

# ANNUAL REPORT 2018-19



Marine Atlantic  
Marine Atlantique

Canada



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# 120 YEARS OF SERVICE

Marine Atlantic: Connecting our world since 1898.



Proudly celebrating 120 years of service.

On June 30, 1898, the *SS Bruce* departed Port aux Basques for North Sydney, the first passenger ferry crossing between the two ports. Since that time, many thousands of crossings have taken place and both communities have helped shape the Atlantic Canadian economy. This year, we celebrated 120 years of the Gulf ferry service and the anniversary of that first historic crossing.

From past vessels such as the *SS Caribou*, *SS William Carson*, and *MV Joseph and Clara Smallwood*, to today's modern vessels such as the *MV Blue Puttees*

and *MV Highlanders*, thousands of dedicated employees have carried on the rich tradition of connecting the people and businesses of Newfoundland and Labrador with those in the rest of Canada.

Our commitment is to continue meeting the changing needs of our customers, offer a sustainable and effective ferry service for the future, while keeping our long-standing tradition of serving our customers and stakeholders alive and well for many years to come.

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# HIGHLIGHTS FOR 2018-19



Number of Sailings

1,634



Passengers

307,758



Passenger Vehicles

115,972



Commercial Vehicles

87,739



On-time Performance (excluding weather delays)

88%



# MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS



Positive change and improvement are two key factors that we are committed to achieving at Marine Atlantic, with one leading to the other. These actions have been front and centre over the past year as we have made a number of changes to how we conduct our business with the goal of offering an even stronger, sustainable and effective service for our customers.

While bricks and mortar projects are very visible by their nature, it is our guiding principles that govern our decision-making processes and makes us who we are. The most important of these principles are our corporate values that illustrate what we stand for and how we conduct our business activities.

I am very proud to say that we introduced a new corporate value that is of great importance to all of us at Marine Atlantic, Diversity. A diverse workplace benefits from the combined talents of people from different backgrounds, experiences and abilities and we are committed to building a diverse, inclusive and respectful workplace. We were honoured to receive an Employment Equity Award from the Government of Canada recognizing our efforts to removing employment barriers and achieving results. This has made us successful in the past and will make us even stronger for the future.

From a corporate governance perspective, we welcomed Carla Arsenault as our newest Board member. Carla has extensive business and leadership experience and will help us achieve our goals for the years ahead. I want to thank our outgoing Board member Dwight Rudderham for his significant contribution to our service during his term. I also want to take this opportunity to recognize our former President and CEO, Paul Griffin, whose years of hard work and dedication has left our service with a very strong foundation moving forward. His successor, Don Barnes, is using his significant experience to continue implementing our improvement agenda.

On behalf of the Board of Directors, I want to recognize the hard work of our employees in achieving our many accomplishments. I also want to recognize the continued support and collaboration of the Government of Canada, including the Budget 2019 announcement for the procurement of a new vessel. This support will strengthen our future fleet and planning processes, allowing us to better meet the needs of our customers, business partners, and operations.

I also want to thank the Office of the Auditor General of Canada for their detailed Special Examination Report which highlighted many of our positive accomplishments, while identifying areas for continual improvement. We have developed plans to address identified gaps and have already started making changes based upon these recommendations.

We remain committed to attaining results that will benefit all those who use our service. Through good governance, consultation, and continued hard work, we are confident that additional positive change and improvement is on the horizon for the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kristopher Parsons'. The signature is fluid and cursive, written over a light blue horizontal line.

Kristopher Parsons,  
Chair, Board of Directors

# MESSAGE FROM THE PRESIDENT AND CEO



This year marked the 120th anniversary of the Port aux Basques-North Sydney passenger ferry service. While many thousands of crossings have taken place since 1898, our goal of serving and meeting the needs of our customers remains as strong a priority today as it was in the beginning.

Through the years, many lessons have been learned and improvements made, but positive change has always been constant. From fleet renewal to business process change, our day-to-day decisions are designed to ensure a sustainable and effective ferry service for our customers. This year's activities included upgrading our docks and mooring systems, introducing new diversity and inclusion initiatives, expanding our marketing programs, refreshing our onboard customer offerings, continuing our business process renewal upgrades and broadening our community partnerships. We have also continued our environmental stewardship initiatives and focused on moving to cleaner fuel.

With customer satisfaction, reliability and on-time performance remaining at very high levels, we are continuing our efforts to maintain this momentum through new customer offerings, technology enhancements and preventative maintenance activities. These three key performance indicators are important to customers and provide us with vital performance information in our quest for continual improvement.

I also want to acknowledge the frustration that all of us have experienced regarding winter disruptions due to very high winds, challenging and extended weather patterns and unpredictable ice conditions. The past few years have presented more extreme weather challenges and our commitment is to provide customers with information as far in advance as possible to enable them to make decisions that best meet their needs. We make every effort to resume our operations as quickly as possible following an interruption.

Marine Atlantic has always played a vital role in enabling the Atlantic Canadian economy and our employees remain the backbone of our service. Whether it is completing our daily operational activities or being called into action as part of a maritime rescue to save lives, our employees are highly trained, committed to teamwork and work tirelessly to achieve successful outcomes. I would be remiss not to mention the efforts of Captain Scott Dowding and the crew of the MV *Leif Ericson* who rescued three fishers from the Atlantic Ocean in September. Their courageous efforts helped reunite families and were recognized by the Canadian Coast Guard. Our sincerest thanks and congratulations for a job well done.

Following in the footsteps of our predecessors, we are committed to carrying on the rich tradition of connecting the people of Canada. Providing a strong, reliable, sustainable and effective ferry service for our customers, while being an integral part of our port communities and reflective of our diverse populations and customer base, is our focus.

We look forward to working with our customers and stakeholders as we continue our agenda of change and improvement in the year ahead.

A handwritten signature in black ink that reads "Donald Barnes". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Sincerely,  
Donald P. Barnes,  
President and CEO

# MARINE ATLANTIC: OUR ROLE AND SERVICE



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.”

## OUR CORPORATE PROFILE

Marine Atlantic is a federal Crown Corporation tasked with fulfilling the constitutional mandate of offering freight and passenger service between Port aux Basques, Newfoundland and Labrador, and North Sydney, Nova Scotia. This service is vital to connect the Province of Newfoundland and Labrador with mainland Canada.

Marine Atlantic operates terminals in Port aux Basques and Argentia, Newfoundland and Labrador, and North Sydney, Nova Scotia. We operate ferry services on two routes, a year-round 96 nautical mile daily ferry service between Port aux Basques and North Sydney and a seasonal 280 nautical mile ferry service between Argentia and North Sydney.

To fulfill our mandate, Marine Atlantic operates a fleet of four ice-class ferries (ships that have additional strengthening and specifications to enable navigation through sea ice): *MV Blue Puttees*, *MV Highlanders*, *MV Atlantic Vision* and *MV Leif Ericson*. The Corporation reports annually to the Government of Canada through the Minister of Transport.

## OUR VISION

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.

## OUR MISSION

Marine Atlantic’s mission is to provide a safe, environmentally responsible and high-quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner.





Marine Atlantic is a transportation company that **provides a vital link between the Island of Newfoundland and the Province of Nova Scotia**, and is a fundamental component of the Atlantic Canadian economy – particularly in Newfoundland and Labrador – as it **transports goods such as food, medical supplies, and retail products, as well as people**, including both resident travellers and tourists. As a federal Crown Corporation, Marine Atlantic is mandated to provide its ferry service on a year-round basis to both passenger and commercial traffic.

## OUR VALUES



### SAFETY

Protection of people, property and the environment is our ultimate priority. Excellence in managing health, safety and environmental performance is critical to our sustainability and long-term business success.



### DIVERSITY

We provide all individuals the opportunity to express themselves freely, contribute fully, grow professionally, and feel valued and respected – without judgment or prejudice. We know diversity and inclusion leads to a stronger organization and community.



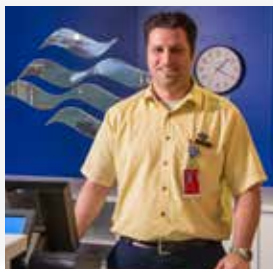
### TEAMWORK

We always help each other. Working together always results in better outcomes.



### COMMITMENT

We are all responsible for our performance and the success of the business. We understand our commitments to our customers and each other.



### INTEGRITY

We say what we mean, mean what we say and do what we say. Honesty and transparency create credibility and opens the path to engagement. Our actions align with what we say. The reputation of our business is dependent on our ethical behaviour in everything we do.



### EXCELLENCE

We are passionate about our customers and our service. We take pride in what we do and are committed to continuously improving how we operate through innovation and information sharing. We focus on the needs of our customers and are dedicated to satisfying those needs with a sense of urgency.



## DID YOU KNOW?

Canada has a **Transportation of Dangerous Goods Act** that governs the transportation of thousands of goods including everyday items from nail polish, paint and batteries to fuel, fireworks and dynamite.



## OUR OPERATIONS

Marine Atlantic transports a diverse assortment of traffic. On a daily basis, the Corporation transports passengers, passenger vehicles, tractor trailers and their drivers, drop trailers (trailers only - no attached truck), and other vehicles such as motorhomes, buses, motorcycles and all-terrain vehicles.

As the only year-round daily ferry service between the Island of Newfoundland and the Province of Nova Scotia, the Corporation transports goods entering and exiting the province via the commercial trucking industry. Vitally important items including perishable foods and medical supplies are transported every day. Local Newfoundland businesses rely on our service to maintain their supply chain to customers off the Island.

As the primary ferry service for passenger vehicle traffic on and off the Island of Newfoundland, Marine Atlantic is also a valuable transporter of people. Ferry travel supports the connection between Newfoundland and Labrador and the rest of Canada. During the summer months, Marine Atlantic transports large numbers of travellers, both resident and non-resident, and plays an important role in supporting the province's tourism industry.

Marine Atlantic operates four vessels designed to meet the needs of our diverse customer base. From shipping large volumes of freight to offering modern passenger amenities, Marine Atlantic strives to provide a safe, reliable and quality travel experience.





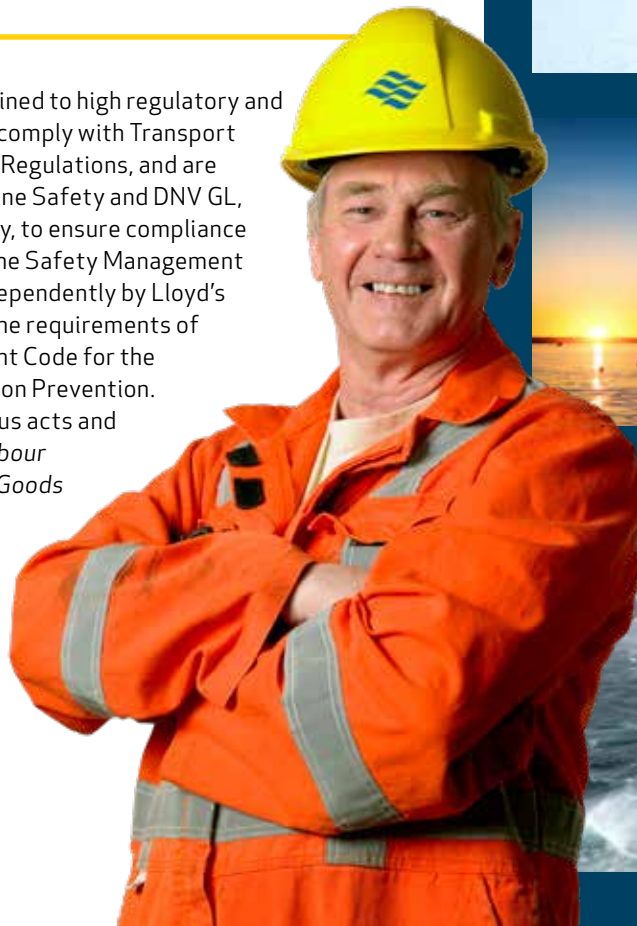
## OUR OPERATING ENVIRONMENT

Operating year-round, Marine Atlantic's vessels sail during pleasant summer weather and harsh winter conditions. The ferry service is heavily influenced by its operating environment and the captains and crews of our vessels are constantly monitoring weather conditions for safety and passenger comfort during the trip.

The environment in which Marine Atlantic's ferry service operates demonstrates the requirement for modern, ice-class, well-maintained vessels, as well as highly trained and skilled employees. By its very nature, Marine Atlantic's service is complex to operate and the focus is always on safety, reliability and customer service.

## OUR SAFETY STANDARDS AND REGULATIONS

Marine Atlantic's vessels are maintained to high regulatory and safety standards. The vessels must comply with Transport Canada Marine Safety Statutes and Regulations, and are inspected by Transport Canada Marine Safety and DNV GL, a world-leading classification society, to ensure compliance with these regulations and codes. The Safety Management System of the vessels is audited independently by Lloyd's Register to verify compliance with the requirements of the International Safety Management Code for the Safe Operations of Ships and Pollution Prevention. Marine Atlantic is governed by various acts and regulations including the *Canada Labour Code*, *Transportation of Dangerous Goods Act and Regulations*, *International Maritime Dangerous Goods Regulations*, *Marine Liability Act and Regulations*, *Canada Shipping Act and Regulations*, *Financial Administration Act*, *Domestic Ferries Security Regulations (DFSR)* and *Sulphur Emission Control Areas (SECA) Regulations*.



**Marine Atlantic's vessels cross the Gulf of St. Lawrence, an environment that can present significant weather challenges.** While pleasant weather conditions present a beautiful, scenic panorama, this is also an area where high winds and the presence of severe ice build-up can affect operations and highlights Marine Atlantic's requirement for ice-class ferries and highly trained crews.





# OUR VESSEL FLEET



## **MV BLUE PUTTEES**

Proudly named after the regiment that represented Newfoundland in the Great War, this vessel joined Marine Atlantic's fleet in 2011. At approximately 200 metres in length, the vessel is fully accessible and offers a wide selection of cabins, seating areas, amenities and dining choices to meet customer needs. It operates on the Port aux Basques-North Sydney ferry service.



## **MV HIGHLANDERS**

The twin ship of the *MV Blue Puttees*, the *MV Highlanders* joined Marine Atlantic's fleet in 2011. Named in recognition of the distinguished military service of the Highland regiments throughout Nova Scotia, the 200-metre vessel is fully accessible and offers a wide selection of cabins, seating areas, amenities and dining choices to meet customer needs. It operates on the Port aux Basques-North Sydney ferry service.



## **MV ATLANTIC VISION**

Introduced to Marine Atlantic's fleet in 2009, this fully accessible 203-metre vessel offers a large selection of cabins, seating areas, amenities and dining choices for customers. Chartered by the Corporation, it operates on the seasonal Argentia-North Sydney and Port aux Basques-North Sydney ferry services.



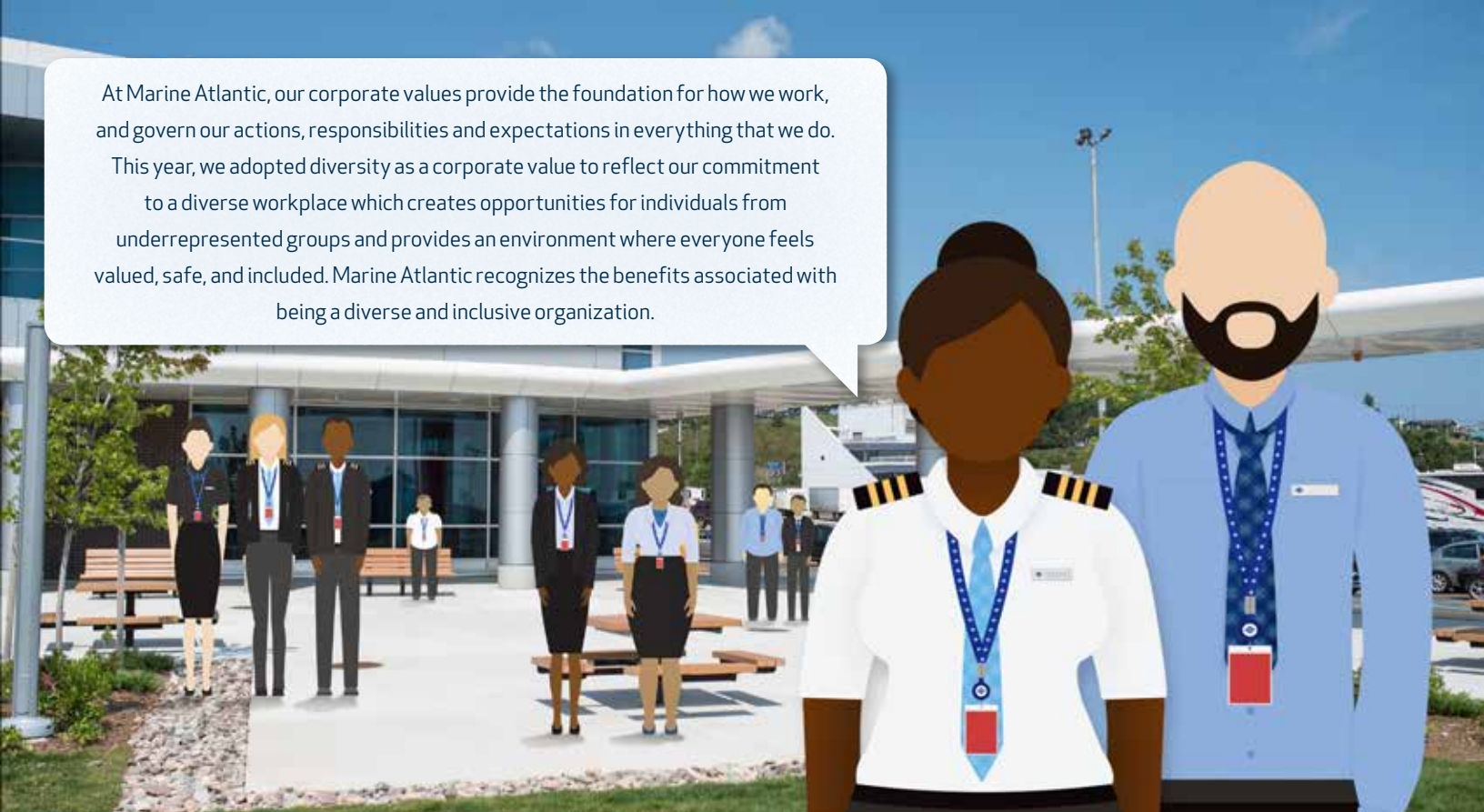
## **MV LEIF ERICSON**

Introduced to Marine Atlantic's fleet in 2001, the *MV Leif Ericson* is the Corporation's dedicated commercial vessel. Named to mark the 1000th anniversary of Norse explorer Leif Ericson's arrival in Newfoundland, the vessel offers a variety of amenities and is designed to meet the shipping needs of commercial customers. It operates on the Port aux Basques-North Sydney ferry service.

# INTRODUCING OUR NEWEST VALUE: **DIVERSITY**

At Marine Atlantic, our corporate values provide the foundation for how we work, and govern our actions, responsibilities and expectations in everything that we do.

This year, we adopted diversity as a corporate value to reflect our commitment to a diverse workplace which creates opportunities for individuals from underrepresented groups and provides an environment where everyone feels valued, safe, and included. Marine Atlantic recognizes the benefits associated with being a diverse and inclusive organization.



**Diversity:** We provide all individuals the opportunity to express themselves freely, contribute fully, grow professionally, and feel valued and respected – without judgment or prejudice. **We know diversity and inclusion leads to a stronger organization and community.**



To support this value, we will:

**Establish** a workforce that recognizes and respects the value of diversity and inclusion in the workplace.



**Recruit**, retain, and develop individuals from underrepresented groups to create the diversity needed to leverage a full range of knowledge, experiences, and perspectives.



**Generate** diversity from a variety of backgrounds including gender, disability, sexual orientation, race, ethnicity, nationality, culture, educational and professional backgrounds, gender identity and expression, age and religion.



**Ensure** our policies, processes, and practices reflect our commitment to diversity, inclusion, and accessibility.

# RECOGNIZING OUR TALENTED FEMALE EMPLOYEES

**Marine Atlantic is pleased to support and recognize the many talented women who work every day on land and at sea to provide a strong and reliable service to our customers. Our Corporation is working to remove barriers and provide equality between women and men in the workplace.**



## MEET TERRI LYNN CROCKER

Terri Lynn Crocker is a dedicated Marine Atlantic employee who is helping to break down the stereotypes of women in the workplace.

While attending university she saw an ad for a Marine Atlantic summer work program. It appeared to be a great opportunity, but little did she know it was the beginning of an entirely different journey. She took an interest in the engine room of the ship and applied for an available opportunity. Five years later, Terri has her Engine Room Rating certification through Transport Canada and her 4th Class Marine Engineering ticket. She couldn't be happier with the choices she has made.


Her advice to other women who might be considering a trade, "Don't be intimidated. I went down there not knowing a lot of the guys and they were very welcoming and helpful. We're really a team, each knowing different things that can help to solve a particular problem or issue; we rely on each other's skills and knowledge to get the job done."

Marine Atlantic is pleased to have so many strong female role-models, such as Terri Lynn, who are making a difference for our customers and our service.



# MULTICULTURALISM

## WHAT IT MEANS TO MARINE ATLANTIC EMPLOYEES



We are proud supporters of multiculturalism and appreciate the many contributions multicultural groups and communities have made to Canadian society. In recognizing our diversity and commitment to democracy, equality and mutual respect, employees were invited to submit comments explaining what multiculturalism means to them.

These are just a sample of the comments received.

"Being in a multicultural family has its difficulties but at the end of the day is super rewarding. Our daughter gets to grow up knowing the world instead of just one corner. She gets to celebrate events and holidays from two cultures instead of one. She will grow up to be open minded and accepting and will know it first-hand. Most importantly, she gets to see love and respect between two people who are so different but at the end of the day, their love remains the same."

**Melisa Fudge,**  
Ticket Clerk  
Port aux Basques

"Multiculturalism is about acceptance and understanding differences – it is simply an extension of the same courtesy I extend to my family and friends. It's about having a mindset of inclusion. I read that multiculturalism is less a "melting pot" of people, but more of a fruit salad where people exist as individual and distinct pieces of a larger group – but the combination results in a better product than if the individual pieces were on their own. I like that analogy. At the end of the day, multiculturalism leads to new knowledge and broader perspective – it results in better outcomes and definitely more interesting lives. We all have something to add."

**David Frew,**  
Vice President  
Corporate Strategy and  
Human Resources

"If we all open up our minds and our hearts to understand why we perceive each other to be different we will actually find that we are all much the same."

**Allan Keeping,**  
Master  
MV Highlanders

# OUR COMMITMENT TO EMPLOYMENT EQUITY

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We were honoured to receive an Outstanding Commitment Employment Equity Award from Employment and Social Development Canada that recognizes employers who have demonstrated outstanding commitment to the implementation of their employment equity plans and instituted measures to remove barriers and establish positive policies and practices to achieve tangible results.

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Marine Atlantic is committed to equal and equitable opportunities for our employees and those seeking employment with our company by ensuring full participation of the groups designated in the *Employment Equity Act*: women, indigenous peoples, persons with disabilities and members of visible minorities groups, and for persons of all sexual orientations, gender identities and gender expressions.

This year, internal and external activities including outreach forums, recruitment initiatives, training, communications and awareness highlighting our commitment

to equity and inclusion were held with employees, potential employees, stakeholders and partners. The Corporation's Diversity Committee has also been a key supporter of our efforts to actively engage with the local community. Marine Atlantic recognizes the benefits associated with being a diverse and inclusive organization.

Our Diversity and Inclusion Strategy is guiding many of the initiatives undertaken to date, and will continue to undertake in the weeks, months and years ahead.

Having a diverse workforce aligns with our corporate values and those of Canadians. It is the right approach for Marine Atlantic, positive for our customers, and will strengthen our overall service delivery through a combination of experience and culture that is truly representative of the country and regions in which we live and serve. We believe we are on the right track and are committed to moving forward with our efforts in this area.

# PROVIDING AN **ACCESSIBLE AND INCLUSIVE SERVICE**

At Marine Atlantic, we believe that travel should be accessible to all people. As part of this commitment, the Corporation invests significant time and resources related to training and infrastructure. An Accessibility and Inclusion Committee has been established that is comprised of employees from vessel and shore-based positions, as well as external partners representing groups from the community of persons with disabilities. The goal is to review our current accessibility approaches and evaluate the potential for additional improvements. Through open dialogue with representatives with hearing loss, vision loss, mental health and other barriers, the Corporation has an opportunity to discuss the lack of access that those with disabilities encounter while travelling and receive suggestions on possible ways to become even more accessible.

From placing vehicles near elevators to providing advance boarding opportunities, offering spacious cabins with roll-in showers and hospital beds, or ensuring an accessible website, little things can mean a lot for customers requiring additional assistance during the various stages of their journey.





# OUR SOCIAL COMMITMENT



## WORKING TO ETHICAL STANDARDS

The Corporation prides itself on maintaining high ethical standards while operating in a fiscally responsible manner. The management team adheres to conflict of interest guidelines to deliver on the corporate mandate in an ethical manner, and all employees are guided by Marine Atlantic's values and follow the Public Sector Code of Ethics. The Corporation also has a Disclosure of Wrongdoings policy which outlines ways for employees to report behaviour that is outside of ethical and corporate values.



## PROMOTING HUMAN RIGHTS

Marine Atlantic is committed to creating and maintaining a workplace free from harassment and discrimination, and fostering a work environment in which all individuals are treated with dignity and respect. Employees have the right to work in a professional atmosphere that promotes equal opportunities and prohibits discriminatory practices. The Corporation's Anti-Harassment and Respectful Workplace programs aim to raise awareness and eliminate discrimination, sexual harassment and violence in the workplace.



### PRIDE PARADE

Marine Atlantic was proud to participate in the Cape Breton Regional Municipality Pride Parade, the largest in the region's history.



## ENGAGING IN BOTH OFFICIAL LANGUAGES

As a federal Crown Corporation, Marine Atlantic is committed to providing customers with the option of receiving service in either of Canada's two official languages. As part of that commitment, Marine Atlantic is part of the advisory committee that reports to the Official Languages Centre of Excellence. Bilingual employees undergo regular testing and receive training to ensure they continue to meet proficiency requirements.

# AN OVERVIEW OF **THE YEAR'S ACTIVITIES**

The 2018-19 fiscal year provided new opportunities to strengthen our infrastructure, technology and business processes, expand our diversity and inclusion initiatives, grow the skills and knowledge of our employees, focus our health and safety initiatives, continue our commitment to the environment, all designed to better serve our customers during their voyage with us.





# SAFE, SECURE AND ENVIRONMENTALLY RESPONSIBLE OPERATIONS



## OCCUPATIONAL HEALTH AND SAFETY

Marine Atlantic has a strong focus on Occupational Health and Safety (OHS) and has established committees in workplaces throughout the Corporation. In addition, we have an OHS Policy Committee that is comprised of representatives from all levels of the organization that meet to discuss issues and provide direction on corporate-wide safety initiatives. Safety touches every single customer, contractor and employee, and we all have an important role to play in protecting ourselves and others.

## PROACTIVE REPORTING CAMPAIGN

As part of our focus on strengthening safety culture in the workplace, we introduced proactive reporting. This is designed to identify and correct potential hazards and hazardous conditions, build upon our existing safety culture, and help us achieve our goal of zero lost time incidents. Every hazard that was proactively addressed helped to avoid a potential incident in the future.

Marine Atlantic employees were proud to participate and support North American Occupational Safety & Health (NAOSH) Week which took place in May with the goal of preventing injury and illness in the workplace, at home and in the community. This year's theme was 'Make Safety a Habit'.



- Three hands forming an equilateral triangle - portrays the three participating nations - Canada, the United States and Mexico.
- Symbolizes joint venture, cooperation and a commitment to the common goals shared by all occupational safety and health partners.
- The connected hands illustrate assistance and cooperation on many levels - business, labour and governments.

source: NAOSH.ca



## WHY I WORK SAFELY CAMPAIGN

A new campaign was launched during the year entitled “Why I Work Safely” with the goal of encouraging all employees to think about and share their reason to work safely every day. Many employees chose to display photos of their families on magnetic picture frames and through digital signage, inspiring numerous conversations and increased awareness as to why working safely is important for themselves and their colleagues.



## OCEAN SAFE VI

Marine Atlantic’s goal is to prevent an emergency situation before it happens. However, being prepared for such a situation is vital to our emergency response activities. In November, our annual Emergency Response Exercise was undertaken as part of our multi-year planning activities.

Employees participated in a no-notice tabletop crisis training exercise with community partners including Transport Canada Security, Cape Breton Regional Police Service, RCMP, Department of National Defence and Joint Task Force – Atlantic. These partners are vital to our response activities and we thank them for their participation in these exercises.

Whether it is responding directly to an emergency, assisting customers, or providing information updates, there are many important duties that are vital in an emergency situation. These annual exercises help to strengthen our emergency responses by providing training and learning opportunities in real-time, while also identifying where we can make ongoing improvements.



## THANK YOU TO THE CREW OF THE MV LEIF ERICSON

Marc Ouellette, a member of the Canadian Coast Guard Search and Rescue team, personally thanked the crew of the MV *Leif Ericson* for their life-saving assistance in rescuing the crew of the *Sulia'n* during the night of September 10. Captain Scott Dowding and the crew were presented with a custom-made paddle to recognize their efforts.



## MEETING SECA REGULATIONS

Marine Atlantic continues its efforts to comply with Sulphur Emission Control Areas (SECA) regulations by 2020. The ongoing transition to cleaner marine diesel fuel is reducing sulphur emissions which is in line with our continued focus on managing fuel burn. This year, the MV *Leif Ericson* was converted to burn 100% diesel fuel. Plans are being developed regarding the conversion of the MV *Atlantic Vision*.

## WASTE EDUCATION AND MANAGEMENT

Marine Atlantic continues with its waste education initiatives and management program to positively influence the attitudes and behaviours of employees and customers when it comes to waste disposal and recycling activities. With an ongoing commitment to diverting more waste, positive changes are taking place with a growing acceptance that we all must do more to protect our environment.

In line with the Office of the Auditor General's Special Examination Report, we are committed to improving our environmental planning and protection. Our goal is to have an environmental management plan in place by March 31, 2020, outlining our priorities, resources and implementation timelines.

## GREEN MARINE

Marine Atlantic has participated in Green Marine since 2014. Founded in 2007, Green Marine is a North American environmental certification program that stems from a voluntary initiative by the maritime industry to exceed regulatory requirements.

The cornerstone of the Green Marine initiative is its far-reaching environmental program, which makes it possible for any marine company operating in Canada or the U.S. to reduce its environmental footprint by undertaking concrete and measurable actions.

To receive their certification, participants must benchmark their annual environmental performance through the program's exhaustive self-evaluation guides, have their results verified by an accredited external verifier and agree to publication of their individual results.

### WHAT IS A SULPHUR EMISSION CONTROL AREA?

The International Maritime Organization has designated areas around the world to reduce sulphur emissions. Canada is a signatory to these agreements and is therefore mandated to meet the new regulations.



Green Marine Key Performance Indicators include:

- Reducing the risk of introducing invasive species
- Implementing measures to reduce port activity impacts
- Environmental Leadership
- Reducing greenhouse gas emissions
- Using cleaner fuels
- Responsible handling of oily fluids
- Prevention of spills and leakages
- Reducing underwater noise
- Strengthening waste management activities



# STRONGER INFRASTRUCTURE, TECHNOLOGY AND BUSINESS PROCESSES

Customers expect a seamless journey when using our ferry service. To meet these expectations, Marine Atlantic strives to offer effective infrastructure, state-of-the-art technologies, and business processes that are among industry best standards. Through new investments and initiatives, enhancements were made during the year that will strengthen our overall service.



## FLEET CONFIGURATION

Marine Atlantic operates a four-vessel fleet. The Corporation works closely with the Government of Canada to balance the needs of its customers and service, and continually evaluates its fleet requirements based upon a range of factors including projected traffic volumes and regional economic indicators.

During the year, the Corporation continued discussions with the Government of Canada regarding future fleet configuration and potential short-term and long-term options available for the service. As part of those discussions, the *MV Atlantic Vision's* lease agreement was officially renewed until November 2020 with additional renewal options available.

We were also very pleased with the Government of Canada's announcement in Budget 2019 for the procurement of a new vessel for our service. As part of our due diligence related to this announcement, we are working with Transport Canada regarding the timing and funding details associated with this investment and plans for our future fleet configuration.



## PORT AUX BASQUES ADMINISTRATION INFRASTRUCTURE

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We are continuing with our efforts to meet the needs of our administration employees in Port aux Basques by evaluating options for new and upgraded infrastructure. Discussions continued through the year with our shareholder regarding final approval and funding for these long-term and short-term initiatives. This work will be ongoing through the next fiscal year.



### ENHANCED MOORING SYSTEM

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Mooring operations are difficult and dangerous tasks on ships. With a focus on increasing the safety and operational effectiveness of the docking process, as well as improve the overall travel experience for customers, the Corporation installed and commissioned a new grip-based automated mooring system in both Port aux Basques and North Sydney. This system is remotely operated from the vessel's navigation bridge, eliminates the hazard of the snap-back zone and personnel injuries. With the new system in operation, it now takes less than a minute to moor or unmoor a vessel to the dock infrastructure. Feedback from the vessel crews and customers has been very positive with key objectives achieved as well as realizing some additional fuel savings.



### TERMINAL AND DOCK INFRASTRUCTURE UPGRADES

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Terminal and dock upgrades are part of a continuous process of preventative maintenance and enhancement at our port sites due to our daily operational activities and weather impacts. As such, activity has taken place throughout the year at all three of our terminal properties to strengthen our infrastructure and provide a safer, more reliable travel experience for our customers.



#### PORT AUX BASQUES

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In Port aux Basques, dock upgrades and refurbishing activities took place to strengthen our docking infrastructure, as well as paving activities designed to improve customer parking access and day-to-day terminal operations. In addition, all indoor and outdoor lights were replaced with energy efficient bulbs reducing our overall carbon footprint.

#### NORTH SYDNEY

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In North Sydney, a total of 23 dock fenders were replaced to further strengthen our docks for vessel operations and activities.

#### ARGENTIA

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In Argentia, fender and structural upgrades took place on the docking infrastructure. This project saw previously used fenders from North Sydney and Port aux Basques refurbished and given an extended life at our seasonal operation. This has allowed us to recycle valuable infrastructure and be cost-effective.



## BUSINESS PROCESS RENEWAL

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As an organization, we must continuously challenge ourselves to improve and modernize to meet our goals. The Business Process Renewal (BPR) project is about evolving our organization to respond to the needs and priorities of our customers and employees as efficiently and effectively as possible. Working together to uncover potential solutions to some of the challenges we face in our work processes is at the heart of the BPR project. BPR will enable effective use of technology to increase organizational effectiveness, simplify complex business processes and enhance access to reliable information.

This past year focused on building and testing our new technology solution for the areas of Human Resources and Finance, including our automated scheduling, timekeeping and payroll system.

It is anticipated that Release One of the new system will go-live early in fiscal year 2019-20. Marine Atlantic will look to further improve operational excellence with continuous innovation opportunities within the solution.



## VESSEL CONNECTIVITY

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Marine Atlantic continues its efforts to improve the data network connectivity for our vessels while at sea. Pilot projects have been undertaken to strengthen this service, including new infrastructure being installed on cellular towers in southwestern Newfoundland and Cape Breton. With this work now completed, and with the advances in cellular technology, Marine Atlantic is preparing for a trial public wifi service on the Port aux Basques-North Sydney route during the 2019-20 fiscal year. Customer feedback will help us determine how we evolve this service into the future.



# FOCUSING ON **OUR CUSTOMERS**

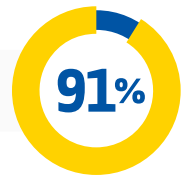
We recognize that the travel needs of our customers are constantly evolving. As such, we place great emphasis on continual improvement including the introduction of new customer amenities, state-of-the-art technologies, and digital communication platforms that strengthen information sharing initiatives and interaction. Working with our partners in the tourism and commercial sectors, our goal remains to offer the best possible service to our customers while supporting and enabling business and tourism opportunities in the Atlantic region.



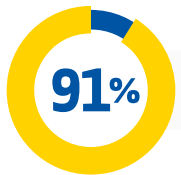
96%

Customers highly satisfied with the courtesy of staff onboard and at the terminal

Customers likely to recommend Marine Atlantic to family and friends



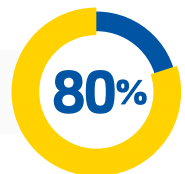
91%



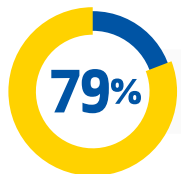
91%

Customers told us that their expectations were met or exceeded

Customers highly satisfied with the onboard experience



80%



79%

Customers highly satisfied with the reliability of Marine Atlantic's service



## CUSTOMER EXPERIENCE REJUVENATION INITIATIVE

The Customer Experience Rejuvenation Initiative (CERI) is a working group comprised of approximately 30 front-line employees collaborating to explore options to enhance our customer’s overall travel experience by revamping onboard offerings on our vessels. This has included expanding retail store products that are popular with customers and making additions to our restaurant and bar menus.



### RETAIL STORE

Addition of confectionary products, natural skin care products, a digital lifestyles section (headphones, phone cases, etc.) and an increased selection of over-the-counter pharmaceutical products.



### SNACK BAR

Improved product labeling of our made-onboard selections, a new assortment of salads and desserts, and new combo selections. Bottled refreshments have replaced fountain drinks to offer a better-quality product.



### RESTAURANT

An enhanced breakfast menu and nautical-themed burger menu was created to increase selection for customers.



### BAR LOUNGE

Offerings were redesigned to focus selection on customer-preferred products.

## DISCOUNT CAMPAIGNS

Following the success of our previous discount campaigns, a new limited-time campaign was launched offering customers a 15% discount in a bundle when booking two passengers, a vehicle, and a cabin. The purpose of our discount campaigns is to better understand our customers’ booking preferences, with the goal of developing a new pricing model that will offer customers more options and choices that reflect their individual travel circumstance.

**Do more. Pay less.**  
**Save 15% in a bundle**  
 Visit [marineatlantic.ca/bundle](http://marineatlantic.ca/bundle) for details and conditions that apply.

Marine Atlantic  
Marine Atlantic

## ARGENTIA REMINDER CAMPAIGN

The Argentia reminder campaign was launched during the spring period with the primary objective to create awareness of the Argentia route as travellers prepared for their summer travel plans. Creative highlighted the benefits of using Marine Atlantic as part of each passenger’s overall journey.

Your story starts here

... you write the rest.

[marineatlantic.ca/adventure](http://marineatlantic.ca/adventure)

Marine Atlantic  
Marine Atlantic

## SCOTT’S COVE SUMMER BUS SERVICE

In co-operation with the Town of Channel-Port aux Basques, Marine Atlantic was once again pleased to offer a summer bus service providing customers with access to the Scott’s Cove section of the downtown area. Customer feedback related to this initiative remains positive.





## DID YOU KNOW?

Marine Atlantic prohibits the recreational use of cannabis on its property, in its terminals and onboard its vessels. However, customers with **appropriate medical authorization and documentation** will be provided space onboard our vessels and terminal grounds for legal cannabis use.

## RECOGNIZING OUR VALUED COMMERCIAL CUSTOMERS

The commercial trucking industry plays an integral role in transporting the goods that are consumed every day throughout Atlantic Canada. Whether it is ensuring that store shelves are stocked, hospitals have vital supplies to provide care, or equipment is available to help accomplish many of the tasks that we take for granted, commercial drivers are quietly there to meet the needs of Atlantic Canadians.

At Marine Atlantic, we recognize the valuable efforts of our commercial partners and the vital role they play in our region's economy. In recognition of these efforts, commercial customer appreciation events were held at our North Sydney and Port aux Basques terminals in December.

## PROMOTING OUR TOURISM POTENTIAL

As a proud partner of our region's tourism potential, we continued our efforts to promote and support travel to and within Atlantic Canada through our participation in tourism shows throughout eastern and central Canada and sponsorship of Hospitality Newfoundland and Labrador's Annual Conference and Trade Show. These efforts are aimed at attracting new customers to our service and new opportunities for our region's tourism sector.

## EXPANDING CUSTOMER COMMUNICATIONS

### FOLLOW US ON SOCIAL MEDIA

 @MARINEATLANTICFERRIES

 @MAFERRIES

 @MAFERRIES

 YOUTUBE.COM/MAFERRIES

 COMPANY/MARINE ATLANTIC

### NEW CORPORATE WEBSITE

The Corporation is developing a new corporate website for customers. Shifting from a corporate facing experience to a customer-led one, and building a modern, efficient and intuitive site that's easy to navigate is the vision for Marine Atlantic's new website presence. Once launched, the new website will strengthen the online experience for our visitors, with the overall vision to educate, enable and engage. It will also invite customers to explore and envision the destinations and the onboard experience served by Marine Atlantic and delivers on our goal of providing a mobile-first web platform, allowing mobile users to enjoy an enhanced experience that provides full access to the site.

The new website will be available during fiscal year 2019-20.

### SOCIAL MEDIA

Social media provides an opportunity to share information and interact with customers in a manner that best meets their needs. The Corporation's social media presence continues to grow each year through our Twitter, Facebook, Instagram, YouTube, LinkedIn accounts, and our Marine Atlantic blog. Our social media platforms are a popular avenue in communicating directly with customers.

## DIGITAL SIGNAGE

Our digital signage presence continues to grow throughout Marine Atlantic. For customers, expanded signs are available at our terminals and onboard our vessels providing important information regarding our operations, schedules, weather, promotions, services, and amenities.



## MARINE LIFE PROGRAM

As part of our educational initiatives to bring greater attention and awareness to our marine environment, a new onboard program was launched to provide customers an opportunity to learn more about the various marine animals who call our local ocean environment home. Named 'Be on the Lookout', this program included a variety of onboard activities including marine life photo cut-outs, a children's word search contest, a series of 'did you know' digital screens, as well as binoculars from Reception. Customer feedback was positive, especially when seabirds, whales, porpoises and seals could be spotted from our ships.



## NEW SIGNAGE

New signage for our onboard retail stores, food service outlets and ticket booths were rolled out this year, with the Argentia terminal package scheduled to be installed in spring 2019. This new signage has been designed to better align with brand standards and provide a consistent experience across all Marine Atlantic sites. It will also make it easier for customers to access amenities and information about our service and locations through clearer and more easily understandable images and text.



## COMPLIMENTARY DIGITAL PUBLICATION SERVICE

At Marine Atlantic, we're always looking for new ways to enhance our customers' experience. During the year, offering customers a complimentary digital publication service was researched and tested. This new service will offer a wide selection of newspapers and magazines that customers could download at our terminals and keep for their entire journey with Marine Atlantic. It is anticipated the service will be available to customers early in fiscal year 2019-20.





# COMMITTED TO A **STRONG AND EFFECTIVE TEAM**

Our team continues to show their dedication and commitment to our service each and every day. Through their hard work, we are achieving success and meeting the diverse needs of our customers both on shore and at sea. Recognizing the talented individuals who work for Marine Atlantic, we are committed to recruitment, retention and training initiatives, and providing our employees with the skills they require to succeed and become the leaders of tomorrow.



## **LEADERSHIP MANAGEMENT DEVELOPMENT PROGRAM**

Marine Atlantic has developed an internal program to grow the leadership skills of employees. Through the Leadership Management Development Program, individuals are provided with materials and training opportunities related to management, leadership and core competency skills that are important for personal and professional growth and can be used for current and future opportunities.

The first class of 29 employees graduated in November, with the second class commencing their studies in January. Feedback from participants has been very positive with the educational experience of the program being highlighted.

## SUPERVISOR FORUMS

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Recognizing the daily impact that frontline supervisors have on employees, new supervisor forums were introduced during the year to increase engagement, communication and provide professional development opportunities. In addition to providing front-line supervisors with information and resources, these sessions promoted open discussion, the sharing of different perspectives and ongoing interactions with other supervisors throughout the company.



## TRAINING AND EMPLOYEE ASSISTANCE

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Marine Atlantic requires a highly-skilled workforce to meet our mandate. As such, the Corporation offers training and educational opportunities, including access to financial and related resources for career development purposes. Through programs such as the Educational Financial Assistance Program and efforts to make training programs more accessible, convenient and efficient, the Corporation is committed to growing our internal talent and providing employees with new skills and opportunities for professional and career advancement.



## MARINE ATLANTIC RECEIVES VITAL EMPLOYER EXCELLENCE AWARD

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Marine Atlantic was proud to receive a Vital Award in recognition of creating employment opportunities for youth in Cape Breton. The Vital Awards bring together community and business leaders to recognize the success and talents of the region's youth and the efforts of employers who create rewarding work experiences.



## NEW PENSION ADMINISTRATOR

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During the year, Marine Atlantic selected AON as its new pension administration service provider. With this change, pensioners and employees have access to personal information at any time via AON's online portal, and personalized services and communications through various media.







## MYHEALTH WELLNESS PROGRAM

The myHealth Wellness Program is focused on improving employee health and wellness. With enhanced access to medical professionals, support programs, and activities, employees are encouraged to adopt and sustain healthy behaviours that will improve physical, mental and emotional well-being.

### HEALTHY EATING CHALLENGE

Healthy eating is about feeling good, keeping your body systems healthy, and boosting your energy. That's why Marine Atlantic launched a Healthy Eating Challenge.



The four-week program was designed to create simple daily habits towards healthier eating. Each week, a new theme was presented with a corresponding challenge. Employee feedback was positive with many stating that the small changes that were made during the challenge are leading to healthy longer-term habits.

### MYINNOVATION HEALTH WORKPLACE PROGRAM

To harness the knowledge and feedback of employees regarding healthier workplace initiatives, the Corporation launched a pilot Healthy Workplace Program entitled – myInnovation.



The goal of the pilot program is to generate innovative solutions from employees to enhance workplace health, safety and wellness. It created an opportunity for employees to bring ideas forward, take leadership, and learn the associated business processes with implementing ideas. The Corporation would then provide funding to bring the idea to life. The three areas of focus are improving the physical environment, encouraging health and lifestyle practices, and enhancing the workplace culture and supportive environment.

### NOT MYSELF TODAY CAMPAIGN

The Not Myself Today campaign is an informal, workplace driven mental health initiative. It is based on the insight that we all have days in which we don't feel ourselves, and mental health is something we all experience.



A variety of mood pins were shared with employees allowing them to express how they were feeling. The response was overwhelming, with employees changing their pins daily and opening the door for more conversations around mental health.

The mood pins were followed with Random Acts of Kindness and Positivity at Work posters where employees were encouraged to do something nice for a co-worker or share positive messages.



## EMPLOYEE COMMUNICATIONS

Marine Atlantic is committed to communicating regularly with employees. Through initiatives such as Strait Talk (monthly employee newsletter), bi-monthly notices to managers, digital signage, electronic notices to all employees, safety-related tool-box talks, employee surveys, focus groups and workplace assessments, information is being shared generating valuable employee feedback and identifying areas for continued improvement for the organization.

### NEW INTRANET

Our new employee intranet, MyPort, is currently under development and will provide all employees with a mobile-friendly, one-stop location for all things Marine Atlantic. This new platform will enable employees to access information regardless of the time of day or the location and will:

- Reduce e-mail traffic
- Enhance knowledge sharing
- Reduce IT burden
- Reduce time searching for information
- Build organizational knowledge

The new platform will be rolled out in a phased approach and will be fully integrated with our Enterprise Resource Planning modules, including payroll and time and attendance information.



## AWARDS AND DISTINCTION

Recognizing the work and accomplishments of employees is a priority within Marine Atlantic. The Corporation's award recognition program includes Ripple Awards, Awards of Distinction, and the President's Award, which are presented to employees who show tremendous commitment through their actions in the workplace and community. The Volunteer of the Year award is presented to an employee who is making a difference in their community through volunteer activities. An additional award, the Bright Ideas Award, rewards employees who bring forward ideas that help improve the way in which Marine Atlantic does business or operates on a daily basis.

### MARK JACKSON • PUBLIC HEALTH SPECIALIST

Mark Jackson is committed to bringing forth ideas and initiatives that strengthen the Corporation's efforts to protect the health of everyone who visits or works at Marine Atlantic facilities. Mark introduced a new technology that increases the accuracy of the Corporation's potable water testing and provides more timely access to the results. For his research and commitment to continual improvement, Mark was awarded the President's Award.



### MARCUS CLARKE • BILINGUAL TICKET AND RESERVATION CLERK

Marcus Clarke is a community-minded individual who volunteers regularly with St. John Ambulance. Since 2016, Marcus has donated over 1400 volunteer hours directly related to duty coverage and providing first aid at public events. He has also been the past recipient of St. John Ambulance's Volunteer of the Year Award for his efforts related to the Medical First Responder Program. For his demonstrated initiative and commitment to safety, excellence, and teamwork, Marcus was awarded the Volunteer of the Year Award.

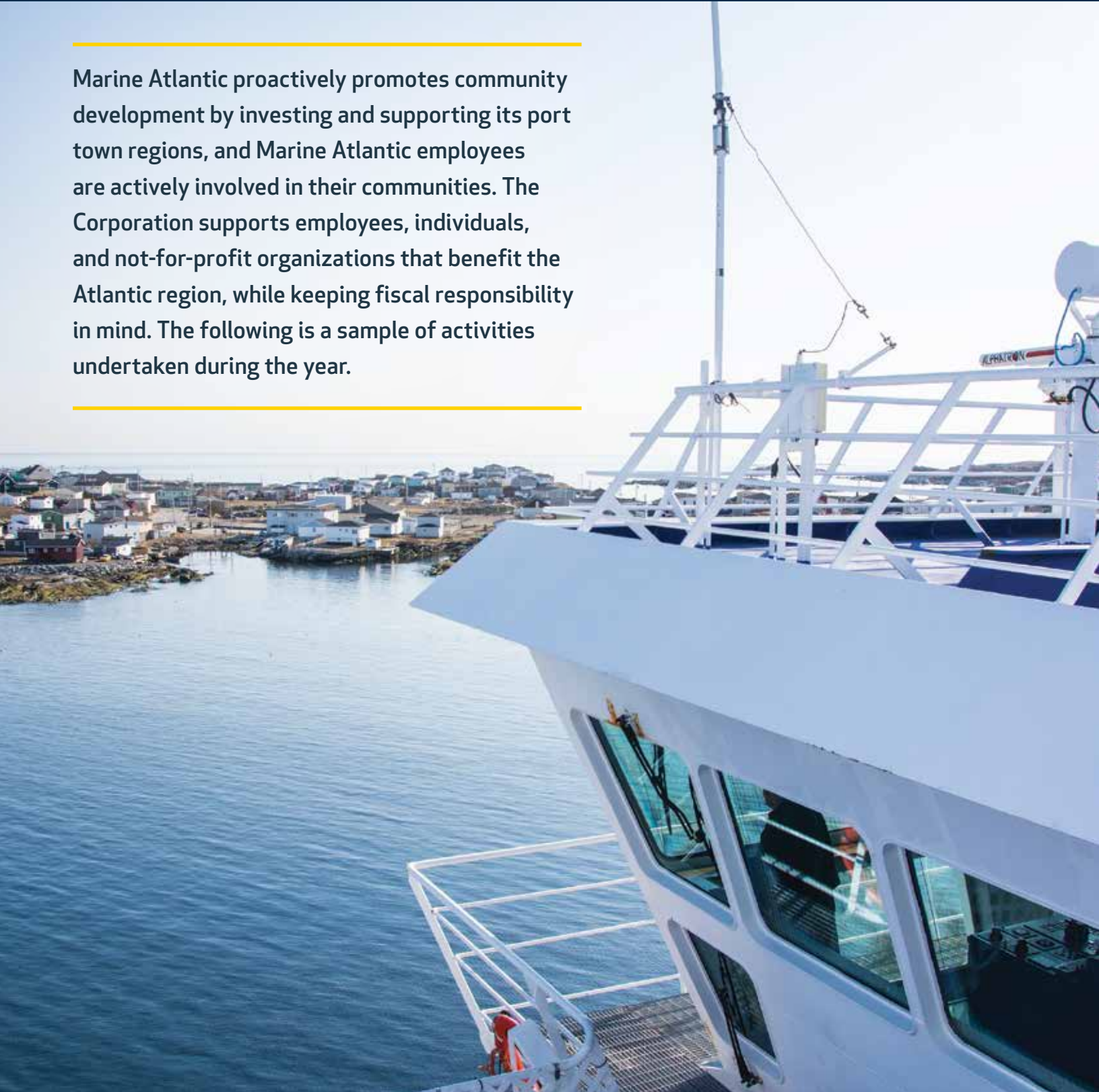


# INVESTING IN **PEOPLE AND COMMUNITIES**

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Marine Atlantic proactively promotes community development by investing and supporting its port town regions, and Marine Atlantic employees are actively involved in their communities. The Corporation supports employees, individuals, and not-for-profit organizations that benefit the Atlantic region, while keeping fiscal responsibility in mind. The following is a sample of activities undertaken during the year.

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## SCHOLARSHIPS

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Marine Atlantic is committed to building the skills of potential employees and the recruitment of high school graduates and post-secondary students for positions within the Corporation.

The annual scholarship program awards dependent children of employees or pensioners with funds for post-secondary education on a merit basis. The program provides up to four \$2,000 university entrance scholarships and four \$1,000 technical college entrance scholarships. Marine Atlantic also provides four \$1,500 scholarships annually to students enrolled in either the Nautical Science or Marine Engineering programs at Memorial University's Marine Institute, and also partners with the Institute and the Nova Scotia Community College for a cadet program.

In partnership with the Atlantic Journalism Awards, a \$1,200 Marine Atlantic journalism scholarship is awarded to a student at the College of the North Atlantic, Newfoundland and Labrador's only journalism school.



## GRENFELL CAMPUS ATHLETICS SPONSORSHIP

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Marine Atlantic is proud to be a sponsor of the Grenfell Warriors and the athletic programs at Memorial University-Grenfell Campus, the only university in western Newfoundland. Through our sponsorship and community partnerships, new opportunities are being presented to individuals, groups and organizations in the region. Marine Atlantic is pleased with the role we play in helping students grow and excel in their athletic and personal development activities.



## GROWING OUR FUTURE CHILDCARE CO-OPERATIVE

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Marine Atlantic is a strong supporter of the Growing Our Future Childcare Co-operative in Port aux Basques, the first public co-operative daycare on the southwest coast of Newfoundland. The Corporation's donation was used to establish an outdoor play area that will benefit the many children and families who will use this space for years to come. In addition to the monetary investment, Marine Atlantic employees volunteered to help lay sod and assemble play-related toys and equipment.





# MARINE ATLANTIC:

## IN OUR COMMUNITIES



### Janeway Teddy Bear Convoy

Marine Atlantic was pleased to once again support our partners in the Newfoundland and Labrador trucking industry during the 34th annual Janeway Children's Miracle Network Telethon in early June. As part of the Telethon, many of the province's commercial trucking representatives came together as members of the "Just for Kids Transportation Group" in a Teddy Bear Convoy. The convoy helped to raise funds for sick kids and put a smile on the faces of the many children who use the Janeway Children's Hospital each year.

Driving their trucks through both Corner Brook and St. John's, the approximately 175 trucks were a special attraction for the many kids. The St. John's event raised approximately \$52,000 and the Corner Brook event raised approximately \$10,000.

Congratulations to our commercial partners for another job well done!

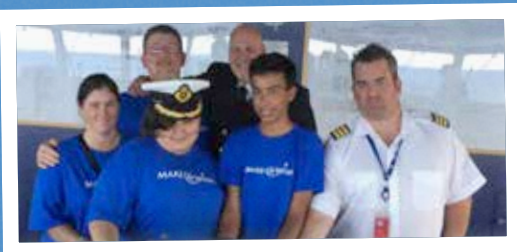
### Atlantic Burn Camp

This year marked the 20th anniversary of the Atlantic Burn Camp and Marine Atlantic has been a proud sponsor since the very beginning. The week-long camp, located in New Campbellton on Cape Breton Island, is run by firefighters, law enforcement, medical personnel, teachers and community volunteers. The camp is free to Atlantic Canadian burn survivors from ages 6-17. Marine Atlantic is a financial supporter of the camp and our employees are also committed to creating lasting memories for campers and staff travelling on our vessels.



### Jerseys for Humboldt

Starting as a simple idea by a group of hockey parents to wear jerseys in support of those affected by the Humboldt Broncos bus crash quickly turned into a worldwide tribute. This tragedy has truly touched us all and our employees join in solidarity with the Humboldt Bronco community in offering our support.



### Make-a-Wish Canada

Make-A-Wish Canada's mission is to grant the wishes of children with life-threatening medical conditions, and to enrich the human experience with hope, strength, and joy. Marine Atlantic is pleased to be a partner with the organization to make wishes come true.





## Big Bike Ride

Marine Atlantic employees once again participated in the Heart and Stroke Foundation's annual fundraising event, the Big Bike Ride. The event was a great opportunity for Marine Atlantic and its employees to support and promote health and well-being.

## Festival of Flags

In partnership with Festival of Flags Inc., Marine Atlantic is displaying the "Argentia at War" exhibit at the Argentia terminal. By providing space in the upstairs mezzanine of the terminal building, a series of panels depicting various aspects of the Town of Argentia during wartime are presented. The panels are part of a project by the Festival of Flags in collaboration with The Rooms provincial museum, archives and art gallery. The exhibit focuses on the Atlantic Charter Declaration, the history of Argentia as a strategic centre for the defense of the North Atlantic during World War II and the Cold War, as well as historical photographs, print, film images and other graphics. The display tells the story of the United States naval and army base at Argentia and its impact upon the local region through the years.

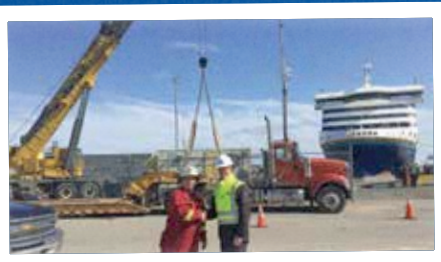


## Making Waves Music Festival

Marine Atlantic was a major sponsor of the Makin' Waves Music Festival in Sydney. This free, family-friendly outdoor concert series took place in July. During one of the evening concerts, in addition to the Corporation's monetary support, Marine Atlantic employees volunteered to distribute eco-friendly duck food to concert-goers.

## Run the Rock

Marine Atlantic was proud to sponsor "Run the Rock" in support of the Children's Wish Foundation.



## Generator Donation

Marine Atlantic partnered with the North Sydney Volunteer Fire Department to repurpose a decommissioned generator to provide emergency services for the community. The generator has the capacity to run power to the entire fire hall providing emergency shelter, a warming and charging station, as well as food services.







# PREPARING FOR **THE FUTURE**



The decisions, actions, and investments over the past year have been focused on improving our ferry service to ensure sustainable and effective operations into the future. As such, many of our actions in the year ahead will continue to reinforce this goal.

The Government of Canada's announcement in Budget 2019 for the procurement of a new vessel will play a significant role in our planning processes related to our future fleet configuration. We will continue our discussions with Transport Canada in fiscal year 2019-20 to determine the best options for our service and customers moving forward.

From an infrastructure perspective, we will continue with our preventative maintenance activities that are resulting in an effective and reliable fleet, as well as safe and modern docking facilities. Our shore-based infrastructure activities will continue as we evaluate our future needs, including

planning initiatives for our administrative infrastructure in Port aux Basques. We are also planning to explore and evaluate the potential costs, operational impacts, and environmental considerations of making navigational improvements to Port aux Basques harbour.

Our business processes will evolve in the year ahead as we move further into the implementation of our enterprise resource planning technology. This will streamline our practices to become more modern and efficient, and in line with industry best standards. Our technologies will also evolve to better serve customers through enhancements to our website, digital offerings and platforms.

We will further our efforts to become a more diverse and inclusive workplace as we implement more aspects of our diversity and inclusion strategy. This is designed to encourage greater representation by groups outlined in

the *Employment Equity Act* and better represent the diverse communities in which we operate and serve.

The environment will remain a significant focus of our activities as we develop and implement a formal environmental management plan and evaluate options to reduce our environmental footprint. We will also roll out a behaviour-based safety program to further evolve and reinforce our commitment to safety.

Our commitment is to making decisions that strengthen our service for customers, stakeholders and employees. We are a vital transportation link in Canada and recognize the pivotal role we play in enabling the Atlantic Canadian economy each and every day. Through our efforts in the year ahead, we are confident that additional growth will be achieved resulting in a better service for all those who depend on Marine Atlantic for their travel and transportation needs.



# WORKING TOWARDS POSITIVE CHANGE: **AN OVERVIEW OF BOARD AND MANAGEMENT ACTIVITIES**



Marine Atlantic's Board of Directors provides oversight and strategic direction to the management team, which in turn is responsible for the day-to-day activities of the Corporation. Together, the Board and management team make a united effort to provide a safe, environmentally responsible, quality and efficient interprovincial ferry system for our customers, governed by a strong set of corporate values that clearly outline what is expected of every employee.

Marine Atlantic is governed by a 10-person Board of Directors. The

independent directors are chosen and appointed for specific terms by the Government of Canada. The President and CEO is also a member of the Board.

The Board of Directors operates within a highly regulated environment. The *Financial Administration Act* and the *Marine Atlantic Inc. Acquisition Authorization Act* both provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, vision, mission statement, and values, further direct both the Board and management in their decision-making.

Finally, the National Marine Policy provides critical direction and restraint, as it requires that Marine Atlantic focus its efforts on operating the gulf ferry service.

The Board must provide prudent fiscal direction and guidance to the management team, ensuring effective budgeting and financial management, as well as management of corporate risks. These processes fulfill the Board's commitment to provide overall governance.





## COMMITTEES OF THE BOARD

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The Board's standing committees engage and support its efforts in a number of governance responsibilities. For the period April 1, 2018, to September 17, 2018, this was accomplished through three committees: Audit and Risk Management; Human Resources and Pension Management; and Safety, Corporate Governance and Accountability.

Effective September 18, 2018, the Board changed the governance committee structure from the previous three committees to the following four: Audit; Governance, Risk and Strategy; Human Resources, Health, Safety and Environment; and Pension Management.

### AUDIT COMMITTEE

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The Audit Committee is mandated to provide the Board advice and services in the areas of financial management and reporting, internal control, information systems and management, procurement and internal/external audit practices.

During the year the Committee worked closely with the Director of Internal Audit on the Annual Audit Plan. There was a focus throughout the year on an External Quality Assessment Review of Internal Audit Activity prepared by an external third-party, as well as the Office of the Auditor General's (OAG) Special Examination Report and a review of Business Process Renewal. The Committee reviewed Traffic Trend Analysis and hedging effectiveness. There was an overview of the Corporation's Accounting Policies. The Committee also continued its work to advance the Corporation's Enterprise Risk Management framework. In addition, the Committee undertook financial reviews including the quarterly financial reports, audited financial statements and pension statements, Executive and Board Compensation, and travel and hospitality reviews. The Committee provided oversight on large financial and capital projects and vendor selection approvals as well as reviewing its Terms of Reference and Annual Workplan/Calendar.

### GOVERNANCE, RISK AND STRATEGY COMMITTEE

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The Governance, Risk and Strategy Committee is mandated to provide the Board advice and services in areas of strategic planning, enterprise risk management, governance, ethics and corporate social responsibility.

During the past year, the Committee conducted a major review of Board governance resulting in a restructuring of Board committees and their respective Terms of Reference, and took responsibility for the oversight of enterprise risk management and coordinated Board orientation training inclusive of developing a Board of Directors Handbook.



## HUMAN RESOURCES, HEALTH, SAFETY AND ENVIRONMENT

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The Human Resources, Health, Safety and Environment Committee is mandated to provide the Board advice and services in the areas of human resources, health, safety and the environment.

During the year, the Committee took on the responsibility of Health, Safety and Environment in addition to maintaining their focus on key issues impacting corporate culture and organizational effectiveness. The Committee also revised its Terms of Reference to reflect the new mandate. During the year, much of Committee oversight was focused on the implementation of various policies related to marijuana use in the workplace given the legalization of recreational marijuana, promoting diversity and inclusion in the workplace and building Marine Atlantic's relationship with Indigenous groups, and monitoring collective bargaining as the last of six collective agreements were ratified by employees this past year. The Committee also monitored company safety performance and various initiatives to promote safety in the workplace. Finally, the Committee directed the development of an Environmental Management Plan that will fulfill expectations of the recent OAG report and further support Marine Atlantic's commitment to environmental sustainability.

## PENSION MANAGEMENT

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The Pension Management Committee is mandated to provide the Board advice and services in the stewardship of pension plans for the employees of Marine Atlantic Inc.

Pension Orientation/Training took place for the Committee members in February 2019. The Committee was active during the year in managing the pension plan; meeting fund managers of the plan; reviewing the requirements associated with regulation changes for the pension plan; and enhancing governance through the implementation of updates to the policies and procedures. The Committee monitored and reviewed the Statement of Investment Policies and Procedures (SIPP), Valuation Assumptions/Funding Strategy, and Plan Principles. Prior to the change in focus, the Committee regularly monitored key human resources initiatives including the five-year Human Resource Strategic Plan. The Committee provided oversight of collective bargaining relating to the agreements that were under negotiation, as well as expiration of the term of the current President and CEO and potential impacts related to the legalization of marijuana. Finally, the Committee exercised its responsibilities to review policies and to seek assurance that the organization fulfilled its commitments under its Terms of Reference and whether the workplan fits with the expectations of the Committee.

# BOARD OF DIRECTORS



**Kristopher Parsons**

St. John's NL

**Paul Griffin**

St. John's NL



**Don Barnes**

St. John's NL

**Carla Arsenault**

Sydney River, NS



**Janie Bussey, Q.C.**

Logy Bay, NL

**Brent Chaffey**

Saint David's, NL



**James Doody**

St. John's, NL

**Owen Fitzgerald**

Sydney, NS



**Gary O'Brien**

Channel - Port Aux Basques, NL

**Craig Priddle**

Corner Brook, NL



**Dwight Rudderham**

Sydney, NS

**Ann-Margret White**

St. John's NL





BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP	ATTENDANCE
Kristopher Parsons	<ul style="list-style-type: none"> <li>• Board Chair</li> </ul>	6
Paul Griffin	<ul style="list-style-type: none"> <li>• Ex-officio member of the Board (Until May 1, 2018)</li> <li>• Ex-officio member of Safety, Corporate Governance and Accountability Committee (Until May 1, 2018)</li> <li>• Ex-officio member of Human Resources and Pension Management Committee (Until May 1, 2018)</li> </ul>	1
Don Barnes	<ul style="list-style-type: none"> <li>• Ex-officio member of the Board (Effective May 24, 2018)</li> <li>• Ex-officio member of Safety, Corporate Governance and Accountability Committee (Effective May 24 - September 17, 2018)</li> <li>• Ex-officio member of Human Resources and Pension Management Committee (Effective May 24 - September 17, 2018)</li> <li>• Ex-officio member of Governance, Risk and Strategy Committee (Effective September 18, 2018)</li> <li>• Ex-officio member of Human Resources, Health, Safety and Environment Committee (Effective September 18, 2018)</li> </ul>	5
Carla Arsenault	<ul style="list-style-type: none"> <li>• Member – Audit Committee (Effective February 5, 2019)</li> <li>• Member – Pension Management Committee (Effective February 5, 2019)</li> </ul>	1
Janie Bussey, Q.C.	<ul style="list-style-type: none"> <li>• Chair – Human Resources, Health Safety and Environment Committee (Effective September 18, 2018)</li> <li>• Member – Governance, Risk and Strategy Committee (Effective September 18, 2018)</li> <li>• Member – Audit and Risk Management Committee (Until September 17, 2018)</li> <li>• Member – Human Resources and Pension Management Committee (Until September 17, 2018)</li> </ul>	6
Brent Chaffey	<ul style="list-style-type: none"> <li>• Member – Pension Management Committee (Effective September 18, 2018)</li> <li>• Member – Human Resources, Health, Safety and Environment Committee (Effective September 18, 2019)</li> <li>• Member – Human Resources and Pension Management Committee (Until September 17, 2018)</li> </ul>	6
James Doody	<ul style="list-style-type: none"> <li>• Chair – Pension Management Committee (Effective September 18, 2018)</li> <li>• Chair – Human Resources and Pension Management Committee (Until September 17, 2018)</li> <li>• Member – Governance, Risk and Strategy Committee (Effective September 18, 2018)</li> </ul>	6

BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP	ATTENDANCE
<b>Owen Fitzgerald</b>	<ul style="list-style-type: none"> <li>• Member – Audit Committee (Effective September 18, 2018)</li> <li>• Member - Human Resources, Health Safety and Environment Committee (Effective September 18, 2018)</li> <li>• Member - Audit and Risk Management Committee (Effective September 18, 2018)</li> </ul>	6
<b>Gary O'Brien</b>	<ul style="list-style-type: none"> <li>• Chair – Governance, Risk and Strategy Committee (Effective September 18, 2018)</li> <li>• Chair – Safety, Corporate Governance and Accountability Committee (Until September 17, 2018)</li> <li>• Member – Pension Management Committee (Effective September 18, 2018)</li> </ul>	6
<b>Craig Priddle</b>	<ul style="list-style-type: none"> <li>• Chair – Audit Committee (Effective September 18, 2018)</li> <li>• Chair – Audit and Risk Management Committee (Until September 17, 2018)</li> <li>• Member – Governance, Risk and Strategy Committee (Effective September 18, 2018)</li> </ul>	6
<b>Dwight Rudderham</b>	<ul style="list-style-type: none"> <li>• Board Member (Until May 1, 2018)</li> </ul>	1
<b>Ann-Margret White</b>	<ul style="list-style-type: none"> <li>• Member – Audit Committee (Effective September 18, 2018)</li> <li>• Member – Human Resources, Health, Safety and Environment Committee (Effective September 18, 2018)</li> <li>• Member – Safety, Corporate Governance and Accountability Committee (Until September 17, 2018)</li> <li>• Member – Audit and Risk Management Committee (Until September 17, 2018)</li> </ul>	6

Note: There are four regularly scheduled Board meetings and two strategy sessions held during the period. Board conference calls, Committee meetings and special meetings are held throughout the period outside the regular schedule.

Note: There were three Board Committees for the period April 1, 2018 until September 17, 2018. These were:

- Audit and Risk Committee
- Human Resources and Pension Management Committee
- Safety, Corporate Governance and Accountability Committee

Effective September 18, 2018, the Board Committee structure changed to become four Board Committees as follows:

- Audit Committee
- Governance, Risk and Strategy Committee
- Human Resources, Health, Safety and Environment Committee
- Pension Management Committee

# FINANCIAL OVERVIEW

As a federal Crown Corporation, Marine Atlantic receives an annual subsidy from its shareholder, the Government of Canada, through Transport Canada. In 2018-19, the Corporation spent \$242.7 million; \$109.3 million was generated via customer tariffs and other ancillary revenue and \$133.6 million was received via subsidy. The Corporation's cost recovery was 65.5 per cent which falls within the targeted range established by the shareholder.

## REVENUES AND GAINS 2018/19

YEAR ENDED MARCH 31 2019  
(IN THOUSANDS OF DOLLARS)

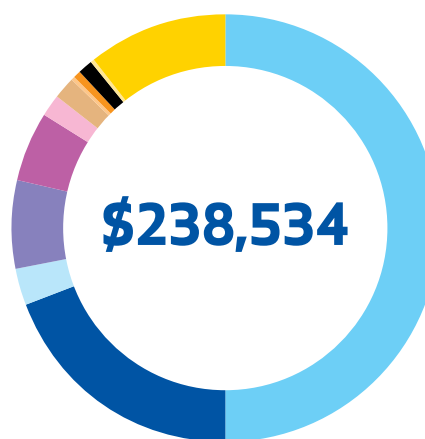


Transportation	96,568
Fuel surcharge	11,976
Other income	254
Realized gain on derivative financial instruments	3,020

**TOTAL** **\$111,818**

## EXPENSES AND LOSSES 2018/19

YEAR ENDED MARCH 31 2019  
(IN THOUSANDS OF DOLLARS)



Wages and benefits	92,129
Charter fees	13,652
Fuel	31,498
Materials, supplies and services	24,667
Repairs and maintenance	8,676
Insurance, rent and utilities	7,411
Travel	1,659
Administrative costs	2,740
Employee future benefits (Notes 8, 9 and 10)	4,809
Foreign currency exchange loss	31
Loss (gain) on disposal of tangible capital assets	1,229
Amortization	50,033

**TOTAL** **\$238,534**



## FINANCIAL OVERVIEW TABLE

FOR THE YEAR ENDED MARCH 31, 2019, 2018, 2017, 2016 & 2015 (IN THOUSANDS OF DOLLARS)

	2018-19	2017-18	2016-17	2015-16	2014-15
Transportation Revenue	\$ 96,568	\$ 100,474	\$ 99,227	\$ 97,109	\$ 92,273
Fuel surcharge	11,976	10,510	10,411	10,105	12,930
Other income	254	584	502	110	154
Gains	3,020	1,047	3,777	2,137	
	111,818	112,615	113,917	109,461	105,357
Operating expenses	137,282	143,502	137,682	133,488	122,244
Fuel	31,498	27,545	19,108	22,574	32,246
Losses	1,260	202	2,566	500	4,416
Charter costs	13,652	13,403	12,920	35,521	45,087
Employee Future benefits	4,809	7,389	9,025	13,764	6,855
Amortization	50,033	45,166	39,144	31,632	32,792
	238,534	237,207	220,445	237,479	243,640
Deficit before government funding	126,716	124,592	106,528	128,018	138,283
Government funding					
Operations	75,977	85,800	61,203	114,637	117,227
Capital	49,691	60,958	37,598	236,362	18,895
Operating surplus (deficit)	\$ (1,048)	\$ 22,166	\$ (7,727)	\$ 222,981	\$ (2,161)
ASSETS:					
Total assets	\$ 614,540	\$ 623,777	\$ 591,552	\$ 587,814	\$ 363,990
Purchases of vessels, facilities and equipment	\$ 49,691	\$ 60,958	\$ 37,598	\$ 236,362	\$ 18,895

## TRAFFIC AND EMPLOYEES

	2018-19	2017-18	2016-17	2015-16	2014-15
Passengers	307,758	328,594	326,796	322,661	305,197
Passenger vehicles	115,972	122,444	120,314	116,574	109,167
Commercial vehicles	87,739	91,396	94,459	95,914	95,552
AEU's*	486,407	510,673	522,360	523,144	511,105
Number of single crossings	1,634	1,685	1,701	1,684	1,594
Employees (peak employment)	1,319	1,259	1,282	1,252	1,289
Employees (full-time equivalent)**	1,089	1,097	1,068	1,049	10,31

\*AEU or Auto Equivalent Unit is the length of an average passenger automobile.

\*\*Full-time equivalent (FTE) employees are calculated by dividing actual labour by the standard hours in a work year (2,080).

### REVENUE

Revenues (excluding gains) were \$2.8 million or 2.5 per cent lower compared to fiscal year 2017-18. The decrease was attributed to lower traffic volumes. Total revenue for the year was \$6.9 million lower than budgeted. The Corporation had projected an increase in traffic this year, but actual traffic volumes were lower compared to last year.

Gains were \$2.0 million higher this year compared to last year. The Corporation has a hedging program that involves advance purchase of energy swaps and forward exchange contracts. The hedging gains from the settlement of energy swaps were \$3 million this fiscal year, compared to a gain of \$0.8 million last year. The settlement of forward exchange contracts did not result in gains this year, compared to gains of \$0.3 million last year.

### WAGES AND BENEFITS

Labour costs were \$0.7 million or 0.7 per cent lower compared to fiscal year 2017-18. The number of full-time equivalent employees was lower this year. In 2017-18, changes in the fleet operating schedule were required to accommodate dock projects resulting in increased labour costs. Labour costs were \$1.7 million or 1.8 per cent lower than budget mainly due to vacancies. This more than offset changes made to the vessel layup schedule resulting in higher than planned crewing costs.

### CHARTER FEES

Charter fees were \$0.2 million higher than last year and \$0.3 million over budget due to increases in Euro exchange rates.

## FUEL

Fuel expenses were \$3.9 million higher than last year, and \$2.7 million higher than budget. The price of fuel was higher year over year and also higher than forecasted. Consumption was on par with last year, although higher than budget. Adjustments made to the vessel layup schedule in the fall and winter resulted in increased consumption.

## MATERIALS, SUPPLIES AND SERVICES

Materials, supplies and services' costs were \$3.4 million lower than the previous year, and \$6 million lower than budget. In 2017-18, the Corporation recorded a provision for \$2.8 million related to the removal of an underground pipeline. Consulting costs were also lower compared to last year. The Corporation budgeted for professional and legal services to support certain activities and projects for which the timing was uncertain resulting in savings.

## REPAIRS AND MAINTENANCE

The repairs and maintenance costs were \$1.6 million lower in fiscal year 2018-19, and \$4.8 million lower than budget. There were less planned preventative maintenance activities this year compared to last year, as well as fewer emerging issues. Changes in the refit schedule also resulted in savings in the maintenance budget.

## INSURANCE, RENT AND UTILITIES

Insurance, rent and utilities were on par with last year, and \$0.8 million lower than budget. Lower insurance costs offset increased electricity costs. The budget savings were mainly due to lower than anticipated insurance premiums.

## TRAVEL

Travel costs were \$0.2 million lower than last year, and \$0.8 million lower than budget. Total cost of travel for the year was \$1.7 million. Corporate travel has continued to trend lower through use of technology for collaboration. There were also savings associated with delayed projects and vacant positions.

## ADMINISTRATIVE COSTS

Administrative costs were \$0.2 million lower compared to last year and \$0.1 million lower than budget. These costs mostly relate to the Corporation's marketing and training activities.



## EMPLOYEE FUTURE BENEFITS

Actuarially calculated expenses relating to employee future benefits decreased by \$2.6 million. The actuarially determined accrued expenses for the Pension Plan for Employees of Marine Atlantic Inc. decreased by \$2.5 million due to changes in actuarial assumptions such as discount rates and expected rate of return on plan assets, while the expenses for Workers' Compensation and other benefits decreased by \$0.1 million. The budget represents the estimated cash requirements for current service and premium payments.

## FOREIGN CURRENCY EXCHANGE LOSS

The Corporation's foreign currency expense was \$0.1 million lower compared to last year. The Corporation incurs currency gains/losses in the normal course of business arising from the requirement to pay some vendors in foreign currencies.

## LOSS ON DISPOSAL OF TANGIBLE CAPITAL ASSETS

The Corporation recognized a loss of \$1.2 million on the disposal of long lived assets. This was mainly due to shore infrastructure projects upgrading and replacing existing fendering systems.

## AMORTIZATION

Amortization was \$4.8 million higher this year compared to last year. The increased depreciation is the result of significant capital investments made over the last number of years becoming active and depreciating.

## GOVERNMENT FUNDING

Government funding revenue recognized was \$21.1 million lower in fiscal year 2018-19. Government funding for operations was \$9.8 million lower due to lower operating expenses, use of inventory and a reduction in accounts payable. Funding for capital projects was \$11.3 million lower.

## TANGIBLE CAPITAL ASSETS

In 2018-19, Marine Atlantic spent \$49.7 million in asset renewal compared to \$61.0 million last year. \$14.2 million was spent on fleet-related projects compared to \$17.3 million in the previous year. An additional \$35.5 million was spent replacing and modernizing shore facilities and equipment compared to \$43.7 million in fiscal year 2017-18.

# FINANCIAL STATEMENTS

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The preparation and presentation of the financial statements is the responsibility of Marine Atlantic Inc.'s (the "Corporation") management. These financial statements have been prepared in accordance with Canadian public sector accounting standards. These standards have been applied using management's best estimates and judgments that are considered appropriate to the Corporation's circumstances. Management obtains actuarial reports in support of amounts recorded in relation to the pension plan and accrued obligations for post-employment and non-pension post-retirement benefits.

Management is responsible for the reliability and integrity of the financial statements, including the notes to the financial statements and other financial information contained in the annual report. Management is also responsible for maintaining books of account, information systems, systems of financial and management control and an internal audit program. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available; that assets are safeguarded and controlled; that resources are managed efficiently; and that transactions are conducted in accordance with relevant legislation and the articles of incorporation and by-laws of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, on behalf of the Board, fulfills this responsibility. The Audit Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements. The Corporation has an internal audit department whose functions include reviewing internal controls and their application on an ongoing basis.

The Auditor General of Canada, the independent auditor of the Corporation appointed under the Financial Administration Act, has audited the Corporation's financial statements in accordance with Canadian generally accepted auditing standards. The independent auditor has full and unrestricted access to the Audit Committee to discuss the audit and related findings.

The financial statements and the annual report have been approved by the Board of Directors.



Shawn Leamon, CPA, CGA  
Vice President of Finance  
St. John's, Canada  
June 25, 2019



Murray Hupman, P.Eng.  
President and CEO  
St. John's, Canada  
June 25, 2019



## INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Marine Atlantic Inc., which comprise the statement of financial position as at 31 March 2019, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets, and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marine Atlantic Inc. as at 31 March 2019, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Marine Atlantic Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Marine Atlantic Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Marine Atlantic Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Marine Atlantic Inc.'s financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marine Atlantic Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Marine Atlantic Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Marine Atlantic Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Compliance with Specified Authorities**

##### *Opinion*

In conjunction with the audit of the financial statements, we have audited transactions of Marine Atlantic Inc. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Marine Atlantic Inc. Acquisition Authorization Act*, the *Canada Business Corporations Act* and regulations, the articles of incorporation and by-laws of Marine Atlantic Inc., and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of Marine Atlantic Inc. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

*Responsibilities of Management for Compliance with Specified Authorities*

Management is responsible for Marine Atlantic Inc.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Marine Atlantic Inc. to comply with the specified authorities.

*Auditor's Responsibilities for the Audit of Compliance with Specified Authorities*

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Heather McManaman, CPA, CA  
Principal  
for the Interim Auditor General of Canada

Halifax, Canada  
25 June 2019



## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019 (IN THOUSANDS OF DOLLARS)

	2019	2018
<b>Financial assets</b>		
Cash (Note 4)	\$ 13,613	\$ 13,875
Accounts receivable (Note 13(a))	7,390	9,792
Receivable from Government of Canada (Note 5)	13,404	21,100
Inventories held for resale (Note 6)	327	322
Derivative financial instruments (Note 12)	2,514	3,401
Accrued pension asset (Note 8)	133,911	126,038
	171,159	174,528
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Notes 7 and 13(c))	30,158	39,146
Derivative financial instruments (Notes 12 and 13(c))	693	24
Deferred revenue	4,831	4,655
Payable to Government of Canada (Note 5)	2,994	2,717
Accrued vacation pay	6,319	6,336
Accrued pension liability (Note 8)	2,723	2,584
Accrued liability for non-pension post-retirement benefits (Note 9)	49,910	48,229
Accrued liability for post-employment benefits (Note 10)	11,341	11,382
	108,969	115,073
<b>Net financial assets</b>	62,190	59,455
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	421,588	423,179
Inventories held for consumption (Note 6)	18,448	22,806
Prepaid expenses	3,345	3,264
	443,381	449,249
<b>Accumulated surplus (Note 14)</b>	\$ 505,571	\$ 508,704

Contractual obligations (Note 16)

Contingencies (Notes 17 and 18)

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

On behalf of the Board of Directors:



Chair



Director

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019 (IN THOUSANDS OF DOLLARS)

	2019		2018
	Budget	Actual	Actual
	(Note 19)		
<b>Revenues</b>			
Transportation	\$ 102,569	\$ 96,568	\$ 100,474
Fuel surcharge	12,995	11,976	10,510
Other income	115	254	584
Realized gain on derivative financial instruments	205	3,020	1,047
	115,884	111,818	112,615
<b>Expenditures</b>			
Wages and benefits	93,824	92,129	92,784
Charter fees	13,393	13,652	13,403
Fuel	28,819	31,498	27,545
Materials, supplies and services	30,734	24,667	28,116
Repairs and maintenance	13,435	8,676	10,336
Insurance, rent and utilities	8,204	7,411	7,405
Travel	2,500	1,659	1,891
Administrative costs	2,798	2,740	2,970
Employee future benefits (Notes 8, 9 and 10)	10,672	4,809	7,389
Foreign currency exchange loss	-	31	108
Loss on disposal of tangible capital assets	-	1,229	94
Amortization (Note 11)	46,800	50,033	45,166
	251,179	238,534	237,207
Deficit before government funding	(135,295)	(126,716)	(124,592)
<b>Government funding</b> (Note 5)			
Operations	81,445	75,977	85,800
Capital	69,659	49,691	60,958
	151,104	125,668	146,758
Operating surplus (deficit)	15,809	(1,048)	22,166
Accumulated operating surplus, beginning of year	503,643	503,643	481,477
<b>Accumulated operating surplus, end of year</b> (Note 14)	\$ 519,452	\$ 502,595	\$ 503,643

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

## STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED MARCH 31, 2019 (IN THOUSANDS OF DOLLARS)

	2019		2018	
<b>Accumulated remeasurement gains (losses) , beginning of year</b>	\$	5,061	\$	(207)
<b>Remeasurement gains (losses) arising during the year</b>				
Unrealized (loss) gain on foreign exchange of cash		(529)		1,167
Unrealized gain on derivatives		1,464		5,148
<b>Reclassifications to the statement of operations</b>				
Realized (gain) on derivatives		(3,020)		(1,047)
Net remeasurement (losses) gains for the year		(2,085)		5,268
<b>Accumulated remeasurement gains, end of year</b> (Note 14)	\$	2,976	\$	5,061

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



## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2019 (IN THOUSANDS OF DOLLARS)

	2019		2018	
	Budget	Actual	Budget	Actual
<b>Operating (deficit) surplus</b>	(Note 19) \$ 15,809	\$ (1,048)	\$	22,166
<b>Change in tangible capital assets</b>				
Acquisition of tangible capital assets (Note 11)	(69,659)	(49,691)		(60,958)
Amortization of tangible capital assets (Note 11)	46,800	50,033		45,166
Loss on disposal of tangible capital assets	-	1,229		94
Proceeds on disposal of tangible capital assets	-	20		43
<b>Decrease (increase) in tangible capital assets</b>	(22,859)	1,591		(15,655)
<b>Change in other non-financial assets</b>				
Acquisition of inventories held for consumption	(22,429)	(28,485)		(34,532)
Use of inventories held for consumption	28,819	32,843		28,418
Purchase of prepaid expenses	(13,393)	(19,217)		(19,317)
Use of prepaid expenses	13,393	19,136		20,265
<b>Decrease (increase) in other non-financial assets</b>	6,390	4,277		(5,166)
Net remeasurement (losses) gains	-	(2,085)		5,268
Increase in net financial assets	(660)	2,735		6,613
Net financial assets, beginning of year	59,455	59,455		52,842
<b>Net financial assets, end of year</b>	\$ 58,795	\$ 62,190	\$	59,455

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

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2019 (IN THOUSANDS OF DOLLARS)

	2019		2018	
<b>Operating transactions</b>				
Cash receipts from customers	\$	109,079	\$	110,132
Other income received		254		146
Government funding - operations		76,654		80,872
Government funding - capital		56,987		62,711
Cash payments to suppliers		(80,888)		(88,016)
Cash payments to and on behalf of employees		(93,948)		(91,986)
Cash paid for employee future benefits		(10,904)		(11,427)
		57,234		62,432
<b>Capital transactions</b>				
Purchase of tangible capital assets		(56,987)		(62,711)
Proceeds on disposal of tangible capital assets		20		43
		(56,967)		(62,668)
(Decrease) increase from effect of exchange rate changes on cash		(529)		1,167
Net (decrease) increase in cash		(262)		931
Cash, beginning of year		13,875		12,944
<b>Cash, end of year</b>	\$	13,613	\$	13,875
Cash consists of:				
Restricted cash	\$	9,334	\$	9,873
Unrestricted cash		4,279		4,002
	\$	13,613	\$	13,875

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. NATURE OF OPERATIONS AND AUTHORITY

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Marine Atlantic Inc. is incorporated under the *Canada Business Corporations Act*. The *Marine Atlantic Inc. Acquisition Authorization Act* of 1986 established the Corporation as a parent Crown Corporation. Marine Atlantic Inc. is a federal Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*. The Corporation is not an agent of Her Majesty. In accordance with the *Marine Atlantic Inc. Acquisition Authorization Act*, the Corporation's articles restrict its business to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. As a result of the *National Marine Policy* (1995), the mandate was narrowed to the operation of the ferry system. The Corporation considers this to be its sole program. The corporate mission 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." The Corporation operates a ferry service between Nova Scotia and Newfoundland and Labrador. This service encompasses the year-round ferry service between North Sydney, Nova Scotia and Port aux Basques, Newfoundland and Labrador (constitutional route) and the seasonal summer service between North Sydney, Nova Scotia and Argentia, Newfoundland and Labrador (non-constitutional route). The Corporation operates its service with one chartered and three corporate-owned vessels. It owns terminals in North Sydney, Nova Scotia; Port aux Basques and Argentia, Newfoundland and Labrador.

The Corporation receives funding for its operations from the Government of Canada to the extent that the cost of providing ferry services is not recovered from commercial revenues. The acquisition of tangible capital assets is subject to approval of parliamentary appropriations. The Corporation is economically dependent on the Government of Canada.

The Corporation's Board of Directors is responsible for price changes across all services, including to a maximum of five percent per year on constitutional fares. The Corporation also sets a fuel surcharge based on the annual cost recovery target.

In December 2014, the Corporation was issued a directive (P.C. 2014-1382) pursuant to section 89 of the *Financial Administration Act*, as follows:

- (a) To ensure that the pension plan will provide:
  - i) a 50:50 current service cost-sharing ratio between employee and employer for pension contributions for all members by December 31, 2017, and
  - ii) for any employee hired after January 1, 2015, the normal age of retirement be raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and
- (b) To outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

Member contribution rates were adjusted gradually to meet the 50:50 current service cost-sharing ratio target rate by January 1, 2017. Since then the cost-sharing ratio is reviewed annually at each actuarial valuation. As of December 31, 2018, this ratio was 48:52 between employees and the Corporation and employee contributions were therefore adjusted effective January 1, 2019 to bring the cost-sharing ratio to 50:50. The Corporation has amended its policies such that the normal age of retirement for employees hired after January 1, 2015 was raised to 65 years of age.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation implemented new policies and revised existing policies and procedures effective July 1, 2016 to comply with the directive



## 2. SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian public sector accounting standards. All figures are stated in thousands of dollars except for the authorized share capital.

#### (a) Government funding

The Corporation receives government funding to fund its current cash requirements, related to operating expenses in excess of commercial revenues and to acquire tangible capital assets. The funding received is included in income for the period when funding has been authorized and all eligibility criteria have been met by the Corporation. Any difference between amounts provided and amounts authorized and eligible represents a receivable from (payable to) the Government of Canada. On occasion, the Corporation sells assets for which the net proceeds are required to be returned to the Consolidated Revenue Fund. On these occasions, the net proceeds are applied against the operating funding requirements in the period of disposition.

#### (b) Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities are measured at cost.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair value at the end of each reporting period. Changes in fair value are recognized in the statement of remeasurement gains and losses until the derivative financial instrument is derecognized, at which point the accumulated remeasurement gain (loss) is reversed and reclassified to the statement of operations. Derivatives are derecognized at the expiry date of the derivative contract. Transaction costs are expensed as incurred.

#### (c) Insurance claims receivable

Accounts receivable includes recoverable insurance claims which are recognized when the Corporation has reasonable assurance the claim will be accepted and paid by the insurance underwriter.

#### (d) Inventory

Inventories consisting primarily of items used for consumption onboard vessels are valued at the lower of historical cost or replacement cost.

#### (e) Tangible capital assets

Tangible capital assets are comprised of vessels, facilities and equipment which are carried at cost less accumulated amortization. Major spare parts that are included in the Corporation's vessel spare parts inventory are accounted for as tangible capital assets. For this purpose, major spare parts are those that are expected to be used for more than one fiscal period in connection with a tangible capital asset.

The cost of work in progress includes materials, direct labour and overhead. Amounts included in work in progress are transferred to the appropriate tangible capital asset classification when available and ready for use and are then amortized.

Amortization is calculated at rates sufficient to write off the cost, less any residual value, of tangible capital assets over their estimated useful lives on a straight-line basis. The cost, less any residual value, of projects onboard the vessels are amortized over the lesser of the useful life of the asset or the useful life of the vessel. Leasehold improvements are amortized over the shorter of the term of the lease agreement or the asset's useful life.

Estimated useful lives and amortization methods are reviewed annually. The rates for significant classes of tangible capital assets are as follows:

Vessels (includes vessel projects)	5%	to	10%
Shore facilities	2.5%	to	5%
Equipment	10%	to	25%
Leasehold improvements	Term of lease agreement or the asset's useful life		

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, the cost of the asset is written down to residual value, if any. Write-downs are not reversed.

**(f) Employee future benefits**

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the benefits accrue to employees.

**POST-RETIREMENT BENEFITS**

**i) Accrued pension asset (liability)**

The Corporation maintains, through a trustee, a registered defined benefit pension plan covering substantially all of its employees, an unfunded supplementary retirement arrangement for senior managers hired prior to March 1, 2001, and an unfunded supplementary retirement arrangement adopted in 2006 for designated positions providing benefits for service since 2004. Eligibility under the latter supplementary arrangement was extended to benefits accrued for service since 2009 for all members of the registered defined benefit pension plan who are affected by the maximum pension payable by the registered plan. Benefits are generally based on employees' length of service and final or best average earnings for all benefits.

The cost of pensions is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, inflation, and retirement ages of employees. The discount rate used to calculate the interest cost on the pension obligations is based on the expected return on plan assets for the registered pension plan and a proxy for the cost of borrowing for the other plans.

The expected long-term rate of return on plan assets is based on estimated returns, consistent with market conditions applicable on the measurement date, for each major asset class and the target asset mix specified in the plan's investment policy. A market-related value of plan assets is used for purposes of the financial statements, and the expected return on plan assets is based thereon. The market-related value of plan assets is determined using a method which amortizes gains or losses relative to the expected return over five years. Actuarial gains or losses arise from the difference between the actual rate of return and the expected long-term rate of return on plan assets and from changes in the pension obligations due to changes in actuarial assumptions used or actual experience differing from that which is expected based on the assumptions.

Actuarial gains and losses for the registered pension plan and for the supplementary retirement arrangement adopted in 2006 are amortized over the estimated average remaining service period of the members. Actuarial gains and losses for the former supplementary retirement arrangements are amortized over the average life expectancy of plan members.

Adjustments for plan amendments, net of offsetting unamortized actuarial gains and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

The estimated average remaining service period of the members covered by the registered pension plan and the supplementary retirement arrangement adopted in 2006 is 9.6 years (2018 - 9.8 years). For the former supplementary retirement arrangements, the average life expectancy of plan members is 14.1 years (2018 - 14.7 years).

**ii) Health and dental plans**

The Corporation provides life insurance and health and dental care benefits to current and retired employees. Union and non-union/management employees become eligible for basic and optional life insurance the first of the month following 60 days of continuous employment. Union employees become eligible for extended health and dental benefits the first of the month following the attainment of 1,040 hours of work and non-union/management employees become eligible the first of the month following date of hire.

The cost of non-pension post-retirement benefits is actuarially determined using management's best estimate of future participation rates in the retiree health and dental plan, average health care cost per plan member, health care trend rates and utilization, salary escalation and mortality rates.

Adjustments arising from actuarial gains and losses are amortized over the estimated average remaining service period of the related employee group.

The estimated average remaining service period of members covered by non-pension employee future benefit plans expected to receive benefits is 11.0 years (2018 - 11.0 years). Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

**iii) Complimentary ferry services for employees and retirees**

Current and retired employees of Marine Atlantic Inc. have travel benefits on the Corporation's vessels. Union and non-union/management

employees become eligible for travel pass privileges after acquiring four months of continuous employment plus 694 regular hours worked or two years of service, whichever occurs earliest. No liability has been recognized in the statement of financial position for this benefit because it is not material.

## **POST-EMPLOYMENT BENEFITS**

### **i) Workers' compensation liabilities**

For certain employees and former employees, the Corporation is a self-insured employer and is accountable for workers' compensation liabilities incurred. The cost of workers' compensation liabilities is actuarially determined using the net present value of liabilities for work-related injuries of current and former employees when awards are approved by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador; Workplace Health, Safety and Compensation Commission of New Brunswick; or Workers Compensation Commission of Prince Edward Island; or legislative amendments are made and the anticipated future costs can be reasonably calculated. Management recognizes changes in the net present value of the liability, based on updated actuarial estimates of future costs, as a result of actual experience and changes in actuarial assumptions.

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 10.0 years (2018 - 10.0 years).

### **ii) Other benefits**

Other post-employment benefits are the income replacement for employees on short-term disability and group benefit continuation for employees on long-term disability. The cost of these other post-employment benefits is actuarially determined using the net present value of the liabilities associated with employees currently on short-term or long-term disability taking into account inflation rates, interest rates, mortality rates and health care cost trend rates. Management recognizes changes in the net present value of the liability, based on updated actuarial estimates of future costs, as a result of actual experience and changes in actuarial assumptions.

Union employees become eligible for short-term disability benefits the first of the month following 60 days of continuous employment. This benefit is not available to non-union/management employees as they have a separate sick leave plan. The short-term disability plan for union employees provides regular income to replace income lost because of a disability due to disease or non-work related injury. Benefits begin after the waiting period and continue until the employee is no longer disabled or until the end of the benefit period, whichever comes first. In order to qualify for short-term disability benefits, an employee must have met the eligibility period and meet the definition of disabled. The amount of weekly benefit is determined by the employees' collective agreement. An employee in receipt of short-term disability benefits has his/her extended health insurance maintained for a period of six months, his/her dental insurance maintained for a period of three months and his/her basic life insurance continued for a period of six months after which the employee can make application for a waiver of life premium to maintain coverage. Their travel pass privileges are maintained during the duration of their disability. Accidental death and dismemberment benefits are not provided to employees who are not active in the workplace.

Non-union/management employees become eligible for long-term disability benefits the first of the month following 60 days of continuous employment. This plan is not available to union employees. The long-term disability plan for non-union/management employees provides regular income to replace income lost because of a lengthy disability due to disease or non-work related injury. Benefits begin after a 26-week waiting period and continue until the employee is no longer disabled as defined by the policy or the employee reaches age 65, whichever comes first. The amount of the weekly benefit depends upon whether the employee is a management employee or non-union employee. An employee in receipt of long-term disability has his/her extended health and dental insurance continued, along with his/her travel pass privileges, during the duration of his/her illness provided he/she continues to meet the definition of disabled and has not yet reached age 65. Basic life insurance is continued for a period of six months after which the employee can make application for a waiver of life premium to maintain coverage. Accidental death and dismemberment benefits are not provided to employees who are not active in the workplace.

There is also a sick leave plan for non-union/management employees hired after September 1, 2001 as they work and accumulate sick leave credits. Employees hired prior to September 1, 2001 are eligible for sick leave based on years of service. This plan is not available to union employees. The sick leave plan provides benefits that accumulate but do not vest. No liability has been recognized on the statement of financial position for this benefit because it is not material.

### **(g) Revenue recognition**

The Corporation recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Transportation revenue and fuel surcharges are recorded when ferry services are provided. The Corporation requires customers to pay in advance when booking a reservation. These amounts received



are recorded as deferred revenue and are recognized as revenue when ferry services are provided. Interest income is recorded as it is earned and collection is reasonably assured.

**(h) Expenses**

Expenses are recognized on an accrual basis. Expenses for the operations of the Corporation are recorded when goods or services are received.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debt and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

**(i) Prepaid expenses**

Prepaid expenses are disbursements made before the completion of the work, delivery of the goods or rendering of services or advance payments under the terms of lease agreements.

**(j) Foreign currency translation**

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the financial statement date. Revenues and expenses are translated using exchange rates in effect at the date of the transaction. Commitments and contingencies denominated in foreign currencies are translated at exchange rates in effect at the financial statement date. An exchange gain or loss that arises prior to settlement is recognized in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses and an exchange gain or loss measured in relation to the exchange rate at the date of initial recognition is recognized in the statement of operations.

**(k) Contingent liabilities**

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

**(l) Contingent assets**

Contingent assets are possible assets arising from existing conditions involving uncertainty, which will be resolved by a future confirming event. The existence of a contingent asset is disclosed in the notes to the financial statements if the occurrence of the future event is likely. If the occurrence of the confirming event is unlikely or not determinable the contingent asset is not disclosed in the notes to the financial statements.

**(m) Measurement uncertainty**

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include accrued pension asset, accrued pension liability, non-pension post-retirement benefits and post-employment benefits, useful lives of tangible capital assets and litigation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS

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In August 2018, the Public Sector Accounting Board issued PS 3280, Asset retirement obligations, which establishes principles on how to account for and report legal obligations associated with the retirement of tangible capital assets. An asset retirement obligation is recognized when all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The mandatory effective date of this standard is for fiscal years beginning on or after April 1, 2021 and earlier adoption is permitted. The Corporation has not early adopted this new standard and is currently assessing the impact that this standard will have on its financial statements. Therefore, the impact is not known at this time.

## 4. CASH

Cash includes restricted cash consisting of cash denominated in Euros held in an escrow account with a German bank as security for the charter of the passenger and freight ferry – the MV Atlantic Vision. The total balance denominated in Euros is €6,222 (2018 - €6,222), which translates to \$9,334 Canadian dollars at March 31, 2019 (2018 - \$9,873). These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

An amendment to the charter agreement was signed for a one-year period commencing November 15, 2019 with an optional year. This amendment reduced the required escrow deposit from €6,222 to €4,500 beginning April 1, 2019.

## 5. (RECEIVABLE FROM) PAYABLE TO GOVERNMENT OF CANADA

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of operations in one year may be funded by the Government of Canada in different years. Accordingly, the Corporation has a different surplus (deficit) for the year on a government funding basis than on a generally accepted accounting principles basis.

	2019		2018	
Payable to Government of Canada, beginning of year	\$	2,717	\$	2,792
(Receivable from) Government of Canada, beginning of year		(21,100)		(18,000)
Parliamentary appropriations received during the year		133,641		143,583
Recognized during the year:				
Government funding - operations		(75,977)		(85,800)
Government funding - capital		(49,691)		(60,958)
Government funding surplus (deficit)		7,973		(3,175)
(Receivable from) Government of Canada, end of year		(13,404)		(21,100)
Payable to Government of Canada, end of year	\$	2,994	\$	2,717

## 6. INVENTORIES

	2019		2018	
<b>Inventories held for consumption</b>				
Fuel inventory	\$	10,649	\$	15,771
Vessel spare parts - ship based		4,451		3,853
Vessel spare parts - shore based		3,348		3,182
		18,448		22,806
<b>Inventories held for resale</b>				
Catering inventory		327		322
<b>Total inventories</b>	\$	18,775	\$	23,128

For the year ended March 31, 2019, inventories expensed during the year amounted to \$35,323 (2018 - \$31,264). During the year, the Corporation has written down \$638 (2018 - \$435) of inventory.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019		2018	
Accounts payable	\$	19,232	\$	21,338
Accrued liabilities		3,283		9,452
Wages and benefits payable		6,158		6,832
Government remittances payable		1,485		1,524
Accounts payable and accrued liabilities	\$	30,158	\$	39,146

Amounts due to other government organizations of \$202 (2018 - \$180) are payable on demand and are non-interest bearing.

## 8. ACCRUED PENSION ASSET (LIABILITY)

The Corporation's independent actuary measures the pension obligations and the value of the plan's assets for accounting purposes as at the measurement date (December 31, 2018 for the year ended March 31, 2019, and December 31, 2017 for the year ended March 31, 2018). The most recent actuarial valuation for funding purposes was completed in 2018 and is as of December 31, 2017.

Based on the actuarial valuations and projections to December 31, the summary of the principal valuation results, in aggregate, is as follows:

	2019		2018	
<b>Accrued benefit obligation</b>				
Balance, beginning of year	\$	698,979	\$	690,076
Current service cost		7,879		6,867
Employee contributions		7,535		7,076
Interest costs		26,434		26,244
Benefits paid		(35,929)		(35,509)
Actuarial (gain) loss		(19,271)		4,225
Balance, end of year	\$	685,627	\$	698,979
<b>Market-related value of plan assets</b>				
Balance, beginning of year	\$	834,946	\$	796,658
Return on plan assets		33,357		59,141
Employer contributions		8,642		7,580
Employee contributions		7,535		7,076
Benefits paid		(35,929)		(35,509)
Balance, end of year	\$	848,551	\$	834,946



The following presents the financial position of the Corporation's pension arrangements:

	2019		2018	
	REGISTERED PENSION PLAN	SUPPLEMENTARY RETIREMENT ARRANGEMENTS	REGISTERED PENSION PLAN	SUPPLEMENTARY RETIREMENT ARRANGEMENTS
Pension plan assets (market-related value)	\$ 848,551	\$ -	\$ 834,946	\$ -
Pension obligations (actuarial value)	682,348	3,279	695,800	3,179
Surplus (deficit) end of year	166,203	(3,279)	139,146	(3,179)
Unamortized net actuarial (gains) losses	(34,301)	517	(15,248)	557
Employer contributions during year for measurement date to March 31	2,009	39	2,140	38
Accrued pension asset (liability)	\$ 133,911	\$ (2,723)	\$ 126,038	\$ (2,584)

The following presents a summary of pension contributions and benefit payments during the year:

	2019		2018	
	REGISTERED PENSION PLAN	SUPPLEMENTARY RETIREMENT ARRANGEMENTS	REGISTERED PENSION PLAN	SUPPLEMENTARY RETIREMENT ARRANGEMENTS
Contributions				
Employer	\$ 8,356	\$ 156	\$ 8,478	\$ 156
Employee	7,535	-	7,076	-
Total contributions	\$ 15,891	\$ 156	\$ 15,554	\$ 156
Benefits paid	\$ 35,773	\$ 156	\$ 35,353	\$ 156

The pension costs are comprised of the following:

	2019		2018	
	REGISTERED PENSION PLAN	SUPPLEMENTARY RETIREMENT ARRANGEMENTS	REGISTERED PENSION PLAN	SUPPLEMENTARY RETIREMENT ARRANGEMENTS
Determination of pension costs for the year are calculated as:				
Current period benefit cost	\$ 15,266	\$ 149	\$ 13,791	\$ 152
Amortization of net actuarial losses	(30)	74	2,236	75
Employee contributions	(7,535)	-	(7,076)	-
Retirement benefit expense	7,701	223	8,951	227
Interest on pension obligations	26,362	72	26,173	71
Expected return on plan assets	(33,581)	-	(32,129)	-
Retirement benefit interest (revenue) expense	(7,219)	72	(5,956)	71
Pension costs	\$ 482	\$ 295	\$ 2,995	\$ 298

The registered pension plan is a defined benefit pension plan. The pension formula for current active members of the plan provides a pension, for each year of allowable service up to a maximum of 35 years, equal to 1.6% of best or final average earnings up to the average maximum pensionable earnings under the Canada Pension Plan, plus 2% of best or final average earnings in excess of the average maximum pensionable earnings under the Canada Pension Plan. The plan provides for possible indexation adjustments for pension and survivor benefits payable during a calendar year following the third anniversary of the member's retirement or death, whichever occurs first. The indexation adjustment is calculated as the annual increase in the Consumer Price Index less 3%, subject to a maximum annual increase of 3%. No indexation adjustment is provided if the annual increase in the Consumer Price Index is below 3%.

Employer pension contributions are made in accordance with the actuarial valuations for funding purposes. The registered pension plan assets are invested in debt securities, equity securities and buy-in annuities. The asset mix at December 31, 2018, which is the measurement date for the March 31, 2019 financial statements, was 25% in debt securities, 20% in equity securities, and 50% in annuities (2018 - 19%, 27%, and 52% respectively).

The market value of plan assets is \$425,589 (2018 - \$420,900) in addition the actuarially determined value of the buy-in annuities is \$420,007 (2018 - \$452,761). The actual loss on the market value of plan assets was \$6,313 or 1.5% (2018 - return of \$45,211 or 12%) and the actual return on the market-related value of plan assets was \$33,357 or 4% (2018 - \$59,141 or 7.4%).

Gains and losses incurred are as follows: gain on market-related value of plan assets \$14,810 (2018 - \$27,888); actuarial gain on registered plan accrued benefit obligation \$19,306 (2018 - \$4,425); actuarial loss on supplementary arrangements accrued benefit obligation \$35 (2018 - gain of \$200).

The assumptions are:

	2019	2018
<b>Pension obligations</b>		
Discount rate - registered plan	5.40 %	5.30 %
Discount rate - supplementary arrangements	2.15 %	2.20 %
Rate of compensation increase	3.50 %	3.50 %
Inflation rate	2.00 %	2.00 %
<b>Pension costs</b>		
Discount rate - registered plan	5.30 %	5.50 %
Discount rate - supplementary arrangements	2.20 %	2.20 %
Expected return on assets	5.30 %	5.50 %
Rate of compensation increase	3.50 %	3.50 %
Inflation rate	2.00 %	2.00 %

## 9. ACCRUED LIABILITY FOR NON-PENSION POST-RETIREMENT BENEFITS

The Corporation provides life insurance and health and dental care benefits to retirees. The present value of this unfunded benefit plan for current and future retirees is determined by the Corporation's independent actuary on the basis of management assumptions. An actuarial valuation was conducted as of December 31, 2016 for the years ended March 31, 2019 and March 31, 2018.

The statement of operations includes a charge of \$2,127 (2018 - \$1,990) for non-pension post-retirement benefits for the cost of these benefits during the period.

The following presents the financial position of the Corporation's non-pension post-retirement benefits at March 31:

	2019		2018	
Obligation for non-pension non-retirement benefits (actuarial value)	\$	(40,337)	\$	(40,926)
Unamortized net actuarial (gain)		(9,658)		(7,424)
Employer contributions during the year from measurement date to March 31		85		1,221
Accrued benefit liability for non-pension post-retirement benefits	\$	(49,910)	\$	(48,229)

The following presents a summary of contributions and benefit payments in the year:

	2019		2018	
Employer contributions	\$	446	\$	467
Benefits paid	\$	446	\$	467

The non-pension post-retirement benefit costs are comprised of following:

	2019		2018	
Determination of non-pension post-retirement benefit costs for the year are calculated as:				
Current period benefit cost	\$	2,007	\$	1,915
Interest on obligations		937		887
Amortization of net actuarial (gains)		(817)		(812)
Non-pension post-retirement benefit costs	\$	2,127	\$	1,990

The assumptions are:

	2019		2018	
<b>Non-pension post-retirement benefits obligations</b>				
Discount rate		2.15%		2.20%
Rate of compensation increase		3.50%		3.50%
Initial weighted-average health care trend rate		4.90%		5.60%
Ultimate weighted-average health care trend rate		4.00%		4.50%
Year ultimate rate reached		2040		2032
Inflation rate		2.00%		2.00%
<b>Non-pension post-retirement benefits costs</b>				
Discount rate		2.20%		2.20%
Rate of compensation increase		3.50%		3.50%
Initial weighted-average health care trend rate		5.60%		5.60%
Ultimate weighed-average health care trend rate		4.50%		4.50%
Year ultimate rate reached		2032		2032
Inflation rate		2.00%		2.00%



## 10. ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS (WORKERS' COMPENSATION AND OTHER BENEFITS)

The Corporation's accrued obligation for workers' compensation benefits represents the unfunded liability for the costs of self-insured benefits specified and administered by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador, the Workplace Health, Safety and Compensation Commission of New Brunswick and the Workers Compensation Board of Prince Edward Island for work-related injuries of current and former employees.

The actuarially determined liability consists of an obligation for known awarded disability and survivor pensions, an obligation for all other potential future awards for past claims and other costs consisting of temporary compensation, health care expenses, rehabilitation costs and related administration costs charged by the various provincial commissions/board. These amounts are presented on a net present value basis taking into account inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred. The most recent actuarial valuation for accounting purposes for workers' compensation benefits was conducted as of December 31, 2017 and extrapolated to the measurement dates of December 31, 2018. The most recent actuarial valuation for accounting purposes for other post-employment benefits was conducted as of December 31, 2018.

The statement of operations includes a charge of \$1,905 (2018 - \$2,106) for post-employment benefit costs.

The following presents the financial position of the Corporation's post-employment benefits at March 31:

	<b>2019</b>	<b>2018</b>
Obligation for post-employment benefits (actuarial value)	\$ (15,551)	\$ (14,256)
Unamortized net actuarial losses	3,510	2,264
Employer contributions during the year from measurement date to March 31	700	610
Accrued benefit liability for post-employment benefits	\$ (11,341)	\$ (11,382)

The following presents a summary of benefit payments in the year:

	<b>2019</b>	<b>2018</b>
Benefits paid	\$ 1,946	\$ 2,326

The post-employment benefit costs are comprised of the following:

	<b>2019</b>	<b>2018</b>
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	\$ 1,181	\$ 1,362
Interest on obligations	320	334
Amortization of net actuarial losses	404	410
Post-employment benefit costs	\$ 1,905	\$ 2,106

The assumptions are:

	2019	2018
<b>Post-employment benefits obligations</b>		
Discount rate	2.15%	2.20%
Increase in average industrial wage	3.00%	3.00%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	5.00%
<b>Post-employment benefits costs</b>		
Discount rate	2.20%	2.20%
Increase in average industrial wage	3.00%	3.00%
Inflation rate	2.00%	2.00%
Health care cost increases	5.00%	5.00%

For the year ended March 31, 2019, the Corporation paid \$495 (2018 - \$519) in premiums to the Workers' Compensation Board of Nova Scotia which are included in wages and benefits in the statement of operations. These premiums represent the workers' compensation costs for Nova Scotia employees given that the Corporation is on an assessment basis.

## 11. TANGIBLE CAPITAL ASSETS

### 2019 - Cost

	BEGINNING BALANCE	ADDITIONS	TRANSFERS	DISPOSALS	ENDING BALANCE
Vessels	\$ 390,146	\$ 4,659	\$ 13,504	\$ (292)	\$ 408,017
Shore facilities	192,438	5,464	24,480	(2,408)	219,974
Leasehold improvements	35,036	347	1,660	-	37,043
Equipment	37,047	62	12,428	(380)	49,157
Work in progress	75,260	39,159	(52,072)	-	62,347
	\$ 729,927	\$ 49,691	\$ -	\$ (3,080)	\$ 776,538

### 2019 - Accumulated Amortization

	BEGINNING BALANCE	AMORTIZATION EXPENSE	DISPOSALS	ENDING BALANCE
Vessels	\$ 177,112	\$ 28,926	\$ (233)	\$ 205,805
Shore facilities	76,644	9,492	(1,236)	84,900
Leasehold improvements	31,256	5,332	-	36,588
Equipment	21,736	6,283	(362)	27,657
	\$ 306,748	\$ 50,033	\$ (1,831)	\$ 354,950

**2018 - Cost**

	BEGINNING BALANCE	ADDITIONS	TRANSFERS	DISPOSALS	ENDING BALANCE
Vessels	\$ 384,849	\$ 616	\$ 4,715	\$ (34)	\$ 390,146
Shore facilities	190,275	76	3,156	(1,069)	192,438
Leasehold improvements	26,689	2,546	5,801	-	35,036
Equipment	33,456	991	4,823	(2,223)	37,047
Work in progress	37,026	56,729	(18,495)	-	75,260
	\$ 672,295	\$ 60,958	\$ -	\$ (3,326)	\$ 729,927

**2018 - Accumulated Amortization**

	BEGINNING BALANCE	AMORTIZATION EXPENSE	DISPOSALS	ENDING BALANCE
Vessels	\$ 150,727	\$ 26,418	\$ (33)	\$ 177,112
Shore facilities	69,601	8,112	(1,069)	76,644
Leasehold improvements	23,794	7,462	-	31,256
Equipment	20,649	3,174	(2,087)	21,736
	\$ 264,771	\$ 45,166	\$ (3,189)	\$ 306,748

	NET BOOK VALUE 2019	NET BOOK VALUE 2018
Vessels	\$ 202,212	\$ 213,034
Shore facilities	135,074	115,794
Leasehold improvements	455	3,780
Equipment	21,500	15,311
Work in progress	62,347	75,260
	\$ 421,588	\$ 423,179



## 12. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The carrying amounts of financial assets and liabilities recorded at cost or amortized cost or at fair value are as follows:

	2019		2018	
	FAIR VALUE	COST	FAIR VALUE	COST
<b>Financial assets</b>				
Cash	\$ -	\$ 13,613	\$ -	\$ 13,875
Accounts receivable	-	7,390	-	9,792
Derivative financial instruments	2,514	-	3,401	-
	\$ 2,514	\$ 21,003	\$ 3,401	\$ 23,667
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities other than government remittances payable	\$ -	\$ 28,673	\$ -	\$ 37,622
Derivative financial instruments	693	-	24	-
	\$ 693	\$ 28,673	\$ 24	\$ 37,622

### (b) Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment. The methods used to establish the fair values of the Corporation's derivative financial assets and derivative financial liabilities at March 31, 2019, which are all classified as level 2, are based on quoted prices for similar assets or liabilities or modeled using inputs that are observable. The fair value of the derivative financial instruments is estimated at the discounted unrealized gain or loss calculated based on market prices at March 31, which generally reflects the estimated amount that the Corporation would receive or pay to terminate the contracts at the financial statement date. The Corporation utilizes information provided by Canadian chartered banks to assist in determining the fair value of the derivative financial instruments.

### (c) Derivatives

The derivative financial instruments used by the Corporation, and measured at fair value, include swaps which are typically a commodity or price swap where parties exchange payments in cash based on changes in the price of the commodity (#2 heating oil and #6 heavy fuel 1%) or a market index while fixing the price effectively paid for fuel.

The Corporation uses foreign exchange forwards which are contractual agreements to buy foreign currency at a specified price and date in the future. The Euro foreign exchange forwards are related to lease payments for the MV *Atlantic Vision*.

At March 31, the Corporation had the following derivative financial instruments with positive fair values:

	2019			2018	
	PERIOD (NOTE 1)	FIXED PRICE PER UNIT (NOTE 2)	NOTIONAL QUANTITY (NOTE 3)	FAIR VALUE	FAIR VALUE
Crude swap - #2 heating oil	2019	-	-	\$ -	\$ 1,336
Crude swap - # 2 heating oil	2020	1.9418 - 2.5469	5,292	2,059	1,234
Crude swap - # 2 heating oil	2021	2.4020 - 2.4708	2,142	455	110
Crude swap - #6 heavy fuel 1%	2019	-	-	-	415
				\$ 2,514	\$ 3,095

Note 1 - These financial instruments have a monthly settlement schedule.

Note 2 - #2 heating oil swaps are priced per US gallon; #6 heavy fuel 1% swaps are priced per barrel.

Note 3 - #2 heating oil swap quantities are based on gallons; #6 fuel 1% swap quantities are based on barrels.

	2019				2018	
	PERIOD (NOTE 1)	FORWARD RATE CAD/EURO	NOTIONAL QUANTITY (EUROS)	FAIR VALUE	FAIR VALUE	
Foreign exchange forwards	2019	-	-	\$ -	\$	306
				\$ -	\$	306

Note 1 - These financial instruments have a monthly settlement schedule.

At March 31, the Corporation had the following derivative financial instruments with negative fair values:

	2019				2018	
	PERIOD (NOTE 1)	FIXED PRICE PER UNIT (NOTE 2)	NOTIONAL QUANTITY (NOTE 3)	FAIR VALUE	FAIR VALUE	
Crude swap - #2 heating oil	2020	2.7388 - 3.1275	1,344	\$ (375)	\$	-
Crude swap - #2 heating oil	2021	2.6340 - 2.7918	2,184	(121)		-
Crude swap - #2 heating oil	2022	2.5990 - 2.7576	1,974	(136)		-
Crude swap - #6 heavy fuel 1%	2019		-	-		(1)
				\$ (632)	\$	(1)

Note 1 - These financial instruments have a monthly settlement schedule.

Note 2 - #2 heating oil swaps are priced per US gallon; #6 heavy fuel 1% swaps are priced per barrel.

Note 3 - #2 heating oil swap quantities are based on gallons; #6 fuel 1% swap quantities are based on barrels.

	2019				2018	
	PERIOD (NOTE 1)	FORWARD RATE CAD/EURO	NOTIONAL QUANTITY (EUROS)	FAIR VALUE	FAIR VALUE	
Foreign exchange forwards 2019	2019	-	-	\$ -	\$	(23)
Foreign exchange forwards 2020	2020	1.5244 - 1.5464	2,266	(61)		-
				\$ (61)	\$	(23)

Note 1 - These financial instruments have a monthly settlement schedule.

## 13. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors is responsible for developing and monitoring the Corporation's risk management policies.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training and corporate policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Corporate Governance, Risk and Strategy Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

The Corporation is primarily exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments in the normal course of business.

**Credit risk:** Risk that a third party to a financial instrument may fail to meet its obligations under the terms of the financial instrument.

**Market risk:** Risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market prices. The Corporation is exposed to currency risk, interest rate risk and commodity price risk.

**Liquidity risk:** Risk that the Corporation may encounter difficulty in raising funds to meet commitments associated with financial instruments.

This note presents information about the exposure to each of the above risks, including the Corporation's objectives, policies, and processes for measuring and managing each risk. Further quantitative disclosures are included throughout these financial statements.

There have been no changes compared to previous years with respect to the exposures to risk and how they arise, the Corporation's objectives, policies and processes for managing the risks and the methods used to measure the risks.

### (a) Credit risk

The carrying amount of cash, accounts receivable and derivatives represents the Corporation's maximum exposure to credit risk. The Corporation minimizes credit risk on cash and derivative financial instruments by dealing only with reputable and credit worthy financial institutions. The Corporation's exposure to credit risk on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk and requires assessing and monitoring of counterparty credit risk.

#### Cash

Cash other than restricted cash is held in a Canadian chartered bank. Restricted cash is held in a Euro-denominated escrow account in a German bank. The designation of this bank as escrow agent was imposed as a condition of a vessel charter agreement. As the vessel's owner is bound under a number of security instruments, the vessel's owner was obliged to use this bank to hold the escrow funds.

At March 31, 2019, the German bank holds a baseline credit assessment of ba2, a guaranteed long-term rating of Baa2, and an unguaranteed short-term rating of P-2 from Moody's.

#### Accounts receivable

The Corporation's total accounts receivable is \$7,390 as at March 31, 2019 (2018 - \$9,792) and consists of trade receivables of \$4,263 (2018 - \$4,368) and other accounts receivable of \$3,127 (2018 - \$5,424) of which nil (2018 - \$2,432) is recoverable insurance claims.

Trade accounts receivable are incurred in the normal course of business and are due on demand. The Corporation provides services to numerous customers. However, five customers represent 52% of the trade receivables (2018 - five customers represented 58% of the trade receivables). The Corporation does not consider there to be any significant credit risk associated with accounts receivable.

As at March 31, 2019, approximately 0.7% (2018 - 1.6%) of trade accounts receivables were over 30 days past due, whereas 99.3% (2018 - 98.4%) were current, or less than 30 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts was \$41 at March 31, 2019 (2018 - \$66). The allowance for doubtful accounts is based on an account by account analysis that considers the aging of the account and the current credit-worthiness of the customer.



Details of the Corporation's trade accounts receivable at March 31 are as follows:

	2019		2018	
Current	\$	\$3,892	\$	\$3,629
1 - 30 days past due		381		733
30 - 120 days past due		5		
121 days past due		26		72
		4,304		4,434
Less: Allowance for doubtful accounts		(41)		(66)
Trade accounts receivable, net	\$	4,263	\$	4,368

### Derivatives

The Corporation's derivative financial instruments are contracted with Canadian chartered banks which are credit worthy counterparties. The Corporation considers that it is exposed to minimal credit risk in the event of non-performance as the counterparty is considered to be of high credit quality.

### (b) Market risk

#### (i) Currency risk

Currency risk arises due to fluctuations in foreign currency rates. The Corporation uses derivatives (foreign exchange forwards) to manage this risk. The Corporation makes monthly lease payments for the charter of the MV Atlantic Vision in the amount of 660 Euros. To minimize this risk, the Corporation purchased forward contracts for 50% of the amount of the monthly lease payments. The Corporation has reduced exposure to currency risk given that these lease payments have been partially hedged. A fluctuation of 5% in foreign currency rates would not have a significant impact on the financial statements.

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate for the Corporation's cash balances varies based on changes in the prime rate. The Corporation has no significant exposure to interest rate risk. A variation of 1% in the interest rate would affect the amount of investment income earned on cash balances but would not have a significant impact on the financial statements.

#### (iii) Commodity fuel price risk

In order to manage the risk associated with increased fuel price variation, the Corporation enters into crude oil derivative contracts (swaps) with financial intermediaries. The objectives of the Corporation's fuel hedging policy are to stabilize fuel budget variances and the fuel surcharges charged to customers. A 10% increase in the market price of derivatives for the year ended March 31, 2019 would increase crude oil derivative assets by \$2,003 and decrease crude oil derivative liabilities by \$1,445, while a 10% decrease in the market price of crude oil derivatives for the year ended March 31, 2019 would decrease crude oil derivative assets by \$1,951 and increase derivative liabilities by \$1,452.

### (c) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the Corporation's reputation.

The Corporation strives to maintain sufficient resources to meet expected operational expenses for a period of 30 days plus a \$4,000 reserve. This includes the servicing of financial obligations, but excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Corporation prepares cash flow forecasts that are regularly monitored by management and the Board of Directors. The forecasts are adjusted as necessary to reflect expected cash inflows and outflows to ensure the adequacy of cash to meet financial obligations. The Corporation receives government funding on a monthly basis.

The Corporation's bank has provided an irrevocable letter of credit on the Corporation's behalf in favour of the Workplace Health, Safety

and Compensation Commission of New Brunswick to guarantee payment of future liabilities in the amount of \$4,200 (2018 - \$4,200) for an indefinite period. The Corporation receives approval from the Minister of Finance on an annual basis to enter into the letter of credit.

The carrying amount of accounts payable and accrued liabilities other than government remittances payable and derivative financial liabilities represents the Corporation's exposure to liquidity risk. The Corporation's carrying value of accounts payable and accrued liabilities other than government remittances was \$28,673 (2018 - \$37,622). The carrying value of accounts payable as at March 31, 2019 was \$19,232 (2018 - \$21,338) and are all due within 60 days. The Corporation's accrued liabilities had a carrying value of \$9,441 as at March 31, 2019 (2018 - \$16,284).

The following table summarizes the contractual maturities for accounts payable and accrued liabilities other than government remittances payable and derivative financial liabilities as at March 31:

<b>2019</b>					
	LESS THAN 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO ONE YEAR	1 TO 3 YEARS	TOTAL
Accounts payable and accrued liabilities	\$ 28,673	-	-	-	\$ 28,673
Derivative financial liabilities	\$ 16	276	143	258	\$ 693

<b>2018</b>					
	LESS THAN 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO ONE YEAR	1 TO 3 YEARS	TOTAL
Accounts payable and accrued liabilities	\$ 37,622	-	-	-	\$ 37,622
Derivative financial liabilities	\$ 7	16	1	-	\$ 24

## 14. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	<b>2019</b>	<b>2018</b>
Accumulated operating surplus	\$ 502,595	\$ 503,643
Accumulated remeasurement gains	2,976	5,061
Accumulated surplus	\$ 505,571	\$ 508,704

Accumulated operating surplus includes share capital in the amount of \$258,530 (2018 - \$258,530). The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at March 31, 2019, 517,061,000 shares (2018 - 517,061,000 shares) at \$0.50 per share (2018 - \$0.50 per share) have been issued and fully paid.

## 15. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. Related parties also include key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Corporation. This includes the senior leadership team, and members of the Board of Directors and their close family members.

The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties. During the year, the Corporation incurred expenses of \$1,697 (2018 - \$1,572) with other related parties, which include the accounts payable as described in note 7. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 5. The Corporation is given the right to use the Crown land on which the terminals sit free of charge by Transport Canada. No amount is recorded since the fair value related to the use of these lands received free of charge is not reliably measurable.

## 16. CONTRACTUAL OBLIGATIONS

(a) The total amount required to complete contracted major capital work in progress at March 31, 2019 is \$6,271 (2018- \$5,238).

(b) The Corporation leases certain facilities and equipment. As well, the Corporation has a charter agreement for the MV Atlantic Vision. The minimum future annual lease payments are as follows:

	Charter	Other	Total
2019 - 20	\$ 14,650	\$ 173	\$ 14,823
2020 - 21	10,406	-	10,406
	\$ 25,056	\$ 173	\$ 25,229

The chartered vessel is accounted for as an operating lease; therefore, no liabilities are recognized on the statement of financial position.

## 17. CONTINGENT LIABILITIES

In connection with its operations, the Corporation is the claimant or defendant or otherwise involved in pending claims and lawsuits. At March 31, 2019, the Corporation does not have claims where the occurrence of the confirming future event is considered likely, therefore no amount has been accrued in the financial statements. There are additional claims estimated at \$50 (2018- \$100) where the occurrence of the confirming future event is not determinable and this amount has not been accrued. These estimates are derived based on management's judgment and maximum exposures which are limited due to insurance deductibles which are in place.

Under the *Revenue Administration Act* (Newfoundland and Labrador, referred to as the "RAA"), the Corporation may be subject to gasoline tax and corresponding refunds of gasoline tax for past purchases of bunker fuel between 2002 and 2018. During this time, the Corporation did not have written gasoline tax exemption authorizations under the RAA in respect of its bunker fuel purchases. The Corporation's suppliers of bunker fuel did not charge or collect gasoline tax on these sales for this period.

The Corporation has disclosed to the Tax Administration Division of the Department of Finance for the Province of Newfoundland and Labrador that gasoline tax was not charged on its purchases of bunker fuel during the relevant period. The extent and implication of any past non-compliance is subject to verification with the Government of Newfoundland and Labrador and the outcome is currently not known. The extent is not disclosed as it could adversely impact the outcome. The amount of any liability for gasoline tax, subject to any applicable refunds of gasoline tax associated with these past purchases, cannot be estimated.

The Corporation is co-operating with provincial government officials to address this matter and will make a formal submission to the province that a remission order is appropriate in the circumstances due to the right of the Corporation to claim a full refund in respect of any back taxes that may be assessed under the RAA and which it would otherwise be required to pay pursuant to such an assessment.

## 18. CONTINGENT ASSETS

The Corporation has two appeal proceedings before the Tax Court of Canada arising under the *Excise Tax Act* in regard to input tax credits (ITCs) claimed during the audit period of January 2006 to January 2012. The Corporation has determined that it is likely to receive \$6,600 (2018- \$6,600) in net ITCs for that period and another \$3,543 in ITCs for the post-audit period to March 31, 2019 (2018- \$2,700).

The Corporation is a claimant in a lawsuit against a contractor in regard to additional costs incurred to complete a project. The Court ruled in the Corporation's favour in February 2018 and awarded the Corporation \$1,500. The defendant has appealed the decision but the Corporation has determined that it is likely to be awarded \$1,500.

## 19. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the corporate planning process and approved by the Board of Directors. The Corporation has not exceeded its total expenditure or investing authority limits in the year.

