

Speaking Notes

Shawn Leamon – VP of Finance

Annual Public Meeting

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Check Against Delivery

Introduction

- Thank you, Kris. Good morning everyone, it's my pleasure to be here today to provide a brief overview of Marine Atlantic's financial results and activities for the fiscal year April 1, 2017, to March 31, 2018.
- I am pleased to report that Marine Atlantic once again realized its operational and financial targets during the year, while successfully living within the funding appropriations and achieving the required cost recovery targets approved by the Government of Canada.
- This morning, I will provide you with an overview of our revenues and expenses for the 2017-18 fiscal year. Overall, the cost of delivering the service was \$254.1 million. Of that amount, \$110.3 million was generated in revenue and the Government of Canada provided \$143.6 million in subsidy.

Revenue

- Of the \$110.3 million generated by the Corporation during the year, revenues, excluding gains, were \$1.4 million higher than the previous fiscal year. The increase is attributed to higher volumes of passengers and passenger vehicles and a 2.6 percent general tariff increase. These increases were partially offset by a decline in commercial traffic.
- As a federal Crown Corporation, Marine Atlantic provides a public service and does not make a profit.
- The Government of Canada provides the organization, via our Board of Directors, with required targets. One requirement is a cost recovery target which is set at 65 percent. At year end, we attained 67 percent which falls within the targeted range established by government.
- As highlighted by both Kris and Don, our passenger traffic numbers increased again between April 2017 and March 2018, the third consecutive year of passenger traffic growth. Following increased marketing and trial discount campaigns, we experienced increases in customers from target areas such as Ontario. We are also seeing increases in customers from the United States which is likely due to additional U.S. traffic being pulled northward for vacations due to the lower Canadian dollar.
- From a commercial traffic perspective, we experienced lower overall traffic volumes in comparison to the previous year. The decline in commercial traffic began in 2013 and aligns with the completion of the construction phases of major industrial projects here in the Province

of Newfoundland and Labrador. In addition, we are experiencing an increased number and severity of weather-related events which has resulted in customers making alternate business decisions.

Expenses and Capital

- From an expense perspective, our primary budgeted expenditures for the year included fuel, vessel charter costs, maintenance, pension plan, employee wages and benefits, supplies, service costs, insurance, rent, and utilities.
- Fuel expenses were \$8.4 million higher than the previous year. The MV *Blue Puttees* and MV *Highlanders* transitioned to burn only diesel fuel to meet SECA regulations to reduce sulfur emissions. Diesel is a more expensive fuel type and the switch, combined with higher overall costs for fuel, are the primary reasons we are seeing these increased fuel expenses.
- Labour costs were \$4.4 million higher than the previous year as a result of general wage rate inflation and higher full-time equivalent employees.
- Materials, supplies and services' costs were \$3.1 million higher than the previous year, primarily related to the removal of an underground pipeline at our Port aux Basques terminal.
- Charter fees were \$500,000 higher than last year due to increases in Euro exchange rates.
- Repairs and maintenance costs were \$1.4 million lower due to fewer emerging issues during the year.
- Insurance, rent and utilities were \$300,000 lower than last year due to savings in insurance renewals due to the Corporation's favourable insurance claims ratings and lower electricity costs.
- For those who wish to review all revenue and expense categories, or our full financial statements in greater detail, our Annual Report is available here today and also available on our website at www.marineatlantic.ca.

Conclusion

- I would like to conclude by thanking the Government of Canada, the governance oversight of the Board of Directors, and the commitment of the employees of Marine Atlantic in helping us to once again successfully meet our operational and financial goals for the year.
- Thank you.