

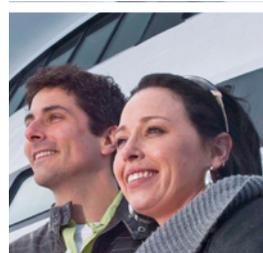
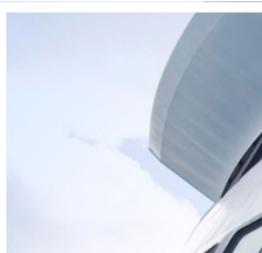


 Marine Atlantic  
Marine Atlantique

# ANNUAL REPORT 2019-20



# Highlights for 2019-20



NUMBER OF SAILINGS

**1,632**



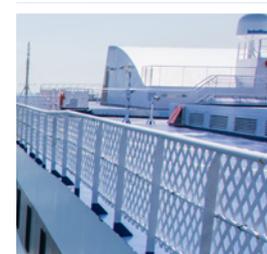
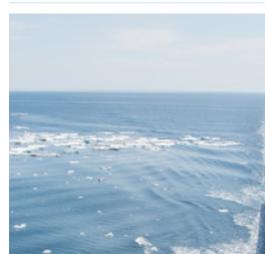
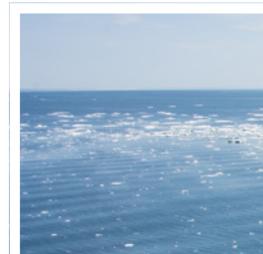
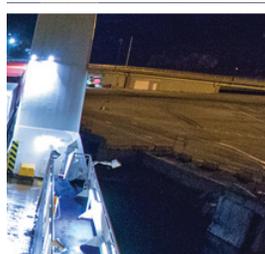
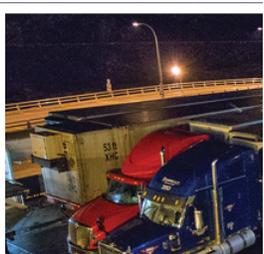
PASSENGERS

**311,499**



PASSENGER VEHICLES

**120,426**



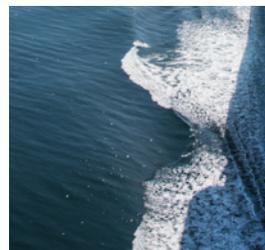
COMMERCIAL VEHICLES

**82,194**



ON-TIME PERFORMANCE  
(EXCLUDING WEATHER  
DELAYS)

**91.8%**



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MESSAGE FROM THE

# Chair of the Board of Directors

The past 12 months presented a number of great opportunities and achievements for Marine Atlantic, as well as challenges as we were confronted with the reality of the COVID-19 virus near the end of the fiscal year and its impact on the transportation industry and our service. More than anything, I want to take this opportunity to recognize and thank the hard work, commitment and dedication of our front-line employees. Their efforts enabled us to make the necessary changes to protect people, our service and the supply chain during one of the most difficult periods in our recent history. These courageous and dedicated individuals ensured vital supplies were transported efficiently at a time of great uncertainty. Thank you for your commitment, your efforts demonstrate our corporate values.

Thank you to our former Board Chair, Kristopher Parsons, who provided great leadership during his tenure. As a board member who worked closely with Kristopher, I can say first-hand that his experience and knowledge were vital as we worked to further improve our service for customers. I also want to welcome Murray Hupman as our new President and CEO and thank our former President and CEO, Don Barnes, for his hard work. Don has returned to the position of Vice President of Customer Experience and is working to further strengthen the overall customer journey.

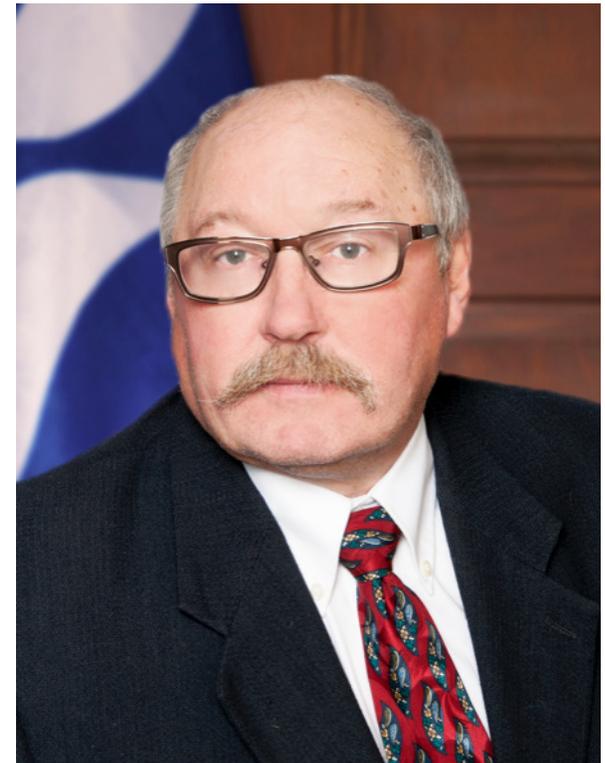
We undertook significant work during the year related to our strategic priorities. We launched a Request for Qualification for a new vessel, an announcement made possible by federal government funding allocated in Budget 2019. We continue to plan for a new administration building in Port aux Basques and

are working to make enhancements to the Port aux Basques harbour to strengthen safety and operational efficiency. I want to thank the Government of Canada for their ongoing support for the service and working cooperatively with the organization to meet our customers' needs.

We launched a new corporate-wide, behaviour-based safety program that enhances our safety program and aligns with our corporate strategy of building a strong safety culture, which is critical to our success. We are making changes to our business processes, seeing positive results from our diversity and inclusion strategy, and preparing to roll out our new environmental management plan. We are also continuing to implement the recommendations made by the Office of the Auditor General of Canada in the 2018 Special Examination. All of our efforts are guided by a focus on increased efficiency, fiscal responsibility for the taxpayers of Canada and affordability for our customers.

The Board has been highly engaged, undertaking several training initiatives and strategic engagements, which has resulted in a very effective level of corporate governance and oversight. We have also placed a strong focus on stakeholder engagement to obtain feedback from key groups who are directly impacted by our service and utilizing that feedback to improve on service delivery.

We recognize there will still be challenges to face in the months ahead, but by working together we will overcome these challenges. The work at Marine Atlantic will not stop, we will continue to focus



on providing a safe and healthy environment for customers and employees, while maintaining our essential ferry service to meet the needs of all of our customers and stakeholders. Through hard work and consultation, we are confident that more positive change is on the horizon.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary O'Brien', written over a white background.

Gary O'Brien  
Interim Acting Chair, Board of Directors

## MESSAGE FROM THE President and CEO

There are always expectations of exciting opportunities and unforeseen challenges when accepting a new position. From the anticipation of planning and designing a new vessel for our service, to the worldwide impacts associated with the COVID-19 virus, I have certainly experienced both in my first year as President and CEO.

The COVID-19 pandemic has been very challenging; however, the first step to overcome such a challenge is having a great team in place. I am very proud of the efforts made by all Marine Atlantic employees on our vessels, at our terminals, and the support staff behind the scenes who helped us through the initial stages of the COVID-19 pandemic. By maintaining our essential ferry service to transport people home at a vulnerable time and sustain the regional supply chain in difficult circumstances, our employees demonstrated once again that they are world-class. I want to extend my deepest appreciation for all their efforts.

While it may not have been business as usual during the latter part of the fiscal year, we did undertake a significant number of projects over the past 12 months. Planning continues as we seek a partner to build and supply a new ro-pax vessel for our service. We undertook infrastructure upgrades such as new ticket booths and dock upgrades at our ports, technology enhancements including a new website, new payroll system, continued to renew our business processes, provided public Wi-Fi on our vessels, and launched discount campaigns as part of our pricing strategies, all designed to enhance the overall experience for our customers.

We are committed to a healthy workplace that includes a culture of diversity, inclusion and respect. Our diversity and inclusion initiatives are resulting in the recruitment of employees from under-represented employment groups, providing us with a more diverse and inclusive workforce. Throughout the year we continued education initiatives to promote a respectful workplace, took meaningful action to educate the workforce about workplace harassment and discrimination, and took additional steps to strengthen our mental health strategy. We have also introduced new safety initiatives designed to further protect our employees and customers and are preparing to rollout our new Environmental Management System.

Our customer satisfaction, reliability and on-time performance indicators continue to stay consistently high demonstrating that our investments, strategies, customer service enhancements and preventative maintenance activities remain effective. Through ongoing consultation with customers and stakeholders, as well as collaboration with the Government of Canada, we are receiving vital feedback which is helping to inform our decision-making processes.

While we are operating in a time of uncertainty due to COVID-19, our team remains strong and committed. Marine Atlantic has effectively served the people of the region for over 120 years, and our service is more vital than ever. Our employees are living our corporate values of safety, diversity, teamwork, commitment, integrity and excellence on a daily basis. I look forward to working with all of our stakeholders and sharing our overall successes in the years ahead as we continue our



efforts to provide a strong, reliable, sustainable and effective ferry service for our customers.

Sincerely,

A handwritten signature in black ink, appearing to read "Murray Hupman". The signature is fluid and cursive, written over a white background.

Murray Hupman  
President and CEO



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

# Our Role and Service

## OUR CORPORATE PROFILE

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

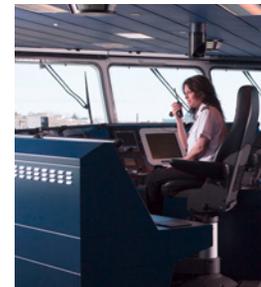
Marine Atlantic operates terminals in Port aux Basques and Argientia, Newfoundland and Labrador, and North Sydney, Nova Scotia. We operate ferry services on two routes, a year-round 96 nautical mile daily ferry service between Port aux Basques and North Sydney and a seasonal 280 nautical mile ferry service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

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



## OUR VISION

An essential, progressive transportation system that people trust to deliver.



## OUR MISSION

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.



# Our Values

## **SAFETY**

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

## **DIVERSITY**

Embracing our differences leads to better performance and helps us achieve our goals

## **TEAMWORK**

We work together to achieve the best outcomes for the organization

## **COMMITMENT**

We are responsible for our performance and delivering on our commitments

## **INTEGRITY**

We say what we mean and do what we say

## **EXCELLENCE**

We take pride in delivering the best possible services



# Our Operations

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

As the only year-round daily ferry service between the Island of Newfoundland and the Province of Nova Scotia, the Corporation transports goods entering and exiting the province via the commercial trucking industry. The commercial trucking industry is a significant stakeholder representing approximately 70 percent of all vehicular traffic and our service is a key element of the regional supply chain. Vitally important items including perishable foods and medical supplies are transported every day due to the nature of warehousing and just in time delivery. Local Newfoundland businesses rely on this service to maintain their supply chain to customers off the Island.

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

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



## DID YOU KNOW?

Marine Atlantic is covered by the *Transportation of Dangerous Goods Act* and the International Marine Dangerous Goods regulations that specify how cargo must be stowed and segregated onboard vessels? These regulations are constantly updated with new information to increase safety.

## OUR OPERATING ENVIRONMENT

Operating year-round, Marine Atlantic's vessels sail during pleasant summer weather and harsh winter conditions. The ferry service is influenced by its operating environment and more severe and longer-lasting storm systems have created more challenging conditions in recent years. The captains and crews of our vessels are constantly monitoring weather conditions for safety and passenger comfort during the trip.

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



## OUR SAFETY STANDARDS AND REGULATIONS

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



# Our Vessel Fleet



MV Blue Puttees

## MV BLUE PUTTEES

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



MV Highlanders

## MV HIGHLANDERS

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



MV Atlantic Vision

## MV ATLANTIC VISION

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



MV Leif Ericson

## MV LEIF ERICSON

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



## SUPPORTING AND CELEBRATING OUR CULTURE OF **Diversity, Inclusion and Respect**

Providing a diverse, inclusive, psychologically healthy and respectful workplace has been a key focus of our activities during the year. Through recruitment initiatives for employment equity groups, continued investment in education and training, communications and awareness activities, we are creating an environment where individuals feel valued, safe and included. Our diversity and inclusion activities will strengthen our overall service delivery through a combination of experience and culture that is truly representative of the country and regions in which we live and serve.

### OUR DIVERSITY ACTION PLAN

- 1.** Create a psychologically safe workplace free from bullying, harassment and all forms of disrespectful behaviour;
- 2.** Develop workplace diversity and inclusion initiatives that provide a roadmap to foster diversity and inclusion in our workforce, helping us make positive contributions to social inclusion and workforce participation;
- 3.** Create policies and programs which advance gender equality in the workplace, where workplace flexibility arrangements support both women and men to balance family, caring responsibilities and work participation, and gender balance supports to improve business decision-making, merit and performance;
- 4.** Create a workplace which is fair, safe and inclusive of LGBTQ2+ individuals and of all people regardless of their sexual orientation, gender identity/ expression or intersex status;
- 5.** Create a workplace which is fair, safe and inclusive of persons with disabilities;
- 6.** Create a workplace which is fair, safe and inclusive of visible minorities; and
- 7.** Create a workplace which is fair, safe and inclusive of Indigenous Peoples.

## CANADIAN CENTRE FOR DIVERSITY AND INCLUSION

Marine Atlantic is proud to be an employer partner with the Canadian Centre for Diversity and Inclusion, which helps to promote diversity, equity, and inclusion within the workplace. Through this partnership, we are researching challenges and identifying solutions and opportunities to further strengthen our diversity and inclusion initiatives.



On October 4, Marine Atlantic employees commemorated the Day of Remembrance for Missing and Murdered Indigenous Women by wearing custom-designed REDress Pins. Employees created and wore their own pins to help raise awareness of this tragic issue.

Our goal is a workforce reflective of the communities we serve. To achieve this, the Corporation has identified five under-represented groups as a focus for its diversity and inclusion initiatives:

- Women
- Persons with Disabilities
- Visible Minorities
- Indigenous Peoples
- LGBTQ2+

Members of the corporate executive team have been identified as champions for each under-represented group to guide our success, advocate and lead initiatives throughout the Corporation.

## INDIGENOUS RECONCILIATION

Marine Atlantic is committed to reconciliation with our Indigenous Peoples. We are developing relationships that recognize and respect Indigenous Peoples' historical and ongoing connection to our land and waters and seek out their experience and talent to make us a stronger organization. We are also proud to join with local Indigenous groups to celebrate events such as National Indigenous Peoples Day to honour the heritage, contributions, values, beliefs, languages, customs and cultures of Indigenous Peoples in Canada.

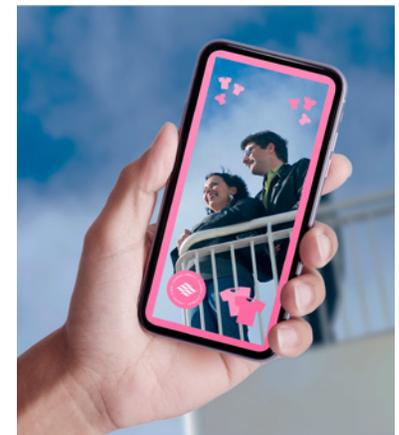


## SUPPORTING THE LGBTQ2+ COMMUNITY

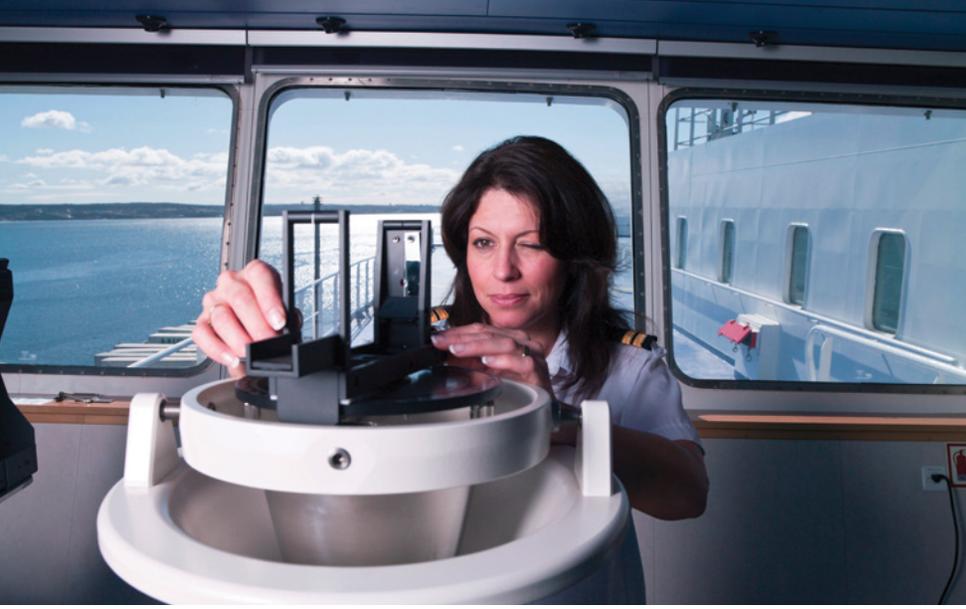
Marine Atlantic and its employees are proud supporters of the LGBTQ2+ community. Through workplace training and inclusion initiatives, as well as participation in Pride events and celebrations in both Newfoundland and Labrador and Nova Scotia, we are committed to fostering a culture of acceptance and inclusion.

## PINK SHIRT DAY

Every year on February 26, Marine Atlantic employees wear pink shirts and buttons as a sign of solidarity against bullying. Wearing pink is a symbolic way to show victims of bullying that they are not alone and there is support available. Our teams are proud to support this annual event, with our initiatives being shared widely within Marine Atlantic and the local regions in which we operate.



Marine Atlantic developed and promoted social media Snapchat filters in our workplaces and various community locations to demonstrate support for anti-bullying initiatives.



## EMPOWERING OUR FEMALE WORKFORCE

Marine Atlantic has a strong, talented and experienced female workforce. Through our recruitment and retention initiatives, the Corporation is focused on increasing the number of women in leadership roles. This year, we launched a mentorship program to encourage women to prepare for leadership roles within the organization.



## ACCESSIBILITY AND INCLUSION

At Marine Atlantic, we believe that travel should be accessible to all people. As part of this commitment, the Corporation provides training to employees and infrastructure to provide all of our customers a more accessible and pleasant travel experience. An Accessibility and Inclusion Advisory Committee has been established that is comprised of employee representatives, as well as external partners representing groups from the community of persons with disabilities. The goal is to review our current accessibility approaches and identify the potential for additional improvements. We are working hard to reduce or eliminate barriers to travel for persons with disabilities which includes work around topics covered by the Accessible Transportation for Persons with Disabilities Regulations (ATPDR) that come into force in the next fiscal year.

# The Year in Review

With significant investments in infrastructure projects, technology upgrades, and business processes, combined with new customer and employee initiatives, safety practices, and environmental undertakings, the 2019-20 fiscal year provided new ways of doing business and providing an enhanced service for customers.



# Safety, Security and the Environment

Providing safe, secure and environmentally responsible operations is at the core of Marine Atlantic's daily activities and decision-making processes. Through the commitment and actions of our employees, we continue to make improvements to protect people, property and the environment.



## OCCUPATIONAL HEALTH AND SAFETY

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



Marine Atlantic employees marked North American Occupational Safety & Health (NAOSH) Week by reflecting on measures the Corporation has in place to prevent injury and illness in the workplace, at home and in the community. Events were held to raise awareness and educate on the importance of injury prevention.



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

## SAFESTART TRAINING PROGRAM

In our journey towards continual safety improvement, Marine Atlantic introduced the SafeStart program during the year. SafeStart is an internationally recognized safety enhancement program that is focused on training employees about the importance human factors play in injury prevention. The program was introduced to supplement our existing training measures to improve safety culture and performance as we work towards our vision of zero injuries.



### SafeStart Goals

- Reduce personal injuries – at home, work and play
- Improve safety communication in our homes and workplaces
- Create a shared safety vocabulary: “eyes on task,” “mind on task,” “line-of-fire,” and “balance, traction, and grip”
- Share safety tips, stories and learning with our loved ones at home

## SAFETY CULTURE SURVEY

At Marine Atlantic, our safety culture includes shared practices, attitudes, and perceptions that influence behaviour related to risk in our workplace. To improve the Corporation’s health and safety performance and culture, employees completed a Safety Culture Survey during the year. The purpose of the survey was to identify strengths and opportunities, while creating a benchmark to allow us to grow and improve.



## ANNUAL EMERGENCY PREPAREDNESS EXERCISE

Marine Atlantic’s goal is to prevent an emergency situation before it happens. However, being prepared for such a situation is vital to our emergency response activities. In November, our annual emergency response exercise was undertaken as part of our multi-year planning activities. Employees throughout the Corporation participated in a crisis simulation exercise with community partners who are essential to our response activities.

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





## ENVIRONMENTAL MANAGEMENT SYSTEM

Over the past year, Marine Atlantic developed its formal Environmental Management System (EMS) to provide guidance to achieve environmental performance objectives, fulfill compliance obligations, and to minimize environmental impacts from our operations.

The EMS is based on industry-standards and is integrated with our Safety Management System.

Using a systematic approach to environmental management, Marine Atlantic can better facilitate efforts targeted at:

- improving environmental performance;
- protecting the environment by preventing or mitigating adverse environmental impacts and;
- helping to maintain environmental awareness throughout our Corporation.

The EMS incorporates vessel and shore operations, including those activities conducted by leaseholders and contractors within our terminal facilities. The EMS also includes marine areas within the Marine Atlantic limits and the property boundaries within each terminal facility and other associated buildings.

Marine Atlantic recognizes its responsibility as a corporate citizen within the communities and environment in which we operate, as well as a federal responsibility to restore, preserve, and protect the environment and as such has developed an EMS to address a multitude of areas under environmental regulatory areas.

Marine Atlantic is committed to being proactive in our approach to environmental responsibility and protection. Additionally, we have committed to go beyond regulatory requirements to improve our environmental performance and sustainability and minimize our environmental impact.



## OIL POLLUTION EMERGENCY PLAN EXERCISE

In August, Marine Atlantic and Transport Canada representatives participated in our annual Oil Pollution Emergency Plan (OPEP) oil spill response exercise.

The OPEP provides oil spill response procedures in the event of a discharge to the harbour during vessel refueling, tanker fuel delivery transfer, or for any land-based petroleum spill from other sources. The OPEP is a living document and is updated annually to adapt to changing conditions and government regulations.

## MEETING SECA REGULATIONS

Over the past several years, Marine Atlantic has been transitioning its vessels to comply with Sulphur Emission Control Areas (SECA) regulations. During the year, the MV *Atlantic Vision* completed its conversion, the last of the four vessels to be transitioned to burn cleaner marine diesel fuel. This transition has reduced our sulphur emissions which is aligned with our continued focus on lowering our environmental footprint and managing fuel burn.

### **What is a Sulphur Emission Control Area?**

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

## MARINE LIFE EDUCATION PROGRAM

During the summer season, Marine Atlantic launched the “Be on the Lookout” marine life education program. This program is designed to provide our vessel passengers with the opportunity to learn about some of the animals they may see during their crossing and understand our deep relationship with the environment in which we operate, including our efforts to protect the endangered North Atlantic Right Whale. A variety of onboard activities have been developed including kids’ activity books, an onboard scavenger hunt, and marine life cut-outs to create fun photo opportunities. A new series of ‘Did You Know?’ digital screens have also been developed to look at additional species that live in and around the waters in which Marine Atlantic travels, including fish and birds.



## WASTE EDUCATION AND MANAGEMENT

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



**I SPY WITH MY LITTLE EYE...  
SOMETHING IN THE SEA!**

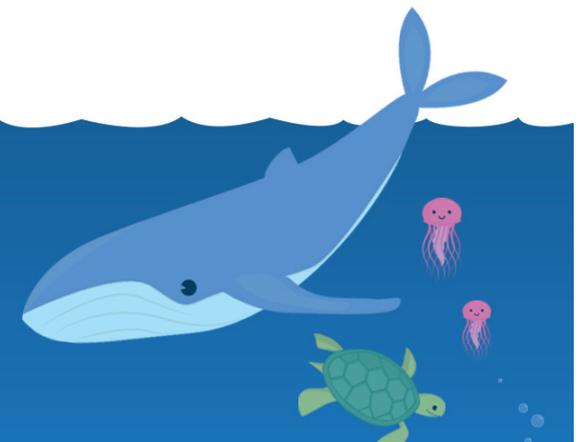
Did you know that the Cabot Strait is home to some rich and unique marine life?



Since 2014, Marine Atlantic has been a proud member of Green Marine, the largest voluntary environmental program for the marine industry in North America.

Green Marine Key Performance Indicators include:

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





# Renewing Our Fleet, Infrastructure and How We Do Business

Enhancing our infrastructure and continuously updating how we do business to meet the needs of our customers is at the core of our continuous improvement. Providing reliable, efficient and effective business processes and operations, and an affordable and accessible service, all while living within our budgets, are key to helping us meet our mandate. By upgrading our fleet, shore-based infrastructure, and technologies in a responsible manner, we are meeting the changing requirements and demands of our customers and service.

## FLEET RENEWAL

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

In Budget 2019, the Government of Canada allocated funding for a new vessel for Marine Atlantic. During the year, the Corporation moved forward with an open competitive process for the procurement of the new vessel.

The first stage of this process was the release of a Request for Qualifications (RFQ) intended to identify and shortlist applicants who will be eligible to participate in the second phase, a Request for Proposals (RFP) process. A review of the RFQ respondents was underway at the end of the fiscal year.

A specialized core project team has been developed comprised of employees and external resources to help guide the RFQ and RFP process. The new vessel is expected to be a ro-pax design with the ability to carry commercial freight, passengers and vehicles, and offer passenger amenities. The new vessel is expected to enter service in the 2023-2024 timeframe.

### MV LEIF ERICSON

Funding to complete the MV Leif Ericson's 30-year survey was provided in Budget 2019. A 30-year class survey is the most extensive a vessel will go through, with the vessel thoroughly inspected and updated as required to maintain regulatory compliance. During the year, Marine Atlantic began preparation work for this survey, with the bulk of the work anticipated to take place during the 2020-21 fiscal year.



MV Blue Puttees



MV Atlantic Vision



MV Highlanders



MV Leif Ericson



## DOCK UPGRADES

Dock upgrades were undertaken at all three of our ports during the year as part of our commitment to strengthening our shore-based infrastructure in a cost-effective manner. In North Sydney, a total of 23 new dock fenders and safety ladders were installed, structural upgrades completed, and repairs made to the dock face. In Port aux Basques, new dock fenders were installed and docking upgrades completed. In Argentina, fender and structural upgrades took place using refurbished fenders from North Sydney and Port aux Basques.

## PORT AUX BASQUES TERMINAL EMERGENCY GENERATOR AND HVAC REPLACEMENT

A new emergency generator was commissioned during the year at the Port aux Basques terminal to provide backup power to the terminal building and new ticket booths, greatly improving customer service during power disruptions. A new HVAC system was also commissioned to replace the aging unit and provide efficient heating/cooling for the facility.



## PORT AUX BASQUES NAVIGATIONAL IMPROVEMENTS

Every day, our Operations team evaluates environmental conditions including wind speeds, direction and sea states when making their sailing decisions. When operating within Port aux Basques harbour, the presence of Vardy's Island increases the challenge that environmental conditions place on the maneuvering required for the docking and undocking of the vessel. Our future fleet configuration is also influenced by the presence of the island which impacts the size and types of vessels that can be used for our service.

Port aux Basques harbour improvement is a key strategic initiative of the organization. The removal of Vardy's Island will enhance the safety of our vessels in more challenging weather and lessen the impact of weather events.

In collaboration with the Town of Channel-Port aux Basques, Marine Atlantic is proposing the removal of the island to enhance the navigational characteristics of the harbour and further mitigate one factor that we must consider when evaluating sailing decisions. This discussion will continue during the 2020-21 fiscal year.

## PORT AUX BASQUES ADMINISTRATION FACILITY

In recent years, administration-based employees in Port aux Basques have faced infrastructure capacity and condition challenges. To help address the issues, additional spaces are presently leased in order to accommodate all administration-based employees, thus separating departments between the leased properties. Administration operations are being undertaken in five separate locations. Capital projects were undertaken to complete necessary short-term repairs to the Marine Atlantic owned 10 Marine Drive facility which had ongoing issues with the building envelope and HVAC systems. To address long-term requirements, discussions continue with the Government of Canada on a new facility.

## TICKET BOOTH REDEVELOPMENT

To improve traffic flow, safety and security, the Port aux Basques ticket booth infrastructure was upgraded during the year. New canopies and ticket booths were constructed, road infrastructure upgraded and new walkways established, similar to enhancements made previously in North Sydney.



## BENEFITS OF THE SAP SYSTEM:

- Elimination of manual/paper-based schedules and paper timesheets
- Increased number of Employee self-serve functions
- Centralized administration of application security roles
- Traceability/auditing/control of data
- Improved tracking and control of employee absences
- Improved accuracy of data
- Improved reporting capabilities
- Automatic selection of employees for call out and tracking of acceptance/declines
- Automation of travel allowances
- Automation of scheduling related requests
- Automated calculation of benefits calculations by employee and collective agreement
- Automation of rules and policies for collective agreements have been built into scheduling, timekeeping and payroll systems



## BUSINESS PROCESS RENEWAL

Marine Atlantic launched the Business Process Renewal (BPR) project designed to resolve outstanding issues with technology and business processes across the organization. Before the project, Marine Atlantic had reached a point where there was a significant gap growing between what was required from its information systems and what those systems could deliver. With aging technology, this gap would only increase.

In July, after several years of preparatory work, the first release of the SAP platform was successfully launched across the organization. This was a complex initiative that included Human Resources, scheduling, timekeeping and payroll system, as well as the financial structure to be used within SAP for years to come. The implementation of this new software has redefined the way we manage our human resources data, scheduling, and streamlined the timekeeping function across the organization.

A critical success factor when launching new systems was an enhanced support team. Resources were deployed across the organization to provide employees with the hands-on support they needed to navigate the new system.

With the first phase successfully launched, the SAP project teams are working on several new projects to build upon these successes.

## VESSEL CONNECTIVITY

Marine Atlantic has been working to improve internet connectivity onboard our vessels travelling between Port aux Basques and North Sydney. As part of this approach, the service provider installed new infrastructure on cellular towers in southwestern Newfoundland and Cape Breton.

Our initial project phases focused on strengthening connectivity to improve corporate functions and allowing work tasks to be done with the same access, functionality and ability as those on shore. This included point of purchase sales such as debit machines, as well as communication activities with our shore-based operations.

Following our evaluation of these initial phases, we launched an onboard public Wi-Fi pilot project during the year. As part of this project, free Wi-Fi was offered at designated hot spots in public areas of our vessels. The results of the pilot project and customer feedback continue to be positive. Based on these results we will evaluate where opportunities for improvement exist.





## **ENHANCING CYBERSECURITY**

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We all encounter vast amounts of information on a daily basis. To educate our employees against cyberattacks and data breaches, the Corporation developed a cybersecurity booklet and delivered employee presentations with tips and guidelines on how to securely handle information and identify digital scams and attacks. Protecting our corporate and personal information is vitally important in today's digital environment.

## **CONCLUSION OF JUDICIAL REVIEW PROCESS**

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In March 2020, the Supreme Court of Canada dismissed Oceanex Inc.'s application for leave to review the Federal Court of Appeal decision's rendered in October 2019. The Federal Court of Appeal upheld a March 2018 decision of the Federal Court of Canada denying an application to force Marine Atlantic to increase commercial freight rates. The decision of the Supreme Court of Canada concludes the judicial review process that began in February 2016. This decision provides for the organization to continue delivering a strong, accessible and affordable ferry service, one that has been rooted in supporting the people and businesses of Atlantic Canada since 1898.



**We love hearing from our customers, here are just a few of the comments we received during the year!**

**“Just a note to say thanks for running the SMOOTHEST operation ever for booking! Your whole system is fantastic and I got your email saying I could book today so I did. It was the best customer service experience I’ve ever had.”**

**“We feel Marine Atlantic went above and beyond to help us with our crossing. Thanks so much for all of the help.”**

**“This is only my second time onboard and I am VERY impressed with the staff and facilities.”**

**"This is my first time using the ferry. I was pleasantly surprised when I came onboard. I will definitely use the ferry again. The staff are exceptional!"**

**"Hi, I just got off the phone after speaking with your call center to fix up a problem that I had created with my reservation. You have without doubt the best, most efficient, most professional and fastest call center service that I have ever dealt with. I wish that your staff could train everyone else's and that your management could make that of other companies realize what it takes to create a truly customer-focused call center. Congratulations on a job well done and thanks for the great service!"**

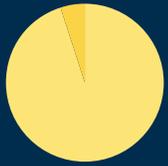
**"Thank you for the best service ever! The customer service on the phone was beyond helpful to my mom and me and then the kindness of all onboard staff... stellar!"**

**"You made my day and the start to my trip beautiful."**

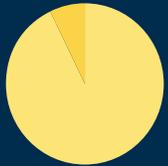
**"Unbelievable staff!! So friendly, willing to help, smiling, laughing, joking... excellent in every way! The people who were serving were A+, always checking to see if you needed anything. Enjoyed the trip!"**

**"What a fabulous voyage - both ways! Great people, great service, yummy food. Thanks!"**

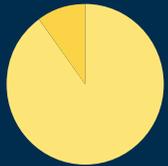
**"Staff was very helpful and courteous, especially concerning the dog and the kennels - Thanks!!"**



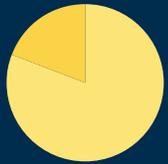
**95%** customers highly satisfied with the courtesy of front-line employees



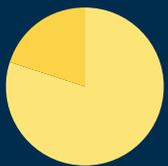
**90%** customers told us that their expectations were met or exceeded



**93%** customers likely to recommend Marine Atlantic to family and friends



**81%** customers highly satisfied with the onboard experience



**80%** customers highly satisfied with the reliability of Marine Atlantic's service



## Improving for our Customers

When travelling with Marine Atlantic, our customers expect a seamless experience. From making a reservation to leaving our terminal following their ferry crossing, providing a safe, reliable, satisfying experience is our focus. To continue to build upon our success, we have introduced new technologies, offerings, and ways of doing business to meet evolving customer expectations. With our high customer satisfaction levels, we know we are making a difference.



## **CORPORATE WEBSITE**

With a whole new look and feel, Marine Atlantic launched its enhanced website during the year that has received positive feedback from customers. This new platform provides an improved experience and invites customers to explore and envision the Marine Atlantic journey. It also delivers on our goal of providing a mobile-first web platform, allowing users full access to the site.

Through customer and employee feedback, new features were developed including access to detailed crossing and cabin availability, an interactive real-time vessel tracker, customer testimonials, increased promotion of onboard amenities and enhanced accessibility features. In addition to the increased visual presence through the use of photos, videos, and travel stories, an interactive stream of user-generated social content is also designed to enhance the overall experience.

The site includes a dedicated commercial customer portal providing information on commercial rates, commercial schedule, as well as regulations governing the transportation of dangerous goods. Marine weather links and the interactive vessel tracker are new enhancements appreciated by our commercial industry partners. Visit us at [www.marineatlantic.ca](http://www.marineatlantic.ca).

## **COMPLIMENTARY DIGITAL PUBLICATION SERVICE**

In the previous fiscal year, Marine Atlantic researched and tested the viability of offering customers a complimentary digital publication service. Based upon those results, a new service was launched at our terminals during the 2019-20 fiscal year providing customers an opportunity to download a wide selection of newspapers and magazines before their crossing. Customers keep the publication as another exciting entertainment option as part of their adventure.



**Grab & Go**

Enjoy a breakfast sandwich and medium coffee for only **\$6.00** + HST

Available daily from 6am-8am

**MET.**  
Located on deck 7



### NEW ONBOARD OFFERINGS

Based on customer feedback, several new features were launched as part of our onboard menu selections to improve quality and offer more healthy options for customers.

### GRAB-AND-GO SANDWICH COMBO

The Grab-and-Go option was developed as a time-saver for customers who prefer to grab a quick, light breakfast as opposed to enjoying a full meal in our restaurant. The selections are quality and value-based for passengers in a hurry.

### GOURMET CUPCAKES

Based upon employee feedback and suggestions, a gourmet cupcake was developed for the onboard Riva Cafe. During the summer season, this option proved to be popular with young and old alike.

### PANINIS, ESPRESSO, LATTES AND MORE...

The Barista Coffee Shop began offering panini sandwiches and bean-to-cup coffee. Five fresh-grilled panini sandwich options have been added to the menu, providing customers with a new, hot and fresh meal option. The Barista also added a new bean-to-cup coffee service allowing customers to choose specialty hot drinks such as espresso, cappuccino and lattes, in addition to the Barista's regular brewed coffee.



### DISCOUNT CAMPAIGNS

Over the past several years, we have offered a number of discount campaigns to better understand our customers' booking preferences. This year we launched two campaigns, a spring bundle discount and a fall 50 percent off campaign. Both discounts were popular with customers. The campaigns resulted in year-over-year booking increases of 21 and 46 percent respectively.

The goal of these campaigns is to better utilize available capacity by attracting new customers and building traffic volumes during a traditional period of lower customer usage. It also helps us better understand our customers' booking preferences and the factors encouraging them to make new travel plans.

### ARGENTIA CAMPAIGN

A new marketing campaign was launched to create awareness of the Argentia - North Sydney route for potential customers making summer travel plans. The campaign used a series of online ads to help raise overall awareness of the route in growing markets such as Ontario, Quebec and New Brunswick.

## NEW COMMERCIAL CUSTOMER INVOICES

Marine Atlantic officially launched its new weekly invoice and monthly statement to commercial account holders during the year following a successful pilot project. The new electronic system allows customers access to more details related to their bookings and accounts, as well as enhances record-keeping and tracking options in the official language of their choice.

Customer feedback has been positive noting increased user-friendly and improved information within the document.

## THANK YOU TO OUR COMMERCIAL CUSTOMERS

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

As a small token of our appreciation, events were held in Port aux Basques and North Sydney to recognize the valuable efforts of our commercial partners and the vital role they play in our region's economy.

## SCOTT'S COVE SUMMER BUS SERVICE

In co-operation with the Town of Channel-Port aux Basques, Marine Atlantic was once again pleased to offer a summer bus service providing customers with access to the Scott's Cove section of the downtown area. Customer feedback related to this initiative remains positive, with a 12 percent year-over-year increase in usage.

## PARTNERING WITH THE TOURISM INDUSTRY

As a proud partner of our region's tourism potential, we continued our efforts to promote and support travel to and within Atlantic Canada through our participation in tourism shows throughout eastern and central Canada and sponsorship of Hospitality Newfoundland and Labrador's (HNL) Annual Conference and Trade Show. Our partnership provides an opportunity to discuss, support and provide insight on important topics including strategies to grow visitation, travel trends, the impact of climate change, and indigenous tourism.



## DID YOU KNOW?

Marine Atlantic launched new uniforms during the year providing an updated, professional look and more comfort for our employees.



## FOLLOW US ON SOCIAL MEDIA

 @MARINEATLANTICFERRIES

 @MAFERRIES

 @MAFERRIES

 YOUTUBE.COM/MAFERRIES

 COMPANY/MARINE ATLANTIC

## CUSTOMER COMMUNICATIONS

### CUSTOMER CONTACT SYSTEM

Through our reservations system, customers receive direct communications via telephone and e-mail updates. Whether there is a schedule advisory, announcement or important information regarding their upcoming travel, our customer contact system promotes efficient and timely communication.

### SOCIAL MEDIA

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

### DIGITAL SIGNAGE

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



# A Strong and Talented Team

A strong team is integral to our organization and we are proud of our talented and experienced team of employees who serve our customers daily. With a commitment to diversity, a healthy workforce and continuously growing the skills of our employees, we are achieving many successes with much more on the horizon. Our team is the backbone of our operation and will continue to guide our ship in the years ahead.



## LEADERSHIP MANAGEMENT DEVELOPMENT PROGRAM

Our Leadership Management Development Program is a popular program for employees. This customized program combines internationally accepted best practices in leadership and management with hands-on learning opportunities. Individuals are provided with materials and training opportunities related to management, leadership and core competency skills that are important for personal and professional growth. All of the skills are designed to help in current and future positions and encourage employees to consider taking on leadership roles.

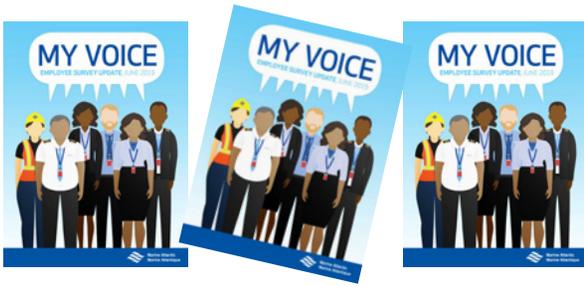
The first two classes of the program have resulted in 54 graduates. The third year of the program is now underway with the new graduates expected to add to that number by the end of the year.



## PROMOTING HUMAN RIGHTS

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





## EMPLOYEE ENGAGEMENT SURVEY

As a modern and forward-looking organization, it is important for Marine Atlantic to understand how to best meet the needs of employees and our service requirements. The Corporation conducts employee engagement surveys every three years to provide valuable insight related to strengths and identify areas where improvement is possible.

Results of this year's survey are now being compiled and reviewed, with an action plan and focus groups to take place during the next fiscal year.

## EMPLOYEE TRAINING

Marine Atlantic recognizes the importance of having a highly skilled and talented workforce. Our team requires continuous regulatory training to meet the requirements of our safety-focused industry. While our recruitment and retention initiatives help us attract great employees, growing the skills of our team through professional development and training make us a stronger organization. To help encourage professional growth, the Corporation offers training and educational opportunities, including access to financial and related resources for career development purposes. Through programs such as the Educational Financial Assistance Program, the Corporation is committed to growing our internal talent and providing employees with new skills and opportunities for professional and career advancement.



## MYHEALTH WELLNESS PROGRAM

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



## NOT MYSELF TODAY CAMPAIGN

The Not Myself Today campaign is an informal, workplace driven mental health initiative. It is based on the insight that we all have days in which we don't feel ourselves, and mental health is something we all experience and need to nurture. A variety of tools and resources are made available to employees so they know they are not alone.



## FITNESS CHALLENGE

To encourage more physical activity and boost morale, a new fitness challenge was launched during the year. Employees were asked to form teams and take part in daily physical activities such as walking, jogging, swimming and biking during a four-week period. Mini challenges were also developed so teams could earn bragging rights against their colleagues from other work locations.

## FAMILY FUN RUN

The first annual family fun run took place in September with the goal of encouraging employees and their families to get out and be active together. A number of age-appropriate events were designed so that kids, seniors and everyone in between could participate. There were prizes, entertainment and healthy snacks available, with great participation in all of our port locations.





## EMPLOYEE COMMUNICATIONS



### MYPORT INTRANET

Launched during this fiscal year, the MyPort Intranet is a mobile-friendly, one-stop location for employees requiring information about their work and work-life. The platform is fully compatible with the new payroll and time and attendance systems. By using the SAP platform, updates and developments will continue to evolve and match the needs of the organization and employees.

### MYPORT TELEVISION

Looking to improve communication with our mobile workforce, employee digital signage was enhanced and rebranded to MyPort Television. Marine Atlantic uses its employee digital signage channel as a way to connect with its dispersed employee population. Using digital television screens at all locations, the platform connects employees with short, up-to-the-minute information and includes everything from corporate announcements and safety tips to employee achievements and resources.

### MYPORT

Marine Atlantic streamlined its internal communication channels during the year to provide employees with an easy, accessible and recognizable brand. These updated channels, as well as other employee communication mediums, are used regularly to communicate directly with employees.

### MYPORT MAGAZINE

Alongside MyPort Intranet and MyPort Television, Marine Atlantic rebranded its employee newsletter as MyPort Magazine to create a consistent look for all its employee communications channels. MyPort Magazine features news and updates, profiles of our employees and initiatives throughout the organization.



## AWARDS AND DISTINCTION

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

## CREW OF MV LEIF ERICSON – A TOUR

On a September night, the crew of the MV *Leif Ericson* responded to a distress call from the fishing vessel 'Sulia'n' and its crew who had set out from Glace Bay in a boat belonging to the Waycobah First Nation. When our crew arrived at the scene, they found a fishing vessel and its life raft both engulfed in flames. The three crew members from the vessel were huddled in the water waiting for help to arrive.

Due to their training, commitment to teamwork and excellence, the crew helped avoid a tragedy and reunited three individuals with their family and friends.

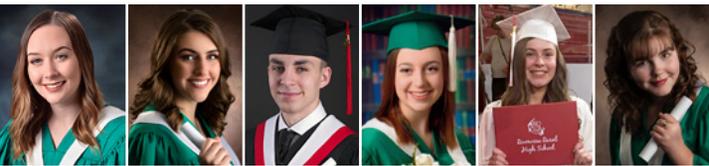


## GREG SHEPPARD, ASSISTANT STOREKEEPER, MV HIGHLANDERS

Greg has spent many years helping in his community and volunteering as an Auxiliary RCMP Constable with the Whitbourne-Placentia detachment. Through his work with the Auxiliary, Greg has also become a role model for the younger generation. He has taken this position and turned it into a positive and rewarding experience by taking the time to go to schools and talk to the children of his community about anti-bullying, bike safety, as well as many other topics.

# PROUD TO SUPPORT Our Communities

We are proud to support many worthwhile initiatives in the communities, regions and provinces in which we operate. Our employees are volunteers with various community groups and organizations, a strong testament and commitment to living our corporate values. Each year, we make fiscally responsible investments with the goal of improving the well-being of our employees, customers and local community populations.



## SCHOLARSHIPS

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

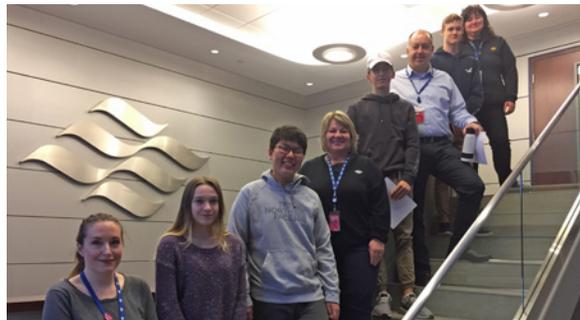
The annual scholarship program awards dependent children of employees or pensioners with funds for post-secondary education on a merit basis. The program provides up to four \$2,000 university entrance scholarships and four \$1,000 technical college entrance scholarships. Marine Atlantic also provides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

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

## EDUCATIONAL PARTNERSHIPS

We are proud to partner with the educational institutions in our communities to provide students with hands-on learning opportunities. Through partnerships on our vessels, at our terminals and in our offices, we are providing students with a first-hand look at the many career options available in the marine industry. These opportunities have included students from Nova Scotia Community College's Nautical Institute, Marine Institute, Georgian College and Holland College, who are provided nautical work experience opportunities towards their diplomas.

Children of employees are provided an opportunity to participate in career days such as "Take Your Kids to Work Day" where they job shadow their parent and get a better understanding of the important role Marine Atlantic plays in the regional economy.



Students at St. James High School in Port aux Basques continue with Occupational Health and Safety Orientation Tours as part of their Career Development classes. These students receive a tour of a vessel and the terminal buildings while being briefed on Marine Atlantic's safety standards and best practices. This program has been very popular and provides students with an overview of the marine industry, with the hope that some will choose to work with the Corporation in the future.





### JANEWAY TEDDY BEAR CONVOY

Marine Atlantic was pleased to once again support our partners in the Newfoundland and Labrador trucking industry during the 35th annual Janeway Children's Miracle Network Telethon. As part of the Telethon, many of the province's commercial trucking representatives came together as members of the "Just for Kids Transportation Group" in a Teddy Bear Convoy. The convoy helped to raise funds for sick kids and put a smile on the faces of the many children who use the Janeway Children's Hospital each year.

### GRENFELL CAMPUS ATHLETICS SPONSORSHIP

Marine Atlantic is proud to be a sponsor of the Grenfell Warriors and the athletic programs at Memorial University-Grenfell Campus, the only university in western Newfoundland.

Through our sponsorship and community partnerships, new opportunities are being presented to individuals, groups and organizations in the region. Marine Atlantic is pleased with the role we play in helping students grow and excel in their athletic and personal development activities.



### NORTH SYDNEY AND PORT AUX BASQUES MUSEUM NAUTICAL EXHIBITS

In partnership with the North Sydney Historical Museum and Port aux Basques Museum, nautical exhibits were created for visitors to enjoy at each of these locations. The exhibit features vessel memorabilia, photos, artifacts and related stories of the history and people that make up our service and our local communities.



### ATLANTIC BURN CAMP

Each year, the Atlantic Burn Camp welcomes burn-injured children ages 6 to 17 from Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland & Labrador to participate in a one-week camp held in New Campbellton on Cape Breton Island. The camp is staffed by firefighters, law enforcement officials, medical personnel, teachers and community volunteers.

Through the years, Marine Atlantic has been pleased to assist with travel between Newfoundland and Labrador and Nova Scotia. Employees also generously volunteer their time to help with the camp's final Carnival Night, where campers dress up in Halloween costumes and parade along the carnival booths, playing games and winning prizes. This camp is designed to offer a fun-filled week and help grow the children's confidence.



## FESTIVAL OF FLAGS

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

## PLACENTIA BAY INDUSTRIAL SHOWCASE

As a proud supporter of our local port communities, Marine Atlantic was once again pleased to sponsor the Placentia Bay Industrial Showcase (PBIS) held in Placentia/Argentia in September. The PBIS is designed to highlight the many businesses and positive investments taking place in the Placentia Bay region, as well as promote new partnerships and opportunities for existing and prospective business owners in the area. Attendees were provided with updates on new economic projects, with Marine Atlantic’s long-standing presence in the community noted as a highlight.

## CHILDREN’S WISH FOUNDATION

Marine Atlantic has been a proud partner with the Children’s Wish Foundation for the past five-years. As part of this partnership, the organization matched all funds raised in the Port aux Basques area for Run the Rock. Each year, crew members from the H.M.C.S. St. John’s conduct a charity relay run fundraiser across the Island of Newfoundland. Known as Run the Rock, crew members run from Port aux Basques to St. John’s over a two-week period to raise money in support of the Newfoundland and Labrador chapter of the Children’s Wish Foundation. Over the past 25 years, over \$1 million has been raised and 100 wishes granted.

Marine Atlantic employees were proud to participate in Foamfest, a 5-kilometre fun run in Corner Brook in support of the Children’s Wish Foundation. Featuring 22 exciting obstacles, including the world’s largest inflatable waterslide and 2.5 million cubic feet of foam, the event was a fun way to support a great cause.



## YOUTH SOFTBALL SPONSORSHIP

In support of youth sports in southwestern Newfoundland, Marine Atlantic and a number of our dedicated employees were pleased to sponsor and volunteer for a youth softball tournament in Isle aux Morts. Three teams competed in the two-day tournament, with Marine Atlantic providing the Player of the Game awards and medals for all teams. The event raised over \$1,100 to help with the purchase of new youth softball equipment for the area.



## MAKING WAVES MUSIC FESTIVAL

Marine Atlantic was the title sponsor for this year's Makin' Waves Music Festival which featured local musicians from Cape Breton Island. The festival is a family-friendly, free outdoor concert series taking place in Sydney's Wentworth Park during the summer season. The park features a large duck pond and our employees and their families were pleased to once again volunteer at the event by distributing eco-friendly duck food to concert goers.









# Looking Forward to the Year Ahead

COVID-19 had a significant impact on our service at the end of the fiscal year. Looking to the year ahead, there remains much uncertainty as to what impact the virus will have on the transportation sector, our operations and our customers over the next 12 months. With reduced tourism demand and adverse economic impacts affecting commercial traffic volumes, COVID-19 is expected to influence and impact our traffic and financial projections, corporate planning processes and strategic initiatives. Our commitment will remain protecting the health and safety of customers and employees while maintaining our essential ferry service.

While the pandemic will continue to challenge us, our goal is to continue with the multi-year projects currently underway, introduce new ways of doing business and make enhancements to further improve our service, with safety guiding everything that we do.

We are very excited to move forward to the next stage of our vessel procurement process. As we conclude the Request for Qualification stage and move into the Request for Proposal stage, we will be closer to selecting a partner to build and supply a new vessel for our service. We will also continue our discussions and planning with the Government of Canada to enhance administration infrastructure in Port aux Basques and initiatives to strengthen safety and operational efficiency in Port aux Basques Harbour.

Our commitment to a strong and diverse workforce remains steadfast. We recognize the importance of diversity and inclusion, and we will continue to implement strategic human resource policies and plans to help us accomplish this goal. We will also use the results of our employee engagement survey to build upon our strengths and improve our workplace, a key part of maintaining our talented and experienced workforce.

We will be implementing our new Environmental Management System to guide our actions in improving environmental performance, mitigating against adverse environmental impacts, and maintaining environmental awareness.

Recognizing that a proactive approach to innovation is required to maximize the benefits of new technologies and drive efficiencies, we have identified innovation as one of our strategic areas of focus for the future. Through new systems, updated business processes, and access to the latest technologies, including artificial intelligence, we will improve the efficiency of our operations throughout the organization.

Customer service will always be important and the year ahead will see additional efforts to strengthen the customer journey. We continue to evaluate our pricing structure through discount campaigns and maximizing opportunities to improve our customer offerings and communication channels. We will continuously review our operations to promote increased efficiency and fiscal responsibility while maintaining an affordable service.

Even though there remains uncertainty related to the COVID-19 virus and its impact on our business priorities and projections, through good fiscal management and governance, we are confident that we will meet the expectations of our shareholder, customers, stakeholders and employees. We have a great team with a strong strategic plan for the next 12 months and beyond. We look forward to sharing these improvements and successes in the months ahead.



# Governance

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

Marine Atlantic is governed by a 10-person Board of Directors. The independent directors are chosen and appointed for specific terms by the Government of Canada. The President and CEO is also a member of the Board.

The Board of Directors operates within a highly regulated environment. The *Financial Administration Act* and the *Marine Atlantic Inc. Acquisition Authorization Act* both provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, vision, mission statement, and values, further direct both the Board and management in their decision-making. Finally, the National Marine Policy provides critical direction and restraint, as it requires that Marine Atlantic focus its efforts on operating the gulf ferry service.

The Board has a strong commitment to good corporate governance and stakeholder engagement, and provides prudent fiscal direction and guidance to the management team, ensuring effective budgeting and financial management, as well as management of corporate risks.

## COMMITTEES OF THE BOARD

The Board's standing committees engage and support its efforts in a number of governance responsibilities including Audit; Governance, Risk and Strategy; Human Resources, Health, Safety and Environment; and Pension Management.

### AUDIT COMMITTEE

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

### GOVERNANCE, RISK AND STRATEGY COMMITTEE

The Governance, Risk and Strategy Committee is mandated to provide the Board advice and services in areas of strategic planning, enterprise risk management, governance, ethics and corporate social responsibility. It has a strong commitment to providing good corporate governance and effective stakeholder engagement.

### HUMAN RESOURCES, HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

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

### PENSION MANAGEMENT

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

# Board and Committee Membership

MARCH 31, 2020



**Gary O'Brien**

CHANNEL-PORT AUX BASQUES, NL  
Interim/Acting Chair



**James Doody**

ST. JOHN'S, NL  
Chair – Pension Management  
Committee, Member – Governance,  
Risk and Strategy Committee



**Murray Hupman**

NORTH SYDNEY, NS  
Ex-officio member of the Board, Ex-  
officio member of Governance, Risk  
and Strategy Committee, Ex-officio  
member of Human Resources, Health,  
Safety and Environment Committee,  
Ex-officio member of Audit Committee



**Owen Fitzgerald**

SYDNEY, NS  
Member – Audit Committee, Member-  
Human Resources, Health, Safety and  
Environment Committee



**Carla Arsenault**

SYDNEY RIVER, NS  
Chair - Governance, Risk and Strategy  
Committee, Member – Pension  
Management Committee, Member –  
Audit Committee



**Craig Priddle**

CORNER BROOK, NL  
Chair – Audit Committee, Member-  
Governance, Risk and Strategy  
Committee



**Janie Bussey, Q.C.**

LOGY BAY, NL  
Chair – Human Resources, Health,  
Safety and Environment Committee,  
Member – Governance, Risk and  
Strategy Committee



**Ann-Margret White**

ST. JOHN'S, NL  
Member – Audit Committee, Member-  
Human Resources, Health, Safety and  
Environment Committee



**Brent Chaffey**

SAINT DAVID'S, NL  
Member – Pension Management  
Committee, Member – Human  
Resources, Health, Safety and  
Environment Committee

*Footnote: Kristopher Parsons, Chair, Board of Directors  
resigned effective November 18, 2019*

*Donald Barnes, President and CEO completed term on  
April 14, 2019*



## WORKING TO ETHICAL STANDARDS

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



## ENGAGING IN BOTH OFFICIAL LANGUAGES

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



## OFFICE OF THE AUDITOR GENERAL SPECIAL EXAMINATION

The Corporation continued to make progress throughout the year related to recommendations outlined in the Office of the Auditor General Special Examination of Marine Atlantic released in February 2019. The report identified eight recommendations. To date, two have been completed and significant progress has been made on three others with completion expected in the upcoming fiscal year. The single significant deficiency noted in the report related to the delays obtaining Corporate Plan approval and the potential impact that this may have on the organization's long-term strategic planning, specifically its long-term fleet strategy. The Corporation is continuing to engage with relevant government officials to meet requirements in order to facilitate the timely approval of its corporate plans and the resolution of the Corporation's fleet-renewal strategy, along with funding requirements to support ongoing fleet renewal.

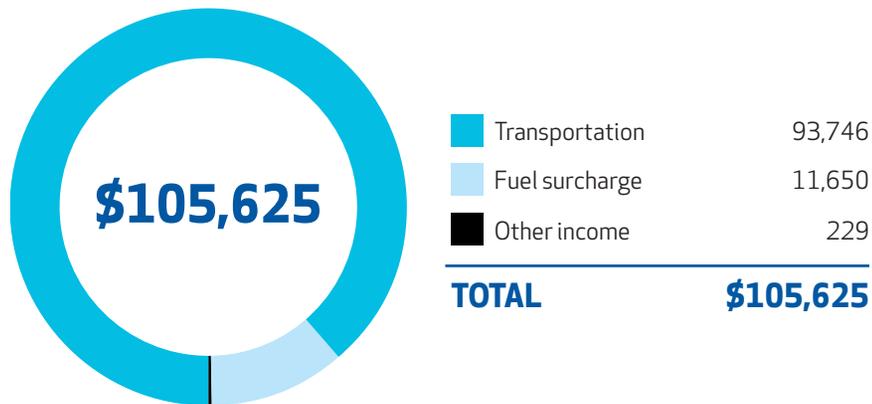
The examination demonstrated significant progress made by the organization since the last special examination that occurred in 2009.

- Marine Atlantic has good practices in place to oversee the running of the Corporation and to manage its operations.
- 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.
- The Corporation has good systems and practices for managing safety and ferry operations.
- Vessel maintenance plans, preventative maintenance plans for shore-based assets, and a master capital projects plan covered all of its assets.

# FINANCIAL OVERVIEW

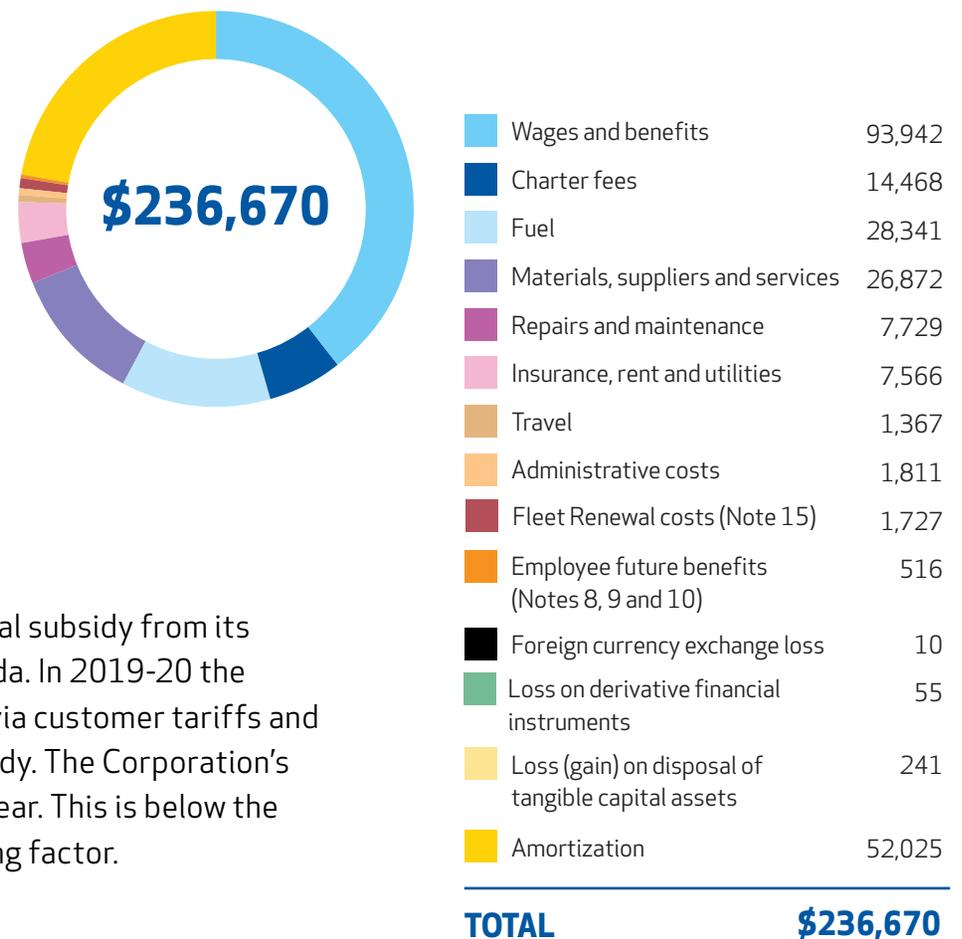
## REVENUES AND GAINS 2019/20

YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)



## EXPENSES AND LOSSES 2019/20

YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)



As a federal Crown Corporation, Marine Atlantic receives an annual subsidy from its shareholder, the Government of Canada, through Transport Canada. In 2019-20 the Corporation spent \$242.5 million; \$104.5 million was generated via customer tariffs and other ancillary revenue; and \$135.3 million was received via subsidy. The Corporation's cost recovery was 63.7 per cent compared to 65.5 per cent last year. This is below the target of 65% set by our shareholder. COVID-19 was a contributing factor.

## FINANCIAL OVERVIEW TABLE

FOR THE YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

	2019-20	2018-19	2017-18	2016-17	2015-16
<b>Transportation Revenue</b>	\$93,746	\$96,568	\$100,474	\$99,227	\$97,109
Fuel surcharge	11,650	11,976	10,510	10,411	10,105
Other income	229	254	584	502	110
Gains	-	3,020	1,047	3,777	2,137
	105,625	111,818	112,615	113,917	109,461
<b>Operating expenses</b>	141,014	137,282	143,254	137,682	133,488
Fuel	28,341	31,498	27,793	19,108	22,574
Losses	306	1,260	202	2,566	500
Charter costs	14,468	13,652	13,403	12,920	35,521
Employee Future benefits	516	4,809	7,389	9,025	13,764
Amortization	52,025	50,033	45,166	39,144	31,632
	236,670	238,534	237,207	220,445	237,479
<b>Deficit before government funding</b>	133,315	126,716	124,592	106,528	128,018
Government funding					
Operations	83,239	75,977	85,800	61,203	114,637
Capital	50,076	49,691	60,958	37,598	236,362
Operating surplus (deficit)	\$2,270	\$(1,048)	\$22,166	\$(7,727)	\$222,981
<b>ASSETS:</b>					
Total assets	\$606,974	\$614,540	\$623,777	\$591,552	\$587,814
Purchases of vessels, facilities and equipment	\$50,076	\$49,691	\$60,958	\$37,598	\$236,362

## TRAFFIC AND EMPLOYEES

	2019-20	2018-19	2017-18	2016-17	2015-16
<b>Passengers</b>	311,499	307,758	328,594	326,796	322,661
<b>Passenger vehicles</b>	120,426	115,972	122,444	120,314	116,574
<b>Commercial vehicles</b>	82,194	87,739	91,396	94,459	95,914
<b>AEU's*</b>	470,095	486,407	510,673	522,360	523,144
<b>Number of single crossings</b>	1,632	1,634	1,685	1,701	1,684
<b>Employees (peak employment)</b>	1,276	1,319	1,259	1,282	1,252
<b>Employees (full-time equivalent)**</b>	1,063	1,089	1,097	1,068	1,049

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

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

### REVENUE

Revenues (excluding gains) were \$3.2 million or 3 per cent lower compared to fiscal year 2018-19. The decrease was attributed to lower commercial traffic volumes. Total revenue for the year was \$1.8 million lower than budgeted. The Corporation had projected an overall decrease in traffic this year, the commercial vehicle decline was higher than forecasted but was partially offset by higher passenger volumes.

The Corporation has a hedging program that involves advance purchase of energy swaps and forward exchange contracts. There were no recorded gains on the settlement of energy swaps in 2019-20 compared to a budget of \$2 million. This was due to the drop in fuel prices throughout the year and the significant drop in March 2020 precipitated by the COVID-19 pandemic.

### WAGES AND BENEFITS

Wages and benefit costs were \$1.8 million or 2 per cent higher compared to fiscal year 2018-19 driven mainly by inflation and higher overhead costs. Compared to budget labour costs were \$2.5 million higher as more funds were allocated to wages and benefits from other budget line items subsequent to the initial budget development.

### CHARTER FEES

Charter fees were \$0.8 million higher than last year and \$1.7 million under budget. The increase was due to an increase in the daily rate, while the budget variance was due to lower than forecasted foreign exchange rates.

### FUEL

Fuel expense was \$3.2 million lower than last year, while on par with budget. The price of fuel was lower this year due to the global drop in fuel prices.

### MATERIALS, SUPPLIES AND SERVICES

Materials, supplies and services' costs were \$2.2 million higher than the previous year, while on par with budget. Increased costs were mainly related to the implementation of the Corporation's new uniform program and higher professional service costs.

### **REPAIRS AND MAINTENANCE**

The repairs and maintenance costs were \$0.9 million lower in fiscal year 2019-20, and \$3.5 million lower than budget. Some of the budgeted activities for the year were determined to be capital in nature and funded through the capital program.

### **INSURANCE, RENT AND UTILITIES**

Insurance, rent and utilities were on par with last year, and \$0.6 million lower than budget. Lower insurance costs were offset with increased utility costs. The budget savings were mainly due to lower than anticipated insurance premiums.

### **TRAVEL**

Travel costs were \$0.3 million lower than last year, and \$0.9 million lower than budget. Total cost of travel for the year was \$1.4 million. Corporate travel has continued to trend lower due to initiatives to lower travel costs such as the use of technology for collaboration. There were also savings associated with deferred travel due to COVID-19.

### **ADMINISTRATIVE COSTS**

Administrative costs were \$0.9 million lower compared to last year and \$0.9 million lower than budget. These costs mostly relate to the Corporation's marketing and training activities both of which were lower this year.

### **FLEET RENEWAL COSTS**

The \$1.727 million in fleet renewal costs are related to the Corporation's new vessel procurement project. External resources were contracted to assist in the competitive bid process.

### **EMPLOYEE FUTURE BENEFITS**

Actuarially calculated expenses relating to employee future benefits decreased by \$4.3 million. Actuarial estimates are based on actuarial assumptions such as discount rates and expected rates of return on plan assets. The year-over-year difference was driven by lower pension benefits expenses. The budget represents the estimated cash requirements for current service and premium payments.

### **FOREIGN CURRENCY EXCHANGE LOSS**

The Corporation incurs currency gains/losses in the normal course of business arising from the requirement to pay some vendors in foreign currencies.

### **REALIZED LOSS ON DERIVATIVES**

The Corporation's realized loss on derivatives relate to the Corporation's hedging program that involves advance purchase of energy swaps and forward exchange contracts.

### **LOSS ON DISPOSAL OF TANGIBLE CAPITAL ASSETS**

The Corporation recognized a loss of \$0.2 million on the disposal of long-lived assets. This was mainly due to shore infrastructure projects upgrading and replacing existing equipment.

### **AMORTIZATION**

Amortization was \$1.9 million higher this year compared to last year. The increased depreciation is the result of significant capital investments made over the last number of years becoming active and depreciating.

### **GOVERNMENT FUNDING**

Government funding revenue recognized was \$7.6 million higher in fiscal year 2019-20. Government funding for operations was \$7.2 million higher while funding for capital projects was \$0.4 million higher.

### **TANGIBLE CAPITAL ASSETS**

In 2019-20, Marine Atlantic spent \$50 million in asset renewal compared to \$49.7 million last year. \$19.2 million was spent on fleet-related projects compared to \$14.2 million in the previous year. An additional \$30.8 million was spent replacing and modernizing shore facilities and equipment compared to \$35.5 million in fiscal year 2018-19.

# Financial Statements

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

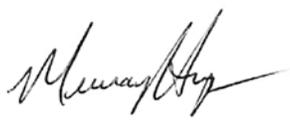
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, on behalf of the Board, fulfills this responsibility. The Audit Committee reviews matters related to accounting, auditing, internal control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

The Auditor General of Canada, the independent auditor of the Corporation appointed under the *Financial Administration Act*, audits the Corporation's financial statements and reports to the Minister responsible for Marine Atlantic Inc. The independent auditor has full and unrestricted access to the Audit Committee to discuss the audit and related findings.

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



Shawn Leamon, CPA, CGA  
Vice President of Finance  
St. John's, Canada  
June 20, 2020



Murray Hupman, P.Eng.  
President and CEO  
St. John's, Canada  
June 20, 2020



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

## INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Marine Atlantic Inc., which comprise the statement of financial position as at 31 March 2020, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marine Atlantic Inc. as at 31 March 2020, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### *Basis for Opinion*

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

#### *Other Information*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### *Opinion*

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

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

*Responsibilities of Management for Compliance with Specified Authorities*

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

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

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



Mathieu Le Sage, CPA, CGA  
Principal  
for the Auditor General of Canada

Halifax, Canada  
20 June 2020

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

	2020	2019
<b>Financial assets</b>		
Cash (Note 4)	\$ 11,202	\$ 13,613
Accounts receivable (Note 13(a))	6,712	7,390
Receivable from Government of Canada (Note 5)	8,966	13,404
Inventories held for resale (Note 6)	325	327
Derivative financial instruments (Note 12)	11	2,514
Accrued pension asset (Note 8)	145,652	133,911
	172,868	171,159
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Notes 7 and 13(c))	24,957	30,158
Derivative financial instruments (Notes 12 and 13(c))	9,801	693
Deferred revenue	3,287	4,831
Payable to Government of Canada (Note 5)	583	2,994
Accrued vacation pay	6,259	6,319
Accrued pension liability (Note 8)	2,829	2,723
Accrued liability for non-pension post-retirement benefits (Note 9)	51,092	49,910
Accrued liability for post-employment benefits (Note 10)	11,665	11,341
	110,473	108,969
<b>Net financial assets</b>	62,395	62,190
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	419,393	421,588
Inventories held for consumption (Note 6)	11,985	18,448
Prepaid expenses	2,728	3,345
	434,106	443,381
<b>Accumulated surplus (Note 14)</b>	\$ 496,501	\$ 505,571

Contractual obligations (Note 17)  
Contingencies (Notes 18 and 19)

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

On behalf of the Board of Directors:



Gary O'Brien  
Interim Acting Chair



Craig Priddle  
Director

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

	2020		2019
	Budget (Note 20)	Actual	Actual
<b>Revenues</b>			
Transportation	\$ 95,429	\$ 93,746	\$ 96,568
Fuel surcharge	11,890	11,650	11,976
Other income	127	229	254
Realized gain on derivative financial instruments	2,000		3,020
	109,446	105,625	111,818
<b>Expenditures</b>			
Wages and benefits	91,419	93,942	92,129
Charter fees	16,154	14,468	13,652
Fuel	28,467	28,341	31,498
Materials, supplies and services	27,059	26,872	24,667
Repairs and maintenance	11,212	7,729	8,676
Insurance, rent and utilities	8,198	7,566	7,411
Travel	2,291	1,367	1,659
Administrative costs	2,755	1,811	2,740
Fleet renewal costs (Note 15)	1,500	1,727	-
Employee future benefits (Notes 8, 9 and 10)	12,010	516	4,809
Foreign currency exchange loss		10	31
Realized loss on derivative financial instruments		55	-
Loss on disposal of tangible capital assets		241	1,229
Amortization (Note 11)	49,400	52,025	50,033
	250,465	236,670	238,534
Deficit before government funding	(141,019)	(131,045)	(126,716)
<b>Government funding</b> (Note 5)			
Operations	92,065	83,239	75,977
Capital	50,835	50,076	49,691
	142,900	133,315	125,668
Operating surplus (deficit)	1,881	2,270	(1,048)
Accumulated operating surplus, beginning of year	502,595	502,595	503,643
<b>Accumulated operating surplus, end of year</b> (Note 14)	\$ 504,476	\$ 504,865	\$ 502,595

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

## STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

	2020	2019
<b>Accumulated remeasurement gains (losses), beginning of year</b>	\$ 2,976	\$ 5,061
<b>Remeasurement gains (losses) arising during the year</b>		
Unrealized gain (loss) on foreign exchange of cash	271	(529)
Unrealized (loss) gain on derivatives	(11,666)	1,464
<b>Reclassifications to the statement of operations</b>		
Realized loss (gain) on derivatives	55	(3,020)
<b>Net remeasurement (losses) gains for the year</b>	(11,340)	(2,085)
<b>Accumulated remeasurement (losses) gains, end of year (Note 14)</b>	\$ (8,364)	\$ 2,976

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

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

	2020		2019
	Budget	Actual	Actual
	(Note 20)		
<b>Operating surplus (deficit)</b>	\$ 1,881	\$ 2,270	\$ (1,048)
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets (Note 11)	(53,385)	(50,076)	(49,691)
Amortization of tangible capital assets (Note 11)	49,400	52,025	50,033
Loss on disposal of tangible capital assets		241	1,229
Proceeds on disposal of tangible capital assets		5	20
<b>(Increase) decrease in tangible capital assets</b>	<b>(3,985)</b>	<b>2,195</b>	<b>1,591</b>
<b>Change in other non-financial assets</b>			
Acquisition of inventories held for consumption	(28,467)	(24,314)	(28,485)
Use of inventories held for consumption	28,467	30,777	32,843
Purchase of prepaid expenses	(16,154)	(17,916)	(19,217)
Use of prepaid expenses	16,154	18,533	19,136
<b>Decrease (increase) in other non-financial assets</b>	<b>-</b>	<b>7,080</b>	<b>4,277</b>
Net remeasurement (losses) gains	(4,200)	(11,340)	(2,085)
Increase in net financial assets	(6,304)	205	2,735
Net financial assets, beginning of year	62,170	62,190	59,455
<b>Net financial assets, end of year</b>	<b>\$ 55,866</b>	<b>\$ 62,395</b>	<b>\$ 62,190</b>

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

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

	2020	2019
<b>Operating transactions</b>		
Cash receipts from customers	\$ 104,262	\$ 109,079
Other income received	229	254
Government funding - operations	84,065	76,654
Government funding - capital	51,277	56,987
Cash payments to suppliers	(89,108)	(80,888)
Cash payments to and on behalf of employees	(91,491)	(93,948)
Cash paid for employee future benefits	(10,644)	(10,904)
	48,590	57,234
<b>Capital transactions</b>		
Purchase of tangible capital assets	(51,277)	(56,987)
Proceeds on disposal of tangible capital assets	5	20
	(51,272)	(56,967)
Increase (decrease) from effect of exchange rate changes on cash	271	(529)
Net (decrease) increase in cash	(2,411)	(262)
Cash, beginning of year	13,613	13,875
<b>Cash, end of year</b>	<b>\$ 11,202</b>	<b>\$ 13,613</b>
Cash consists of:		
Restricted cash	\$ 7,013	\$ 9,334
Unrestricted cash	4,189	4,279
	<b>\$ 11,202</b>	<b>\$ 13,613</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED MARCH 31, 2020 (IN THOUSANDS OF DOLLARS)

### 1. NATURE OF OPERATIONS AND AUTHORITY

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

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

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

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

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

Member contribution rates were adjusted gradually to meet the 50:50 current service cost-sharing ratio target rate by January 1, 2017. Since then the cost-sharing ratio is reviewed annually at each actuarial valuation. As of December 31, 2019, this ratio was 51:49 between employees and the Corporation and employee contributions are adjusted each January 1st to bring the cost-sharing ratio to 50:50. The Corporation has amended its policies such that the normal age of retirement for employees hired after January 1, 2015 was raised to 65 years of age.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

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

#### (a) Government funding

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

#### (b) Financial instruments

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

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

#### (c) Insurance claims receivable

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

#### (d) Inventory

Inventories include fuel, valued at the lower of historical or replacement cost, and spare parts used for consumption onboard vessels, valued at historical cost.

#### (e) Tangible capital assets

Tangible capital assets are comprised of vessels, shore facilities and equipment which are carried at cost less accumulated amortization.

Vessels include corporate owned vessels and vessel projects, shore facilities include terminal buildings, stevedore buildings, docks and related infrastructure. Equipment includes computer hardware and software, furniture, and vehicles.

Major spare parts are accounted for as tangible capital assets and are not amortized until they are put into use. For this purpose, major spare parts are those that are expected to be used for more than one fiscal period in connection with a tangible capital asset.

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

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

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

Vessels	5% to 10%
Shore Facilities	2.5% to 5%
Equipment	10% to 25%
Leasehold Improvements	Shorter of term of lease agreement or the asset's useful life

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

**(f) Employee future benefits**

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

**(I) Accrued pension asset (liability)**

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

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

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

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

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

The estimated average remaining service period of the members covered by the registered pension plan and the supplementary retirement arrangement adopted in 2006 is 9.5 years (2019 – 9.6 years). For the former supplementary retirement arrangements, the average life expectancy of plan members is 13.4 years (2019 – 14.1 years).

**NON-PENSION POST-RETIREMENT BENEFITS**

**ii) Health and dental plans**

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

The cost of non-pension post-retirement benefits is actuarially determined using management's best estimate of future participation rates in the retiree health and dental plan, average health care cost per plan member, health care trend rates and utilization, salary escalation and mortality rates. The costs associated with retired employees are accrued. The costs for current employees are expensed as they are incurred.

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

The estimated average remaining service period of members covered by non-pension post-retirement benefits is 11.4 years (2019 – 11.0 years). Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

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

Current and retired employees of Marine Atlantic Inc. have travel benefits on the Corporation's vessels. Union and non-union/management employees become eligible for travel pass privileges after acquiring four months of continuous employment plus 694 regular hours worked or two years of service, whichever occurs earliest. For current employees, expenses are recognized as it is incurred. No liability has been recognized for retired employees in the statement of financial position for this benefit because it is not material.

## **POST-EMPLOYMENT BENEFITS**

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

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

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 10.0 years (2019 - 10.0 years).

### **ii) Other benefits**

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

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

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

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

**(g) Revenue recognition**

Transportation revenue and fuel surcharges are recognized when ferry services are provided. The Corporation requires customers to pay in advance when booking a reservation. The amounts received are recorded as deferred revenue and are recognized as revenue when ferry services are provided. Interest income is recognized as it is earned, and collection is reasonably assured.

**(h) Expenses**

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

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

**(i) Prepaid expenses**

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

**(j) Foreign currency translation**

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

**(k) Contingent liabilities**

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

**(l) Contingent assets**

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

**(m) Measurement uncertainty**

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

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

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

### 4. CASH

Cash includes restricted cash consisting of cash denominated in Euros held in an escrow account with a German bank as security for the charter of the passenger and freight ferry – the MV *Atlantic Vision*. The total balance denominated in Euros is €4,500 (2019 - €6,222), which translates to \$7,013 Canadian dollars at March 31, 2020 (2019 - \$9,334). These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

An amendment to the charter agreement was signed March 18, 2019 for a one-year period commencing November 15, 2019 with an optional period of one or two years to be declared by the Charterer no later than May 15, 2020. The amendment also reduced the required escrow deposit from €6,201 to €4,500 beginning April 1, 2019.

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

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

	2020	2019
Payable to the Government of Canada, beginning of year	\$ 2,994	\$ 2,717
(Receivable from) Government of Canada, beginning of year	(13,404)	(21,100)
Parliamentary appropriations received during the year	135,342	133,641
Recognized during the year:		
Government funding - operations	(83,239)	(75,977)
Government funding - capital	(50,076)	(49,691)
Government funding surplus (deficit)	2,027	7,973
(Receivable from) Government of Canada, end of year	(8,966)	(13,404)
Payable to Government of Canada, end of year	\$ 583	\$ 2,994

## 6. INVENTORIES

	2020	2019
<b>Inventories held for consumption</b>		
Fuel inventory	\$ 3,438	\$ 10,649
Vessel spare parts - ship based	5,088	4,451
Vessel spare parts - shore based	3,459	3,348
	11,985	18,448
<b>Inventories held for resale</b>		
Catering inventory	325	327
Total inventories	\$ 12,310	\$ 18,775

For the year ended March 31, 2020 inventories expensed during the year amounted to \$32,373 (2019 - \$35,323). During the year, the Corporation has written down \$1,783 (2019 - \$638) of inventory.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accounts payable	\$ 11,576	\$ 19,232
Accrued liabilities	3,859	3,283
Wages and benefits payable	8,088	6,158
Government remittances payable (payroll withholdings)	1,434	1,485
Accounts payable and accrued liabilities	\$ 24,957	\$ 30,158

Amounts due to other government organizations of \$230 (2019 - \$202) are payable on demand and are non-interest bearing.

## 8. ACCRUED PENSION ASSET (LIABILITY)

The Corporation's independent actuary measures the pension obligations and the value of the plan's assets for accounting purposes as at the measurement date (December 31, 2019 for the year ended March 31, 2020, and December 31, 2018 for the year ended March 31, 2019), however an adjustment was made to reflect significant market changes between January to March 2020. The most recent actuarial valuation for funding purposes was completed in 2018 and is as of December 31, 2017.

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

	2020	2019
<b>Accrued benefit obligation</b>		
Balance, beginning of year	\$ 685,627	\$ 698,979
Current service cost	7,258	7,879
Employee contributions	7,540	7,535
Interest costs	27,463	26,434
Benefits paid	(36,192)	(35,929)
Actuarial loss (gain)	10,826	(19,271)
Balance, end of year	\$ 702,522	\$ 685,627
<b>Market-related value of plan assets</b>		
Balance, beginning of year	\$ 848,551	\$ 834,946
Return on plan assets	37,321	33,357
Employer contributions	8,194	8,642
Employee contributions	7,540	7,535
Benefits paid	(36,192)	(35,929)
Balance, end of year	\$ 865,414	\$ 848,551

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

	2020		2019	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	\$ 865,414	\$ -	\$ 848,551	\$ -
Pension obligations (actuarial value)	698,812	3,709	682,348	3,279
Surplus (deficit) end of year	166,602	(3,709)	166,203	(3,279)
Unamortized net actuarial (gains) losses	(22,913)	844	(34,301)	517
Employer contributions during year for measurement date to March 31	1,963	36	2,009	39
Accrued pension asset (liability)	\$ 145,652	\$ (2,829)	\$ 133,911	\$ (2,723)

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

	2020		2019	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	\$ 7,992	\$ 156	\$ 8,356	\$ 156
Employee	7,540	-	7,535	-
Total Contributions	\$ 15,532	\$ 156	\$ 15,891	\$ 156
Benefits paid	\$ 36,036	\$ 156	\$ 35,773	\$ 156

The pension costs are comprised of the following:

	2020		2019	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Determination of pension costs for the year are calculated as:				
Current period benefit cost	\$ 14,681	\$ 117	\$ 15,266	\$ 149
Amortization of net actuarial losses	(2,047)	71	(30)	74
Employee contributions	(7,540)	-	(7,535)	-
Retirement benefit expense	5,094	188	7,701	223
Interest on pension obligations	27,392	71	26,362	72
Expected return on plan assets	(36,234)	-	(33,581)	-
Retirement benefit (revenue) expense	(8,842)	71	(7,219)	72
Pension costs (revenue)	\$ (3,748)	\$ 259	\$ 482	\$ 295

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

Employer pension contributions are made in accordance with the actuarial valuations for funding purposes. The registered pension plan assets are invested in debt securities, equity securities and buy-in annuities. The asset mix at March 31, 2020, was 22% in debt securities, 21% in equity securities, and 47% in annuities (2019 – 25%, 20%, and 50% respectively).

The market value of plan assets is \$455,134 (2019 - \$425,589); in addition, the actuarially determined value of the buy-in annuities is \$402,988 (2019 - \$420,007). The actual gain on the market value of plan assets was \$20,377 or 4.8% (2019 – loss of \$6,313 or 1.5%) and the actual return on the market-related value of plan assets was \$37,321 or 4.4% (2019 - \$33,357 or 4%).

Gains and losses incurred are as follows: gain on market-related value of plan assets \$1,323 (2019 - \$14,810); actuarial loss on registered plan accrued benefit obligation \$10,428 (2019 – gain of \$19,306); actuarial loss on supplementary arrangements accrued benefit obligation \$399 (2019 – loss of \$35).

The significant assumptions are:

	2020	2019
<b>Pension obligations</b>		
Discount rate – registered plan	5.00%	5.40%
Discount rate – supplementary arrangements	1.75%	2.15%
Rate of compensation increase	3.50%	3.50%
Inflation rate	2.00%	2.00%
<b>Pension costs</b>		
Discount rate – registered plan	5.40%	5.30%
Discount rate – supplementary arrangements	2.15%	2.20%
Expected return on assets	5.40%	5.30%
Rate of compensation increase	3.50%	3.50%
Inflation rate	2.00%	2.00%

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

The Corporation provides life insurance and health and dental care benefits to retirees. The present value of this unfunded benefit plan for current and future retirees is determined by the Corporation's independent actuary on the basis of management assumptions. An actuarial valuation was conducted as of December 31, 2019 for the year ended March 31, 2020 and December 31, 2016 for the year ended March 31, 2019. The statement of operations includes a charge of \$1,692 (2019 - \$2,127) for non-pension post-retirement benefits for the cost of these benefits during the period.

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

	2020	2019
Obligation for non-pension post-retirement benefits (actuarial value)	\$ (37,978)	\$ (40,337)
Unamortized net actuarial (gain)	(13,277)	(9,658)
Employer contributions during the year from measurement date to March 31	163	85
Accrued benefit liability for non-pension post-retirement benefits	\$ (51,092)	\$ (49,910)

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

	2020	2019
Employer contributions	\$ 510	\$ 446
Benefits paid	\$ 510	\$ 446

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

	2020	2019
Determination of non-pension post-retirement benefit cost for the year are calculated as:		
Current period benefit cost	\$ 1,888	\$ 2,007
Interest on obligations	900	937
Amortization of net actuarial (gains)	(1,096)	(817)
Non-pension post-retirement benefit costs	\$ 1,692	\$ 2,127

The significant assumptions are:

	2020	2019
<b>Non-pension post-retirement benefits obligations</b>		
Discount rate	1.75%	2.15%
Rate of compensation increase	3.50%	3.50%
Initial weighted-average health care trend rate	4.90%	4.90%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040
Inflation rate	2.00%	2.00%
<b>Non-pension post-retirement benefits costs</b>		
Discount rate	2.15%	2.20%
Rate of compensation increase	3.50%	3.50%
Initial weighted-average health care trend rate	4.90%	5.60%
Ultimate weighted-average health care trend rate	4.00%	4.50%
Year ultimate rate reached	2040	2032
Inflation rate	2.00%	2.00%

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

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

The actuarially determined liability consists of an obligation for known awarded disability and survivor pensions, an obligation for all other potential future awards for past claims and other costs consisting of temporary compensation, health care expenses, rehabilitation costs and related administration costs charged by the various provincial commissions/board. These amounts are presented on a net present value basis taking into account inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred. The most recent actuarial valuation for accounting purposes for workers' compensation benefits was conducted as of December 31, 2017 and extrapolated to the measurement dates of December 31, 2019. The most recent actuarial valuation for accounting purposes for other post-employment benefits was conducted as of December 31, 2019.

The statement of operations includes a charge of \$2,313 (2019 - \$1,905) for post-employment benefit costs.

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

	2020	2019
Obligation for post-employment benefits (actuarial value)	\$ (15,775)	\$ (15,551)
Unamortized net actuarial losses	3,798	3,510
Employer contributions during the year from measurement date to March 31	312	700
Accrued benefit liability for post-employment benefits	\$ (11,665)	\$ (11,341)

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

	2020	2019
Benefits paid	\$ 1,989	\$ 1,946

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

	2020	2019
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	\$ 1,400	\$ 1,181
Interest on obligations	344	320
Amortization of net actuarial losses	569	404
Post-employment benefit costs	\$ 2,313	\$ 1,905

The significant assumptions are:

	2020	2019
<b>Post-employment benefits obligations</b>		
Discount rate	1.75%	2.15%
Increase in average industrial wage	2.75%	3.00%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	4.00%
<b>Post-employment benefits costs</b>		
Discount rate	1.75%	2.20%
Increase in average industrial wage	2.75%	3.00%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	5.00%

For the year ended March 31, 2020, the Corporation paid \$595 (2019 - \$495) in premiums to the Workers' Compensation Board of Nova Scotia which are included in wages and benefits in the statement of operations. These premiums represent the workers' compensation costs for Nova Scotia employees given that the Corporation is on an assessment basis.

## 11. TANGIBLE CAPITAL ASSETS

<b>Cost 2020</b>					
	<b>Opening Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Closing Balance</b>
Vessel	\$ 408,017	\$ 5,775	\$ 8,458	\$ -	\$ 422,250
Shore facilities	219,974	517	16,485	(570)	236,406
Leasehold improvements	37,043	6,290	1,824	-	45,157
Equipment	49,157	2,612	21,645	(27)	73,387
Work in progress	62,347	34,882	(48,412)	-	48,817
	<b>\$ 776,538</b>	<b>\$ 50,076</b>	<b>\$ -</b>	<b>\$ (597)</b>	<b>\$ 826,017</b>

<b>Accumulated Amortization 2020</b>				
	<b>Opening Balance</b>	<b>Amortization Expense</b>	<b>Disposals</b>	<b>Closing Balance</b>
Vessel	\$ 205,805	\$ 31,709	\$ -	\$ 237,514
Shore facilities	84,900	10,558	(328)	95,130
Leasehold improvements	36,588	3,137	-	39,725
Equipment	27,657	6,621	(23)	34,255
Work in progress	-	-	-	-
	<b>\$ 354,950</b>	<b>\$ 52,025</b>	<b>\$ (351)</b>	<b>\$ (406,624)</b>

<b>Cost 2019</b>					
	<b>Opening Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Closing Balance</b>
Vessel	\$ 390,146	\$ 4,659	\$ 13,504	\$ (292)	\$ 408,017
Shore facilities	192,438	5,464	24,480	(2,408)	219,974
Leasehold improvements	35,036	347	1,660	-	37,043
Equipment	37,047	62	12,428	(380)	49,157
Work in progress	75,260	39,159	(52,072)	-	62,347
	<b>\$ 729,927</b>	<b>\$ 49,691</b>	<b>\$ -</b>	<b>\$ (3,080)</b>	<b>\$ 776,538</b>

**Accumulated Amortization 2019**

	<b>Beginning Balance</b>	<b>Amortization Expense</b>	<b>Disposals</b>	<b>Ending Balance</b>
Vessels	\$ 177,112	\$ 28,926	\$ (233)	\$ 205,805
Shore facilities	76,644	9,492	(1,236)	84,900
Leasehold improvements	31,256	5,332	-	36,588
Equipment	21,736	6,283	(362)	27,657
	<b>\$ 306,748</b>	<b>\$ 50,033</b>	<b>\$ (1,831)</b>	<b>\$ 354,950</b>

	<b>Net Book Value 2020</b>	<b>Net Book Value 2019</b>
Vessel	\$ 184,736	\$ 202,212
Shore facilities	141,276	135,074
Leasehold improvements	5,432	455
Equipment	39,132	21,500
Work in progress	48,817	62,347
	<b>\$ 419,393</b>	<b>\$ 421,588</b>

## 12. FINANCIAL INSTRUMENTS

### a) Classification of financial instruments

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

	2020		2019	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
<b>Financial assets</b>				
Cash	\$ -	\$ 11,202	\$ -	\$ 13,613
Accounts receivable	-	6,712	-	7,390
Derivative financial instruments	11	-	2,514	-
	\$ 11	\$ 17,914	\$ 2,514	\$ 21,003
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities other than government remittances payable	\$ -	\$ 23,523	\$ -	\$ 28,673
Derivative financial instruments	9,801	-	693	-
	\$ 9,801	\$ 23,523	\$ 693	\$ 28,673

### b) Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment. Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The methods used to establish the fair values of the Corporation's derivative financial assets and derivative financial liabilities at March 31, 2020, which are all classified as level 2, are based on quoted prices for similar assets or liabilities or modeled using inputs that are observable. The fair value of the derivative financial instruments is estimated at the discounted unrealized gain or loss calculated based on market prices at March 31, which generally reflects the estimated amount that the Corporation would receive or pay to terminate the contracts at the financial statement date. The Corporation utilizes information provided by Canadian chartered banks to assist in determining the fair value of the derivative financial instruments.

### c) Derivatives

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

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

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

	2020			2019	
	Period (Note 1)	Fixed Price per Unit (Note 2)	Notional Quantity (Note 2)	Fair value	Fair value
Crude swap - #2 heating oil	2020	-	-	\$ -	\$ 2,059
Crude swap - #2 heating oil	2021	-	-	-	455
				\$ -	\$ 2,514

Note 1 - These financial instruments have a monthly settlement schedule

Note 2 - Quantities are based on gallons; prices are per US gallon

	2020			2019	
	Period (Note 1)	Forward Rate CAD/ EURO	Notional Quantity (Euros)	Fair value	Fair value
Foreign exchange forwards	2021	-	2,475	\$ 11	\$ -
				\$ 11	\$ -

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

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

	2020			2019	
	Period (Note 1)	Fixed Price per Unit (Note 2)	Notional Quantity (Note 3)	Fair Value	Fair Value
Crude swap - #2 heating oil	2020	-	-	-	(375)
Crude swap - #2 heating oil	2021	1.346-2.7918	6,762	(6,338)	(121)
Crude swap - #2 heating oil	2022	1.8499-2.7576	4,368	(2,990)	(136)
Crude swap - #2 heating oil	2023	1.958-2.4480	1,974	(472)	-
				\$ (9,800)	\$ (632)

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

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

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

	2020			2019	
	Period (Note 1)	Forward Rate CAD/EURO	Notional Quantity (Euros)	Fair value	Fair value
Foreign exchange forwards	2020	-	-	\$ -	\$ (61)
Foreign exchange forwards	2021	1.562	413	(1)	-
				\$ (1)	\$ (61)

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

### 13. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

#### **(a) Credit risk**

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

##### **Cash**

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

At March 31, 2020, the German bank holds a baseline credit assessment of ba2, a guaranteed long-term rating of Baa2, and an unguaranteed short-term rating of P-2 from Moody's.

##### **Accounts receivable**

The Corporation's total accounts receivable is \$6,712 as at March 31, 2020 (2019 - \$7,390) and consists of trade receivables of \$4,333 (2019 - \$4,263) and other accounts receivable of \$2,379 (2019 - \$3,127 of which \$602 (2019 - NIL) is recoverable insurance claims.

Trade accounts receivable are incurred in the normal course of business and are due on demand. The Corporation provides services to numerous customers. However, six customers represent 57% of the trade receivables (2019 - five customers represented 52% of the trade receivables). The Corporation does not consider there to be any significant credit risk associated with accounts receivable.

As at March 31, 2020, approximately 1.2% (2019 – 0.7%) of trade accounts receivables were over 30 days past due, whereas 98.8% (2019 – 99.3%) were current, or less than 30 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation’s allowance for doubtful accounts was \$46 at March 31, 2020 (2019 - \$41). The allowance for doubtful accounts is based on an account by account analysis that considers the aging of the account and the current creditworthiness of the customer.

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

	<b>2020</b>	<b>2019</b>
Current	\$ 3,649	\$ 3,892
1-30 days past due	676	381
31-120 days past due	(3)	5
121 days past due	57	26
	4,379	4,304
Less: Allowance for doubtful accounts	(46)	(41)
Trade accounts receivable, net	\$ 4,333	\$ 4,263

## **Derivatives**

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

### **(b) Market risk**

#### **(i) Currency risk**

Currency risk arises due to fluctuations in foreign currency rates. The Corporation uses derivatives (foreign exchange forwards) to manage this risk. The Corporation makes monthly lease payments for the charter of the MV *Atlantic Vision* in the amount of 825 Euros. To minimize this risk, the Corporation purchased forward contracts for 50% of the amount of the monthly lease payments. The Corporation has reduced exposure to currency risk given that these lease payments have been partially hedged. A fluctuation of 5% in foreign currency rates would not have a significant impact on the financial statements.

#### **(ii) Interest rate risk**

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

**(iii) Commodity fuel price risk**

In order to manage the risk associated with increased fuel price variation, the Corporation enters into crude oil derivative contracts (swaps) with financial intermediaries. The objectives of the Corporation's fuel hedging policy are to stabilize fuel budget variances and the fuel surcharges charged to customers. A 10% increase in the market price of derivatives for the year ended March 31, 2020 would decrease crude oil derivative liabilities by \$2,296, while a 10% decrease in the market price of crude oil derivatives for the year ended March 31, 2020 would increase derivative liabilities by \$2,196. There are no crude oil assets at March 31, 2020.

**(c) Liquidity risk**

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

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

The Corporation's bank has provided an irrevocable letter of credit on the Corporation's behalf in favour of the Workplace Health, Safety and Compensation Commission of New Brunswick to guarantee payment of future liabilities in the amount of \$4,200 (2019 - \$4,200) for an indefinite period. The Corporation receives approval from the Minister of Finance on an annual basis to enter into the letter of credit.

The carrying amount of accounts payable and accrued liabilities other than government remittances payable and derivative financial liabilities represents the Corporation's exposure to liquidity risk. The Corporation's carrying value of accounts payable and accrued liabilities other than government remittances was \$23,523 (2019 - \$28,673). The carrying value of accounts payable as at March 31, 2020 was \$11,576 (2019 - \$19,232) and are all due within 60 days. The Corporation's accrued liabilities had a carrying value of \$11,947 as at March 31, 2020 (2019 - \$9,441).

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

	2020				
	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	\$ 23,523	-	-	-	\$ 23,523
Derivative financial liabilities	\$ 836	2,977	2,527	3,461	\$ 9,801

	2019				
	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	\$ 28,673	-	-	-	\$ 28,673
Derivative financial liabilities	\$ 16	276	143	258	\$ 693

#### 14. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2020	2019
Accumulated operating surplus	\$504,865	\$502,595
Accumulated remeasurement gains	(8,364)	2,976
Accumulated surplus	\$496,501	\$505,571

Accumulated operating surplus includes share capital in the amount of \$258,530 (2019 - \$258,530). The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no-par value. As at March 31, 2020, 517,061,000 shares (2019 - 517,061,000 shares) at \$0.50 per share (2019 - \$0.50 per share) have been issued and fully paid.

#### 15. FLEET RENEWAL COSTS

In July 2019, the Corporation formally moved forward with an open competitive process for the procurement of a new vessel for its fleet. The funding commitment announced by the Government of Canada in Budget 2019 has enabled the organization to begin this process. The planned new vessel will be a ro-pax design with the ability to carry commercial freight and offer passenger amenities. The new vessel is expected to enter service in fiscal year 2023-2024. The breakdown of the fleet renewal costs is as follows: \$1,695 for professional services, \$30 for travel and hospitality, \$2 for repairs and maintenance and supplies.

#### 16. RELATED PARTY TRANSACTIONS

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

The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties. During the year, the Corporation incurred expenses of \$1,486 (2019 - \$1,697) with other related parties, which include the accounts payable as described in note 7. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 5. The Corporation is given the right to use the Crown land on which the terminals sit free of charge by Transport Canada. No amount is recorded since the fair value related to the use of these lands received free of charge is not reliably measurable.

#### 17. CONTRACTUAL OBLIGATIONS

(a) The total amount required to complete contracted major capital work in progress at March 31, 2020 is \$2,228 (2019 - \$6,271).

	Capital	Operating	Total
2020-21	\$ 2,099	\$ 129	\$ 2,228
	\$ 2,099	\$ 129	\$ 2,228

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

<b>Year</b>	<b>Charter</b>	<b>Other</b>	<b>Total</b>
2020/2021	\$ 10,693	\$ 426	\$ 11,119
2021/2022	-	183	183
2022/2023	-	10	10
2023/2024	-	1	1
	\$ 10,693	\$ 620	\$ 11,313

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

## 18. CONTINGENT LIABILITIES

In connection with its operations, the Corporation is the claimant or defendant or otherwise involved in pending claims and lawsuits. At March 31, 2020, the Corporation is in receipt of claims estimated at \$5 (2019 - \$0) where the occurrence of the confirming future event is considered likely and this amount has been accrued in the financial statements. There are additional claims estimated at \$50 (2019 - \$50) where the occurrence of the confirming future event is not determinable, and this amount has not been accrued. These estimates are derived based on management's judgment and maximum exposures which are limited due to insurance deductibles which are in place.

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

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

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

## 19. CONTINGENT ASSETS

The Corporation has two appeal proceedings before the Tax Court of Canada arising under the *Excise Tax Act* in regard to input tax credits (ITCs) claimed during the audit period of January 2006 to January 2012. The Corporation has determined that it is likely to receive \$6,600 (2019 - \$6,600) in net ITCs for that period and another \$3,583 in ITCs for the post-audit period to March 31, 2020 (2019 - \$3,543).

## **20. BUDGETED FIGURES**



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

## **21. SUBSEQUENT EVENTS**



On March 11, 2020, the World Health Organization officially declared the coronavirus outbreak (COVID-19) a pandemic. Marine Atlantic has been and will continue to be affected by the pandemic. As of March 31, 2020, the Corporation has seen a decline in the value of fuel and derivatives as a result of fluctuations in the financial markets. Other future possible effects could include a continued disruption to the Corporation's customers and revenues and a reduction in the workforce. The extent to which COVID-19 impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence; however, it may result in a negative impact on the Corporation's financial position, operations and cash flows. An estimate of this financial impact cannot be made at this time.

Also subsequent to the date of the financial statements, Marine Atlantic exercised its option under the amendment to the charter agreement for the MV *Atlantic Vision*, to extend the lease for an additional two years, to November 14, 2022.