MAI operates.

5.1.3 Stakeholder and Shareholder Management

One of the key elements of MAI's continuing success is working more closely with the Corporation's key stakeholders. As such, one of the key initiatives identified for 2014/15 is the development of a Stakeholder Relations Plan to ensure all key stakeholders – both internal and external – are kept informed of and engaged with ongoing activities at MAI. These stakeholders include, but are not limited to, MAI's shareholder - the Government of Canada, the municipalities and provinces in which MAI operates, the unions, Hospitality Newfoundland and Labrador, the Atlantic Provinces Trucking Association, etc.

While the Stakeholder Relations Plan will be developed and implemented in 2014/15, it will continue to be reviewed and revised as necessary throughout the remainder of the planning period.

5.1.4 Business Process Transformation

As noted in earlier corporate plans, MAI's primary focus over the past several years has been on the renewal and revitalization of its capital infrastructure – new vessels, new terminals, improvements to the docks and marshaling yards, etc. While some of these major infrastructure improvements are still underway, the Corporation's focus is now turning to business process transformation, with the goal of improving the efficiency and the reliability of the operations. There are a number of strategic initiatives identified for the planning period that impact not only MAI's back-office and information technology processes, but also vessel and shore based operations. They include:

Strategic Initiative	Description
(1) Implementation of Fuel Management Program	Develop and implement program using real-time weather information and forecasts for each voyage to calculate a passenger comfort value and a fuel consumption estimate.

Strategic Initiative	Description
(2) Shore Maintenance Optimization	Develop and implementation a shore based preventative maintenance system that aligns work requirements with available resources.
(3) Develop and implement the strategic planning process throughout the organization	• Develop the strategic planning process and the necessary tools and templates • Establish a regular reporting mechanism to track progress on the plan
(4) Develop and implement an Active Revenue and Cost Management Strategy	• Develop a new capacity tool to improve the usability and accuracy of information (i.e. data on each crossing summarized and readily available) • Undertake a series of market tests
(5) Implementation of the Terminal Yard Management System	2014/15 will focus on implementing the system for the management of drop trailers. The new system will automatically track the length of time that a drop trailer has been on MAI's property, which will not only result in improved tracking of traffic, but also better management of drop trailer storage revenue.
(6) Optimization of Supply Change Management, with a focus on materials management	Develop analysis (with execution plan) detailing how to optimize deliveries and receipts of goods and services, assets, inventory, processes and procedures.
(7) Implement Control Environment Project	Implement a control program aimed at optimizing financial controls.
(8) Complete IT Vulnerability Security and Information Protection Project	Execute on outcomes from the recent vulnerability assessment.
(9) Develop and Implement a Corporate Reporting Dashboard	Develop and implement a monthly corporate reporting dashboard for the Executive and Senior Leadership Team that provides consistent and regular updates as to the ongoing performance of the Corporation.

5.1.5 Commercial Customer Strategy

Historical data shows that over 50% of MAI's personal passenger traffic travels during the 8 week summer period, which is vital to the tourism industry in Newfoundland and Labrador. However, over 70% of MAI's annual traffic is commercial in nature, with commercial traffic demand remaining fairly constant throughout the entire year. MAI provides the only daily ferry service to and from the province of Newfoundland and Labrador, which is vital to the shipping of perishable products; it offers the only mode of transportation on and off the island for many dangerous goods; and it is a vital link to the rest of the country for many key industries. As such, MAI must improve its service offering to the commercial traffic sector. The initiatives outlined below will help the Corporation to improve on the service offered to its commercial customers, resulting in future improvements to CRV customer satisfaction scores.

The key initiatives planned to help improve the focus on the commercial customer are:

Strategic Initiative	Description
(1) Review and improve commercial traffic management	Consultations with the commercial industry will be completed in advance of any decisions.
(2) Develop a new focused marketing strategy on how to better meet the needs of our commercial customers	Develop a marketing strategy that will focus MAI's marketing efforts on understanding and meeting the needs of its commercial customers.
(3) Improve customer interaction at all customer touch points	Develop and execute on a plan to ensure that customers receive consistent, good service before, during and after they arrive at MAI's terminals.

6.0 Key Performance Indicators

MAI has identified Corporate-level KPIs to help determine the success of its strategic initiatives.

	2012/13 Actual	2013/14	
		Target	Actual
Cost Recovery	67.1%	69.2%	71.0%
On-time performance (excl. weather)	86%	88%	90%
Unplanned service interruptions	3%	3%	2%
Capacity Utilization	68%	N/A	62.9%

7.0 Financial Outlook

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

7.1 Traffic and Revenue Forecasts

As a result of the current downward pressure on traffic levels, MAI has revised its traffic forecast.

The resulting revenues for the planning period are highlighted below.

Revenues	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Total Revenues	$ 101,277	$ 104,793	$ 110,476	$ 116,466	$ 122,761	$ 555,773

7.2 Operating Expenses

7.2.1 Fuel Management

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. For planning purposes, the Corporation has calculated prices using market information and analyzing New York Mercantile Exchange future contract prices.

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 regulatory requirements on decreased fuel emissions, the Corporation's current plan anticipates utilizing a phased in approach, which has been referred to as an "averaging program" by the Government, beginning January 2015. This change results in gradually increasing fuel costs as the Corporation switches from the less costly blended fuels to MGO. This fleet averaging plan which has been approved by Transport Canada's Marine Technical Review Board allows MAI until December 2019 to gradually phase in its regulatory requirement to reduce sulfur dioxide emissions.

7.2.2 Foreign Exchange

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 its vessels in the initial five year charter period. 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.

7.2.3 Other Assumptions

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.

7.3 Capital Requirements

The Corporation has set the following objectives in relation to its capital planning efforts:

- Ensure funds are used to the best long term advantage of the Corporation
- Manage the capital program in an effective manner
- Follow the newly implemented capital management process that recognizes the fluid nature of the Corporation's requirements
- Utilize operating funding savings for necessary capital projects if and when possible.

8.0 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 9 – Financial Statements), and approval for the continuation of a line of credit as described in section 8.1 below.

8.1 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 2013 pension plan fiscal year actuarial valuation in June of 2014, if the solvency position of the pension plan improves as expected, the line of credit requirement may be reduced.

9.0 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, 2013; March 31, 2014; and Projected for 2014/15 to 2018/19

(In $ Thousands)	Actual 2012/13	Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18	2018/19
Financial assets							
Cash	12,087	13,364	10,698	(344,132)	(464,866)	(630,171)	(762,518)
Accounts receivable	12,248	9,868	6,368	6,368	6,368	6,368	6,368
Receivable from Government of Canada	-	-	62	62	62	62	62
Inventories for resale	302	313	313	313	313	313	313
Derivative financial instruments	641	739	739	739	739	739	739
Accrued pension asset	73,151	89,624	100,706	117,706	134,706	151,706	168,706
	98,429	113,908	118,886	(218,944)	(322,678)	(470,983)	(586,330)
Liabilities							
Accounts payable and accrued liabilities	28,039	30,089	31,937	31,937	31,937	31,937	31,937
Derivative financial instruments	781	227	227	227	227	227	227
Deferred revenue	2,202	2,278	2,278	2,278	2,278	2,278	2,278
Payable to Government of Canada	2,687	2,604	-	-	-	-	-
Accrued liabilities [Note 1]	56,847	60,114	60,114	60,114	60,114	60,114	60,114
	90,556	95,312	94,556	94,556	94,556	94,556	94,556
Net financial assets (debt)	7,873	18,596	24,330	(313,500)	(417,234)	(565,539)	(680,886)
Non-financial assets [Note 2]	253,519	251,294	232,906	442,831	432,412	432,296	417,789
Accumulated surplus (deficit)	261,392	269,890	257,236	129,331	15,178	(133,243)	(263,097)

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, 2013; March 31, 2014; and Projected for 2014/15 to 2018/19

(In $ Thousands)	Actual 2012/13	Budget 2013/14	Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18	2018/19
Total Revenues	107,273	108,068	104,886	101,277	104,793	110,476	116,466	122,761
Expenditures								
Wages and benefits	84,032	83,029	80,396	81,235	85,625	88,682	92,180	95,545
Fuel	34,252	30,435	29,288	29,227	33,926	36,476	39,877	42,895
Charter fees	43,202	43,654	44,600	43,675	39,355	18,858	22,050	22,098
Charter importation taxes	6,121	5,034	5,034	2,861	2,386	-	3,140	3,140
Repairs and maintenance	15,731	13,409	8,479	9,380	12,546	10,289	13,856	13,950
Materials, supplies and services	17,398	16,062	17,195	16,763	19,152	19,285	18,143	17,855
Insurance, rent and utilities	6,267	7,059	7,295	7,669	7,682	8,164	8,675	9,218
Fleet renewal costs	-	-	-	-	1,621	2,296	13,416	-
Other	2,217	10,504	5,846	4,785	8,582	8,996	9,433	9,892
Employee future benefits [Note 1]	19,387	11,732	18,374	10,820	11,320	10,737	9,594	8,917
Foreign currency exchange (gain) loss	(224)	-	45	-	-	-	-	-
Realized (gain) loss on derivative financial instruments	(512)	-	(33)	-	-	-	-	-
(Gain) Loss on disposal of tangible capital assets	4,085	-	112	-	-	-	-	-
Amortization	24,797	26,400	34,930	35,000	30,000	40,231	53,907	48,490
Total Expenditures	258,753	247,318	251,561	241,415	252,195	244,013	284,271	271,999
(Deficit) before government funding	(151,480)	(139,250)	(146,675)	(140,138)	(147,402)	(133,537)	(167,805)	(149,238)

Marine Atlantic Inc.
Statement Operations and Accumulated Surplus
For the Year Ended March 31, 2013; March 31, 2014; and Projected for 2014/15 to 2018/19

(In $ Thousands)	Actual 2012/13	Budget 2013/14	Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18	2018/19
Government funding								
Operations	136,880	119,398	117,742	109,354	14,384	14,384	14,384	14,384
Capital	51,003	35,032	35,358	18,130	5,000	5,000	5,000	5,000
Total Government funding	187,883	154,430	153,100	127,484	19,384	19,384	19,384	19,384
Surplus (deficit)	36,403	15,180	6,425	(12,654)	(128,018)	(114,153)	(148,421)	(129,854)
Accumulated surplus (deficit), beginning of year	229,287	265,690	265,690	272,115	259,461	131,443	17,290	(131,131)
Accumulated surplus, end of year	265,690	280,870	272,115	259,461	131,443	17,290	(131,131)	(260,985)

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

1. Employee future benefits expenses for 2012/13 and 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, 2013; March 31, 2014; and Projected for 2014/15 to 2018/19

(In $ Thousands)	Actual 2012/13	Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18	2018/19
Accumulated remeasurement gains (losses) on derivative financial instruments, beginning of year	(1,882)	(4,299)	(2,225)	(2,225)	(2,112)	(2,112)	(2,112)
Remeasurement gains (losses) arising during the year							
Unrealized gain (loss) on foreign exchange of cash	(146)	1,422	-	113	-	-	-
Unrealized gain (loss) on derivatives	(2,783)	619	-	-	-	-	-
Reclassifications to the statement of operations							
Realized gain (loss) of derivatives	512	33	-	-	-	-	-
Net remeasurement gains (losses) for the year	(2,417)	2,074	-	113	-	-	-
Accumulated remeasurement gains (losses) on derivative financial instruments, end of year	(4,299)	(2,225)	(2,225)	(2,112)	(2,112)	(2,112)	(2,112)

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, 2013; March 31, 2014; and Projected for 2014/15 to 2018/19

(In $ Thousands)	Actual 2012/13	Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18	2018/19
Surplus (deficit)	36,403	6,425	(12,654)	(128,018)	(114,153)	(148,421)	(129,854)
Change in tangible capital assets							
Acquisition of tangible capital assets	(51,003)	(35,358)	(18,130)	(242,311)	(29,812)	(41,231)	(37,123)
Amortization of tangible capital assets	24,797	34,930	35,000	30,000	40,231	53,907	48,490
Gain (Loss) on disposal of tangible capital assets	4,085	112	-	-	-	-	-
Proceeds on disposal of tangible capital assets	62	-	-	-	-	-	-
Decrease (increase) in tangible capital assets	(22,059)	(316)	16,870	(212,311)	10,419	12,676	11,367
Change in other non-financial assets							
Net change in inventories held for consumption	(4,124)	(1,734)	(1,343)	-	-	-	-
Net change in prepaid expenses	6,092	4,275	2,861	2,386	-	(12,561)	3,140
Decrease (increase) in other non-financial assets	1,968	2,541	1,518	2,386	-	(12,561)	3,140
Remeasurement (losses) gains	(2,417)	2,074	-	113	-	-	-
Decrease (increase) in net debt	13,895	10,724	5,734	(337,830)	(103,734)	(148,305)	(115,347)
Net financial assets (debt), beginning of year	(6,023)	7,873	18,596	24,330	(313,500)	(417,234)	(565,539)
Net financial assets (debt), end of year	7,872	18,597	24,330	(313,500)	(417,234)	(565,539)	(680,886)

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, 2013; March 31, 2014; and Projected for 2014/15 to 2018/19

(In $ Thousands)	Actual 2012/13	Actual 2013/14	Budget 2014/15	2015/16	2016/17	2017/18	2018/19
Operating transactions							
Cash receipts from customers	107,072	105,615	101,217	104,733	110,416	116,406	122,701
Other income received	453	218	60	60	60	60	60
Government funding – operations (current year)	129,802	115,963	109,354	14,384	14,384	14,384	14,384
Government funding – operations (prior year)	3,104	5,727	3,109	-	-	-	-
Government funding – capital (current year)	47,687	29,667	18,130	5,000	5,000	5,000	5,000
Government funding – capital (prior year PAYE)	11,199	1,660	5,691	-	-	-	-
Cash paid to suppliers and employees	(206,135)	(196,325)	(194,503)	(208,489)	(193,045)	(233,331)	(211,452)
Cash paid for EFBs [Note 1]	(30,450)	(31,281)	(21,902)	(28,320)	(27,737)	(26,594)	(25,917)
Interest and foreign exchange on cash	(174)	1,360	-	113	-	-	-
	62,558	32,604	21,155	(112,519)	(90,922)	(124,074)	(95,224)
Capital transactions [Note 2]							
Capital asset purchases from current year funding	(47,687)	(29,667)	(18,130)	(242,311)	(29,812)	(41,231)	(37,123)
Capital asset purchases from prior year funding [Note 3]	(11,199)	(1,660)	(5,691)	-	-	-	-
Proceeds on disposal of tangible capital assets	62	-	-	-	-	-	-
	(58,824)	(31,327)	(23,821)	(242,311)	(29,812)	(41,231)	(37,123)
Net (decrease) increase in cash	3,734	1,277	(2,666)	(354,830)	(120,734)	(165,305)	(132,347)
Cash, beginning of year	8,353	12,087	13,364	10,698	(344,132)	(464,866)	(630,171)
Cash, end of year [Note 4]	12,087	13,364	10,698	(344,132)	(464,866)	(630,171)	(762,518)

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			
	Safety	Reputation	Financial	Service
Critical	**Loss of life**	**Shareholder Intervention**	**More than 4% of Budget**	**6+ days to recover**
Major	Lost Time Injury with permanent disability	Loss of Stakeholder support and trust	Between 2% and 4% of Budget	5 days to recover
Serious	Lost Time Injury	Serious Stakeholder dissatisfaction	Between 1% and 2% of Budget	4 days to recover
Moderate	Injury that requires treatment	Sustained complaints by multiple stakeholders	Between 0.50% and 1.0% of Budget	3 days to recover
Minor	Injury but no treatment required	Multiple Stakeholder complaints	Between 0.25% and 0.50% of Budget	2 days to recover
Low	No Injury	Stakeholder complaint	Up to 0.25% of Budget	1 day to recover

Probability
Almost Certain
Likely (1 in 10)
Possible (1 in 100)
Plausible (1 in 1,000)
Unlikely (1 in 10,000)
Almost Impossible