



MARINE ATLANTIC INC

2019/20 – 2023/24 Corporate Plan Summary

May 14, 2019



Executive Summary

2018/19 was another successful year for Marine Atlantic Inc (MAI), allowing the Corporation to continue on its path of becoming a more effective and efficient operation, while maintaining an excellent level of customer service.

While revenue results for 2018/19 are projected to come in below budget, the Corporation successfully managed its expenses to achieve the 65% cost recovery target set by the Government. Customer satisfaction for passenger related traffic currently sits at 76%, and 92% of people surveyed would be willing to recommend MAI to family and friends, all higher than 2017/18 results. On-time performance remains consistently above 90% and vessel availability sits at 98.2% - industry leading results, particularly given the environment in which MAI operates.

Notable Priorities

The Corporation has identified eight strategic initiatives to move its Strategic Plan forward, within which there are five notable priorities, namely:

- **Execution of the Long-term Fleet Strategy** – Budget 2019 included funding for MAI's long-term fleet strategy, including funding to "Support Marine Atlantic Inc. to modernize its fleet through the procurement of a new ferry." This announcement is the culmination of a concerted effort between MAI and Transport Canada to secure approval and funding to support the longer-term fleet requirements of the Corporation. MAI is very excited to be bringing a new ferry into its service and will proceed with its procurement plan throughout the upcoming planning period.

Budget 2018 included funds to refurbish the MV *Leif Ericson*, a vessel that is almost 30 years old; while this refurbishment is no longer necessary with the decision to bring a new vessel into service, MAI will be completing the MV *Leif Ericson's* thirty-year survey in 2021 to ensure that the vessel can remain in service as required.

MAI will also be extending the lease of the MV *Atlantic Vision*. Further analysis on the requirement for a fourth vessel will be

2019/20 PRIORITIES

- Long-term Fleet Strategy
- Port aux Basques Administration Building
- Diversity, Inclusion and a Respectful Workplace
- Business Process Renewal
- Strategic Efficiency Review

ongoing throughout 2019/20. MAI will continue to work with TC to ensure that the Corporation's fleet requirements are met in the longer term.

- **Port aux Basques (PAB) Administration Building** – The current office facilities in Port aux Basques no longer meet the requirement of the operation. The current office space has accessibility issues, health and safety issues, and is in very poor condition. Furthermore, it is unable to house all of MAI's Port aux Basques office staff, leaving staff spread out across three locations. In 2019/20, MAI will continue to work with the Shareholder to find an appropriate solution to the facility issues in PAB.
- **Promotion of diversity, inclusion, and a respectful workplace** – MAI recognizes the value of having a diverse workforce and has made progress in this regard. However, in addition to its broad strategy of further promoting diversity and inclusion, MAI sees a unique opportunity to partner with local Indigenous communities to create opportunities for their members while growing its pool of local employment candidates.
- **Business Process Renewal (BPR)** – Many of the Corporation's information and software systems are outdated, which has resulted in poor information flow and created the risk of key systems failure. BPR – the development and implementation of an Enterprise Resource Planning system (ERP) - was initiated in 2017/18 and will continue during the upcoming planning period. The goal of the project is the modernization and consolidation of MAI's current information systems and business processes, thereby enabling better access to information and, ultimately, improving operations.
- **Strategic Efficiency Review** – This initiative builds on the efficiency improvements achieved at MAI over the last ten years and brings a renewed focus on efficiencies and cost savings in an effort to ensure MAI remains a responsible steward of public resources, while still offering an affordable customer-oriented service. With rising costs, and declining CRV traffic, MAI must look to new sources of revenue and increase its focus on operational efficiencies to ensure that it can continue to meet the cost recovery targets set by the Shareholder.



Key Risks

The key risks to the organization's fulfillment of its strategic objectives include:

- MAI's current funding envelope expires March 31, 2020. Many of MAI's strategic initiatives and capital projects require multi-year funding for planning, development and implementation, like the PAB Administration Building, the Business Process Renewal project and MAI's Long-term Fleet strategy. Failure to secure sufficient funding to complete these projects puts MAI's achievement of its strategic plan at risk.
- MAI will continue to require funding for a four-vessel fleet for the duration of the planning period. Justification for the fourth vessel is based not only on peak traffic demand, but also on risk management, and the ability to continue to meet the traffic demand in the face of a significant weather delay or unplanned mechanical outage.
- A softening Newfoundland and Labrador economy, a large shift of the population to urban areas, greater substitutes for travel, and lifestyle changes have resulted in declines in demand for MAI services.
- Competition for individuals with increasingly scarce skill sets has increased labour and recruitment costs and put the Corporation at risk of not having sufficient resources to operate the fleet or to operate the organization efficiently and effectively.
- Future difficulty meeting the current cost recovery formulas and the subsequent upward pressure on pricing for MAI's service. Over time, as costs increase, cost recovery targets become increasingly difficult to attain, resulting in rate increases that outpace inflation and reduce both demand and revenue.

Through this submission, MAI is seeking approval of its 2019/20 – 2023/24 Corporate Plan.

2019/20 will be a very exciting year for the Corporation as it begins the procurement of a new vessel, which will lay the groundwork necessary for long-term operational stability, along with continued progress on the Corporation's strategic objectives and a solid plan in place to achieve further operational efficiencies going forward, .

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Corporate Overview

When Newfoundland joined Canada in 1949, the ferry service between the Province of Newfoundland and Labrador and the mainland was accorded special constitutional status under Term 32(1) of the Terms of Union (*The Newfoundland Act*, 1949) which guarantees that Canada will “*maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles*”. Marine Atlantic exists to fulfill that mandate.

Marine Atlantic was created on June 27, 1986 as a parent Crown Corporation through the *Marine Atlantic Inc. Acquisition Authorization Act*. As a Crown Corporation, Marine Atlantic is regulated under Part X of the *Financial Administration Act*.

As per the Order in Council of March 12, 1987 (P.C. 1987-463), the Bilateral Agreement between Her Majesty the Queen and Marine Atlantic established the relationship between the Parties under which subsidiary operating and capital agreements relating to the operation of specific ferry and coastal services in Atlantic Canada may be executed.

Marine Atlantic offers twice daily service for passengers and freight between Port aux Basques, NL and North Sydney, NS. During the summer, the Corporation also offers service three times a week between Argentia, NL and North Sydney, NS. Additional information regarding the Corporation is included in its Annual Report, which can be found on Marine Atlantic’s website.



Marine Atlantic is a vital link to Newfoundland and Labrador and is a lifeline service, transporting over 60% of the total goods to the Island, including over 90% of the perishable goods, along with almost all the dangerous goods transported, such as medical oxygen for the province’s hospitals.



Vision Statement

Building on our rich tradition we provide a valued public transportation link that enhances the well-being of our customers and those who depend on them.

Mission Statement

To provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner.

Corporate Values

Safety - Protection of people, property, and the environment is our ultimate priority.

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.

Integrity - We say what we mean, mean what we say, and do what we say.

Excellence - We are passionate about our internal and external customers and our services.

Diversity - We strive to create a diverse and inclusive workplace, reflective of the communities we serve, that captures all of the benefits that diversity provides.

STRATEGIC THEMES

MAI has established the following strategic pillars to guide decision-making:

Operational Excellence - Safe, reliable, and efficient execution across all areas of the business.

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

Public Trust - Providing public service in an open, safe, transparent and values driven manner.

Operating Environment

As part of its ongoing strategic planning process, MAI completes an annual SWOT analysis to determine if its operating environment has changed in any significant manner. Strengths, weaknesses, opportunities and threats are considered in light of MAI's strategic objectives to determine if a change in strategy is required. A brief discussion of the key factors considered follows.

Economic Environment

The Newfoundland and Labrador economy has been facing downward pressure for the past number of years and indicators for future growth are mixed. Increased oil production should drive growth in real gross domestic product (GDP) in 2019, but there is uncertainty in later years. Slowed investment in major projects is forecasted to rebound in the later years of the planning period. However, a declining and aging population base, increasing consumer price index (CPI), an unemployment rate which leads the country by a significant margin, and disposable income and retail spending that is flat at best, will make for continued challenges economically. The uncertainty around the Newfoundland and Labrador economy has been factored into the Corporation's traffic forecast as a downward pressure on traffic volumes.

Alternative Providers

There is only one primary substitute for passenger travel to the island – the airlines. Compared to MAI, airline fares are viewed as more reasonable. This perceived price advantage, along with faster travel times, combined with the large percentage of the population located close to a major airport and ten hours from MAI's Port aux Basques terminal has had a significant impact on MAI's passenger traffic volumes. Increasing airfare discounts and new entrants in the airline market will continue to put pressure on MAI's passenger traffic.

Commercially, MAI supports the road transportation network, of which Oceanex can be viewed as the closest alternative service provider. Oceanex ships approximately 35-40% of the goods to the Island. MAI's advantage is that it offers service daily, which aligns well with the needs of retailers across the province. However, commercial rate increases will continue to put downward pressure on traffic volumes.

Technology

MAI will continue to consider technology advances to find safer, more efficient ways to operate. Currently, MAI is focused on a full upgrade of its information systems, many of which are outdated, do not integrate well, and are no longer supported. Additional work in identifying and replacing manual, redundant, and potentially unsafe processes is ongoing. MAI is also monitoring other technology advances such as electric vehicles and autonomous vehicles, to identify and prepare for the potential impact on operations.



Environment

MAI operates in the Gulf of St. Lawrence, a very harsh environment, prone to extreme wind, waves, and ice. Climate change has led to more frequent, longer, and more violent weather events, resulting in increased cancellations. This necessitates a fleet with the capacity to quickly and efficiently clear up the significant backlog of cargo and passengers that result.



MAI's route also coincides with the migration path of the North Atlantic Right Whale, one of the most endangered species of all large whales. In 2017/18, the Government of Canada implemented a mandatory slowdown for vessels operating in the Gulf of St. Lawrence in order to protect the whales. Should similar measures be undertaken in the future, MAI may face delayed crossings, thereby potentially impacting key operational elements such as departure/arrival times, duration of trips, hours of rest, etc. As such, there is potential for increased costs to the organization, increased inconveniences for customers, and increased risk MAI will not meet its key performance indicators.

Other environmental regulations will also impact MAI's cost structure. For example, to meet more stringent environmental emission standards, all MAI vessels will run on diesel fuel, which is cleaner but more expensive than the bunker fuel used in the past, leading to increased fuel costs.

Litigation

In 2018, MAI received a favorable ruling in the judicial review initiated by Oceanex, which challenged the rates established by MAI and what Oceanex saw as unfair subsidization. Oceanex has appealed the ruling received in February 2018 concerning its challenge to Marine Atlantic's rates. This will require significant effort on Marine Atlantic's part as it attends to this litigation.

Demographic Trends

Over 55% of Newfoundland and Labrador's population is on the Avalon Peninsula – approximately 10 hours from the Port aux Basques Terminal. The length of time to commute, and the inherent danger of traveling across the island, combined with the relatively high ferry rates compared to air travel, makes travel by ferry less attractive to many living in this area. Other lifestyle changes, such as increased value of personal time and the desire to travel further afield, negatively impact decisions to travel via ferry.

Workforce

Marine Atlantic employs approximately 1300 (approximately 1100 full time equivalent employees) individuals, over 90% of whom are unionized across six bargaining units. Relationships with all unions are professional and productive. All collective agreements are set to expire December 31, 2019 necessitating negotiations for all unionized staff, commencing in 2019/20.

Negotiations are expected to be respectful and productive, as in the past, although protracted. Given the complexity of collective agreements and MAI's workplace will likely push negotiations to between 12 and 18 months. If an agreement cannot be negotiated, then the terms will be settled through binding arbitration.

Replacing some highly skilled positions is becoming more challenging. Specialized vessel crew are in high demand. Sourcing professionals in the rural communities in which the Corporation operates, or attracting candidates to relocate to these communities, also poses challenges and extra costs. To help mitigate this issue, MAI has been very proactive trying to develop its current workforce and grow the needed talent from within. Furthermore, MAI is increasing its efforts to build a diverse workforce and to coordinate with designated groups to source talent.



Office of the Auditor General (OAG) Special Examinations

In 2009, MAI was the subject of a Special Examination by the Office of the Auditor General of Canada (OAG). The results of this Special Examination were poor, with the Auditor General concluding that MAI was at risk of mandate failure, primarily due to its aging assets, insufficient fleet capacity and insufficient management structure. The results of the 2009 audit can be found here:

[http://www.marineatlantic.ca/uploadedFiles/MAI%20SPEX%20Report%202009%20\(English\).pdf](http://www.marineatlantic.ca/uploadedFiles/MAI%20SPEX%20Report%202009%20(English).pdf)

Ultimately, this resulted in a significant investment by the Government in MAI to enable the Corporation to continue to deliver on its mandate. During 2017/18, the OAG initiated another Special Examination of Marine Atlantic. Marine Atlantic has worked closely with the OAG throughout 2018/19 to ensure that all relevant information was provided for the Special Examination. The results of this examination were released to the public on February 12, 2019 and will be tabled in Parliament in May. The Corporation is pleased that the results of this examination have demonstrated the significant progress that the Corporation has made since 2009.

The only significant deficiency noted in the OAG's report relates to the delays in getting MAI's Corporate Plans approved. Specifically, the OAG "...were concerned that the Corporation was not able to make long-term strategic decisions because of circumstances outside its control—specifically, delays by the government in approving the Corporation's full five-year corporate plans. We reported this issue in our 2009 special examination, and we found it to be a significant deficiency in the current audit."

The OAG goes on to note that:

If the government does not approve the Corporation's long-term fleet-renewal strategy, the Corporation can address only the fleet's short-term needs. This lack of long-term strategic direction affects the Corporation's core operations. It will become more problematic as time goes on, because repairing and maintaining aging vessels will eventually cost more than replacing them.

The OAG also notes other deficiencies. "We also found that the Corporation did not have a clear understanding of the formula used to assess cost recovery for its non-constitutional services, including its seasonal service route to Argentina."

It should be noted that as of the writing of this plan, the Corporation and its Shareholder have agreed upon a formula for non-constitutional cost recovery, the results of which will be used going forward to present the cost recovery results of MAI's non-constitutional services in future plans. Further, the Budget 2019 decision to provide MAI with the funds to procure a new vessel has also addressed a significant portion of the deficiency noted regarding delayed approval of MAI's Corporate Plan and its inability to address the long-term fleet requirements.

The other deficiency highlighted is with respect to an environmental management plan. "Finally, we found that the Corporation did not have an environmental management plan. Implementing a plan that sets out the Corporation's environmental objectives would allow the Corporation to monitor its performance and operate in an environmentally responsible manner—a key point of its mission statement." Developing an environmental management plan is one of MAI's 2019/20 key strategic initiatives.

While the OAG did have some concerns with respect to Marine Atlantic's operations, there were numerous positives that were also noted:

- Overall, Marine Atlantic has good practices in place to oversee the running of the Corporation and to manage its operations.
- The Board of Directors functions independently, has terms of reference in place, policies on governance structure and responsibilities, and a code of conduct. Board appointees meet the skills and expertise needed to be effective and have access to training and outside expertise when necessary. The Board oversight is effective, and members receive timely information from management.

- The Corporation has systematic strategic planning processes and uses a balanced scorecard methodology to develop its strategic plan which aligns with the Corporation's mandate.
- The Corporation has developed a risk management policy and framework to help identify and assess risks. Risk management roles are defined, Corporate risks are identified and continuously assessed, and risks are mapped against strategic objectives and supporting initiatives.
- The Corporation has good systems and practices for managing safety and ferry operations. A five-year safety plan was developed to support strategic objectives, scheduling took into consideration safe crewing and hours of rest requirements, and gap analyses were performed to identify environmental work required at the terminal properties. The safety management system also meets the requirements of the International Safety Management (ISM) Code and outlines roles and responsibilities of employees.
- The Corporation's vessels have valid inspection certificates issued by an organization under the authority of Transport Canada.
- Vessel maintenance plans, preventative maintenance plans for shore-based assets, and a master capital projects plan covered all of its assets. Regular inspections were scheduled in accordance with Transport Canada and classification society requirements. Vessel maintenance was appropriately documented, tracked and addressed.
- The Corporation monitored fleet-operation performance by using indicators for financial data, overtime, on-time performance, vessel availability, fuel management, and safety management. This information was reported on regularly. Operations were also independently assessed through a public opinion survey, commercial customer research, customer satisfaction surveys, and Transport Canada fleet assessments.

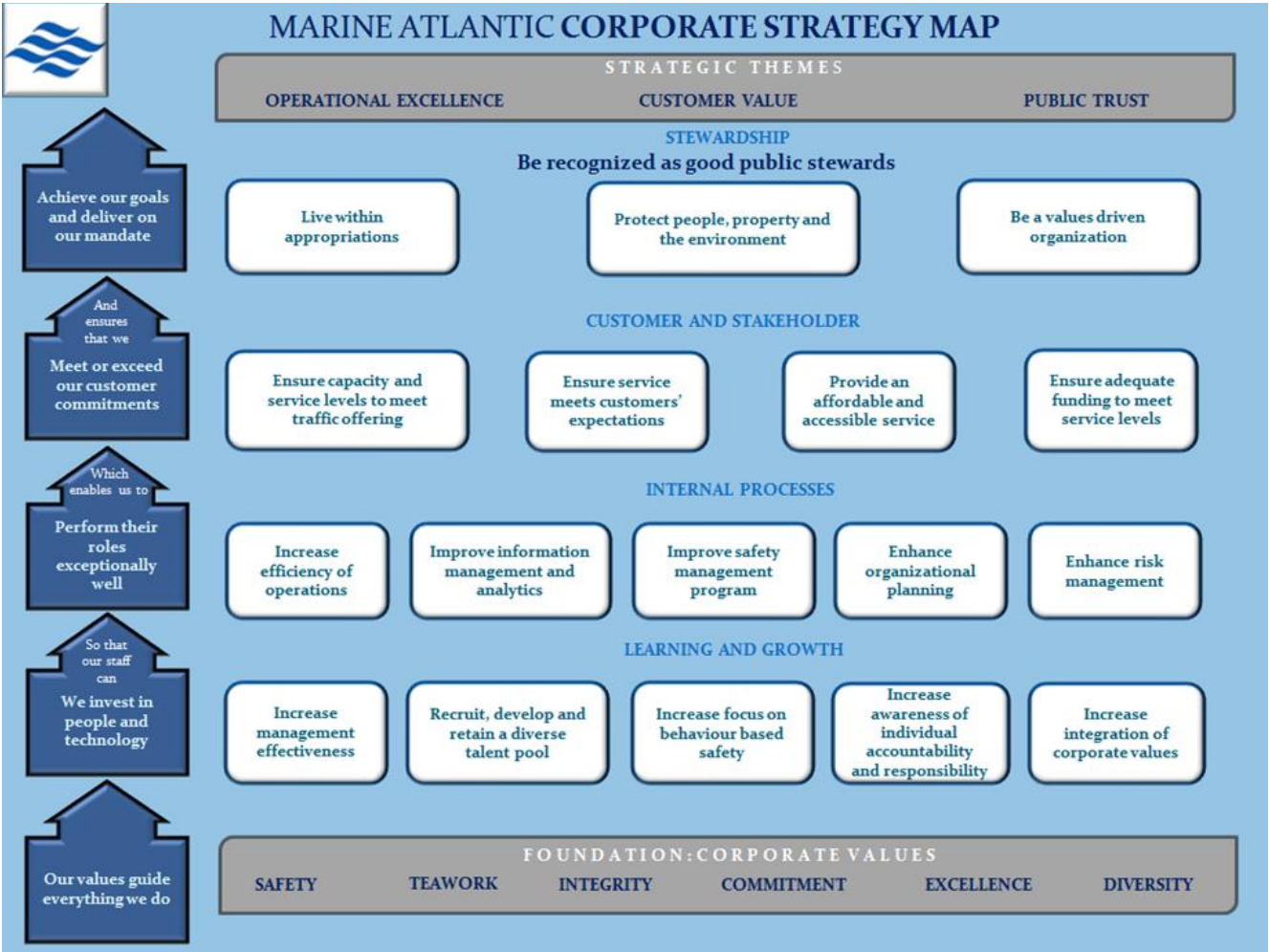
MAI has accepted the findings of the OAG Special Examination and will undertake efforts immediately and over the planning period to address all concerns noted in the report. The final report of the OAG's special examination has been posted to MAI's website and can be found at:

[https://www.marineatlantic.ca/uploadedFiles/Content/About Us/Corporate Information/Marine Atlantic Inc. Special Examination Report 2018.pdf](https://www.marineatlantic.ca/uploadedFiles/Content/About%20Us/Corporate%20Information/Marine%20Atlantic%20Inc.%20Special%20Examination%20Report%202018.pdf).

Strategic Planning and Enterprise Risk Management

The Corporation's Board of Directors provides the overall strategic direction for the Corporation by establishing the Vision, Mission and Values of the organization, along with the strategic themes, which management then translates into strategic objectives, measures, and initiatives. To promote the execution of the Strategic Plan, MAI uses the Balanced Scorecard (BSC) methodology, including the use of strategy maps.

Guided by the Board’s direction, Government’s priorities, and the strategic pillars, MAI’s current strategy map is included below.



Each of MAI’s strategic objectives is considered in terms of the initiatives required to achieve them. Year-end deliverables are then identified, along with budgets and timelines, as well as measures to track success.

MAI has tightly integrated the Enterprise Risk Management (ERM) function into the strategic planning process. Each strategic objective is also considered in terms of risks to achieving it, with a risk profile developed for each corporate level risk, along with the identification of Key Risk Indicators and mitigating activities undertaken to control the risk.

Progress on both the strategic objectives and the relative impact on the Corporation’s risk profile is tracked monthly using MAI’s Integrated Balanced Scorecard. The Integrated BSC tracks both MAI’s key performance indicators and its key risk indicators; it also signals any change in its risk assessment that

2019/20 STRATEGIC INITIATIVES

- Long-term Fleet Strategy
- Port-aux-Basques Administration Building
- Diversity and Inclusion
- Business Process Renewal
- Strategic Efficiency Review
- Environmental Management Plan
- Behaviour-based Safety Program
- Port-aux-Basques Harbour Improvements

might be cause for concern. Further information regarding MAI's ERM process can be found in Appendix G, including a sample of MAI's Risk Dashboard, along with the matrix used to assess risks.

2019/20 Strategic Initiatives

A summary of the key strategic initiatives for 2019/20 is provided in the Executive Summary. A more detailed description of each strategic initiative is provided below.

Long-Term Fleet Strategy

Vital to MAI's continued success is having a safe, reliable, and efficient fleet, not only to ensure it can continue to meet the traffic demand, but also achieve the key performance targets established by the Shareholder, such as cost recovery, on-time performance, vessel reliability, and customer satisfaction levels. An established long-term fleet strategy permits a stable and efficient fleet renewal program which ensures the appropriate fleet configuration, timely vessel renewal and replacement, better value in expenditures, staffing efficiencies, and the flexibility to meet service expectations.

The sister ships the MV *Blue Puttees* and the MV *Highlanders* form the basis of MAI's fleet. They are Seabridger class vessels that MAI purchased outright in 2015/16.

As noted in the Executive Summary, Budget 2019 included sufficient funds for the procurement of a new ferry for the Corporation. This budget decision now allows MAI to continue to implement its long-term fleet strategy and positions MAI for longer-term operational stability.

Bringing a new vessel into service is no small task. However, MAI has established the required governance structures and project teams to make sure the process flows smoothly and efficiently.

Vessel Procurement Strategy

As originally presented in its Long-term Fleet Strategy in 2015, MAI's approved procurement strategy for bringing a new build vessel into service is to partner with a shipbuilder or owner to build a new vessel based on a proven design, then lease that vessel for five years, with an option to purchase the vessel after the initial lease period. By doing so,

MAI leaves much of the risk associated with the build process in the hands of the ship's owner, as well as ensuring that if there are significant issues with the vessel, as has been the experience recently with new vessels purchased outright by the Province of Newfoundland & Labrador, it is the owner's responsibility to address those issues before MAI takes ownership. Further, the prospect that a ship builder or owner might have the vessel in their own fleet at the end of the five-year period will ensure a greater focus on quality.

To ensure the highest quality product at the best price, MAI intends to employ an open, competitive international procurement process. By doing so, MAI can avail of the latest technologies, the most experienced shipbuilders, the most efficient shipyards, and proven vessel designs, all the while ensuring the best value for money and minimizing project risk.

Procurement Plan

MAI is proposing a 2-step procurement process. First, a Request for Qualifications (RFQ) will be issued mid-June 2019. The purpose of the RFQ is to shortlist the number of proponents that will move on to the second phase – the Request for Proposals (RFP). Respondents to the RFQ will be evaluated on a number of criteria. Those selected to go on to the next phase will be issued the RFP, which will also be evaluated on pre-determined criteria. The entire RFQ/RFP phase of the project will take approximately one year, with the goal of signing a contract to lease a new vessel by May of 2020.

The proposed procurement approach for the Vessel Procurement is based on an approach that is regularly used by public sector owners on major acquisitions (in excess of \$100 million) in sectors such as transportation, transit, energy, civil infrastructure, etc. The procurement documents will reflect a fair, open, transparent competitive procurement process compliant with Canadian laws and applicable trade agreements.

Results

In addition to being able to help maintain the key performance indicators that the Shareholder has established for MAI, bringing a new vessel into the fleet will have numerous other benefits.

First and foremost, a new build vessel will increase the reliability of the service, in a number of ways. Not only will a new build vessel face far fewer mechanical issues than an older vessel, but replacement parts will also be more readily available, thereby shortening any potential out of service periods.

A new build vessel that is more similar to the sister ships, the MV *Blue Puttees* and the MV *Highlanders*, will also offer increased capacity to recover from weather delays and mechanical interruptions on the other vessels, thereby allowing the Corporation to continue to meet, and even improve, its performance thresholds for out of service and recovery times. A new ship, with increased capacity, improves the redundancy of the fleet.

A new vessel that is configured similar to the sister ships will also enable the Corporation to extend the life of those vessels. MAI's current operating mode sees the two sister ships operating all year long, except for

planned work periods and dry docking; having a third vessel that is new, and is interchangeable with those vessels, will allow MAI to reduce the number of trips being made by the sister ships, thereby reducing the constant wear and tear on those vessels. Given that the new vessel will be an Ice Class 1a vessel, not 1b like the MV *Leif Ericson*, this is particularly true during periods of heavy ice.

In short, the Budget 2019 funding decision for a new ferry for MAI allows the Corporation to continue to advance its strategic agenda. It offers increased efficiency and reliability, improved return on investment, and improved customer satisfaction.

The MV *Atlantic Vision*

In its 2018/19 approved Corporate Plan, MAI noted its ongoing requirement for a four-vessel fleet and the need to secure the MV *Atlantic Vision* or a similar vessel for ongoing operations. MAI has recently extended the lease of the MV *Atlantic Vision* vessel from November 14, 2019, to November 2020, with an option to renew the lease for an additional 1 or 2 years.

The ongoing requirement for a four-vessel fleet will be the subject of ongoing analysis with TC, as traffic levels play out and the new vessel is brought into service.

The MV *Leif Ericson*



Through Budget 2018, MAI was provided funding to refurbish the MV *Leif Ericson*, the longest serving vessel in MAI's fleet and now approaching 30 years old. However, now that a new vessel has been approved for MAI, the plans to refurbish this vessel have changed. Rather than invest a significant amount of money and resources in extending the life of the MV *Leif Ericson*, MAI now plans to do the maintenance and repair required to keep the vessel in

working order until the new vessel is brought into service. This includes completing the vessel's 30-year survey, which is due in 2021.

MAI will continue to develop its maintenance and re-fit plans for the MV *Leif Ericson* as part of its regular maintenance planning process. Further details of what's required for the vessel's 30-year survey will be included in next year's Corporate Plan.

Port aux Basques Administration Building

Since 2009, MAI has focused on long-term asset management and has made significant improvements to its key infrastructure – docks, terminal buildings, marshalling yards; however, there remains one significant outstanding issue - the office space for staff working in administrative and non-terminal operation roles in Port aux Basques. The current office space has accessibility issues, is overcrowded, and is in very poor condition. Furthermore, it is unable to house all of MAI's Port aux Basques office staff, leaving staff spread out across three locations, which is inefficient and impacts employee morale.

With the goals of increased efficiency and long-term savings, MAI commissioned a study and business case for analysis of potential solutions to this outstanding issue. This business case looked at several alternatives: 1.) renovating the current location at 10 Marine Drive, 2.) leasing a new space in the Port aux Basques community, and 3.) purchasing land and building a new structure. A detailed rationale for the project, as well as an in-depth review of alternatives considered, their financial implications and alignment with Government of Canada agenda was submitted to TC in 2018/19.

MAI will continue to work with Transport Canada throughout the upcoming year to address the outstanding gaps in that business case to find a solution to the facilities issues in PAB that is amenable to everyone involved. In the meantime, investments will be required in 2019/20 for Port aux Basques to address health and safety issues with the current facilities and to seek additional leased space to alleviate the current overcrowding.

Diversity and Inclusion at Marine Atlantic

Marine Atlantic recognizes the value of diversity in its workforce and acknowledges that a diverse employee group generates a variety of perspectives, opinions, experiences, and ideas – all contributing to a stronger organization. To that end, MAI has developed a Workplace Diversity and Inclusion Plan outlining the Corporation's vision and associated initiatives to move the organization forward.

MAI's most recently available workforce analysis was conducted in 2017 and produced the following results:

Group	MAI Representation
Persons with Disabilities	4.8%
Members of Visible Minorities	1.5%

Women	37.1%
Indigenous Peoples	3.7%

One particular opportunity lies with the local Indigenous communities around Cape Breton and Port aux Basques – MAI has met with representatives of several of these groups and there is significant interest in developing partnerships that benefit all parties. Given the potential benefits associated with increasing diversity in the workplace, creating opportunities for Indigenous people to secure access to good jobs, and ready access to a local labour pool, this is a priority moving forward.

The Workplace Diversity and Inclusion Plan builds on initiatives already implemented by MAI, whose success was recognized when MAI received an “*Outstanding Commitment to Employment Equity Award*” from Employment and Social Development Canada in October 2018. Further illustrating MAI’s commitment, ‘Diversity’ has been added to MAI’s corporate values, along with Commitment, Teamwork, Excellence, Safety, and Integrity.

Diversity and Inclusion Initiatives

- *Continue developing meaningful partnerships with community groups, educators and diversity and inclusion experts to help develop partnerships that focus on improving our diversity and inclusion practices.*
 - *Engage in designated recruitment activities, which are designed to increase recruitment from underrepresented populations, including women, Indigenous peoples, including targeted career events*
 - *Continue Respectful Workplace Training sessions*
 - *Provide access to other professional development, resources and support to all staff on those topics*
 - *Continue promoting gender equality, indigenous culture, multiculturalism, health and wellness, and LGBTQ2+ inclusion*
 - *Highlight diversity and inclusion activities/event throughout the year (examples: Strait Talk articles, Digital signage, outreach events)*
 - *Continue working with the MAI Accessibility and Inclusion Committee to enhance accessibility at MAI*
-

Business Process Renewal

MAI received funding in the 2016/17 Corporate Plan to embark on a transformative project to modernize the information technology (IT) solutions that support functions such as supply chain, finance, payroll, human resources and staff scheduling. The Business Process Renewal project is a critical MAI strategic initiative that is expected to directly and indirectly enable many of the risk reduction and operational effectiveness goals of the organization. The scope of the project includes all areas typical for an ERP project including human resources, finance, payroll, health and safety, learning and performance management,

supply chain management, and asset management. The project is also in strong alignment with the outcomes expected under the 2012 Treasury Board's policy for Enterprise Resource Planning for government departments, specifically the statement that "the implementation of standard ERP systems supporting common business processes will improve the quality, timeliness and reliability of information for decision making, both within departments and government-wide and will serve over time, to reduce inefficiencies, duplication and costs in back office administration."

BPR will replace several systems within MAI including ePersonality (HR, payroll), IFS (Finance, shore maintenance and inventory), AMOS (inventory and vessel maintenance), Adaco (vessel retail inventory), iTrak (incident response and safety), Hiring Smart (recruitment), as well as the heavy reliance on MS-Excel for data capture and data manipulation. MAI's versions of IFS and ePersonality are at or nearing end of life. Additionally, for many of the systems that MAI currently employs, there is a limited pool of service organizations available to provide regular support.

Despite significant advanced planning, data conversion from MAI's legacy human resource and payroll system has proven to be challenging thus adding some delay to the project timelines. Given the sensitivity of the payroll project, the organization was not willing to accept the level of risk associated with rushing this part of the implementation plan, as quality assurance is considered critical to long term success. Based on the lessons learned, and to ensure that the project's critical success factors remain on track, MAI has revised the timelines and program budget from its original 2014 estimates. Knowledge gained from other similar projects, such as the Phoenix pay system, suggests that each phase of any large-scale ERP project is reviewed prior to commencement to ensure the success factors are reasonably met. As such, the project team has put forward a recommended revised program and budget plan for the remaining scope of the BPR project beyond the first phase.

There has been no change to the overall scope or expected outcomes of the project. There were, however, imperfect assumptions made with respect to the effort and time required to effectively implement the solution, as well as to modernize the associated business processes. As an example, the original plan did not adequately assess resource capacity issues of the organization for areas in the project scope. From a data perspective, the plan did not accurately consider the challenges associated with not only data conversion from the legacy systems, but also the degree to which critical data was captured outside legacy systems. This compounded any data conversion efforts, as data had to be amalgamated from various sources and validated prior to commencing any conversion activities. Furthermore, testing has taken longer than anticipated. Despite the delays, however, the organization strongly believes that lessons learned from similar ERP projects dictate that it is critical to take the requisite time to ensure quality and testing is conducted for the project to be successful.

The risks for this project include data/ data quality, resource capacity, effectiveness of implementation approach and organizational change management.

RISK	MITIGATIONS
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Data / data quality	<ul style="list-style-type: none"> Improve assessment data quality prior to data conversion planning. Proactively establish a strategy to reduce risk associated with data quality by limiting the amount of data converted by adoption of information management data retention principles.
Effectiveness of implementation approach	<ul style="list-style-type: none"> Adopt a more iterative approach to project delivery rather than relying on a traditional design/build approach, which will provide employees with earlier insight into final product and allow for increased feedback. Releases must be smaller in scope to reduce impacts on delays. Adjust project governance model to allow more oversight and monitoring of project risk.
Resource capacity	<ul style="list-style-type: none"> Mature overall resource planning. Assess resource capacity within the context of other operational demands and strategic priorities. Project resource plans needs to be achievable based on the realities of organizational capacity.
Testing	<ul style="list-style-type: none"> Increase frequency of test cycles as part of agile implementation approach. Mature testing methodology to ensure effective use of resources. Develop testing plans well in advance of test cycles to reduce time required to ramp up testing. Ensure planning cycles allow for sufficient testing with extra time for contingency.

The revised budget for the Business Process Renewal project has been included in the Corporate Plan financials.

Strategic Efficiency Review

Over the past number of years, the Corporation has made significant strides in improving service levels and realizing operational efficiencies. However, the combination of increasing costs and decreasing traffic levels presents a challenge with respect to continuing to meet cost recovery targets, while also maintaining an affordable service. Consequently, MAI is strengthening its focus on operational efficiencies to find cost savings, while continuing to meet the performance expectations of customers and the Shareholder. MAI is also reviewing new revenue generating activities that can support its financial goals, while maintaining tariff rates at a reasonable level to minimize impact on traffic volumes. MAI will trial several different pricing options in 2019/20 to determine their impact on traffic demand.

Ultimately, execution of the Strategic Efficiency Review should provide MAI with the ability to avoid rate increases on passenger and passenger related vehicles (PRV) tariffs over the course of the planning period while also meeting the overall cost recovery target of 65%.

Port aux Basques Harbour

For vessels of the size required for MAI's operations, entering the Port aux Basques harbour is challenging. The channel entering the harbour is shallow and narrow, making the approach risky. A small land mass, Vardy's Island, is in the centre of the harbour and interferes with maneuvering in and out of the harbour. This area is also buffeted regularly with strong winds, which further complicate the docking and undocking of vessels. The elimination of Vardy's Island as well as improvements to



the channel entering the harbour would increase the operating efficiency of the fleet while also providing an increased level of safety for passengers and property. In 2019/20, MAI will further explore the potential costs and operational impacts of making significant changes to the PAB harbour. As this initiative is in the exploratory phase, no monies have yet been allocated to any potential changes to the physical infrastructure of the harbour.

MAI has had extensive discussion with representatives from the town of Port aux Basques, who strongly favour removal of the island. A comprehensive risk assessment will be completed as part of the project analysis.

Other Activities

Environmental Management Plan

Protecting the environment and leaving as small a footprint as possible remains a priority for the Corporation. In the past, MAI has taken several steps to fulfill this obligation, including reducing fuel consumption, switching to cleaner diesel fuel, increasing the use of shore power, and significantly improving waste management at the Corporation's facilities. Moving into 2019/20, MAI's efforts will be on developing a comprehensive Environmental Management Plan to guide the Corporation's approach to managing its impact on the environment for future years, a deficiency noted by the OAG in the 2018 Special Examination.

Behaviour Based Safety

Safety of people, property, and the environment is paramount to MAI. MAI believes the most effective way to create a proactive safety culture is to influence employee behaviours through a Behavior Based Safety Program, which integrates safety awareness into the workplace. Personal awareness in everyday tasks and duties is critical to improving overall safety awareness.

To that end, MAI will begin the training component of its Behaviour Based Safety Program towards the end of fiscal 2018/19 and will continue with the training in 2019/20 and 2020/21. This initiative will ultimately result in fewer injuries and lower injury related costs.

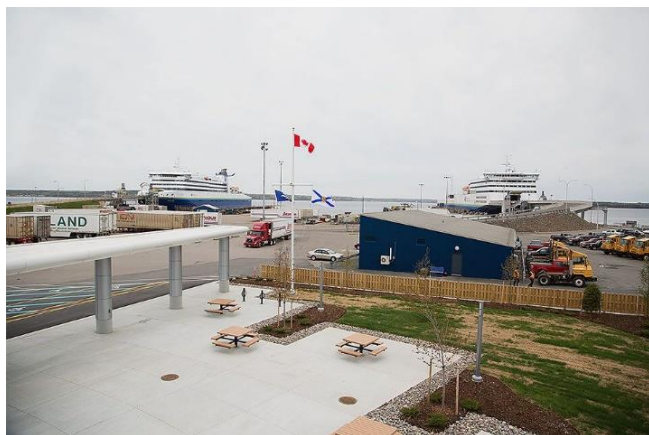
Vehicle Cleaning Services

A Treasury Board decision dated June 2012 directed MAI to assume the responsibility for the vehicle cleaning services at the Canadian Food Inspection Agency's (CFIA) inspection stations in both Port aux Basques and Argentea. This was the result of a cost savings initiative put forward by the CFIA as part of the 2011 Strategic and Operating Review. Due to unresolved issues around liability for the spread of soil borne diseases, this directive has not yet been implemented.

Since the issuance of the 2012 directive, the CFIA has changed its focus from inspection activities to prevention activities. As such, the CFIA is no longer proposing that MAI wash vehicles at its PAB and Argentea terminals. Instead, the CFIA has asked MAI to assist with compliance promotion activities and the implementation of a self-declaration process at its terminals, thereby reducing and eventually eliminating the need for the vehicle washing stations.

The Corporation is currently reviewing the proposed Memorandum of Understanding, drafted by the CFIA, before committing to a particular course of action to assist CFIA. MAI has a good relationship with the CFIA and will continue to engage with them to seek a reasonable approach to vehicle inspection. MAI anticipates that the remaining issues should be resolved, and the agreed upon process implemented by the end of fiscal 2019/20.

Transfer of Properties



Transport Canada currently owns the land upon which MAI operates. For the past several years, MAI has been involved in discussions with Transport Canada regarding the transfer of ownership of these properties from TC to MAI.

MAI will continue to work with TC on this transfer agreement. However, for the purposes of this plan, MAI has assumed no financial liability for the properties, as ownership currently remains with TC.

2019/20 Deliverables

Strategic Initiative	Strategic Objectives Supported	Expected Results for 2019/20	Outcomes
Long-term Fleet Strategy With approval of the next phase of MAI's Long-term Fleet Strategy, MAI will begin the procurement of a new vessel for its fleet.	<ul style="list-style-type: none"> • Live Within Appropriations • Ensure Capacity and Service Levels to Meet the Traffic Offering • Ensure Service Meets Customers' Expectations • Ensure Adequate funding to Meet Service Levels • Increase Efficiency of Operations • Provide an Affordable and Accessible Service 	<ul style="list-style-type: none"> • Establish and resource a Project Management Office for the new vessel procurement and delivery • Develop and release the RFP for securing a contract for the building and leasing of a new vessel • Begin contract negotiations with the successful proponent 	<ul style="list-style-type: none"> • Continue to meet expectations as outlined in the Minister's mandate letter with respect to efficiency, reliability and customer satisfaction • Secure long-term fleet stability for the organization
New PAB Office Facilities Continue to work with the Shareholder for a solution to the requirement for new office facilities in PAB	<ul style="list-style-type: none"> • Increase Efficiency of Operations • Protect People, Property and the Environment • Increase the Integration of Corporate Values • Recruit, Develop and Retain a Diverse Talent Pool • Increase Management Effectiveness 	<ul style="list-style-type: none"> • Work with the Shareholder to determine the gaps in MAI's current business case and come to an acceptable solution 	<ul style="list-style-type: none"> • Improved employee engagement • Improved processes and planning • Increased collaboration and cross pollination of ideas
Foster a Culture of Diversity, Inclusion, and Respect MAI will continue to emphasize and grow corporate wide workplace diversity; increase the overall level of employee knowledge with respect to diversity, inclusion, and respect.	<ul style="list-style-type: none"> • Be a Values Driven Organization • Increase Management Effectiveness • Recruit, Develop and Retain a Diverse Talent Pool • Increase the Integration of Corporate Values • Provide an Affordable and Accessible Service • Increase Awareness of Individual Accountability and Responsibility 	<ul style="list-style-type: none"> • 100% completion of MAI's Respectful Workplace Program • Initiate implementation of Board approved Diversity Plan • Highlight diversity and inclusion events through corporate communications • Develop guidelines to support gender identity and expression • Support the development of a LGBTQ2+ and allies employee network • Initiate Indigenous cultures training 	<ul style="list-style-type: none"> • Improved organizational diversity and inclusion practices • Improved employee culture and morale • Enhanced support for LGBTQ2+ • Enhanced awareness of Indigenous cultures
Business Process Renewal BPR will allow MAI to improve information management and decision-making capabilities, streamline business processes, establish integrated information systems, and enable and empower MAI's workforce.	<ul style="list-style-type: none"> • Increase Efficiency of Operations • Improve Information Management and Analytics • Increase Management Effectiveness • Enhance Organizational Planning 	<ul style="list-style-type: none"> • Successful conclusion of Payroll release: hyper-care into normal operations 6 months after "go-live" • Centralized scheduling completed • HSE completed • Phase 2 Finance 40% completed • Learning Management Release 60% completed 	<ul style="list-style-type: none"> • Improved analytics and more efficient reporting of data • Decrease in scheduling related grievances / complaints • Decrease in payroll inquiries • Decrease in number of pay adjustments

Strategic Initiative	Strategic Objectives Supported	Expected Results for 2019/20	Outcomes
Strategic Efficiency Review Review operations to promote increased efficiency and fiscal responsibility while maintaining an affordable service	<ul style="list-style-type: none"> • Provide an Affordable and Accessible Service • Live within Appropriations • Increase Efficiency of Operations 	<ul style="list-style-type: none"> • Implement a buffet / grab and go breakfast • Initiate cabin room service • Implement marketing and promotional campaigns • Initiate offering of service bundles • Increase food and retail rates by 5% • Reduce security requirements 	<ul style="list-style-type: none"> • Meet cost recovery targets • Expense savings • New sources of revenue • Improved service offerings
Development of Corporate Wide Environmental Management Plan This initiative will bring all of MAI's environmental management activities together under one comprehensive, enterprise-wide plan	<ul style="list-style-type: none"> • Protect People, Property and the Environment • Enhance Organizational Planning 	<ul style="list-style-type: none"> • Develop Five Year Environmental Management Plan to include: <ul style="list-style-type: none"> -Environmental culture initiatives -Future Green Marine initiatives -Ongoing environmental prevention plans -Environmental management KPIs 	<ul style="list-style-type: none"> • Improved KPIs • Improved planning • Enhanced accountability
Behavior Based Safety Program Behaviour based safety will allow MAI to improve safety performance as well as safety culture through a proven safety training program.	<ul style="list-style-type: none"> • Protect People, Property and the Environment • Be a Values Driven Organization • Improve the Safety Management Program • Increase the Integration of Corporate Values • Increase focus on Behaviour-Based Safety • Increase Awareness of Individual Accountability and Responsibility 	<ul style="list-style-type: none"> • Develop internal trainers • Deliver training to 70% of MAI's workforce 	<ul style="list-style-type: none"> • Improvement in injury rates • Improved safety culture
Evaluate Improvements to PAB Harbour MAI will review options for altering / developing the Port aux Basques harbour to increase the efficiency of operations	<ul style="list-style-type: none"> • Increase Efficiency of Operations • Improve the Safety Management Program • Ensure Capacity and Service Levels to Meet Traffic Offering • Ensure Service Meets Customers' Expectations • Enhance Risk Management 	<ul style="list-style-type: none"> • Complete environmental studies • Make application to National Trade Corridors Fund (NTCF) • Work with Town of PAB to ensure expropriation of Vardy's Island 	<ul style="list-style-type: none"> • Improved understanding of environmental impacts • Secure source of funding

Measuring Performance

In July 2017, the Minister of Transportation shared with Marine Atlantic's Chairperson the expectations for the Corporation. Those expectations include success with respect to a number of performance indicators. MAI expects to meet or exceed these indicators, with the exception of cost recovery on the Argentia service, through careful expense and revenue management for the duration of the planning period. MAI also commits to improving the cost recovery results on the Argentia service over the planning period. The key performance targets outlined reflect the targets outlined in the Corporation's most recent mandate letter from the Minister, provided in Appendix A.

Objective	Performance Indicator	Target Established by Shareholder
Efficient Ferry Service	Overall cost recovery	65%
	Cost recovery of non-constitutional services:	
	Argentia	100%
	Drop Trailer Management Fees	100%
	Onboard Services	100%
	Vessel utilization capacity	70%
Reliable Ferry Service	Departures are within 15 minutes of published schedule (excludes weather delays)	90%
	Unplanned service interruptions	3% or lower
	Following a mechanical breakdown or weather delay, sailing returns to the published schedule and affected passengers/traffic is re-booked	Within 24 hours
Customer Satisfaction	Overall customer satisfaction of passenger related vehicles (PRV)	70%
	Overall customer satisfaction of commercial related vehicles (CRV)	60%
	PRV customers are very likely to recommend the service to other users	50%

Financial Overview

The financial projections in this corporate plan are based on the following general assumptions:

- MAI will continue to operate with a four-vessel fleet.
- MAI will continue to operate both routes – Port aux Basques to North Sydney and North Sydney to Argentia for the foreseeable future.

- A new vessel will be brought into service in 2022/23
- The anticipated efficiencies from the Corporation's Strategic Efficiency Review will be realized.

A more detailed explanation of specific assumptions follows.

Rates

MAI's customers have seen increasing rates in recent years, with both passenger related vehicle (PRV) and commercial related vehicle (CRV) rates increasing by 16% since 2012/13, as shown in the table below.

Cumulative Rate Increases

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Cumulative Impact
Passenger	\$ 30.79	\$ 32.02	\$ 33.00	\$ 33.85	\$ 34.75	\$ 35.65	\$ 35.65	\$ 4.86
% increase	4.0%	4.0%	3.0%	2.6%	2.6%	2.6%	0.0%	16%
PRV	\$ 87.31	\$ 90.80	\$ 93.55	\$ 96.00	\$ 98.50	\$ 101.06	\$ 101.06	\$ 13.75
% increase	4.0%	4.0%	3.0%	2.6%	2.6%	2.6%	0.0%	16%
CRV - Live	\$ 473.20	\$ 492.13	\$ 506.90	\$ 520.10	\$ 533.60	\$ 547.47	\$ 547.47	\$ 74.27
% increase	4.0%	4.0%	3.0%	2.6%	2.6%	2.6%	0.0%	16%
CRV - Drop Trailers	\$ 356.71	\$ 370.98	\$ 382.10	\$ 392.05	\$ 402.25	\$ 412.71	\$ 412.71	\$ 56.00
% increase	4.0%	4.0%	3.0%	2.6%	2.6%	2.6%	0.0%	16%

As such, one of MAI's key goals is to achieve some degree of rate stability over the upcoming planning period, particularly for its PRV customers, while still achieving its cost recovery target of 65%. Not only will this be well-received by customers, it will help off-set the downward pressure on traffic levels that is expected with a softening economy. For the upcoming planning period, the Corporation will continue to implement a rate structure to ensure it meets its targets.

Fuel Surcharge

For planning purposes, the Corporation is forecasting that the fuel surcharge will remain unchanged at 18% throughout the planning period. However, as in previous years, the Corporation will revisit the fuel surcharge on a regular basis and adjust the charge as required if there are significant changes in the cost of fuel.

Traffic and Revenue

Based on the projected rate increases and fuel surcharge strategy, MAI has developed five-year traffic forecast. While the Newfoundland and Labrador economy is expected to continue to put downward pressure on commercial traffic, MAI believes that its proposed 0% increase on PRV traffic, along with planned marketing activities, will result in regular increases to PRV traffic over the planning period.

The projected traffic forecasts and the planned rate increases result in the following revenue forecast over the next five years.

Revenue Forecast

Revenue (000's)	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Total Revenues	\$ 107,445	\$ 108,311	\$ 107,503	\$ 110,072	\$ 112,860	\$ 546,192

Fuel Expense

Fuel is, and will continue to be, a large portion of the Corporation's operating budget, accounting for upwards of 15% of total operating expenses, excluding amortization. To comply with the Sulphur Emission Control Area (SECA) regulations, MAI is changing the type of fuel it burns, with a complete switch to diesel fuel in 2020/21. Diesel fuel is more expensive than the blended fuels used historically by MAI, driving up the average cost/litre.

For planning purposes, the Corporation has assumed the following prices for the various types of fuel.

<i>Price in cents per litre (CAD) including 5% inflation</i>					
Fuel Type	2019/20	2020/21	2021/22	2022/23	2023/24
MGO	85.00	100.09	105.09	110.34	115.86
Bunker	83.00	n/a	n/a	n/a	n/a

Foreign Exchange Rate

MAI is particularly conservative with this forecast, given the number of factors that can influence the exchange rate in the longer-term planning horizon.

Hedging Strategy

The Corporation utilizes a foreign exchange hedging strategy to proactively mitigate exposure to foreign currency. The Corporation secured forward contracts with a financial institution for a portion of the Euro currency requirements over the remaining charter period of the MV *Atlantic Vision*. MAI's hedging strategy has been successful in bringing stability and cost certainty to the charter obligations for the duration of the charter agreements.

Inflation Rates

Canada's inflation policy, as set out by the Government of Canada and the Bank of Canada, aims to keep inflation at two per cent. For the purposes of this Corporate Plan, MAI has assumed inflation rates of 2% for expenditures other than fuel, for which 5% has been used in recognition of the increased volatility of fuel prices.

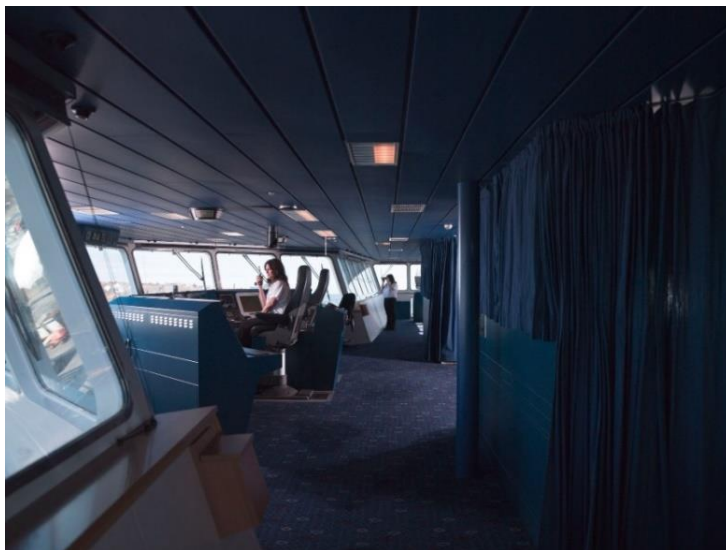
Pension Costs

Marine Atlantic's pension plan is a defined benefit plan. The Corporation is in compliance with the Order in Council requiring its pension plan to be cost shared 50:50 between employer and employees.

There is currently no requirement for pension solvency payments based on the performance of the Corporation's Pension Plan.

Travel, Hospitality, Conference and Event Costs

The Corporation's travel, hospitality and events policies and procedures were updated in 2016/17 to align with those of the Treasury Board Secretariat (TBS).



From a reporting perspective, MAI has set up a process for initiating, routing and tracking the approvals required for travel, hospitality, conferences and events to comply fully with the 2015 Governor in Council directive. The Corporation reports on travel expenses quarterly as well as in its Annual Report. Under the proactive disclosure guidelines put forward by TBS, MAI also reports details of travel by executive and Board members on its website on a quarterly basis.

The Corporation's forecasted travel, hospitality and conference expenses are as follows. As the Strategic Efficiency Review is implemented, there may be further cost reductions to the Corporation's budget for travel, hospitality, conference and event costs.

	Average	Actual	Forecast	Budget				
	Prior 3-Years	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
(000's)								
Travel	2,102	1,891	2,260	2,291	1,607	1,661	1,702	1,760
Conferences	82	68	102	118	126	129	132	135
Hospitality	203	291	210	224	230	235	239	244
	2,387	2,250	2,572	2,633	1,963	2,025	2,073	2,139

* Numbers may not add due to rounding.

In general, MAI's travel costs include travel for training and travel to MAI's various offices. Hospitality costs are mostly related to training, interdepartmental managers' meetings, and employee recognition events.

Capital Requirements

As in previous years, MAI's capital plan is based on the following requirements: fleet and shore-based maintenance, investments needed to carry out MAI's Strategic Plan, and longer-term asset renewal. It must be noted that MAI's current funding envelope expires at the end of fiscal 2019/20. Any multi-year or future year projects listed are dependent upon sufficient funding being made available. Should MAI not receive sufficient funds to complete a project, the Corporation will have to re-prioritize projects to fit within available funds.

From a fleet maintenance perspective, final dry-docking costs are a result of the request for proposals (RFP) process that MAI employs to secure dockyard services, plus the costs of any unforeseen incremental work that is identified once the vessels are in dry-dock.

For shore-based projects, MAI employs the services of an external engineering firm to help develop detailed estimates once capital projects are tentatively approved by the capital committee. Final approval of projects is then confirmed once detailed estimates are developed, assuming the final project costs are reasonable and can be accommodated within the overall budget. It is worthy of note that in recent years, bids for work in Port-aux-Basques have consistently been significantly higher than estimates, which has impacted MAI's ability to complete projects in a timely manner. All capital decisions are made by the Capital Committee, which meets once per month and is currently chaired by the CEO. Any changes to project costs in excess of \$500,000 must receive Board approval.

Fleet Maintenance Capital

MAI has programmed the capital plan to include the 30-year survey of the MV *Leif Ericson* in 2020/21.

Regular dry-dockings are a mandatory requirement for MAI's vessels. In 2019/20, there is only one dry-docking planned, for the MV *Blue Puttees*. The other vessels are scheduled to undergo dockside maintenance as per



normal requirements. The MV *Blue Puttees* and the MV *Highlanders* are scheduled to go into dry-docking in alternate years. The MV *Atlantic Vision* will require a significant capital investment for its mid-life refit in 2021/22.

Other capital expenditures included in the fleet maintenance category include capital appropriate general maintenance and repairs for each vessel, and a spare parts budget.

Shore Maintenance Capital

The shore maintenance capital budget includes monies for the regular upkeep of terminals, docks, marshaling yards and buildings, fueling facilities, vehicles and equipment. It covers regular capital maintenance and repair requirements like paving, roof repairs, lighting and signage, as well as the regular replacement of equipment.

MAI Information Technology requirements are also included in this category - servers, digital signage, satellite communications equipment, as well as regular system upgrades and maintenance. A significant portion of the IT capital budget is allocated to enterprise resource planning support and maintenance, as MAI will have to continue to support its old systems while the new ERP system is being brought online through the Business Process Renewal project.



Strategic Initiative Capital

As part of its strategic planning process, MAI determined that it would be beneficial to track the investments required for its strategic initiatives separately. As such, any strategic initiative that requires a capital investment will be tracked and reported on separately.

In addition to the money required for the BPR project, this category also includes capital projects related to MAI's strategic efficiency review. Specifically, the Corporation requires capital funding for self-service kiosks, as well as the automation of ramp operations, fuelling and vehicle measurement.

Port-aux-Basques Administration Building

As noted earlier in this plan, the Corporation continues to work with the Shareholder to move forward with an acceptable solution for the issues with the current office facilities in PAB. Meanwhile, MAI has taken a conservative view of its funding requirements – based on new build – pending a decision from the Shareholder.

Financial Summary

Based on all of the assumptions stated, the following table summarizes the Corporation's projected financial performance for the upcoming planning period.

2018/19 – 2022/23 Financial Projections

<i>(in \$ thousands)</i>	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Revenues	111,568	109,617	107,445	108,311	107,503	110,072	112,860
Funding Requirement	146,683	125,945	142,900	154,033	156,124	172,011	151,624
Funding Available	213,734	151,104	142,900	55,676	53,176	67,628	45,999
Surplus/(Deficit)	67,051	25,159	-	(98,358)	(102,948)	(104,383)	(105,626)
Remaining Surplus/(Deficit)	67,051	25,159	-	(98,358)	(102,948)	(104,383)	(105,626)

Cost Recovery

Overall Service

In 2015, the Shareholder increased MAI's cost recovery target from a range of 60-65% to a minimum of 65%. The cost recovery formula for MAI's overall service – including the Gulf service, on-board services, drop trailer management fees, and the Argentia service - is calculated by dividing total revenues into total costs - less charter fees, capital expenditures, program management, restructuring and pension costs. MAI manages both its revenues and costs to reach this target and is projected to meet the 65% target for the next five years.

Non-Constitutional Services

The Shareholder has established a cost recovery target of 100% under a revised formula for its non-constitutional services – identified in 2010 as drop-trailer management services, on-board services (cabins, food and retail services, etc.) and the Argentia service. While MAI has been reporting on these services for the past several years using an incremental costing method, in 2015 the Shareholder directed that MAI must meet 100% cost recovery on these services, using a revised 'all-in' formula, by 2018/19. The revised cost recovery formula for non-constitutional services includes all costs, including capital costs and charter

fees, associated with providing the service. The previous incremental method excluded costs like charter fees and capital costs – similar to the formula used for the overall service - as MAI believes that only those costs that are incremental to providing the service should be included in the cost recovery calculation. For example, since MAI needs the MV *Atlantic Vision* for the Gulf service, the cost of that vessel's charter fees had been excluded as an incremental cost to the Argentia service.

Incremental Formula

MAI has been meeting its cost recovery targets for all non-constitutional services using the original incremental costing methodology.

Revised “All-in” Formula

When charter fees and capital costs are allocated to the non-constitutional services, achieving cost recovery results becomes more challenging, particularly for the Argentia service. MAI has developed four measures:

1. Drop trailer management fees for the Gulf service
2. Onboard services for the Gulf service
3. A cost recovery result for the Argentia service which includes all revenues and costs associated with providing that service, including those associated with drop trailers and onboard services that move through that route
4. A combined measure which shows the overall impact of the services that MAI offers that fall outside of the constitutionally mandated transportation service provided on the Gulf.

With this methodology, the drop trailer management fee still recovers all of its costs using the revised formula, while onboard services recover almost all of its costs going forward, except towards the end of the planning period, when the charter fees for the new vessel come onstream. At this point, the Corporation will be leasing two vessels instead of one, which will have a significant impact on the results using the all-in formula.

The Argentia service poses an issue using the revised cost recovery formula. It is MAI's intent to explore additional revenue opportunities where possible, along with finding further efficiencies that will allow MAI to move closer to the 100% cost recovery target over the course of the planning period. Marine Atlantic remains committed to working with the Shareholder on how best to meet this target moving forward.

While the Corporation has been asked to report on non-constitutional services separately, it is interesting to note that in combining all three services, the cost recovery results for MAI's all non-constitutional services exceeds the results for the overall service.

Detailed financial statements for the upcoming planning period are included in Appendix E.

Appendix A: Ministerial Direction

In July 2017, the Minister of Transportation shared with Marine Atlantic's Chairperson the expectations for the Corporation (a copy of that letter has been included, for reference). Those expectations include success with respect to a number of performance indicators. MAI expects to meet or exceed these indicators, with the exception of cost recovery on the Argentia service, through careful expense and revenue management for the duration of the planning period. MAI also commits to improving the cost recovery results on the Argentia service over the planning period, although as noted previously, reaching 100% cost recovery on that service is not feasible using the revised all-in formula.

Minister of Transport



Ministre des Transports

Ottawa, Canada K1A 0N5

JUL 13 2017

Mr. Kristopher Parsons
Chair
Board of Directors
Marine Atlantic Inc.
802-10 Fort William Place
St. John's NL A1C 1K4

Dear Mr. Parsons:

I am pleased to provide you with a copy of the official documentation of your appointment by the Governor General in Council, by P.C. 2017-288, dated March 28, 2017, as Chairperson of Marine Atlantic Inc. (MAI) for a term of five years. I would also like to take this opportunity to convey my expectations for the corporation and inform you of some recent government decisions on MAI.

As a Crown corporation, MAI has a mandate 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. My role as the Minister of Transport is to exercise oversight in accordance with the accountability regime set out in the *Financial Administration Act*, Part X. In this context, one of my key responsibilities is to answer for MAI in Cabinet and in Parliament.

As Chairperson, you are the representative of MAI to outside parties, as well as the leader and facilitator of the board as it carries out its duties. You are also the primary link between the board and me as the representative of the government. The responsibilities of the Board of Directors include the oversight of the business and activities of the corporation. This being said, the Board is expected to ensure that the strategic direction of the corporation is in line with the government's broad policy objectives and priorities; ensure that appropriate risks have been identified and appropriate systems are in place to manage these risks; ensure the corporation's information systems and management practices meet its needs; and assume accountability for the integrity of the information produced by the corporation.

The Chief Executive Officer (CEO) is a member of the board and the key link between the Board and management of the corporation. The CEO is accountable to the Board for the management and performance of the corporation. Just as I am expected to hold the Board accountable, I expect the Board to hold the CEO accountable. My normal interactions with the Board shall be through you, the Chairperson. I trust that all Board members will provide you with the support needed to ensure the good governance and continued success of this corporation.

Canada

As a Crown corporation within the Transport portfolio, MAI provides specific services on a commercial basis with considerable operational autonomy. I would, however, remind you that being part of the federal public sector, MAI plays an important public policy role and is subject to obligations that are unique to the public sector.

Since the corporate plan is the centrepiece of the accountability regime in place for Crown corporations, its timely approval is critical for good governance. One of the key success factors to the timely approval of corporate plans is early and meaningful consultations with all relevant officials. This is even more important if there are activities being proposed in the corporate plan that may pose mandate or policy questions. In these instances, you are to seek my views before undertaking any such activities, including planning or consultations. I understand that MAI's 2017/18-2021/22 Corporate Plan was delayed by circumstances outside of MAI's control, but the process is well underway for its approval in 2017/18.

In terms of Budget 2017, MAI received up to \$445.3 million, including existing funding, over three years to cover its operating deficit and capital requirements. This includes funding for MAI to avail itself of the two one-year extensions for the *MV Atlantic Vision*. I am very pleased by our government's decision to provide MAI with longer term funding that will enable the corporation to operate effectively. As previously stated, MAI will need to submit and receive approval of its annual corporate plans by outlining and seeking approval of all of its operations and planned activities for 2017/18, 2018/19 and 2019/20.

I would also like to take this opportunity to raise some other general items, as noted below.

On the real property front, MAI's ferry terminals located in North Sydney, Argentia and Port-aux-Basques, are situated on land currently owned by Transport Canada. I would like to begin a process to transfer this land to MAI, as operational responsibility for the land is naturally assumed by MAI through its day-to-day operations. I believe that there are several advantages to such a transfer. First, it would remove any ambiguity with respect to ownership of the property. Second, it is a natural extension of the current situation as Transport Canada does not conduct any activities or operations on the land or assume any caretaking responsibilities. I would like to undertake this transfer in partnership with you, the Board, and your management team as I believe it may be advantageous for MAI to have clear title to the land. While I am hopeful that you and the Board will agree, should the Board not wish to undertake the transfer, it could be effected through a directive from the Governor General in Council. As a first step towards the negotiation of a transfer agreement, I will seek authority from my colleagues through a Treasury Board Submission to proceed outside the guidelines set in the *Federal Real Property and Federal Immovables Act* by directing the land transfer to your organization at nominal value.

Regarding MAI's cost-recovery policy, while the government encourages you to continue to find efficiencies where possible as you deliver this important ferry service, no changes are being made to the existing policy on cost recovery and key performance indicators for MAI. The corporation is expected to continue to reach an overall cost-recovery of 65% using the existing formula (revenues divided by expenses minus capital, charter fees, pension, restructuring and project management office costs), and is to reach 100% for its non-constitutional services (Argentina, drop trailer management and on-board services) by 2018/19, using a revised formula of all revenues divided by all expenses, including capital costs for each of these services. MAI should continue to reach for and report in its annual corporate plan the following performance indicators:

Objective	Performance Indicator	Target by 2018/19 and on-going thereafter
Efficient ferry service	Overall cost recovery	65%
	Cost recovery of non-constitutional services (Argentina, drop trailer management and on-board services)	100%
	Vessel utilization capacity (i.e. capacity of vehicle deck space)	70%
Reliable ferry service	Departures are within 15 minutes of published schedule (excludes weather delays)	90%
	Unplanned service interruption	3% or lower
	Following a mechanical breakdown or weather delay, sailing return to published schedule and affected passengers/traffic is re-booked	Within 24 hours
Customer satisfaction	Overall customer satisfaction of passenger related vehicles (PRV)	70%
	Overall customer satisfaction of commercial related vehicles (CRV)	60%
	PRV customers are very likely to recommend the service to other users	50%

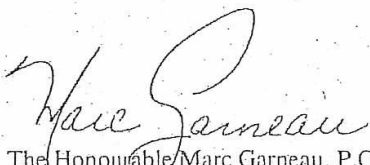
For the capital work that is done for MAI's vessels, I would like to remind MAI to continue to conduct its refits and maintenance in Canada, as operationally feasible, in an effort to support the regional economy.

As you may know, the Government of Canada is committed to diversity and inclusion as a tremendous source of strength for our country. I encourage MAI to continue its best practices in this regard by hiring, when possible, more women and Indigenous peoples, members of visible minorities and persons with disabilities.

Given that I am answerable to Parliament for the overall effectiveness of the corporation and in the general interest of openness and transparency, please ensure that MAI continues to give my office and Transport Canada notice of issues that might be of interest to the public so that I am adequately prepared to answer any questions concerning MAI in Parliament. For any communication with my office, Mrs. Heather Chiasson will be your contact person and can be reached at 613-991-0700.

Finally, I would like to underscore how pleased I am that you have agreed to serve as Chairperson of MAI. I would also like to extend my appreciation to the MAI staff that continue to work closely with my departmental officials on an ongoing basis. I look forward to continuing and building upon our successful working relationship in the future.

Yours sincerely,



The Honourable Marc Garneau, P.C., M.P.
Minister of Transport

Enclosure

c.c. Mr. Paul Griffin,
President and CEO, Marine Atlantic Inc.

Ms. Jacqueline Penney
Legal Counsel and Corporate Secretary, Marine Atlantic Inc.

Appendix B: Corporate Governance Structure

The Corporation's Board of Directors has representation from both Newfoundland and Labrador and Nova Scotia, with backgrounds covering Law, Accounting, Transportation and Business. The Board of Directors meets at least once a quarter, with other meetings scheduled as needed. The Board has established three sub-committees:

1. Audit Committee
2. Pension Management Committee
3. Corporate Governance, Risk and Strategy Committee
4. Human Resources and Safety Committee

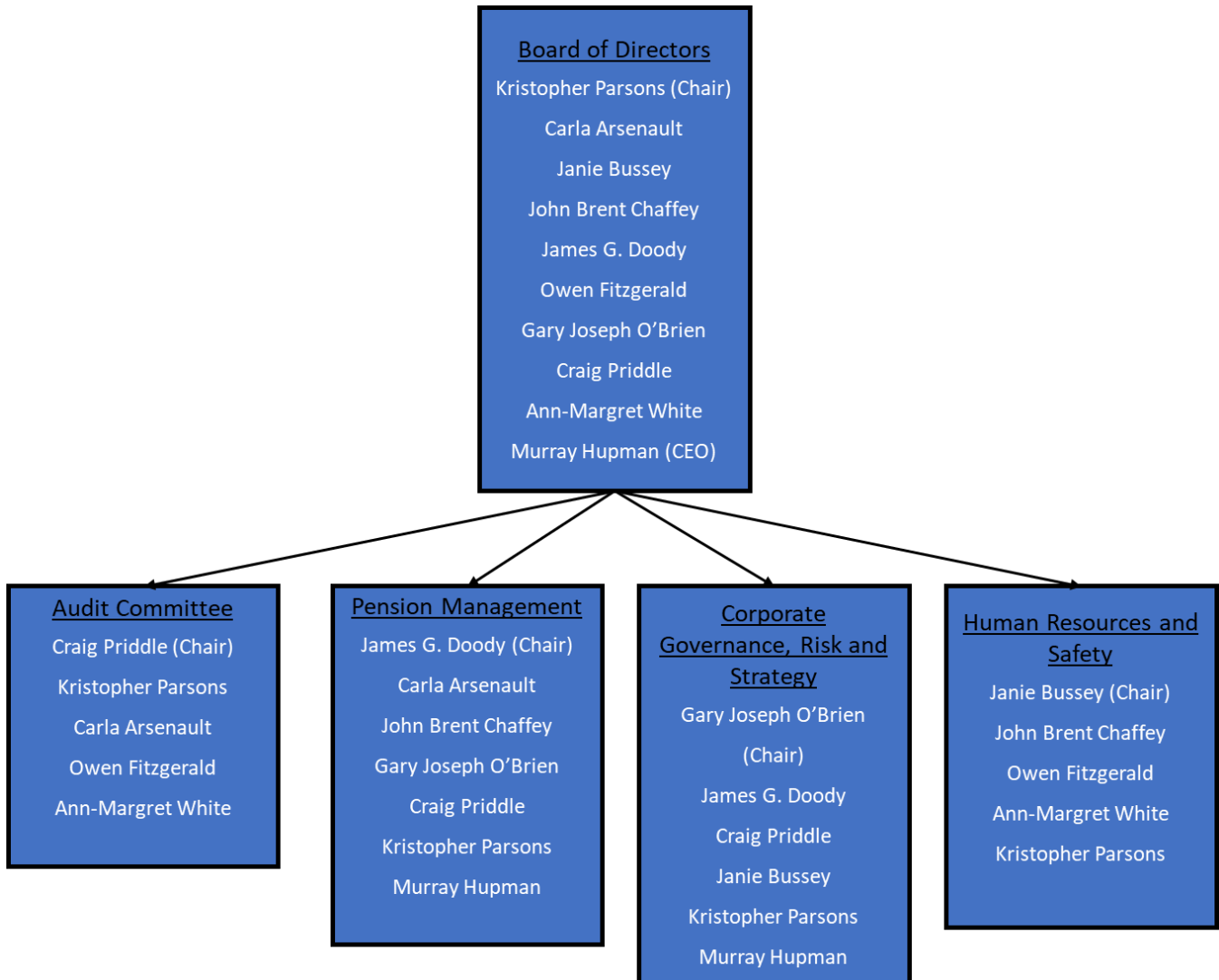
Each committee reports directly into the Board of Directors, and each meets at least quarterly, with additional meetings scheduled as required.

Board Members – Expiry dates

Board Member	Expiry Date	Location
Kristopher Parsons	March 28, 2022	St. John's, NL
Carla Arsenault	February 5, 2022	Sydney River, NS
Janie Bussey	December 14, 2021	Logy Bay, NL
John Brent Chaffey	December 14, 2021	St. David's, NL
James G. Doody	September 28, 2019	Paradise, NL
Owen Fitzgerald	December 14, 2020	Sydney, NS
Gary Joseph O'Brien	December 14, 2021	Port aux Basques, NL
Craig Priddle	December 14, 2020	Corner Brook, NL
Ann-Margret White	December 14, 2020	St. John's, NL
Murray Hupman	April 14, 2024	North Sydney, NS

Information regarding Board attendance can be found in the Corporation's 2017/18 Annual Report. There have, however, been significant changes to Board membership since then.

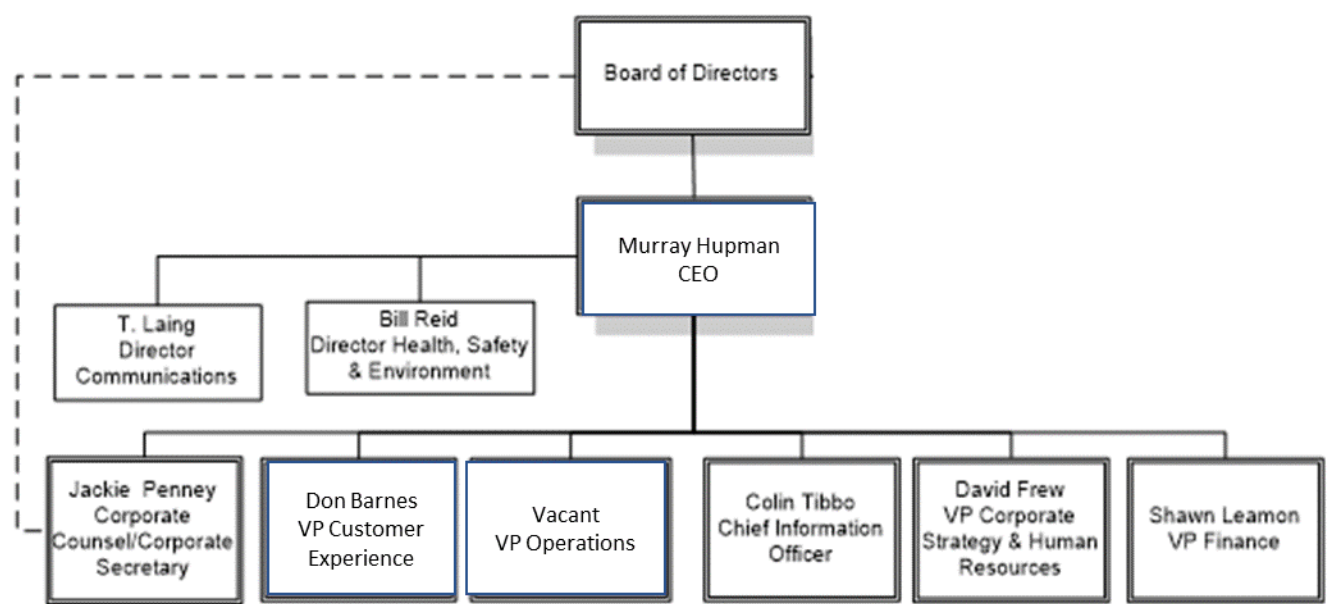
MAI Board Committees



Executive Team

The President and CEO is also appointed by the Governor in Council on the recommendation of the Minister of Transport. The current term for the CEO position expires on April 14, 2024.

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



Appendix C: Planned Results

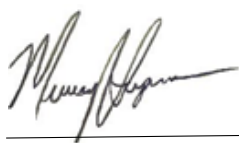
The targets outlined in this table reflect the targets outlined in the Corporation's most recent mandate letter from the Minister, provided in Appendix A.

Objective	Performance Indicator	Target Established by Shareholder
Efficient Ferry Service	Overall cost recovery	65%
	Cost recovery of non-constitutional services:	
	Argentia	100%
	Drop Trailer Management Fees	100%
	Onboard Services	100%
	Vessel utilization capacity	70%
Reliable Ferry Service	Departures are within 15 minutes of published schedule (excludes weather delays)	90%
	Unplanned service interruptions	3% or lower
	Following a mechanical breakdown or weather delay, sailing returns to the published schedule and affected passengers/traffic is re-booked	Within 24 hours
Customer Satisfaction	Overall customer satisfaction of passenger related vehicles (PRV)	70%
	Overall customer satisfaction of commercial related vehicles (CRV)	60%
	PRV customers are very likely to recommend the service to other users	50%

Chief Executive Officer Results Commitment

I, Murray Hupman, as President and Chief Executive Officer of Marine Atlantic Incorporated, am accountable to the Board of Directors of Marine Atlantic Incorporated for the implementation of the results described in this

Corporate Plan and outlined in these Appendices. I verify that this



April 18, 2019

commitment is Murray Hupman, President and Chief Executive Officer
Marine Atlantic Inc.

supported by the balanced use of all available and relevant performance measurement and evaluation information.

Appendix D: Chief Financial Officer Attestation

Marine Atlantic Inc.'s CFO Attestation

In my capacity as Chief Financial Officer of Marine Atlantic Inc., I have reviewed the 2019-2020 to 2023-2024 Corporate Plan and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
5. The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
6. Key financial controls are in place to support the implementation and ongoing operation of the proposal.

In my opinion, the financial information contained in this proposal is sufficient overall to support decision making.

	Date: <u>April 23, 2019</u>
Name Shawn Leamon	
Chief Financial Officer, Marine Atlantic Inc.	

Appendix E: Financial Statements

Statements A through E present financial projections over the planning period, based on the operational plans, forecasts and assumptions discussed in previous sections of this Corporate Plan and are presented based on Public Sector Accounting Standards.

Statement F is the Operating Budget presented on a cash-basis.

Statement G is the Capital Budget presented on a cash-basis.

Statement A: Statement of Financial Position

Marine Atlantic Inc.
Statement of Financial Position - Year Ended March 31st
As at March 31, 2018 and Projected for 2018/19 to 2023/24

(In \$ Thousands)	Actual 2017/18	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Financial assets							
Cash ^{Note 1}	13,875	13,873	11,323	(87,035)	(189,983)	(294,366)	(399,992)
Accounts receivable	9,792	8,592	8,592	8,592	8,592	8,592	8,592
Receivable from Government of Canada	21,100	13,404	13,404	13,404	13,404	13,404	13,404
Inventories held for resale	322	322	322	322	322	322	322
Derivative financial instruments	3,401	4,548	1,240	76	-	-	-
Accrued pension asset	126,038	126,038	126,038	126,038	126,038	126,038	126,038
	174,528	166,777	160,919	61,397	(41,627)	(146,010)	(251,636)
Liabilities							
Accounts payable and accrued liabilities	39,146	31,990	32,436	31,990	31,990	31,990	31,990
Derivative financial instruments	24	-	-	-	-	-	-
Deferred revenue	4,655	4,655	4,655	4,655	4,655	4,655	4,655
Payable to Government of Canada	2,717	2,717	2,717	2,717	2,717	2,717	2,717
Accrued liabilities ^{Note 2}	68,531	68,531	68,531	68,531	68,531	68,531	68,531
	115,073	107,893	108,339	107,893	107,893	107,893	107,893
Net financial assets (debt)	59,455	58,884	52,580	(46,496)	(149,520)	(253,903)	(359,529)
Non-financial assets ^{Note 3}	449,249	445,959	449,944	449,914	447,103	443,519	408,935
Accumulated surplus	508,704	504,843	502,524	403,418	297,583	189,616	49,406

The accompanying notes are an integral part of these financial statements

Notes to Statement A – Statement of Financial Position

1. Cash includes \$9,873 held in escrow as security for the lease of the MV *Atlantic Vision* and therefore is restricted and not available to fund operations. Variations in cash beyond 2019/20 are due to changes in the Corporation's funding levels.
2. Accrued liabilities consist of: accrued vacation pay; accrued pension liability; accrued liability for other non-pension post-retirement benefits; and accrued liability for post-employment benefits.
3. Non-financial assets consist of: prepaid expenses; inventories held for consumption; and vessel, facilities, and equipment.
4. Numbers may not add due to rounding.

Statement B: Statement of Operations

Marine Atlantic Inc. Statement of Operations

For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

(In \$ Thousands)	Actual 2017/18	Budget 2018/19	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Total Revenues	112,615	115,884	113,252	109,445	109,475	107,579	110,072	112,860
Expenditures								
Wages and benefits	92,253	93,176	89,026	89,599	88,161	84,209	85,241	87,759
Charter fees	13,403	13,393	13,393	16,154	18,954	19,872	33,712	47,965
Charter importation taxes	-	-	-	-	-	-	-	3,804
Fuel	27,545	28,819	29,117	28,467	29,974	29,676	31,556	31,230
Materials, supplies and services	28,116	30,734	28,348	27,059	27,529	28,983	29,465	30,933
Repairs and maintenance	10,336	13,435	11,923	11,213	11,564	11,851	12,112	12,382
Insurance, rent and utilities	7,405	8,204	7,291	8,198	8,465	8,652	8,829	9,048
Travel	1,891	2,500	2,260	2,291	1,607	1,661	1,702	1,760
Administrative costs	3,501	3,448	3,328	4,575	7,712	4,795	3,667	3,768
Fleet renewal costs	-	-	-	1,500	2,500	6,000	6,000	-
Employee future benefits ^{Note 1}	7,389	10,672	11,563	12,010	11,919	11,616	11,783	12,119
Foreign currency exchange loss	108	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	94	-	-	-	-	-	-	-
Amortization	45,166	46,800	46,900	49,400	55,600	59,200	61,600	58,300
Total Expenditures	237,207	251,179	243,149	250,464	263,985	266,514	285,667	299,069
Deficit before government funding	(124,592)	(135,295)	(129,897)	(141,019)	(154,509)	(158,935)	(175,595)	(186,208)

Marine Atlantic Inc.
Statement of Operations

For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

(In \$ Thousands)	Actual 2017/18	Budget 2018/19	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Government funding								
Operations	146,647	112,104	112,104	105,300	38,176	41,676	59,128	40,999
Capital	67,162	39,000	39,000	37,600	17,500	11,500	8,500	5,000
Approved funding	213,809	151,104	151,104	142,900	55,676	53,176	67,628	45,999
Operating surplus to reallocate	-	(30,659)	(30,659)	(13,235)	-	-	-	-
Reallocated to capital	-	30,659	30,659	13,235	-	-	-	-
Lapsed funding	(67,051)	-	(25,159)	-	-	-	-	-
Total Government funding	146,758	151,104	125,945	142,900	55,676	53,176	67,628	45,999
Operating (deficit) surplus	22,166	15,809	(3,952)	1,881	(98,834)	(105,759)	(107,967)	(140,210)
Accumulated operating surplus, beginning of year	481,477	503,643	503,643	499,691	501,572	402,738	296,979	189,012
Accumulated surplus, end of year	503,643	519,452	499,691	501,572	402,738	296,979	189,012	48,802

Notes to Statement B – Statement of Operations:

1. Employee future benefits expenses for 2017/18 are based on actuarially determined numbers. For 2018/19 and future years, expense is assumed to equal cash requirements for non-pension employee future benefits and current service pension cost payments.
2. Numbers may not add due to rounding.

Statement C: Statement of Remeasurement Gains and Losses

Marine Atlantic Inc.
Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

(In \$ Thousands)	Actual 2017/18	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Accumulated remeasurement gain (losses), beginning of year	(207)	5,061	5,152	952	680	604	604
Remeasurement gain (losses) arising during the year							
Unrealized gain (loss) on foreign exchange of cash	1,167	(1,079)	-	-	-	-	-
Unrealized gain (loss) on derivatives	5,148	4,805	(2,200)	892	-	-	-
Reclassifications to the statement of operations							
Realized (gain) loss on derivatives	(1,047)	(3,635)	(2,000)	(1,164)	(76)	-	-
Net remeasurement (losses) gains for the year	5,268	91	(4,200)	(272)	(76)	-	-
Accumulated remeasurement losses, end of year	5,061	5,152	952	680	604	604	604

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

1. Numbers may not add due to rounding.

Statement D: Statement of Change in Net Financial Assets

Marine Atlantic Inc.
Statement of Change in Net Financial Assets
For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

(In \$ Thousands)	Actual 2017/18	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Operating surplus (deficit)	22,166	(3,952)	1,881	(98,834)	(105,759)	(107,967)	(140,210)
Change in tangible capital assets							
Acquisition of tangible capital assets	(60,958)	(50,000)	(53,385)	(55,570)	(56,389)	(38,996)	(27,520)
Amortization of tangible capital assets	45,166	46,900	49,400	55,600	59,200	61,600	58,300
Loss/(Gain) on disposal of tangible capital assets	94	-	-	-	-	-	-
Proceeds on disposal of tangible capital assets	43	-	-	-	-	-	-
(Increase) decrease in tangible capital assets	(15,655)	(3,100)	(3,985)	30	2,811	22,604	30,780
Change in other non-financial assets							
Net change in inventories held for consumption	(6,114)	6,390	-	-	-	-	-
Net change in prepaid expenses	948	-	-	-	-	(19,020)	3,804
Decrease (increase) in other non-financial assets	(5,166)	6,390	-	-	-	(19,020)	3,804
Net remeasurement (losses) gains	5,268	91	(4,200)	(272)	(76)	-	-
Increase (decrease) in net financial assets	6,613	(571)	(6,304)	(99,076)	(103,024)	(104,383)	(105,626)
Net financial assets (debt), beginning of year	52,842	59,455	58,884	52,580	(46,496)	(149,520)	(253,903)
Net financial assets, end of year	59,455	58,884	52,580	(46,496)	(149,520)	(253,903)	(359,529)

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

1. Numbers may not add due to rounding.

Statement E: Statement of Cash Flow

Marine Atlantic Inc. Statement of Cash Flow

For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

(In \$ Thousands)	Actual 2017/18	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Operating transactions							
Cash receipts from customers	110,132	109,387	107,318	108,196	107,388	109,957	112,745
Other income received	146	230	127	115	115	115	115
Government funding – operations ^{Note 1}	80,872	106,602	105,300	38,176	41,676	59,128	40,999
Government funding – operations (reallocated)	-	(30,659)	(13,235)	-	-	-	-
Government funding – capital ^{Note 2}	62,711	39,000	37,600	17,500	11,500	8,500	5,000
Government funding – capital (reallocated)	-	11,000	13,235	-	-	-	-
Cash paid to suppliers and employees	(180,002)	(173,999)	(187,500)	(194,855)	(195,622)	(231,304)	(224,845)
Cash paid for EFBs ^{Note 3}	(11,427)	(11,563)	(12,010)	(11,919)	(11,616)	(11,783)	(12,119)
	62,432	49,998	50,835	(42,788)	(46,559)	(65,387)	(78,106)
Capital transactions							
Purchase of tangible capital assets	(62,711)	(50,000)	(53,385)	(55,570)	(56,389)	(38,996)	(27,520)
Proceeds on disposal of tangible capital assets	43	-	-	-	-	-	-
	(62,668)	(50,000)	(53,385)	(55,570)	(56,389)	(38,996)	(27,520)
Effect of exchange rate changes on cash	1,167	-	-	-	-	-	-
Net increase (decrease) in cash	931	(2)	(2,550)	(98,358)	(102,948)	(104,383)	(105,626)
Cash, beginning of year	12,944	13,875	13,873	11,323	(87,035)	(189,983)	(294,366)
Cash, end of year ^{Note 4}	13,875	13,873	11,323	(87,035)	(189,983)	(294,366)	(399,992)
Cash consists of:							
Restricted cash	9,873	9,873	7,323	7,323	7,323	7,323	7,323
Unrestricted cash	4,002	4,000	4,000	(94,358)	(197,306)	(301,689)	(407,315)
	13,875	13,873	11,323	(87,035)	(189,983)	(294,366)	(399,992)

Notes to Statement E— Statement of Cash Flow:

1. Government funding – operations: for 2017/18 includes 146,647 for current year and adjustments related to prior fiscal year and lapsed funding surplus.
2. Government funding – capital: for 2017/18 includes 60,958 for current year and adjustments related to prior fiscal year.
3. Cash paid for EFBs (Employee Future Benefits) includes cash paid for pension, worker’s compensation and other non-pension employee future benefits.
4. Cash includes amounts held in escrow as security for the lease of the MV *Atlantic Vision* and therefore is restricted and not available to fund operations.
5. Numbers may not add due to rounding.

Statement F: Operating Budget

Marine Atlantic Inc. Operating Budget

For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

<i>(In \$ Thousands)</i>	Actual 2017/18	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Total Revenues	110,278	113,252	109,445	109,475	107,579	110,072	112,860
Expenditures							
Wages and benefits	91,734	89,026	89,599	88,161	84,209	85,241	87,759
Charter fees	13,403	13,393	16,154	18,954	19,872	33,712	47,965
Charter importation taxes	-	-	-	-	-	19,020	-
Fuel	27,545	29,117	28,467	29,974	29,676	31,556	31,230
Materials, supplies and services	28,116	28,348	27,059	27,529	28,983	29,465	30,933
Repairs and maintenance	10,336	11,923	11,213	11,564	11,851	12,112	12,382
Insurance, rent and utilities	7,405	7,291	8,198	8,465	8,652	8,829	9,048
Travel	1,891	2,260	2,291	1,607	1,661	1,702	1,760
Administrative costs	3,501	3,328	4,575	7,712	4,795	3,667	3,768
Fleet renewal costs	-	-	1,500	2,500	6,000	6,000	-
Employee future benefits - pension	8,634	8,895	8,810	8,635	8,271	8,360	8,601
Employee future benefits – wcb & other non-pension	3,312	2,668	3,200	3,284	3,345	3,423	3,518
Foreign currency exchange loss	108	-	-	-	-	-	-
Loss on disposal of tangible capital assets	94	-	-	-	-	-	-
Expense related working capital adjustments	(5,817)	(7,052)	446	(446)	-	-	-
Total Expenditures	190,262	189,197	201,510	207,939	207,314	243,087	236,965
Operating deficit before government funding	(79,984)	(75,945)	(92,065)	(98,463)	(99,735)	(133,015)	(124,104)

**Marine Atlantic Inc.
Operating Budget**

For the Year Ended March 31, 2018 and Projected for 2018/19 to 2023/24

<i>(In \$ Thousands)</i>	Actual 2017/18	Forecast 2018/19	Budget 2019/20	2020/21	2021/22	2022/23	2023/24
Operating funding from government							
Approved operating funding	146,647	112,104	105,300	38,176	41,676	59,128	40,999
Operating funding to be reallocated to capital	-	(30,659)	-	-	-	-	-
Lapsing operating funding	(60,847)	(5,500)	-	-	-	-	-
Prior year funding	(4,928)	-	-	-	-	-	-
Net available operating funding from government	80,872	75,945	105,300	38,176	41,676	59,128	40,999
Net operating income / (loss) – cash basis	888	-	13,235	(60,288)	(58,059)	(73,887)	(83,106)

Notes to Statement F – Operating Budget:

1. Numbers may not add due to rounding.

Appendix F: Borrowing Authority

Marine Atlantic's bank line of credit is currently approved at \$4,200,000. This amount is required as security against long-term liabilities arising from Marine Atlantic employees' past injury claims and this Corporation's status as a "deposit account company" with the New Brunswick Workers' Compensation Board.

The Corporation is currently seeking approval from the Minister of Finance for a line of credit sufficient to handle the \$4,200,000 requirements for the Workers' Compensation Board requirement. Currently, there is no additional borrowing planned the remainder of the planning period.

Appendix G: Enterprise Risk Management

Marine Atlantic is committed to risk management and recognizes it as a means to ensuring the Corporation's future success. Marine Atlantic considers risk management to be a shared responsibility. The Corporation's risk management governance structure can be summarized as follows

Group	Responsibility
Board of Directors and Audit and Risk Committee	Ensure that management has established and maintains an effective risk management process
Corporate Strategy & Enterprise Risk Management Committee	Monitor emerging risks and significant shifts in the known risks in the company's enterprise risk level inventory
Corporate Strategy and Risk Department	Champion the effective management of risk across the company by facilitating the development and deployment of techniques, tools and processes to assess in managing risks
Risk Liaisons	Support risk owners by organizing opportunities to formally discuss risk, monitoring the effectiveness of controls/mitigations and coordinating reporting.
Risk Owners	Effectively manage risk within their area of responsibility in alignment with the risk tolerance and risk appetite of the company.

MAI's key risks continue to be directly linked to the Corporation's Strategic Objectives and as such, the ERM program plays a critical role in ensuring that the Corporation is able to achieve its overall goals.

Each Corporate Risk is supported by a risk register outlining the ways the risk may occur, its current mitigations and any additional actions planned to keep the risk stable and or to reduce it further. For example, the Risk Register for Risk Statement # 2 can be found below. Essentially the Corporate risk profile for the Organization is the compilation of these 12 risk registers.

CORPORATE LEVEL RISK

Risk #2:	Inadequate safety governance policies and processes that fail to protect MAI's customers, employees and contractors.
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Strategic Objective: Protect People Property and the Environment; Improve the Safety Management Program						
Date: As of September 30th, 2018 updated October, 2018						
Inherent Risk Rating	Likelihood (from 1 to 5)	5.0	Impact (from 1 to 5)	4.0	Severity	20.0
Risk Owner:	VP Operations/Director of HSE					

Risk Reporting Lead: HSE Director

RISK DESCRIPTION AND RESPONSES				
<i>List here the ways that the risk may occur (Causes/Triggers)</i>	<i>Current Mitigations</i>	Strong	Moderate	Weak
	Responses may address more than one of the ways the risk may occur. The strength of the response is aligned with its current capacity to reduce the risk.			
Operating in Weather / environmental conditions that exceed safe operation of the fleet and shore infrastructure.	Regular Weather / Environmental Monitoring:			
Failure to follow/utilize the safety management system (both onboard and onshore)	Safety Management System			
Unidentified/Unmitigated hazards	Safety Metric tracking and reporting			
Employees working while impaired	Inspections of equipment, infrastructure and procedures: (Marine and Technical superintendents, public health inspections, etc.			
Ineffective contractor management	Workplace Health and Safety committees			
Weak emergency response program	Safety Focused Training and ongoing validation of certifications			
Poor safety training programs and practices	Full-time Designated Person Ashore (DPA)			
Incidents involving dangerous goods on ship or shore	Vessel sailing protocols and vessel standing orders			

Insufficient return to work policies/practices			Sanitization Plan					
Insufficient Vessel Sanitization Plan			Potable Water Technology					
			Pest Control Programs					
			Emergency exercises to test emergency response and debriefs relative to lessons learned					
			Alcohol & Drug Policy; Random Testing; On-board Inspections; Random Vehicle Inspections; Post Incident Testing;					
Assess strength of risk response:							Gap Y/N?	Yes
Strong	Moderate	Weak		Strong				
Residual Risk:	Given the risk response outlined above in relation to the magnitude of the inherent risk, assess the likelihood of the risk now occurring and impact if it does occur.							
Residual Risk Rating	Likelihood (from 1 to 5)	3.0	Impact (from 1 to 5)	3.0	Severity	9.0		
List the additional actions to be taken to further reduce the risk.								
Contractor Management Program Incident Management Program Hazard Prevention Program Behavioural Based Safety Program Upgraded Mooring System (Automated Mooring) Proactive Reporting Initiative Safety Culture Initiatives ("This is Why I Work Safely Campaign") MyInnovation Program Safety Climate Survey Train managers and supervisors on how to close out incidents, including verifying corrective actions (LTI's). Enhancements to disability management process. (Disability Management Review - IA A14-03) (Disability Management Review - IA A14-03)								

<i>Lists reports that allow for direct monitoring of the risk.</i>
<p>Safety Statistics Minutes and inspection reports from OSH and MOSH committees Third Party Expert Surveys and Inspections iTrak Incident Reports TC Flag State inspection reports ISM audit reports Marine Superintendent inspection reports Masters and Chiefs end of shift reports HSE Board status update report HSE Officer- Contractor monitoring and inspections</p>
<i>Integrated Balanced Scorecard Metrics</i>
<p>Lost Time Injury Frequency Passenger Injury Rate Total Recordable Injury Rate Severity Rate Proactive Reports % from Target Overdue High Risk Preventative Maintenance Cards Outstanding non-conformances</p>
<i>Quarterly Risk Report: As risk owner provide a brief overview of any significant actions and or developments relative to this risk during the last quarter (Q1).</i>
<p>Incident Management Working Group "This is Why I Work Safely" Campaign HPP training and incident investigation training has been rolled out and over 900 employees to date. HSE Manager and HSE Superintendent Advertised</p>

HSE Officers vacant MyInnovation Initiative planned	
Signature:	
<i>(Risk owner's signature confirms that all information presented gives an accurate representation of the risk)</i>	

During the 2018/2019 fiscal year, MAI's Risk Matrix was revised to reflect a 5x5 scale. This scale will be used throughout the planning period.

Marine Atlantic Risk Matrix					
Likelihood					
Impact	1.Rare	2.Unlikely	3.Possible	4. Likely	5.Almost Certain
5. Very High	Medium	High	High	Very High	Very High
4. Major	Medium	Medium	High	Very High	Very High
3. Significant	Low	Medium	Medium	High	High
2. Minor	Low	Low	Medium	Medium	High
1. Insignificant	Low	Low	Low	Medium	Medium

IMPACT (See specific criteria to be considered below)

- 5. Very High:** A risk event that, if it occurs, will have a severe impact on the organization's operations and/or achieving desired results, to the extent that multiple key objectives for the Corporation will not be achieved. (See Criteria for guidance in the table below)
- 4. Major:** A risk event that, if it occurs, will have a major impact on the organization's operations and/or achieving desired results, to the extent that at least one of the Corporation's key objectives will not be achieved. (See Criteria for guidance in the table below)
- 3. Significant:** A risk event that, if it occurs, will have a significant impact on the organization's operations, to the extent that Corporations' objectives may be met and may only be to a minimum level. (See Criteria for guidance in the table below)
- 2. Minor:** A risk event that, if it occurs, will have a minor impact on achieving desired results. All of the Corporations' objectives will still be met to satisfactory levels.(See criteria for guidance in the table below)
- 1. Insignificant:** A risk event that, if it occurs, will have an insignificant impact on achieving desired results and corporate objectives. (See criteria for guidance in the table below)

RATING
Low Risk Less than or equal to 4
Medium Risk Greater than 4 but less than 10
High Risk Equal to or greater than 10 but less than 16
Very High Equal to or greater than 16

LIKELIHOOD

- 5. Almost Certain:** Will undoubtedly happen/recur, possibly frequently
- 4. Likely:** Will probably happen/recur, but it is not a persisting issue/circumstance
- 3. Possible:** Might happen or recur occasionally
- 2. Unlikely:** Do not expect it to happen/recur but it is possible it may do so
- 1. Rare:** This will probably never happen/recur

RATING	ACTIONS
Low 1-4	Periodic monitoring is recommended to account for any changes that might affect the risk. No additional mitigation activities are required.
Medium 5-9	Further review is required to see if the risk can be reduced to <i>Low</i> . This involves the evaluation of resources to ensure the cost/benefit is balanced. Regular monitoring is recommended.
High 10-15	Additional mitigation activities are required to further reduce the risk. Active risk monitoring is necessary and secondary plans should be considered.
Very High 16-25	Immediate attention to additional mitigation activities is required to further reduce the risk. Continuous risk monitoring is required and secondary plans need to be established.

Appendix H: Compliance with Legislative and Policy Requirements

Official Languages Act

Marine Atlantic has assigned two Official Languages champions to monitor and promote the use of official languages within the Corporation. Marine Atlantic ensures that all public communication is available bilingually and has bilingual employees in key public facing positions throughout the Corporation.

Access to Information and Privacy Act

The Access to Information Act, guided by the principles that government information should be available to the public, subject to certain specific and limited exceptions, provides individuals and organizations with a right of access to information in records under the control of government institutions.

The Privacy Act helps to ensure that the right to individual privacy is respected by government institutions by limiting the collection, use and disclosure of personal information. It further gives individuals the right to access the personal information about them held by these institutions.

Marine Atlantic completes an Annual Report on the Access to Information and Privacy related requests and activities ongoing at the Corporation each year. This Report can be found on the Corporation's website. The corporation also posts summaries of previously released requests through the Government's Open Data Portal.

Directive on Travel, Hospitality, Conferences and Event Expenditures

As directed under section 89 of the Financial Administration Act, MAI has established a policy outlining the reimbursement of expenses required for the purposes of business travel, hospitality, conferences and events in accordance with Government of Canada direction. The policy includes processes for the preparation and approval of expenses for reimbursement. The Corporation's compliance with this policy is audited annually by the Office of the Auditor General.

Marine Atlantic reports quarterly on its website information regarding travel, hospitality, conference and events expenditures. This is done for senior executives and directors of the Corporation.

Pension Plan Reforms

Marine Atlantic's pension plan is a defined benefit plan. Over the past number of years Marine Atlantic, as a Crown Corporation, has been aligning its plan with the requirements announced in a 2014 Order in Council:

"...a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017..."

To achieve the 50-50 cost sharing target, MAI started a process to gradually increase employee contributions and by 2017 MAI reached its target with MAI and its employees sharing equally in the cost of benefits being accrued in any year. The Corporation is in compliance with the Order in Council.

Other acts and regulations governing Marine Atlantic

- Canada Labour Code
- Marine Occupational Safety and Health Regulations
- Transportation of Dangerous Goods Acts and Regulations
- Marine Liability Act and Regulations
- Canada Shipping Act, 2001
- Canada Marine Act
- Coastal Trade Act
- Domestic Ferries Security Regulations
- Marine Transportation Security Regulations

Appendix I: Government Priorities and Direction

Results Linked to Government Priorities

The Corporation's strategic planning process incorporates Government's priorities and is reflected in MAI's strategic objectives and initiatives. Not only will the Corporation's future progress on its strategic initiatives and other activities contribute to its own success, but the Corporation is also focused on ensuring that it is helping the Government of Canada to realize success with its own priorities. The Government of Canada's priorities were defined in the 2016 Speech from the Throne. Those priorities are listed as: growth for the middle class; open and transparent government; a clean environment and a strong economy; strength through diversity; and security and opportunity.

The activities and initiatives of Marine Atlantic support all of these priorities either directly, or indirectly. Some examples are provided below:

- Marine Atlantic can indirectly contribute to growth to the middle class by offering daily transportation to and from the Island of Newfoundland, providing businesses and people with predictable and regular transportation. There are numerous local businesses on the island that rely on MAI's service to deliver and receive goods. The Corporation is a critical link to supporting these businesses and helping to create growth to the middle class.
- The Corporation prides itself on operating with a high degree of transparency, both in dealings with the Government of Canada and its various stakeholders. This is accomplished through regular interaction with the shareholder, the Corporation's stakeholders and the general public. Marine Atlantic communicates with transparency through a number of avenues, including its Corporate Annual Report and its Access to Information and Privacy Annual Report.
- Marine Atlantic has initiated various environmental management improvements in recent years that position the Corporation as a steward of environmental protection, while also contributing to the success of local economies. The development of an Environmental Management Plan for the entire organization will further contribute to this priority.
- MAI will positively contribute to the Government's ability to ensure strength through diversity. Diversity related initiatives are going to continue throughout the planning period, as noted earlier in this Plan and resources have been allocated to promoting diversity and inclusion in the workplace.
- Being a transportation organization, Marine Atlantic takes security very seriously and has many practices and procedures in place to protect the organization, its customers, and the various stakeholders impacted by Marine Atlantic's operations.

Transparency and Open Government

Marine Atlantic operates in an open and transparent manner. The Corporation can now avail of the many technologies available to better connect with its employees, customers, and all stakeholders in general. The Corporation also uses its website to publish any recently tabled reports. Within the required timelines, MAI openly publishes its Public reports such as its Annual and Quarterly Reports, Corporate Plan Summaries, Proactive Disclosures and links to its *Access to Information Act* summaries/inquiries. Marine Atlantic will consistently strive to respond to all information requests in a timely manner and address any related concerns, whenever feasible. Marine Atlantic typically does not receive a high number of requests under the *Access to Information Act*. During 2017/18, the corporation received no new requests and to date in 2018/19 there have been no new requests received.

Gender-Based Analysis / Diversity and Employment Equity

Marine Atlantic reports on its employment equity statistics through its Diversity and Employment Equity Committee. The Corporation regularly discusses any gaps that exist with respect to employee numbers in minority groups and develops plans to try and address those gaps as much as possible. Engaging in various community-based activities and promoting Marine Atlantic has an organization that wants to help people of all backgrounds live a meaningful and productive life both at work and in the community is key to Marine Atlantic's plans to promote diversity and employment equity throughout the planning period. The Corporation has developed a Diversity Plan that will outline the path forward for diversity and inclusiveness at Marine Atlantic. The progress that MAI has realized to date was recognized by Employment and Social Development Canada by awarding the Corporation with the "*Outstanding Commitment to Employment Equity Award*" in October of 2018.

MAI is involved with local communities in the promotion of diversity. On December 6, 2018 MAI representatives attended a service hosted by Every Woman's Centre in commemoration of the fourteen women murdered at L'École Polytechnique in Montreal on Dec. 6, 1989, an act of gendered violence. The Corporation is also very active internally and is planning activities to promote International Women's day, including hosting a roundtable event for women within the Corporation under the theme of "Balanced for Better." The objectives of the roundtable are as follows:

- To empower women to share their stories and build confidence in other female employees to reach their potential;
- To Identify ongoing challenges and innovative opportunities to build a more gender balanced MAI;
- To increase employee engagement to build a culture of inclusion that supports MAI's value of diversity; and
- To explore the development a women's network for support and mentorship program.

Indigenous Issues

Marine Atlantic regularly engages with the Indigenous groups in the communities where the Corporation operates and beyond. The Corporation often collaborates with Indigenous groups in promoting the hiring of Indigenous people at the Corporation. This is done through regular career fairs and holding sessions at the Corporation's locations explaining the benefits of working for Marine Atlantic.

During 2018/19, MAI conducted diversity and inclusion stakeholder forums in St John's, NL, Corner Brook, NL, Port aux Basques, NL, Sydney, NS, and Port Hawkesbury, NS. The one-day sessions, targeting designated group representatives, community groups, educators and diversity and inclusion experts, were designed to be interactive group workshops and were a first step to helping MAI develop partnerships that focus on improving the Corporation's diversity and inclusion practices. A total of 26 organizations were represented and 43 individuals provided excellent feedback on how to improve diversity and inclusion efforts in recruitment and workplace culture through the development of meaningful partnerships. The Corporation is planning on repeating the forums annually to report on progress and get more feedback from the local communities. These sessions are a great way to make personal contact and develop meaningful working relationship with organizations such as Membertou, Eskasoni, and Qalipu.

Workforce Analysis Summary

MAI's most recently available workforce analysis was conducted in 2017 and produced the following results (results are based on self-declaration):

Group	MAI Representation
Persons with Disabilities	4.8%
Members of Visible Minorities	1.5%
Women	37.1%
Indigenous Peoples	3.7%

Sustainable Development and Greening Government Operations

Marine Atlantic is committed to reducing its environmental footprint, where possible, and will continue to find new ways to protect the environment throughout the planning period. Recent accomplishments that have helped MAI contribute to the Government's priority of having a clean environment include:

- Obtaining LEED certification for the Terminal Building in North Sydney, NS.
- Significant progress towards achievement of Level 3 of the Green Marine Program (complete by March 31, 2019)
- Winning the Mobius Award of Environmental Excellence for leadership in recycling and waste diversion

The development of the Corporation's Environmental Management Plan in 2019/20 will further add to the Corporation's environmental management capabilities. This plan will layout the framework for environmental management at MAI for the next five years and will include environmental culture development, future activities and initiatives, environmental prevention plans, and environmental key performance indicators. The Corporation will continue to be environmental stewards in its daily operations.

Appendix J: Extended Environmental Scan

Marine Atlantic has completed a PESTLE analysis in order to ensure that the Corporation has all of the information necessary to make decisions that will drive organizational success. A PESTLE analysis looks at the factors impacting the Corporation from the following categories: political, economic, social, technological, legal, and environmental.

Political	Economic	Sociological	Technological	Legal	Environmental
Changes to public policy - Environmental, NSP, Carbon tax, etc.	Decline in NL economy	Increased environmental awareness and sensitivity	Changes in auto market: electric vehicles and driverless cars	Judicial review and appeal	Regulatory Changes - SECA, etc.
Direction on cost recovery	Global price of oil	Demand for ubiquitous internet access	New technology impacts on staffing levels	Court decisions on safety vs. privacy	Climate change
Marijuana legalization	Exchange rates	Increased focus on diversity - accessibility, employment equity, accommodation	Increased use of electric reefers by carriers	CTA review on accessibility may lead to expanded requirements	Right Whale protection
Lobbying by industry stakeholders - other providers, shipyards, etc.	Price of steel and effect on new ferry builds (and potential impact on tonnage available for charter)	Changing expectations of younger work force	Advancement in Marine Technology	Industry regulations: IMO Codes, Safe Manning, STCW and MPR, certification, training, dangerous goods	ECA (Sox/Nox)
Potential change of government in 2019 (federal and provincial)	Impact of new tariffs	Ability to attract/find skilled resources in rural areas	Autonomous technologies	Human rights legislation	MARPOL (spill, etc.)
Trade agreements	Natural resource dependent	Shifting NL demographics - to Avalon; aging; moving out of NL	Automation - mooring, etc.	Legalization of marijuana	
Changing priorities of Government	Increased cost of living	Increased awareness/focus on workplace harassment, respectful workplace, and workplace wellness	Increasing demand for bandwidth on vessels	Procurement regulations and trade agreements	

Political	Economic	Sociological	Technological	Legal	Environmental
	Tourism growth		Risk of cyber attacks		
	Proliferation of low-cost airlines				

Appendix K: Upcoming Right-of-use Leases

Paragraph 10(b) of the Crown Corporation General Regulations, 1995 applies to both International Financial Reporting Standards (IFRS) and Public Service Accounting Standards (PSAB) users. Crown Corporations are required to seek Minister of Finance approval on the specific terms and conditions of lease transactions which exceeds the lesser of 5% of the total assets of the Crown Corporation, or \$10M.

MAI is not seeking approval from the Minister of Finance to enter into any capital leases at this time.

Appendix L: Abbreviations and Acronyms

AEU	Automobile Equivalent Unit
ARG	Argentia
BPR	Business Process Renewal
CPI	Consumer Price Index
CRV	Commercial Related Vehicles
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FTE	Full Time Equivalent
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standards
IT	Information Technology
NSY	North Sydney
NTCF	National Trade Corridors Fund
PAB	Port aux Basques
PRV	Passenger Related Vehicles
PSAS	Public Service Accounting Standards
SMS	Safety Management System
TBD	To Be Determined