

NEWS RELEASE

For immediate release

November 19, 2009

Marine Atlantic Inc. Board of Directors say Auditor General's report confirms need for improvement

St. John's – Rob Crosbie, Chair of the Board of Directors for Marine Atlantic Inc. (Marine Atlantic), today released the Corporation's Special Examination Report completed by the Auditor General of Canada.

“The Board acknowledges the issues raised in the Special Examination and supports each of the recommendations,” said Rob Crosbie. “Indeed the audit identified many of the same important issues that the Board has been working to address over the past couple of years. The Board has been working with the Corporation's executive management team to develop an action plan that addresses all of the issues raised in the Report.”

The Special Examination, which is required under the *Financial Administration Act* (FAA), is a form of a performance audit that reviewed key areas throughout the organization including corporate governance, strategic and operational planning, safety and security, human resource management, operations and capital asset management during a specific period of time. The report, which contains 13 recommendations, covers the 5 year period up to March, 2009 and is the result of an audit conducted between October 2008 and March 2009.

The report outlines two significant deficiencies in Marine Atlantic's systems and practices. The first is strategic challenges as it relates to the aging of its ferries and shore-based assets, difficulties ensuring that capacity is sufficient to meet traffic demand, failure to meet the cost recovery target set by government, and the need to increase its management capacity. The second is operational planning and capital asset management as it relates to a need for operational planning framework and performance measures to ensure strategic direction and corporate plans are implemented.

Crosbie noted, “Marine Atlantic has been challenged for quite some time now by a recurring theme of resource constraints and aging assets. As part of the discussions with the shareholder on asset renewal, the Board of Directors identified a need for re-investment in the assets of the Corporation. The Special Examination report reinforces the Board's assessment and highlighted key areas for improvement in the management of Marine Atlantic.”

... MORE

Management renewal is the beginning of the transition at Marine Atlantic. In October 2008, a new President and CEO joined the organization followed by three new Vice Presidents who will be focused on operations, customer service and strategy. Reorganization will be complete by year-end with the appointment of additional resources dedicated to maintenance as well as quality, risk and compliance.

“The Board of Directors and the executive management team have worked closely with the Government of Canada in the development of a viable revitalization strategy that will help address the issues raised in the Report and enable Marine Atlantic to fulfill its mandate to the people of Newfoundland and Labrador and Canada as an important component of the national transportation infrastructure.” added Crosbie.

A backgrounder outlining Marine Atlantic’s action plan is attached. The Special Examination report, as well as a detailed response to the report is available on Marine Atlantic’s website at <http://www.marine-atlantic.ca/en/company/special.shtml>

Media Contact:
Tara Laing
Communications Manager
Tel: 709.772.8974

BACKGROUND

Marine Atlantic's Action Plan

Marine Atlantic Inc. (Marine Atlantic) agrees with the recommendations made by the Office of the Auditor General. The Special Examination report reinforces an earlier assessment by the Board of Directors (Board) on the need for the transition at Marine Atlantic and assists in identifying key areas for improvement.

During the past couple of years there has been extensive engagement with the Government of Canada on a plan to revitalize the Corporation and renew the fleet.

The Board identified that the root of many of these issues lay in a need for renewal of the Corporation and for the past year we have been actively engaged in that process. A new President and CEO was hired in October 2008. This was followed by an organizational restructuring process, which resulted in additional capacity and the reallocation of responsibilities. Three new executive positions have been added and staffed: Vice President of Strategy and Corporate Affairs, Vice President of Customer Experience, and Director of Quality, Risk and Compliance. In addition, the position of Director of Asset Management has been added in the Operations Division.

Action Plan

1. Unresolved Strategic Challenges

- A comprehensive revitalization proposal has been developed for Government.
- The revitalization strategy includes the recapitalization of fleet and shore-based assets.
- An integrated management process has been developed that combines planning, performance measurement and accountability, including regular reporting to the Board.

2. Operational Planning and Capital Asset Management

- A formal planning cycle has been designed for implementation in April 2010.
- An integrated management process has been developed that combines planning, performance measurement and accountability, including regular reporting to the Board.
- A corporate risk policy, risk register and tool set for managers will be in place by March 2010.
- Under the recent reorganization a new asset management team is being established to focus on life cycle management.

... MORE

3. Corporate Governance
 - A corporate governance review was recently completed including a revised board governance charter.
4. Safety, Security and Environmental Stewardship
 - The *Atlantic Vision* is currently ISPS compliant, including a Ship Security Plan.
 - All three terminals will be compliant with new Canadian Ferry Security Regulations by the end of May 2010.
5. Human Resources Management
 - Several components of the human resources plan have been completed and a fully integrated human resources plan will be completed by June 2010.
6. Operations
 - An automated staff scheduling system will be operational by November 2010.

The Executive Management Team's complete response, which outlines all 13 recommendations contained in the Special Examination report, as well as a more detailed action plan is available on Marine Atlantic's website at:
<http://www.marine-atlantic.ca/en/company/special.shtml>

Media Contact:
Tara Laing
Communications Manager
Tel: 709.772.8974