Corporate Plan Summary

2016/17 – 2020/21

Marine Atlantic
Marine Atlantique

January 6th, 2016

Executive Summary

2015/16 was another exciting and successful year for Marine Atlantic Incorporated (MAI).

In 2015/16, MAI received funding and approval from its Shareholder, the Government of Canada, to purchase the MV *Blue Puttees* and the MV *Highlanders*. These vessels have been in service with MAI since 2011, and since that time, have contributed greatly to the improved performance realized by the organization. On-time performance, recovery times for weather delays, revenue and expense per AEU (automobile equivalent unit), fuel management, and last but not least, customer satisfaction have all improved significantly since the introduction of these vessels.

Purchasing these vessels was a significant milestone for the Corporation. Owning the vessels provides MAI with a level of operational and fleet stability that it will enjoy well into the future. These vessels are the foundation upon which MAI's Long Term Fleet Strategy is based, and takes the Corporation a step further towards its goal of operating a homogenous fleet.

The Corporation opened its new terminal building in North Sydney in June 2015. The state of the art building, which was several years in the making, was received very positively by the Corporation's customers as well as the general public.

MAI has maintained strong on-time performance levels for a number of years now. 2015/16 was no exception, as the Corporation's on-time performance sits at 92%. This is despite having experienced some of the worst ice conditions in years early in the spring of 2015, which resulted in much longer crossing times, and in several instances, day-long delays as both MAI's ferries and the Coast Guard icebreakers were stuck in the ice. The investments that the Corporation have made in its vessel-based infrastructure - particularly its ice-class vessels - have clearly paid off and have allowed MAI to dramatically improve its service, ensuring that customers can enjoy a service that is modern, efficient and reliable.

Financial results for 2015/16 are positive with a projected cost recovery of 66.3%. While year over year revenues remain flat, 2015/16 revenues are forecasted to hit slightly above budget. Expenditures are expected to come in on budget, which represents a 2.5% decrease from 2014/15.

For the first time in several years, PRV (personal related vehicle) traffic increased by 3% over 2014/15 levels. CRV (commercial related vehicle) units remained flat, while total AEU's increased by almost 1%. Some of this increase can be attributed to the Corporation's successful trial discount on the Argentia service.

Customer satisfaction levels for the Corporation's passenger traffic remain well above target with overall satisfaction levels at 76%. Also, 94% of people surveyed would be willing to recommend Marine Atlantic to family and friends. This is a great accomplishment and indicative of the strides that the Corporation has made with respect to customer service.

All rates increased by 2.6% in April 2015. 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 to reduce its overall fuel costs.

The Corporation anticipates that all collective agreements will be renewed before the end of the 2015/16 fiscal year (with December 31, 2016 expiry dates). Five of the six agreements have already been renewed and a decision on the one outstanding agreement is expected to happen very soon. This has not been an easy task, but will put the Corporation in the position of having all collective bargaining agreements in place until December 31, 2016. Having these agreements in place adds another element of stability to the Corporation's operations.

The Corporation has updated MAI's strategic priorities and strategic objectives. Safety remains at the forefront of everything that MAI does and the newly defined strategic direction will help to ensure that the Corporation continues to be successful into the future. Moving forward, Operational Excellence, Customer Value and Public Trust will be the themes that guide the Corporation's strategic execution.

Through this submission, the Corporation is seeking approval of its 2016/17 Corporate Plan and its 2016/17 Capital Plan. The Corporation is also presenting its Long Term Fleet Strategy.

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 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

The Corporation's 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.

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

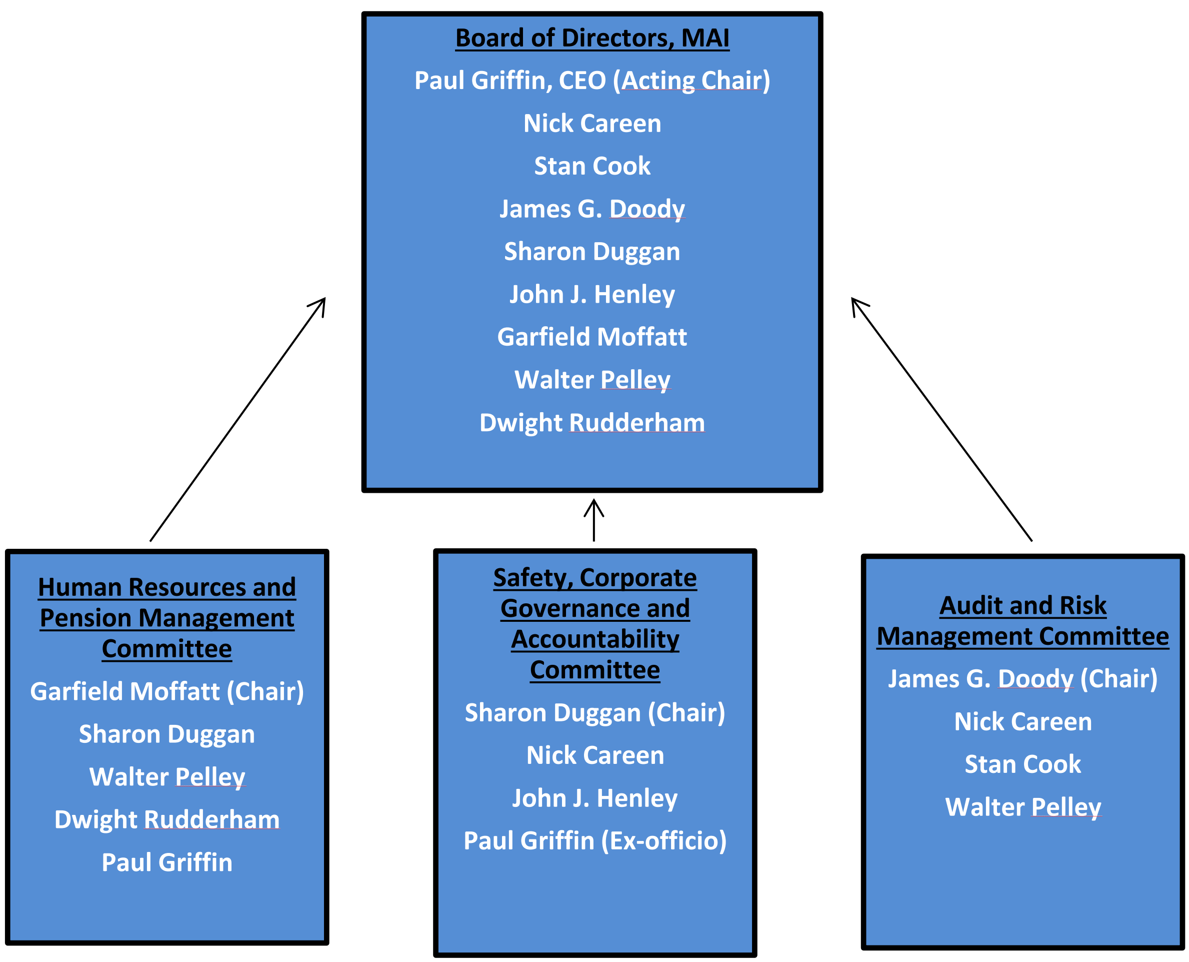
Governance Structure

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 is appointed by the Minister of Transport with the approval of the Governor in Council.

The Corporation's Board of Directors has representation from both Newfoundland and Labrador and Nova Scotia, with backgrounds covering Law, Accounting, Human Resources, Politics, Tourism, and Marine Technical Services. The Board of Directors meets at least once a quarter with other meetings scheduled as needed.

The former Board Chair's terms ended on October 29, 2014. Until a successor to the Chair has been appointed by the Governor in Council, MAI's CEO is acting 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.

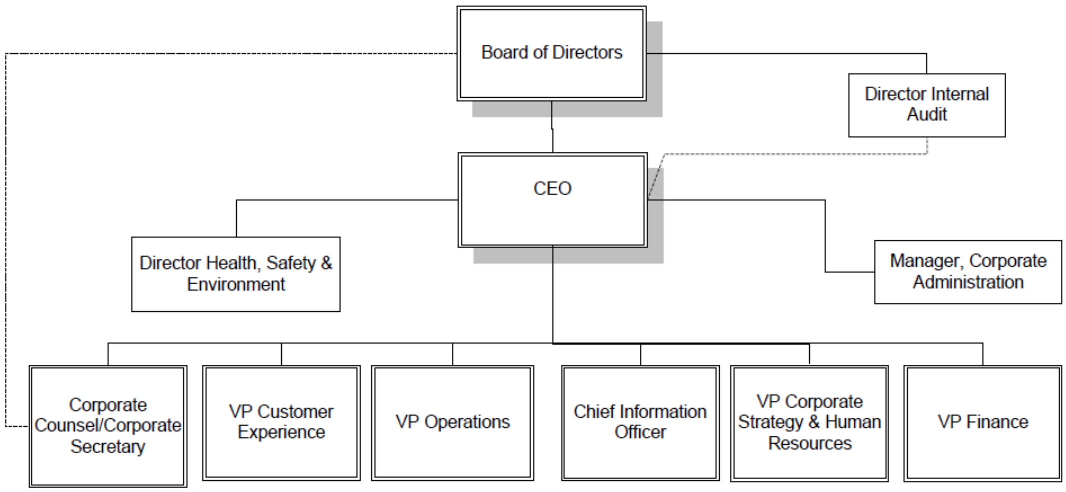
The Audit and Risk Committee oversees MAI's standards for financial reporting, internal audit, risk management and management control practices. Specifically, the Committee will provide governance and oversight in the following areas:

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	2015/16 Year End Forecast FTEs
A Dec-31-2016	Licensed Officers	Canadian Merchant Service Guild (CMSG)	Agreement expires 31 December 2016	132
B Dec-31-2013	Unlicensed Vessel Crew	Unifor	Agreement expires 31 December 2016	415
C Dec-31-2013	Shore-Based Maintenance Employees	Unifor	Agreement expired 31 December 2013	58
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	269
E Dec-31-2016	Masters, Chief Engineers and Chief Electrical Officers	Canadian Merchant Service Guild	Agreement expires 31 December 2016	27
F Dec-31-2016	Shore-Based Supervisory Employees	Public Service Alliance of Canada	Agreement expires 31 December 2016	61
N/A	Management / Non-Union	N/A	N/A	83
Total				**1,045**

2.0 Background

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 results of that examination were less than ideal. At the time, MAI was having difficulty meeting the traffic demand – capacity was limited, the vessels were old, and broke down regularly. Yet, the Corporation had insufficient capital funding to adequately maintain its vessels. And because the Corporation was awarded funding on a year by year basis, it was unable to adequately plan beyond the current year of operations, and had very limited management capacity to do so. As a result, 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

As a result of the Auditor General's findings, the Shareholder made a significant investment in the Corporation in Budget 2010. With that investment, MAI developed and implemented its Revitalization Strategy, which was designed to address all of the deficiencies identified by the OAG.

Since 2010, the operation has been transformed - physically, financially, and operationally - into a more modern, efficient organization. Almost all of the Corporation's physical assets have been replaced or refurbished – including the addition of three new ferries to the fleet: the MV *Blue Puttees*, the MV *Highlanders* and the MV *Atlantic Vision*. A new terminal recently opened in North Sydney, while the terminal in Port-aux-Basques received a much needed facelift. Offices in North Sydney were consolidated into a new administration building. Significant upgrades have been made to the docks and the marshalling yards in all locations. In short, the Shareholder's investment has enabled MAI to renew its physical assets to allow it to provide a much improved level of service to its customers.

In addition to the physical improvements, deficiencies related to 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 was developed and was approved by the Board. Improvements have been made with respect to the Corporation's maintenance management functions, which have enabled 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.

The Corporation's main focus for the past five years has been primarily on infrastructure investments, operational efficiencies, management renewal, and improved governance. Going forward, MAI is shifting its focus to operational excellence, improving customer value, and gaining public trust.

Savings Commitments

Budgets 2011 and 2012 directed MAI to find significant savings from its operations. The table below outlines the Corporation's savings as a result of these budget directives. MAI has met or exceeded all of these targets, while still maintaining a 60-65% cost recovery target.

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

3.0 2015/16 – The Year in Review

2015-16 was another successful year for Marine Atlantic. The highlight of the year was undoubtedly receiving funding and approval from the Shareholder, the Government of Canada, to purchase the MV *Blue Puttees* and the MV *Highlanders*.

While the Corporation's five-year funding envelope expired at the end of March, a new funding investment was released through the 2015 Supplementary Estimates. The Shareholder announced over $500M in new funding for 2015/16 and 2016/17. Approximately 40% of this funding was allocated to the purchase of the MV *Blue Puttees* and MV *Highlanders*, the two Seabridger vessels that joined the fleet in 2011. These vessels are modern, efficient, and well-suited to the service. Since the vessels joined the service, they have contributed greatly to the improved performance realized by the organization: on-time performance, recovery times for weather delays, revenue and expense per AEU, fuel management, and last but not least, customer satisfaction – have all improved significantly since the introduction of these vessels. The purchase of these vessels is a critical part of the Corporation's continued success, as they provide long term fleet stability and will allow MAI to continue towards its goal of operating with a homogenous fleet.

The new terminal in North Sydney (NSY), along with improvements made to MAI's fleet, docks, and marshalling areas, have not gone unnoticed, as customer satisfaction rates have increased significantly. Customer satisfaction levels for the Corporation's passenger traffic are continuing to trend in a positive direction, with 2015/16 YTD results at 76%, well above the 68% target for the year.

The Corporation is continuing to deliver an efficient and timely service with on time performance levels reaching 92%, above its target of 86-90%. The time it takes the Corporation to recover from weather delays has also been cut in half, as the capacity offered by MAI's current fleet has allowed the Corporation to shorten recovery times to within 24 hours following most weather related delays. This was especially challenging in 2015, as MAI experienced some of the heaviest ice conditions in years. The ice-class capabilities of the fleet were instrumental in keeping the service running during the early spring, and highlight the challenges associated with running a ferry service in the Cabot Strait, as even the Coast Guard's largest icebreaker had difficulty manoeuvering through the pack ice.

Another significant highlight of 2015/16 was the Argentia Early Booking Discount program. For a full month, ending on March 25, 2015, customers could book their travel on the Argentia service and avail of a 30% discount on their vehicle and passenger fare for travel during summer 2015. Onboard amenities such as cabins were not included in this discount. The Corporation has had limited experience with offering discounted rates to customers, and the goal of the trial was to better understand MAI customer's booking preferences and the impact discounted rates might have on the Corporation's traffic levels.

The results from the discount offering were overwhelmingly positive. The service experienced an 11% increase in passenger traffic and a 7% increase in passenger vehicles during summer 2015. A significant portion of this traffic increase is directly attributable to the discount that was offered. The campaign attracted new customers who had previously never used the service, and also brought back return customers who hadn't used the service in over three years. These two groups of travellers accounted for approximately 50% of the trial discount campaign bookings. It is interesting to note that because of this campaign, MAI generated more revenue on the Argentia service than it had in past years, but added no additional capacity, thereby having a positive effect on cost recovery. It is also interesting to note that 1/3 of the customers who called to inquire about the discount fare actually chose to pay the full fare rate, due to the restrictions and cancellation charges associated with the discount fare. These customers were willing to pay more to ensure that they had the flexibility to change their plans. The learning from this trial will guide MAI's development of similar discount programs in the future to both improve revenue and increase customer satisfaction.

The Corporation's 2015/16 forecasted traffic levels compared to 2014/15 are as follows. While CRV traffic remained relatively flat, PRV traffic did see an increase:

Traffic Type	2014/15 Actual	2015/16 Forecast
Passengers	305,197	304,553
PRVs – AEUs	122,244	126,074
CRVs – AEUs	388,861	389,517
Total – AEUs	511,105	515,591
PRVs – units	109,167	112,395
CRVs – units	95,552	95,581
Total Units	204,719	207,976

To ensure focus on maintaining the health of employee's, Marine Atlantic launched a revitalized wellness program, myHealth, in August 2015. The goal of this program is to provide employees with the understanding and knowledge necessary to live a healthy lifestyle – mentally, physically and emotionally. Marine Atlantic's wellness program is an organized program that includes access to medical professionals as well as other support programs designed to support all employees to adopt and sustain behaviours that reduce health risks, improve quality of life and enhance personal effectiveness. As part of the program, education sessions and activities were organized throughout the year by Marine Atlantic's Occupational Health Nurses and articles focusing on various health education topics appeared in the monthly Strait Talk publication.

Marine Atlantic recognizes the benefits that come to both employees and employers from having a wellness program in place and the myHealth program will benefit the organization overall through a healthier, more engaged workforce.

Strategic Initiatives – 2015/16 Progress Update

Delivering on the Strategic Plan is fundamental to MAI's progress, as it highlights those priorities that are essential to the company's future success. In the spring of 2015 the Corporate Strategy and Project Delivery departments joined forces to ensure that each corporate level strategic initiative is managed and implemented effectively, positioning MAI for greater success moving forward.

To that end, the Corporation's Executive also re-visited the number of strategic initiatives that had been identified for the 2015/16 fiscal year, and recognized that the Corporation had overextended itself with respect to the initiatives it had identified. As a result, each initiative was assessed using a number of criteria to determine if indeed, it should remain a strategic priority. The criteria included:

a.) Alignment with one or more of MAI's strategic themes – Safety, Reliability and Cost Efficiency
b.) Whether the initiative represented a significant change in process/function vs. continuous improvement
c.) Whether the initiative required executive and/or BOD approval
d.) Long term impacts on the business
e.) The degree of risk associated with the initiative

As a result of this assessment, the number of Strategic Initiatives for 2015/16 was reduced to ten initiatives. Several of the initiatives will be completed at the end of fiscal 2015/16, but most represent multi-year projects that will be carried forward into 2016/17 and beyond.

The revised list of approved Strategic initiatives for 2015/16 can be found below:

Strategic Initiative	2015/16 Year End Objectives
Health and Wellness Program: The goal of the program is to provide employees with the understanding and knowledge necessary to live a healthy lifestyle both physically and emotionally. This will be completed by providing health and wellness initiatives, developing prevention strategies, and offering effective support for recovery during times of illness/injury (significant improvements from the previous program).	• Launch Wellness Program (myHealth) • Evaluation of external Disability Case Management RFP (request for proposals) • Procedures and KPIs (key performance indicators) for Disability Management
SMS (Safety Management System) Program Improvements: The goal of this initiative is to improve the Safety Governance structure. This will be completed by engaging an independent consulting organization with experience in developing Safety Management programs to establish the governance structure.	• Complete Current State Process Mapping • Complete External Review
Performance Management Program (myCareer Compass): The goal of implementing myCareer Compass is to engage, motivate and develop MAI's most important assets, their people. This project will work to improve the performance of people via a program that helps employees learn, develop professionally, build their career and identify performance issues. Phase 1 will focus on the implementation of program to ATM's (Assistant Terminal Managers) and Master's and developing a go forward plan.	• Complete Phase 1 of implementation • Establish plan for Phase 2 implementation
Marine Atlantic Standardized Training (MAST/Vessel Familiarization): The goal of the project is to design, develop and implement a comprehensive and sustainable vessel employee familiarization program, to increase vessel safety through standardized employee education on all four vessels.	• Complete future state processes • Complete system training for power users • Content populated in system
Business Process Renewal Design: Supply Chain Management & Finance (Enterprise Resource Planning): Using the analysis of current state assessment for ERP (Enterprise Resource Planning) related systems from BPR (Business Process Renewal) project (Phase 1) define and recommend a future state for a single ERP solution.	• ERP Recommendation to Executive • Detailed Business Case

Strategic Initiative	2015/16 Year End Objectives
Long Term Fleet Strategy Phase 1: The goal of the Long Term Fleet Strategy is to develop a strategy document to be used as the basis for MAI's submission for funding for 2017/18 onwards, and a recommended plan of action to replace both the MV *Atlantic Vision* and the MV *Leif Ericson*.	• Complete fleet strategy document • Award RFP for High level requirements • Present consultants findings to Executive for approval • Obtain Board approval
Risk Process Transformation: The goal of this initiative is the development of a risk management process that is efficient, effective and more aligned with the Corporation's Strategic Planning Process.	• Completion of divisional risks • Completion of Corporate and Departmental Risk Dashboard
Shore Maintenance Alignment: The goal of the shore maintenance alignment program is to achieve an effective and efficient onshore maintenance program through appropriate workforce alignment and an effective organizational structure. (2 years over– Phase 1: Organizational Structure Alignment Phase 2: Implement Maintenance Program).	• Communication and roll out of new organizational chart
Pricing Model Development/ Revenue Management: The goal of this initiative is develop an effective pricing tool that will allow MAI to offer different price points to customers in an effort to maximize revenue. The revenue management phase of this initiative will give MAI further information on the optimal price points.	• Complete pricing model development • Complete pricing research/revenue management
Long Term Mooring Strategy: The goal of this initiative is to develop a business case for the Corporation's future mooring strategy.	• Business case to be developed Fall 2015

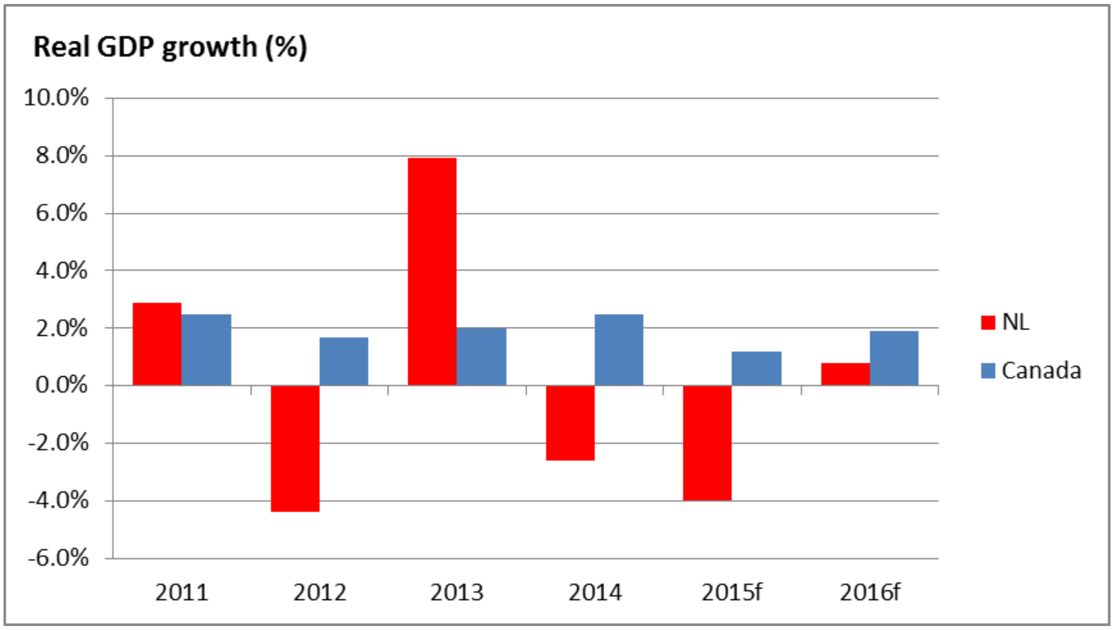
As indicated, most of these initiatives are multi-year initiatives, and will form the basis of the tactical implementation of MAI's strategic plan, as described in more detail later in this document.

4.0 Situation Analysis

In order to determine the best course of action to deliver on the Corporation's strategic direction, MAI completed a review of its current operating environment, looking at 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. This analysis is used to assist the Corporation in determining its strategic direction as well as to provide information that will help MAI in determining its traffic and financial forecasts. While MAI has not completed sufficient research to draw a direct correlation between the data provided and the impact on its traffic, it has concluded that the worsening economic outlook for Newfoundland and Labrador is expected to have some negative impact on the Corporation's traffic levels moving forward. This negative impact is reflected in MAI's traffic and revenue forecasts.

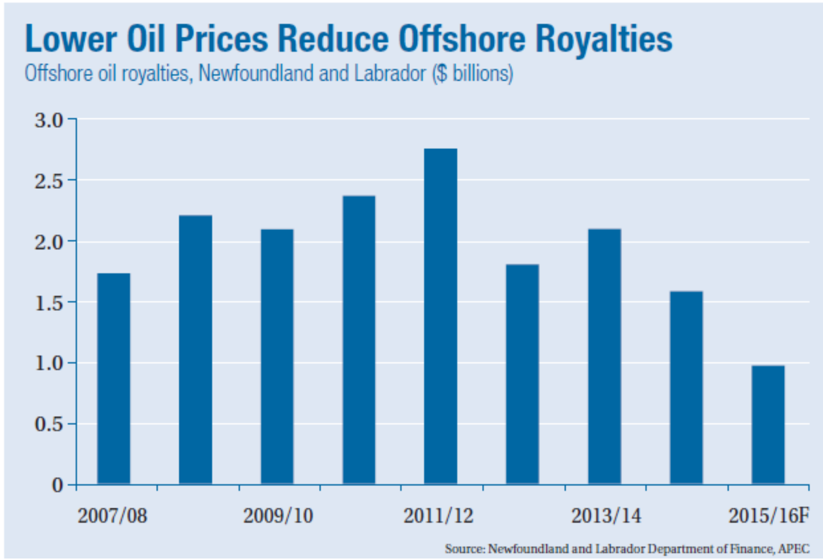
2015 Economic Outlook

According to the Atlantic Provinces Economic Council, following a decline in GDP of 2.5% in 2014, Newfoundland and Labrador's economy is forecasted to contract by 4.0% in 2015 and increase slightly by 0.8% in 2016.



*Provided by the Atlantic Provinces Economic Council

The Province's very high dependence on oil royalties will have severe impacts on the Provincial budget and will also likely have a negative impact on MAI's traffic levels until the price of oil, and the economy, rebound.



Brent crude oil prices have recently dropped below $38 US per barrel, and are currently forecasted to remain around the $40 US mark well into the next year. As a result of declining oil prices, it is very unlikely that Newfoundland and Labrador will see the same major project investment in the offshore business in the near future, which will impact commercial traffic levels. PRV traffic will also likely be impacted, as jobs in the oil and gas industry contract, both in Newfoundland and Labrador, and Alberta, where many residents travel regularly to seek employment.

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 province's population is projected to decline by 0.2% during 2015.
- The geographical distribution of the population has become more concentrated on the Avalon Peninsula. As of 2014, the Avalon Peninsula contained 52% 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 10% pre-1996.
- Population levels are forecasted to decline after 2019 putting increased pressure on employers to fill skilled positions, likely at higher costs.
- Newfoundland and Labrador has experienced four straight years of negative natural increase (more deaths than births from July 1, 2011 to June 30, 2015). No other province in Canada has experienced this trend.

Similar to the economic outlook, the combined demographic trends in Newfoundland and Labrador will negatively impact traffic levels, as per the Corporation's traffic forecast.

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 individuals' 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, suggesting an increase in disposable income, which influences where and how customers choose to travel. Customers with more disposable income may choose to travel further afield and will likely choose air travel to save on valuable vacation time.

Average Weekly Wages

	CAN	NL	NS
2011	$872.82	$879.00	$765.85
2012	$894.71	$926.56	$789.37
2013	$910.74	$949.33	$798.19
2014	$934.42	$990.84	$820.51
2015 (YTD)	$955.91	$1,013.87	$836.92

*Provided by the Atlantic Provinces Economic Council

Meanwhile, retail growth rates have started to decline across the board, with NL and NS rates declining by a greater percentage than Canada as a whole. Decreasing retail spending combined with a weakening economy may translate into less shipments of commercial goods coming to the Island.

Retail Growth Rates

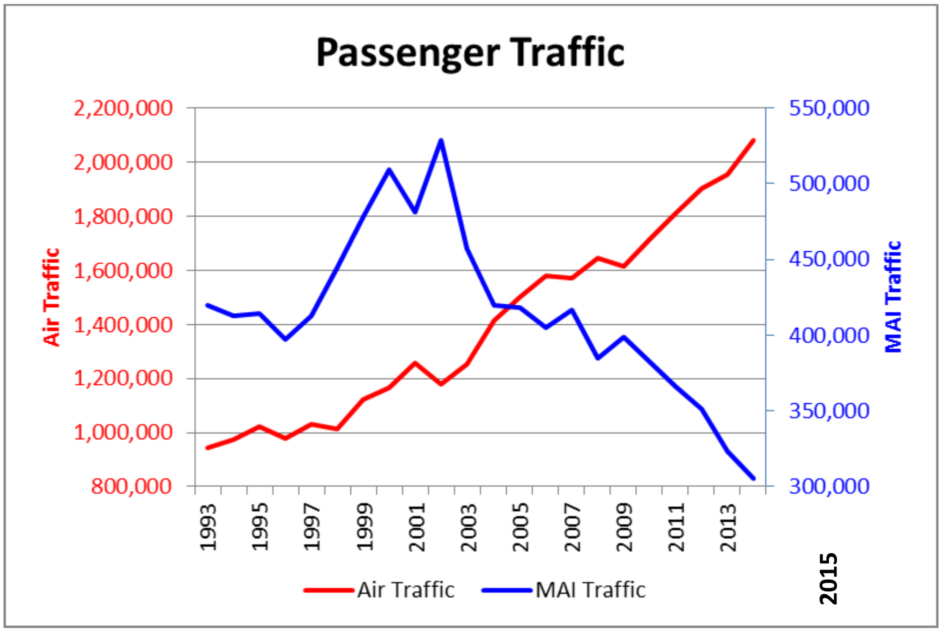
	CAN	NL	NS
2013	3.2%	5.0%	2.9%
2014	4.6%	3.4%	2.3%
2015F	2.6%	0.9%	1.1%
2016F	3.7%	2.0%	2.6%

*Provided by the Atlantic Provinces Economic Council

Historically, the increase in retail spending has had a positive impact on MAI's CRV traffic over the past several years; however, lower growth rates are projected for 2015 and 2016 in Newfoundland and Labrador, which is reflected in the lower forecasted CRV traffic levels over the course of the planning period.

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.



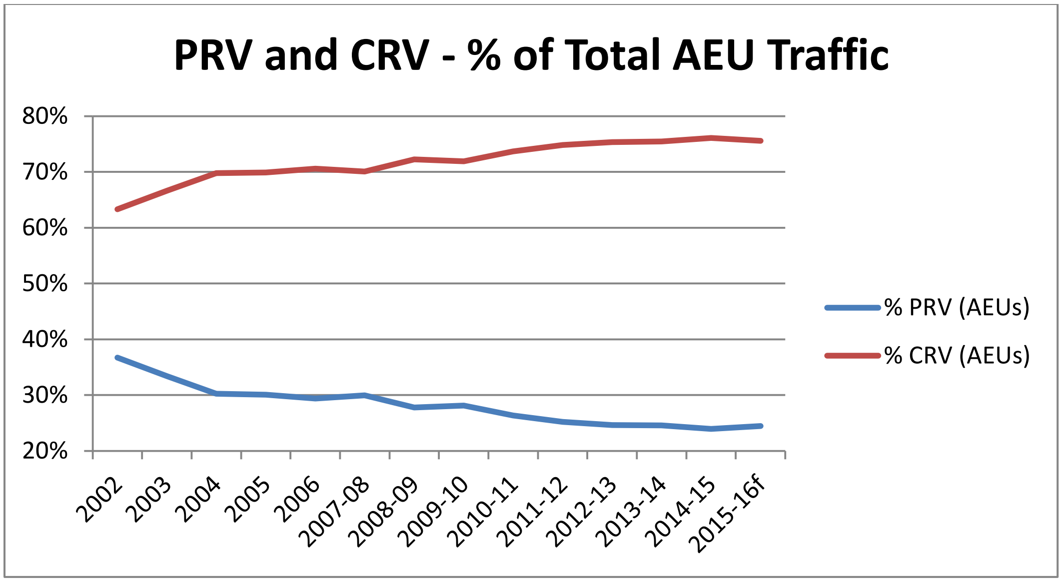
*Air traffic provided by NL Dep. Of Tourism

As indicated in the above chart, the ratio of air passengers to ferry passengers has increased from 2:1 in 1993 to 6.5:1 in 2015. Meanwhile, while the number of total travellers has increased from approximately 1.4M in 1993 to 2.5M in 2015, the percentage of those passengers travelling by ferry has decreased from 30% to 12% over the same time period.

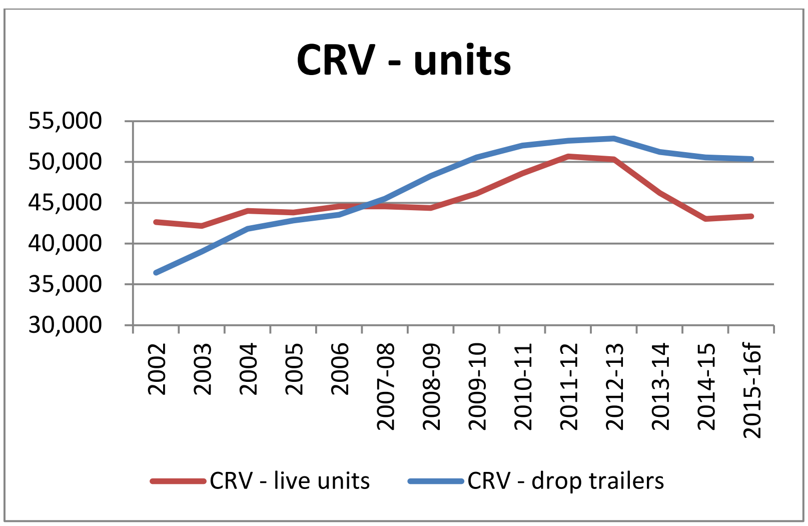
With newer choices in discount air carriers, more routes, more direct flights, and increasing direct charter flights to many top vacation destinations, this trend will likely continue. However, MAI will continue to test new pricing options and discount options in an effort to meet its forecasted traffic levels.

Overall Impact on MAI's Traffic

The impacts of all of these factors described above are reflected in MAI's actual traffic patterns, as PRV traffic as a percentage of total Auto Equivalent Unit (AEU) traffic has been declining steadily. This is due to historically increasing CRV traffic levels combined with decreasing PRV traffic. And although MAI experienced stronger Passenger and PRV results in 2015/16 than originally forecasted, there is no evidence to suggest that this trend will continue.



Similarly the impacts of the GDP and retail spending rates can be seen in MAI's historical commercial traffic, with the recent decline in the economy resulting in a corresponding decline in commercial traffic.



5.0 Strategic Plan – 2016/17 – 2020/21

MAI's Strategic Planning Process

In 2015, the Corporation introduced the use of the Balanced Scorecard (BSC) methodology to help increase the success of its strategic planning process, and ultimately, the execution of its Strategic Plan. The BSC looks at the strategic requirements of the organization from four different perspectives:

1. Stewardship
2. Customer
3. Internal Processes
4. Learning and Growth

In considering each of these perspectives, the organization answered the following questions:

- What are our financial and stewardship goals? What does success look like?
- Which customers will we service, where, and what will we provide them?
- What processes do we have to be excellent at in order to serve our customers and achieve our financial goals?
- What competencies, technologies and climate do we need in our organization?

Answering these questions allows for the development of clearer strategic objectives, which in turn leads to more relevant strategic initiatives and a clearer linkage to measurable results. The outcome of this process is a strategy map, which clearly outlines the objectives of organization and how they link to the strategic themes.

Strategic Themes

In November 2015, the Corporation developed three new strategic themes to guide the development of the Corporation's longer-term objectives. They are:

(1) Operational Excellence:

Safe, reliable, and efficient execution across all areas of the business

(2) Customer Value:

A safe, positive, seamless, end-to-end customer experience that meets or exceeds customer expectations

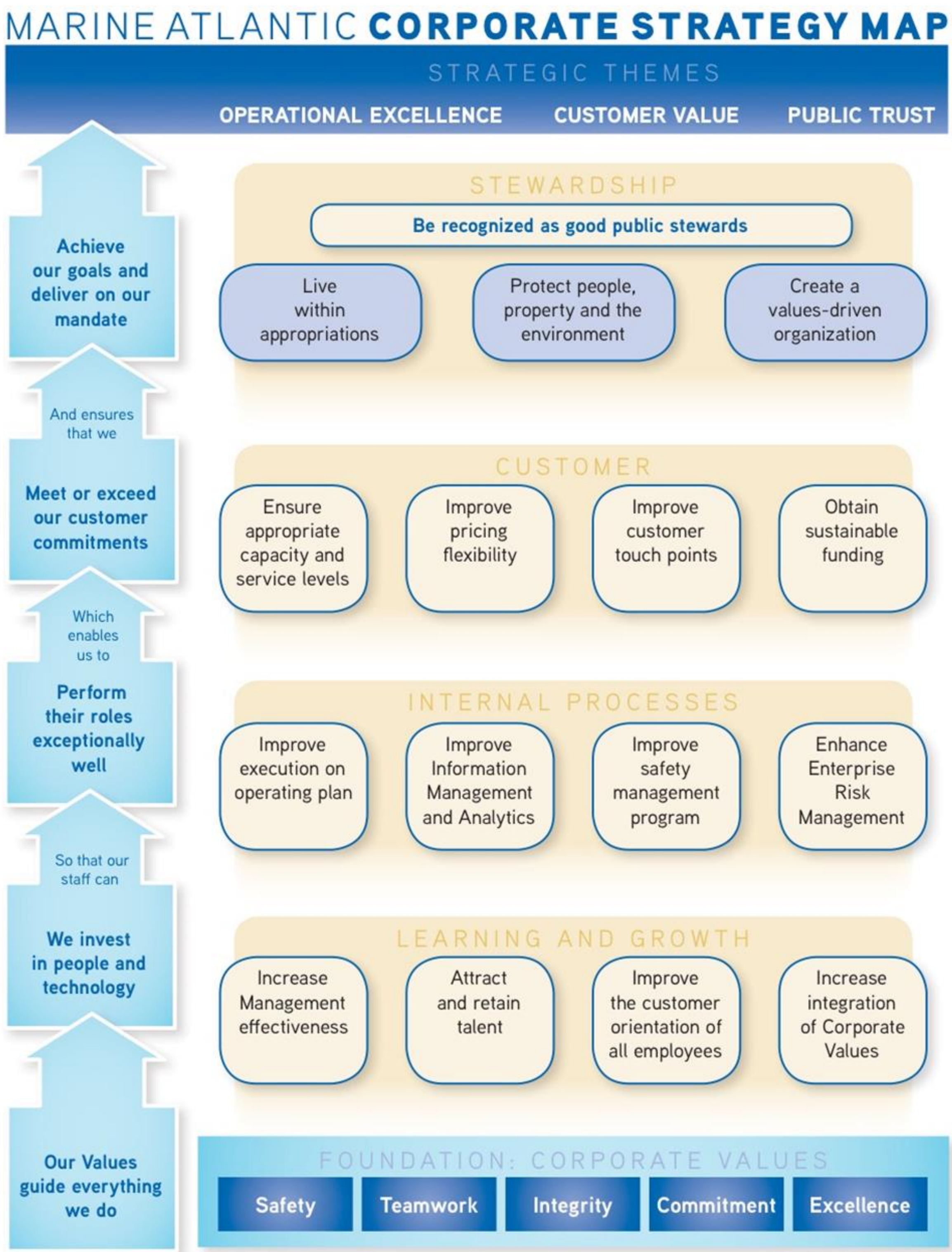
(3) Public Trust:

Providing public service in an open, safe, transparent and values driven manner

While safety, reliability and cost efficiency remain as key elements, customer value and public perception are now included to ensure focus on priorities outside of MAI's core vessel and terminal operations.

MAI’s Strategy Map

Based on the strategic themes, management identified fifteen strategic objectives to further guide the Corporation’s strategic direction, as depicted in the Corporation’s Strategy Map below.



These strategic objectives will be the focus of the Corporation's Strategic Plan for 2016/17 and beyond. However, given the limited resources within the organization, MAI recognizes that it will have to prioritize its activities and develop an annual implementation plan that is in line with the Corporation's ability to deliver. As such, in 2016/17, the Corporate Strategy group will be working with each of the departments in the organization to develop measures, targets and initiatives that support each of these objectives, and will be developing scorecards for each of the departments throughout the year.

In the meantime, MAI is focussing its efforts on those initiatives already in progress, with the highest priority on those initiatives that will have the greatest impact on the organization, including the Long Term Fleet Strategy, Business Process Renewal, and Enterprise Risk Management.

2016/17 Strategic Initiatives

As noted, the majority of the strategic initiatives identified for 2015/16 are, in fact, multi-year initiatives that will carry into 2016/17 and beyond. Only two new initiatives have been added – Customer Portal Improvements and a HR Training Review. While the Corporation will continue to make inroads with implementing a complete balanced scorecard for Marine Atlantic, the Corporation will continue to report on the initiatives highlighted below.

	Objectives	Initiatives	Year End Objectives
Stewardship	Protect people, property and the environment	Health and Wellness Program	External Disability Management RFP awarded, contract established and vendor improved external disability case management process fully implemented
Customer	Ensure appropriate capacity and service levels	Long Term Fleet Strategy	Funding approved and contract in place with a shipyard to provide two vessels
	Improve pricing flexibility	Pricing Model Development	Refreshable and reusable Pricing Model fully developed and being used by MAI in pricing strategy execution
	Improve customer touchpoints	Customer Portal Improvements	Plan fully developed describing ways to expand current technology (the ability to track commercial units in transit) for commercial customers and execution complete
Internal Processes	Improve execution on operating plan	Shore Maintenance Alignment	Shore Based Maintenance Department restructured and maintenance program changes finalized and implemented
	Improve information management and analytics	ERP Design	Scope and plan finalized for Supply Chain Management and finance
	Improve the safety management program	SMS Program Improvements	New safety governance model implemented; executive level safety committee established; revitilization of occupational safety and health policy committee complete; vessel marine occupational safety and health committee restructured
Organizational Capital	Increase management effectiveness	Performance Management - myCareer Compass	Determine participants for further roll out of performance management and complete one full cycle with those participants
		Marine Atlantic Standardized Training (Vessel Familiarization)	Content for Passenger Services, Engine and Deck Departments available in the learning tool
	Improve the customer orientation of all employees	MAI Training Review	Full analysis of MAI's current training practices complete with recommendations for improvement

6.0 Implementation Plan – Key Areas of Focus

The past 6 years have seen significant investments in infrastructure, from vessels to docks and terminals. The Corporation's focus moving forward will shift from asset renewal to business process improvements.

Long Term Fleet Strategy

In 2015/16, MAI received funding and approval from the Shareholder to purchase the MV *Blue Puttees* and the MV *Highlanders*, as well as to extend the charter of the MV *Atlantic Vision* until November of 2017/18. The Corporation also received funding to begin the replacement process for the MV *Atlantic Vision.*

- The Corporation will purchase the MV *Blue Puttees* in December 2015 and the MV *Highlanders* in February 2016 for $102M CDN each, according to the terms of the existing agreement.

- The Corporation has successfully negotiated a renewed charter agreement for the MV *Atlantic Vision.* This agreement – a three year charter (with an option to re-charter for an additional 2 one-year periods) – will allow MAI to have some stability from a fleet perspective while it begins its search for a replacement vessel.

Having successfully secured the purchase of the two Seabridger vessels, MAI's focus has now turned to the replacement of the MV *Atlantic Vision* and the MV *Leif Ericson*.

MAI's goal is to eventually have a homogeneous fleet that consists of four modern, efficient vessels. However, this does not mean that MAI is planning to source four identical vessels. By homogeneous, MAI means that all major systems across the vessels are similar, while allowing for different configurations of the ship itself to accommodate the required passenger and vehicle capacity.

Engines, navigation systems, HVAC systems, etc. would be similar across all vessels; all systems would ideally be supported within Canada to facilitate speedy service and replacement of parts; crews could move easily from one vessel to another as required, thereby reducing training requirements on different vessels. Vessels could be moved easily from one route to another with minimal impact on customer service and operational costs.

While the MV *Atlantic Vision* (built in 2002) with its cruise ship design, has great passenger amenities, it is very expensive to operate and maintain. The Corporation has the option to charter the vessel until November of 2019/20. If MAI is forced to keep the vessel beyond 2019/20, the Corporation will be required to convert the engines to Marine Gas Oil (MGO) to meet the environmental regulations under SECA. The uncertainty around the availability and/or cost of the MV *Atlantic Vision* beyond the current lease period, along with the incremental costs associated with keeping the vessel, make its replacement a key priority for the Corporation.

The MV *Leif Ericson,* which the company purchased in 2001, was built in 1991 and is approaching the end of its useful life. Given the harsh conditions in the Gulf of St. Lawrence, the average life span of vessels operating in this region is approximately 25 years. Ideally, the Corporation would like to replace the vessel before a significant investment is required in the vessel for its 30 year survey in 2021/22. This significant cost is attributed to the fact that the 30 year survey will involve replacing steel within the vessel's hull as well as other costly repairs and replacements. The Corporation underwent a major refit on the MV Leif Ericson three years ago that cost $22M. Undoubtedly, the MV *Leif Ericson* has served the Corporation well, but the costs to maintain the vessel will become increasingly significant as time goes on, with poor return on that investment.

Enterprise Risk Management

During 2015, MAI re-vamped its Enterprise Risk Management (ERM) process with two goals in mind:

1. To create a process to enable understanding of risks, risk levels, risk responsibilities, and the effectiveness of risk related actions.
2. To move MAI's risk intelligence, risk awareness and risk decision making processes into an explicit dynamic process.

To deliver on these objectives, MAI will utilize a recognized methodology of Enterprise Risk Management (ERM), which requires management to take an explicit approach to the identification of risks and to reduce those risks to an acceptable tolerance level. Based on the recommendation of an external consultant, MAI has adopted a decentralized model with central subject matter thought leadership – the Enterprise Risk Services (ERS) group – to implement its risk management methodology.

An Enterprise Risk Management Committee was established in 2015 to provide internal oversight, scrutiny, and enterprise level control over the consolidated risk profile for the company. This committee is also charged with the responsibility to monitor emerging risks and significant shifts in the known risks in the company's enterprise risk level inventory.

Key Elements of the Corporation's Enterprise Risk Framework will include:

- Regular reporting to the Corporation's Board of Directors
- A process to develop and maintain the risk profile at the corporate and departmental levels, with assessments of severity at both the inherent and residual levels
- A risk register containing assessed risks and risk responses at the enterprise level along with an identified owner for each risk
- Articulated risk response for each enterprise level risk with an assessment of the residual risk and the acceptability of the residual risk level
- Active monitoring of emerging and evolving enterprise level risks
- A performance management framework containing an evaluation of each employee's fulfillment of their risk management responsibilities

- Active management of action plans to rectify identified material weaknesses in policies, processes and controls (risk responses)
- Businesses cases for new initiatives will contain an assessment of the risks inherent to the initiative with a corresponding analysis of actions needed to appropriately manage the identified risks

The Corporation is committed to optimizing its ERM practices. While some risks can never be completely mitigated, the Corporation now has a process in place to ensure that the overall risk to MAI's operations is managed appropriately and brought to an acceptable level.

The following outlines MAI's corporate risks along with a sample of some of the Corporation's mitigation strategies. It is important to note that the risk ratings will be reviewed regularly and are subject to change. MAI's Board of Directors has already indicated that, based on the Corporation's mitigation strategies, some of the risks are rated too highly and need to be reassessed. It should also be noted that the risk assessment is based on a combination of Likelihood to happen and Impact, which leaves some risks rated at a high level, although the Likelihood may be relatively low.

Brief Description of the Risk	Mitigation Strategies
1. Unsafe operations of vessels and onshore facilities	• Review and enhance employee training and familiarization program • Enhance/improve Safety Management System • TC Flagstate inspections • Implementation of Drug and Alcohol Policy
2. Harm to people on MAI premises and facilities	• Enhance/improve Safety Management System • Robust inspection and audit programs • My Health program launched
3. Contamination of environment (soil, water, air) by MAI	• Increase awareness of environmental protection expectations • Update fueling standard operating procedures • Preventative Maintenance Program • Planned upgrades to tank farm and pipelines
4. People competency, capability, and capacity are insufficient to operate and manage the business in a manner that achieves MAI's Mission and Vision	• Ongoing implementation of Performance management • Management skill set training • Expanded recruitment process • Re-evaluation of compensation models
5. MAI's people practices do not foster an engaged workforce reflecting MAI's Values	• Communication and integration of Values throughout MAI • Ongoing implementation of Performance management
6. Organization not effectively led and governed	• Review of governance policies and approaches • Ongoing leadership/management training programs

Brief Description of the Risk	Mitigation Strategies
7. Business practices, and/or employee, officer, director behaviours inappropriate	• Increased integration of Corporate Values • HR Policies – Harassment, Drug and Alcohol, etc. • Code of Ethics
8. Lack of collaboration with stakeholder groups	• Stakeholder Engagement Plan
9. Failure to deliver on strategic plan	• Implementation of the Balanced Scorecard • Increased communication, awareness and support of Strategic Plan at all levels of the Corporation • Introduction of the Project Management Structure • Long Term Fleet Strategy
10. Failure to comply with regulatory requirements	• Ongoing familiarization and training on regulations • Implementation of Marine Learning System (vessel staff standardization, next 2-3 years) • Regular internal audits
11. Lack of confidence by shareholder	• Regular meetings with the Shareholder • Continued improvement of Corporate planning process
12. Processes not effective to achieve operational efficiency	• Further development of KPIs for various processes • Business Process Renewal Project • Implementation of Project Management Structure • More disciplined approach to strategic planning
13. Service not dependable	• Review loading procedures and processes to improve effectiveness • Communcation systems in place for customer communcation during delays or cancellations • Improved maintenance management • Regular dry-dockings and dockside maintenance
14. Material damage to and/or loss of customer's property or a third party's property	• Standard operating procedures and manuals • Vessel Loading Plans • Sufficient insurance coverage
15. Services do not meet customers' expectations of value	• Formalize service recovery plans and processes • Customer surveys – PRV and CRV • Customer service training
16. Cost of operations are not within appropriations	• Monthly and quarterly financial reviews • Improved budgeting process • Fuel hedging strategy in place
17. Inadequate supplies, physical resources and services to operate business	• Develop contingency plans for fueling vessels • Hiring of a Strategic Procurement Manager • Improved inventory count reviews

Brief Description of the Risk	Mitigation Strategies
18. Sudden and/or unexpected interruptions to corporate operations.	• Business Continuity Plan • Emergency Response Plan • Security processes for customers and employees • Workforce and succession planning processes
19. Government policy change	• Maintain current initiatives to understand Government expectations • Maintain regular communcation with the Shareholder
20. Inadequate management, integrity, protection and availability of information	• Incident Response Plan • Standardization of processes • Ongoing deployment of Company Log (for storing and sharing corporate records and files) • Business Process Renewal Initiative

Information on the Corporation's risk categories and ratings can be found in Appendix A.

Business Process Renewal (BPR)

In May 2012, Treasury Board issued a policy related to Enterprise Resource Planning (ERP) standards for government departments. ERP is defined as "a technology strategy that integrates a set of business functions such as finance, materiel, human resource (HR), purchasing and asset management, through tight linkages from operational business transactions through to financial records. ERP systems enable the flow of information across the organization, in end-to-end business processes, through a comprehensive set of interconnected systems modules. ERP systems are packaged application software suites, which support the common business processes, functions and data for the systems of record in an enterprise."

Furthermore, the policy states, "the implementation of standard ERP systems supporting common business processes will improve the quality, timeliness and reliability of information for decision making, both within departments and government-wide and will serve over time, to reduce inefficiencies, duplication and costs in back office administration."

Like most organizations, MAI is dependent upon information systems for the conduct of its business. Without effective and reliable information systems to support MAI business processes, there can be a material detrimental impact on the organization. Furthermore, to ensure the effective management of information risk, MAI must ensure that critical information systems are scalable so that they can remain aligned with MAI's business strategy; systems must have the capacity to fulfill MAI's operational and information management requirements. It is incumbent on MAI to ensure that it employs effective information management systems and that it appropriately manages any technology risks to which it is exposed.

The Corporation has determined that its current information management processes and systems are insufficient to meet both the Corporation's and customers' needs. MAI is in need of a holistic solution that will allow the Corporation to improve its overall IT systems environment. The Corporation has been using and maintaining multiple systems for many years; each system manages a separate component of MAI's business and, in some cases, there are multiple systems managing the same business process. For example, MAI currently has three different systems for creating requisitions and tracking inventory. Aloha, AMOS and Adaco all create purchase orders and requisitions that are then replicated in IFS, which creates not only duplication of effort and integration issues, but also creates significant risk for the Corporation, as described below:

- Disconnected information systems impede the use of automated workflow and contribute to issues with internal controls.
- A complex IT system environment leads to 'individual processes' and the perceived need for additional duplicate systems.
- Information does not seamlessly flow between departments prohibiting the end-to-end view of key activities.
- Many manual interfaces are required to move information throughout the Corporation.
- The complex maintenance and support of multiple unique IT systems requires independent maintenance.

The following is a list, although not exhaustive; of the various systems that currently exist within the Corporation:

System	Example of Role(s) at MAI
Adaco	Recipe management and food inventory
Aloha	Vessel point of Sale and gift shop inventory
AMOS	Vessel maintenance system and inventory (3 vessels)
BOOKIT	Reservation system, revenue
E-Personality	HR and payroll
IFS	Accounting, shore based inventory and inventory on 1 vessel
iTrak	Incident tracking (safety)
MPMS	Vessel maintenance (MV Atlantic Vision)
OpenText	Electronic document management system
TMS	Terminal management system (drop trailers)

In 2015, a study completed by Deloitte concluded that MAI's "*…current business processes and supporting architecture are not sustainable in the future and pose several risks to the organization related to manual integrations, poor data integrity, high numbers of compensating controls and lack of end-to-end transparency."*

Undoubtedly, MAI can make upgrades and changes to its current systems to address some of the problems identified; however, the underlying issues will remain and the organization will have to continue incurring additional financial costs to compensate for the flaws in its systems. Additionally, several of the Corporation's current systems will soon reach 'end of life,' meaning the software vendors will no longer be offering support for the current versions of the software held by MAI. The Corporation's accounting system has already reached 'end of life' and the payroll system is fast approaching this stage.

To address the weaknesses in its IT systems environment and to minimize the overall risk presented by the use of numerous stand-alone systems, MAI is proposing to implement a new

Enterprise Resource Planning system as part of its Business Process Renewal initiative. An ERP solution will work effectively in MAI's distributed environment and will address the following key technology issues:

- Lack of visibility into key processes
- Reporting on metrics
- Manual processes and compensating controls
- Efficiency in using scarce human resources
- Audit and data integrity
- Horizontal versus vertical process alignment

Moving towards a new ERP system that effectively combines and streamlines the Corporation's various IT systems will improve overall efficiency and position the Corporation for further improvements to its business processes.

The cost of a new ERP system, while significant, is more than offset by the efficiencies gained and the improvement in information integrity and availability. Even if the Corporation were to forgo this important initiative, significant financial costs would be required to upgrade or replace current systems.

The costs identified for a new ERP system have been included in the Corporate Plan financials.

Shore Based Maintenance

MAI began the process in 2014/15 of realigning its Shore Based Maintenance Department. This initiative was ongoing during 2015/16 and will be completed during 2016/17. The goal of the initiative is to achieve an effective and efficient shore based maintenance program through appropriate workforce alignment and an effective organizational structure. MAI broke this key initiative down into two phases:

- Phase one (organizational restructuring): Identify key management positions along with the supporting labour force structure required to fulfil an effective and improved shore based maintenance program.
- Phase two (maintenance program changes): Realign maintenance activities with maintenance employees to ensure that the right skill sets/trades are appropriately allocated to the right activities.

Maintenance is an important part of MAI's day-to-day operations and, as such, the completion of this initiative in 2016/17 will result in a more effective shore based maintenance program that will help to further drive business process efficiencies.

Pricing Model Tool

In 2015/16, the Corporation worked closely with an external consultant to begin the development of a new approach to pricing and revenue management. Through both research and market trials, MAI has begun to better understand how customers will react to different price points and discounts.

Based on these learnings, in 2016/17 MAI will be developing a pricing model tool that will allow the Corporation to simulate the impact of various price offerings and various pricing strategies on both CRV and PRV traffic. This project will build on the research conducted in 2015/16 and will ultimately result in the development of a lasting and ongoing solution that not only will enable the Corporation to better estimate the price elasticity of demand for each of MAI's core fare classes, but will also help determine how to maximize revenues for the services offered.

Other Activities

Vehicle Cleaning Services

As part of the Budget 2012 savings commitments, the Canadian Food Inspection Agency (CFIA) proposed that in order to achieve $280,000 in annual savings for the CFIA, it would transfer the cleaning of vehicles leaving the province of Newfoundland and Labrador from the CFIA to Marine Atlantic. The vehicle cleaning service, initially imposed to prevent the spread of plant viruses from one province to another under the Plant Protection Act, has been historically performed by the CFIA inspectors, or other employees of the CFIA. And while the vehicle treatment centers are located next to the MAI facilities in both Port and Basques and Argentia, MAI has had no involvement with the vehicle treatment process to date.

A Treasury Board decision dated June 2012 directed MAI to assume the responsibility for washing vehicles at the CFIA's vehicle treatment facilities in both Port aux Basques and Argentia in 2014.

Since receiving the directive, MAI has been working with the CFIA to negotiate a Memorandum of Understanding that clearly outlines the responsibilities assumed by each organization as part of the transfer of vehicle cleaning services, with little success to date. While on the surface, it would appear to be a simple transfer of duties, it is not. MAI has two major concerns with this decision:

1. MAI has no knowledge of, and no internal expertise, regarding the *Plant Protection Act.* The Corporation is unwilling to accept any liability that may be related to the *Act,* or the spread of disease. As a Crown Corporation, MAI does not have the same indemnity against losses that the CFIA enjoys as a government department, and to secure insurance against such losses would be a very expensive proposition, driving the cost of providing the vehicle cleaning services well beyond the current estimate.
2. MAI is unwilling to accept responsibility for any of the CFIA's facilities or equipment, both of which are extremely old and in very poor condition. The transfer of these facilities to MAI would put a financial burden on the Corporation that is in no way related to the delivery of its core mandate, and would likely impact not only its ability to meet its cost recovery targets, but would also negatively impact rates.

MAI has a duty to its Shareholder – and the Canadian taxpayer - to ensure that is does not assume any liability for the transfer of disease. However, if MAI is required to assume the responsibility of not only washing vehicles, but also ensuring that they have been washed to the CFIA's standards, it has, in effect, assumed the responsibility to prevent the spread of disease. This is clearly not a part of MAI's mandate.

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 received Shareholder concurrence to divest of this property in 2012, and currently has a tentative agreement in place with the State of Maine, subject to a successful negotiation regarding the handling and future responsibility for the environmental liabilities associated with the property. The Corporation is currently working through the details of this agreement and is poised to start the environmental remediation (at a cost of approximately $330K US) that is required based on current environmental regulations in the State of Maine. This remediation is needed so that MAI can minimize any future liabilities related to environmental contamination. The tentative agreement includes the State of Maine paying $1M at the beginning of a three year lease. The State would then have the option to purchase the property at the end of the three year lease. MAI hopes to divest this property as soon as possible, and plans to use the proceeds of the sale to supplement its capital program, as approved in previous Corporate Plans.

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.

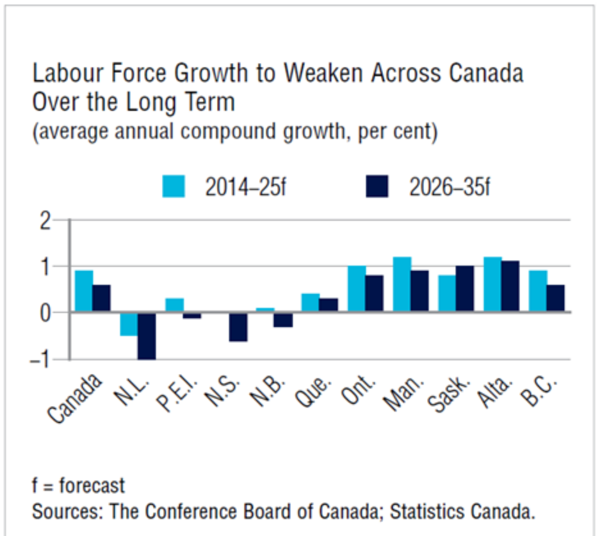
Traffic Demand

Newfoundland and Labrador's economy went through another challenging year in 2015, as government-sector restraint, a slowing resource sector, and a drop in construction activity weigh on overall economic performance. CRV traffic has continued its short-term decline. However, after years of a downwards trajectory, 2015-16 PRV traffic levels increased in 2015/16. 2015/16 represents only the third time in ten years of positive year-over-year growth for PRV traffic, although, the Corporation's traffic forecast shows PRV traffic declining again after 2016/17, in line with the economic situation of Newfoundland and Labrador. While marketing efforts, lower fuel prices, and the US exchange proved beneficial for 2015/16, a sobering economic outlook needs to be considered moving forward, and is reflected in MAI's revised traffic forecast.

In order to build the Corporation's internal forecasting knowledge base, a traffic correlation study was commissioned in April 2015 to understand if there were any patterns between economic indicators and traffic levels. The following was found with respect to PRV traffic levels:

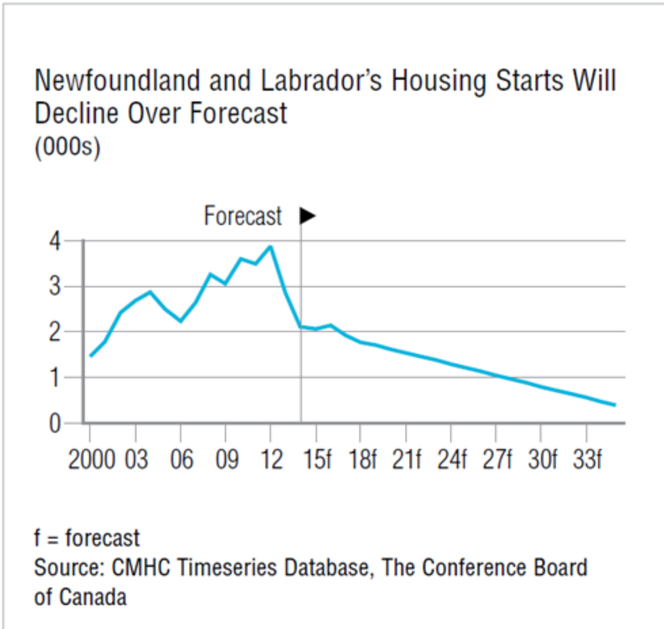
- Overall CPI and CPI for gas show the best correlation with the changes in private vehicle traffic over the past 6 years.
- There appears to be an inverse relationship between Labour Force Participation and the number of PRV vehicles travelling to the mainland.

- According to the Conference Board of Canada, the Province enjoyed strong employment growth from 2010-2013 as major construction projects in the resource sector boosted demand for labour.
- This strong growth will not be maintained going forward. Total employment declined by 1.9% last year, and another contraction is expected this year as well.
- Labour market conditions are expected to improve marginally over 2016-19, however longer term trends point to declines in overall employment.



With respect to CRV traffic levels, correlations with economic indicators were weaker:

- Housing starts appear to be the strongest relation to the trends in live commercial units
  - Housing starts have seen feverish growth over last five years. However this pace will not be sustained in the long run, given the Province's declining demographic requirements and easing of rural-urban migration trends.
  - Housing starts are expected to decline from a peak of 3,900 in 2012, to just 400 in 2035. However the collapse won't become acute until the next decade, as housing starts should remain above 1,000 through to 2027.



While the economic factors are not overly optimistic, there are a number of factors that MAI expects will help to counteract the negative predictions:

- Further pricing trials should contribute to positive PRV growth in 2016/17
- A new PRV pricing strategy will be introduced in 2017/18
- An improved commercial marketing focus with an increased focus on brand awareness in key industries/end-user markets will help drive CRV traffic
- The exchange rate between the US and Canada is expected to stay favorable for American travelers in the short term
- Fuel prices are expected to stay at moderate levels for the short term
- Longer-term oil and gas potential suggests longer term growth
    - Results of recent seismic testing show the potential for up to 12 billion barrels of oil, with a market value of up to $600 billion
- Provincial economic indicators predict that the economy will rebound in 2019/20

Traffic Forecast

Taking all of these factors into consideration, MAI has revised its traffic forecast for the upcoming planning period from its 2015/16 Corporate Plan.

The Canadian Forces Appreciation Fare is continuing to work well for our customers and will continue to be offered throughout the planning period. During the 2015 summer season almost 14,000 people availed of this fare.

This year-round program is available to Canadian Forces personnel, veterans and up to three companions on the same reservation and provides free passenger fare on the Port aux

Basques/North Sydney service, or a 50% discount on passenger fare when travelling on the Argentia/North Sydney service (vehicles are not included).

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 her proposed replacement in 2019 with a new vessel.

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 January 2020 to gradually reduce sulfur dioxide emissions. The 0.1% regulations relating to sulfur content requirements for marine fuel came into effect on January 1, 2015. MAI received an extension to allow the Corporation to gradually meet the regulations by 2020. This will involve the Corporation burning more Marine Gas Oil and less Diesel fuel over time until it reaches the 0.1% sulfur content requirement.

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

Given the volatility of the global economy, and the uncertainty as to where MAI might source replacement vessels, MAI has adopted a very conservative approach to this assumption. However, MAI recognizes that actual funding will be based on the exchange rate that is effective at the time.

Hedging Strategy

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 MV *Atlantic Vision*. MAI'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 Canadian Merchant Services Guild (Agreement A) was renewed through arbitration during the second quarter of 2015/16. 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.

The collective bargaining agreement with the Canadian Merchant Services Guild (Agreement E) was renewed through arbitration in the fourth quarter of 2014/15. The new agreement is for four years from January 1, 2013 to December 31, 2016. The agreement includes an increase of 2.5% on January 1, 2013 and 1.75% for each of the remaining three years of the agreement.

The collective bargaining agreement with the Public Service Alliance of Canada (Agreement F) was renewed through ratification in the fourth quarter of 2014/15. The agreement is for three years from January 1, 2014 to December 31, 2016. The agreement includes an annual wage increase of 1.75% on January 1 of each year of the agreement along with a $1,200 signing payment in recognition of the avoidance of interest arbitration and associated costs as well as the elimination of the Joint Job Evaluation Committee and related processes.

The collective bargaining agreement with Unifor (Agreement B) was settled through arbitration in November 2015. The agreement is for three years from January 1, 2014 to December 31, 2016. The agreement includes an annual wage increase of 1.75% on January 1 of each year of the agreement and includes several adjustments in language to reduce movement within the Corporation's fleet of vessels.

The agreement with Unifor (Agreement C) is currently expired. Arbitration took place in November 2015 and the Corporation is currently waiting for the decision.

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 assumed inflation rates of 3% for non-labour and 5% for fuel expenses. While 3% is at the higher end of the Bank of Canada's range, many of the supplies used by MAI are sourced from Europe, and as such, MAI has chosen to be more conservative with its inflation rate assumptions.

Pension Costs

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 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
2015	6.50	5.5	8.50	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.

Travel, Hospitality, Conference and Event Costs

In 2015, Marine Atlantic was directed by the Governor in Council to align its travel policies with those of the Treasury Board Secretariat, specifically to:

1. "Align their travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and events expenditures in a manner that is consistent with their legal obligations; and
2. to report on the implementation of this directive in their next Corporate Plan."

Travel

Current MAI policy and procedures are very closely aligned with the Federal Government in terms of internal governance and monitoring. There are no provisions that are above the upper limits in the Joint Council Travel directive. For instance, MAI's meal per diem is lower than the federal government per diem. All travel budgets are reviewed and approved by the Executive (CEO and Vice Presidents) and disclosed to the Audit and Risk Committee as part of the annual budget approval process. Monthly cost centre variance reports are submitted to Finance and the travel costs are reported in internal performance books. Pre-approval by a Vice President is required for any travel to non-MAI sites. The amount of information required on the approval form is not yet to the level prescribed in this directive; however, MAI is committed to reaching full alignment.

Draft changes to the Corporation's travel policy are currently being reviewed and will be finalized by March 31, 2016 for implementation early in 2016-17.

Conferences

Current MAI policy and procedures are aligned with the Federal Government. The annual budget for Conferences is approved by the Executive and disclosed to the Audit and Risk Committee of the Corporation's Board of Directors as part of the annual budget approval process. Monthly cost centre variance reports are submitted to Finance and the conference costs are reported in internal performance books. A conference and travel authorization form is used. All employees must receive pre-approval by the appropriate VP before registering or booking travel. The total budgeted costs are included on the form as well as the benefits of attending.

Hospitality

Currently MAI does not have an implemented hospitality policy, however, hospitality related costs are closely monitored and budgeted. The Corporation has a zero tolerance policy for alcohol. Most of MAI's hospitality costs are related to interdepartmental managers' meetings, training and employee recognition events. No pre-approval is currently required. Cost centre managers can currently initiate hospitality related expenses.

A new draft hospitality policy has been drafted and is currently being reviewed. It will be finalized by March 31, 2016, for implementation early in 2016-17.

Events

There is currently no specific event approval process; however, the Corporation does not hold many events in any given year. All costs related to events are captured in the budgeting process. Cost centre managers are responsible for staying within their budget and cost centre managers' report on budget variances monthly.

MAI is currently reviewing its events approval process and will determine if any changes need to be made early in 2016-17.

From a reporting perspective, MAI is in the process of setting up an efficient process for initiating, routing and tracking the preapprovals required for travel, hospitality, conferences and events in order to comply fully with the directive. The Corporation is already well positioned to meet this directive and remains committed to full alignment by March 31, 2017. The Corporation will report regularly on travel expenses in its Quarterly Financial Reports as well as its Annual Report, starting with its 2015/16 Annual Report.

The Corporation's forecasted Travel, hospitality and conference expenses are as follows. The increase in travel for 2016-17 is attributed to the proposed replacement of the MV *Atlantic Vision,* which will likely involve additional travel, including some travel to applicable shipyards.

In general, MAI's travel costs include travel to MAI's various offices, travel to shipyards for maintenance periods and refits, travel to Ottawa to meet with Transport Canada and central agencies, and travel for training.

(000's)	Average Prior 3-Years	Actual 2014-15	Forecast 2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Travel	1,921	1,738	2,316	2,602	2,083	2,246	2,213	2,382
Conferences	116	196	170	192	189	187	188	180
Hospitality	227	218	195	131	132	132	132	132
	2,263	**2,152**	**2,682**	**2,925**	**2,403**	**2,565**	**2,532**	**2,694**

The Corporation is currently formulating a plan to meet the proactive disclosure requirement moving forward.

Capital Requirements

Fleet Maintenance

Fleet maintenance capital is required to keep the vessels in top working order. As required under regulation, MAI has forecasted dry-dockings for each vessel every 2 years, with the exception of the MV *Atlantic Vision;* due to the amount of time this vessel is in lay-up, it is scheduled for dry-docking only once over the planning period, with no impact on class.

Specifically, the MV *Blue Puttees* is scheduled for dry-docking in 2016/17, 2018/19, and 2020/21. In those years that the vessel is not in dry-dock, dockside maintenance is scheduled. Other maintenance work programmed for the MV *Blue Puttees* includes replacement of the lifeboat hooks, overhauling the auxiliary engine on an annual basis, and installing the diesel fuel conversion kit, which is required to switch the vessel from a blended fuel to MGO to meet sulfur emission requirements.

The MV *Highlanders* is scheduled for dry-dockings in 2017/18 and 2019/20. Dockside maintenance is scheduled in alternate years. Other maintenance scheduled is similar to that of the MV *Blue Puttees* – lifeboat hooks, auxiliary engine overhauls, and diesel fuel conversion kit.

The MV *Atlantic Vision*, meanwhile, is scheduled for dry-docking in 2018/19 and the MV Leif Ericson is scheduled for dry-docking in 2017/18 and again in 2019/20.

Shore Maintenance

MAI has invested a significant amount of money in its shore-based infrastructure over the past six years, including the new administration building and the new terminal in NSY (North Sydney) and the refurbishment of the terminal in PAB (Port aux Basques). It has also invested heavily in its docks and marshalling yards. MAI is now at the point that capital funds are required to maintain these facilities so that the Corporation can continue to provide a high level of customer service.

Strategic Initiative Capital

As indicated earlier in the Corporate Plan, MAI has recently implemented the Balanced Scorecard methodology of strategic management. Part of this methodology includes identifying capital and expense budgets required specifically to execute on strategy. MAI's strategic initiative capital request includes funding for 3 projects, assuming business case and Board of Directors approval.

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. The cost recovery formula is calculated by dividing total revenues into total costs - less charter fees, capital expenditures, program management, implementation and restructuring and pension costs.

8.0 Key Performance Indicators

In addition to achieving revenue and cost recovery targets, MAI has identified the following Corporate-level KPIs to help determine the success of its strategic initiatives, and to meet the expectations of its key shareholder, the Government of Canada.

	2015/16 Target	2015/16 YTD[1]
Cost Recovery - Overall	65%	66.3%* (year-end forecast)
On-time performance (excl. weather)	86-90%	92%
Unplanned service interruptions	3% or lower	2.0%
Capacity Utilization	68%	76%

9.0 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.

Borrowing Authority

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 from the Minister of Finance 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.

10.0 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, 2015 and Projected for 2015/16 to 2020/21

(In $ Thousands)	Actual 2014/15	Forecast 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Financial assets							
Cash	12,527	12,477	12,477	(72,227)	(212,790)	(382,431)	(571,654)
Accounts receivable	10,082	7,695	5,695	5,695	5,695	5,695	5,695
Inventories held for resale	335	335	335	335	335	335	335
Derivative financial instruments	797	-	-	-	-	-	-
Accrued pension asset	111,832	140,795	168,870	183,870	198,870	213,870	228,870
	135,573	161,302	187,377	117,673	(7,889)	(162,531)	(336,754)
Liabilities							
Accounts payable and accrued liabilities	28,120	26,495	26,495	26,495	26,495	26,495	26,495
Derivative financial instruments	6.027	2,192	-	-	-	-	-
Deferred revenue	3,547	3,547	3,547	3,547	3,547	3,547	3,547
Payable to Government of Canada	2,766	2,766	2,766	2,766	2,766	2,766	2,766
Accrued liabilities [Note 1]	62,484	62,484	62,484	62,484	62,484	62,484	62,484
	102,944	97,484	95,292	95,292	95,292	95,292	95,292
Net financial assets (debt)	32,629	63,818	92,085	22,381	(103,181)	(257,823)	(432,046)
Non-financial assets [Note 2]	228,417	423,776	413,874	413,416	416,961	430,313	429,637
Accumulated surplus	261,046	487,593	505,959	435,797	313,779	172,490	(2,409)

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

Marine Atlantic Inc.
Statement of Operations
For the Year Ended March 31, 2015 and Projected for 2015/16 to 2020/21

(In $ Thousands)	Actual 2014/15	Budget 2015/16	Forecast 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Total Revenues	105,357	104,807	105,784	109,228	112,366	115,575	118,858	122,978
Expenditures								
Wages and benefits	84,026	85,201	83,785	88,493	92,187	95,216	98,600	101,928
Charter fees	42,226	34,856	33,822	13,946	13,117	15,614	24,500	43,745
Charter importation taxes	2,861	2,386	2,386	-	-	-	4,135	8,141
Fuel	32,246	28,399	22,017	25,613	34,735	36,125	39,008	39,538
Materials, supplies and services	17,026	19,375	22,258	22,965	25,094	27,938	30,264	35,189
Repairs and maintenance	10,901	10,634	13,177	11,688	12,056	12,421	12,777	13,164
Insurance, rent and utilities	7,200	7,596	7,856	7,778	7,696	7,973	8,263	8,561
Other	3,091	8,584	6,078	9,166	6,583	6,933	7,113	7,500
Employee future benefits [Note 1]	6,855	10,337	9,660	10,435	8,969	9,258	9,579	9,896
Foreign currency exchange loss (gain)	1	-	-	-	-	-	(2,408)	-
Realized loss (gain) on derivative financial instruments	4,147	-	5,312	2,192	-	-	-	-
Loss (Gain) on disposal of tangible capital assets	268	-	-	-	-	-	-	-
Amortization	32,792	30,000	31,000	40,900	43,000	45,500	47,700	49,600
Total Expenditures	243,640	237,368	237,351	233,177	243,438	256,977	279,530	317,261
Deficit before government funding	(138,283)	(132,561)	(131,568)	(123,949)	(131,072)	(141,402)	(160,673)	(194,284)
Government funding								
Operations	117,227	132,016	126,508	110,310	55,910	14,384	14,384	14,384
Capital	18,895	242,311	228,570	29,812	5,000	5,000	5,000	5,000
Total Government funding	136,122	374,327	355,077	140,122	60,910	19,384	19,384	19,384

Marine Atlantic Inc.
Statement of Operations
For the Year Ended March 31, 2015 and Projected for 2015/16 to 2020/21

(In $ Thousands)	Actual 2014/15	Budget 2015/16	Forecast 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Operating (deficit) surplus	(2,161)	241,766	223,510	16,173	(70,162)	(122,018)	(141,289)	(174,900)
Accumulated operating surplus, beginning of year	272,115	269,954	269,954	493,464	509,637	439,475	317,457	176,169
Accumulated surplus, end of year	269,954	511,720	493,464	509,637	439,475	317,457	176,169	1,269

Notes to Statement B – Statement of Operations:

1. Employee future benefits expenses for 2014/15 are based on actuarially determined numbers. For 2015/16 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, 2015 and Projected for 2015/16 to 2020/21

(In $ Thousands)	Actual 2014/15	Forecast 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Remeasurement (losses) gains arising during the year							
Unrealized (loss) gain on foreign exchange of cash	(942)	8,349	4,384	-	-	-	-
Unrealized (loss) gain on derivatives	(1,594)	-	-	-	-	-	-
Reclassifications to the statement of operations							
Realized (loss) gain on derivatives	(4,147)	(5,312)	(2,192)	-	-	-	-
Net remeasurement (losses) gains for the year	(6,683)	3,307	2,192	-	-	-	-
Accumulated remeasurement losses, beginning of year	(2,225)	(8,908)	(5,871)	(3,679)	(3,679)	(3,679)	(3,679)
Accumulated remeasurement losses, end of year	(8,908)	(5,871)	(3,679)	(3,679)	(3,679)	(3,679)	(3,679)

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

1. Numbers may not add due to rounding.

Statement D: Statement of Change in Net Financial Assets

Marine Atlantic Inc.
Statement of Change in Net Financial Assets
For the Year Ended March 31, 2015 and Projected for 2015/16 to 2020/21

(In $ Thousands)	Actual 2014/15	Forecast 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Operating (deficit) surplus	(2,161)	223,510	16,173	(70,162)	(122,018)	(141,289)	(174,900)
Change in tangible capital assets							
Acquisition of tangible capital assets	(18,895)	(228,570)	(29,812)	(42,542)	(49,045)	(44,514)	(37,033)
Amortization of tangible capital assets	32,792	31,000	40,900	43,000	45,500	47,700	49,600
Loss on disposal of tangible capital assets	268	-	-	-	-	-	-
Decrease (increase) in tangible capital assets	14,165	(197,570)	11,088	458	(3,545)	3,186	12,567
Change in other non-financial assets							
Net change in inventories held for consumption	6,648	(651)	(1,186)	-	-	-	-
Net change in prepaid expenses	2,064	2,862	-	-	-	(16,538)	(11,891)
Decrease (increase) in other non-financial assets	8,712	2,211	(1,186)	-	-	(16,538)	(11,891)
Net remeasurement (losses) gains	(6,683)	3,037	2,192	-	-	-	-
Increase (decrease) in net financial assets	14,033	31,189	28,267	(69,704)	(125,563)	(154,641)	(174,224)
Net financial assets (debt), beginning of year	18,596	32,629	63,818	92,085	22,381	(103,181)	(257,823)
Net financial assets (debt), end of year	32,629	63,818	92,085	22,381	(103,181)	(257,823)	(432,046)

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

1. Numbers may not add due to rounding.

Statement E: Statement of Cash Flow

Marine Atlantic Inc.
Statement of Cash Flow
For the Year Ended March 31, 2015 and Projected for 2015/16 to 2020/21

(In $ Thousands)	Actual 2014/15	Forecast 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Operating transactions							
Cash receipts from customers	106,280	105,659	109,102	112,240	115,449	118,732	122,852
Other income received	154	125	126	126	126	126	126
Government funding – operations [Note 1]	113,610	126,458	110,310	55,910	14,384	14,384	14,384
Government funding – capital [Note 2]	22,674	228,570	29,812	5,000	5,000	5,000	5,000
Cash paid to suppliers and employees	(192,966)	(193,668)	(181,028)	(191,468)	(202,219)	(241,198)	(269,657)
Cash paid for EFBs [Note 3]	(26,972)	(38,623)	(38,510)	(23,969)	(24,258)	(24,579)	(24,896)
Interest and foreign exchange on cash	(943)	-	-	-	-	2,408	-
	21,837	228,520	29,812	(42,162)	(91,518)	(125,127)	(152,191)
Capital transactions [Note 4]							
Capital asset purchases from current year funding	(20,874)	(228,570)	(29,812)	(42,542)	(49,045)	(44,514)	(37,033)
Capital asset purchases from prior year funding [Note 5]	(1,800)	-	-	-	-	-	-
	(22,674)	(228,570)	(29,812)	(42,542)	(49,045)	(44,514)	(37,033)
Net (decrease) increase in cash	(837)	(50)	-	(84,704)	(140,563)	(169,641)	(189,224)
Cash, beginning of year	13,364	12,527	12,477	12,477	(72,227)	(212,790)	(382,431)
Cash, end of year [Note 6]	12,527	12,477	12,477	(72,227)	(212,790)	(382,431)	(571,654)

Notes to Statement E– Statement of Cash Flow:

1. Government funding – operations for 2014/15 includes 106,610 for current year and 7,000 for prior fiscal year.
2. Government funding – capital for 2014/15 includes 20,874 for current year and 1,800 for prior fiscal year.
3. Cash paid for EFBs (Employee Future Benefits) includes cash paid for pension, worker's compensation and other non-pension employee future benefits.
4. 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.
5. 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.
6. Numbers may not add due to rounding.

Appendix A: Risk Categories and Criteria

Equal to or greater than 24 (HIGH)
Equal to 16 but less than 24 (MATERIAL)
Equal to 8 but less than 16 (MEDIUM)
Less than 8 (LOW)

LIKELIHOOD		RATING SCALE
	1	Remote - event has not occurred, would be a surprise if it did; less than 10% chance of happening in one year or no more than once in every 20 years
	2	Could happen - event has not occurred but could; between 10% and 20% chance of happening in one year or once in every 15 to 20 years
	3	Possible - have heard of something like this occurring here or elsewhere in distant past; between 20% and 40% chance of happening in one year or once in every 10 to 15 years
	4	Good chance - have heard of this occurring elsewhere or here in the recent past; between 40% and 50% chance of happening in one year or once in every 5 to 10 years
	5	Likely to happen - have heard of this occurring a few times in my career, here or elsewhere; between 50% to 70% chance of happening in one year or once in every 5 years
	6	Certain to happen - event has occurred several times or more in my career, here or elsewhere; greater than 70% chance of happening once every 1 to 2 years
IMPACT		(Stated in terms of effort to deal with the issue; impact on people; financial cost; impact on reputation of Marine Atlantic)
	1	Minimal - dealt with easily without much notice, front line staff can take care of it; no injury to persons; minimal financial cost; negligble impact on MAI's reputation
	2	Slight - dealt with internally with some effort, front line staff and front line manager deals with it; injury but no treatment required; financial loss can be absorbed as an immaterial operating expense; negligible impact on MAI's reputation
	3	Moderate - efficiency of service impaired but can be dealt with internally; might require policy and/or process change; injury that requires treatment but no permanent or long term disability; financial loss suffered but can be recovered from shift in priorities or use of alternate funds; internal concern for impact to image
	4	High - signficant attention needed by Department Mgmt (VP & Directors); may result in policy change; might need outside advisors to deal with issue; injury that requires treatment and lost time; financial loss suffered requires change to planned expenditures/investments in order to absorb loss; impact on reputation is understood internally but not visible to external parties.
	5	Very High - significant attention by Executive Management, and/or Board and/or outside advisors; injury with potential to be long term or permanent; financial loss suffered has material impact on annual earnings; impact on reputation is evident to external parties whom MAI deals with on regular basis
	6	Severe impact - significant attention needed by Executive Management, the Board, outside advisors; severe disability or loss of life; financial loss has impact on reserves/net worth; impact on image is evident to external parties and community at large.