MARINE ATLANTIC INC

2020/21 –2024/25 Corporate Plan Summary

Updated – with Addendum Summary

May 10, 2021

Executive summary

Note to Reader: MAI's original Corporate Plan was written and submitted to TC in early summer 2020, at the beginning of the pandemic; an updated addendum was added and submitted to the Shareholder in January of 2021, prior to its submission for approval. That addendum can be found in Appendix K.

In May of 2020, the Government of Canada allocated $187.1M in funding for Marine Atlantic (MAI). This funding includes 2 full years of operational funding for 2020/21 and 2021/22, plus some capital in 2022/23 to complete the Port aux Basques Office Administration building.

This funding amount presents significant challenges to MAI, as it falls $15.8M short of the requested funding for the current year, and $16.8M short of the requested funding for 2021/22.

The shortfall in funding, coupled with the impacts of the Covid-19 pandemic on MAI's operations, has put MAI in a difficult position. With the decrease in traffic levels due to the pandemic and the resulting decline in revenues, MAI has had to make some very difficult decisions to live within the budget allotment, including temporarily laying off over 40% of its workforce and cancelling the popular Argentia route for this year. And while the financial analysis included in this Corporate Plan (CP) indicates that MAI is able to meet its obligations in 2020/21 within the funding allotted, there is an estimated $20M shortfall in funding forecasted for 2021/22. To offset this, MAI has asked the Shareholder for incremental funding of $20M for fiscal 2021/22. This plan outlines the details of all of the actions taken by the Corporation to try to live within its funding envelope, and provides the rationale for the incremental funding. While MAI recognizes that the CP is not the mechanism by which incremental funding would be approved, it would be remiss to present a plan that is not achievable under the current funding levels. Further, MAI feels it is important for the Shareholder to understand the dire situation the Company is facing in the second year of the planning period.

Much of this plan will focus on the impacts of Covid-19 on MAI's operations, and the contingencies that the Corporation has put in place to manage through the pandemic. While the safety of MAI's employees and customers has been at the forefront of every decision, it must be noted that MAI provides an essential service to the province of Newfoundland and Labrador that must be maintained. From fresh fruit and vegetables to essential medical supplies, MAI provides a lifeline service to the province, and the Corporation has to ensure that that lifeline service continues.

The Corporation's strategy map has been updated to reflect the areas of focus for the next several years, and the strategic initiatives have been modified to reflect the company's current reality. The strategic priorities of the organization for the upcoming planning period are:

1. Fleet renewal: Budget 2019 included the necessary funds for the new vessel procurement project. This project will continue as originally planned throughout the planning period, although with some modifications to the process to accommodate the restrictions put in place to prevent the spread of Covid-19.
2. Diversity and Inclusion: MAI developed its Diversity and Inclusion plan in 2019/20, and will continue with the implementation of the plan, again with some modifications for Covid-19.
3. Infrastructure renewal: The PAB Office Administration Building project has now been funded by the Shareholder. MAI is seeking approval to proceed with the project as part of this CP submission.

4. Business Process Renewal (BPR): The BPR project is still one of MAI's key strategic initiatives. However, the shortfall in funding, along with impacts of the pandemic, have forced the organization to revisit its current project delivery plan and to defer some of the new modules to later years.

5. Health and Safety: While the PAB Harbour Development project has not been approved, MAI continues to complete the groundwork necessary to adequately size the project and assess its impacts on both the environment and the service. Ideally, MAI would like to ensure that this project is shovel-ready should funding be approved.

The most significant risks currently faced by the Corporation are as follows:

1. Impacts of Covid-19 on traffic levels, travel patterns, operational changes: Like all entities, MAI is facing a significant number of unknowns over the next 6 – 18 months. Historical behaviour has little benefit when it comes to forecasting in the middle of a pandemic, and future impacts on operations are almost impossible to predict. As such, MAI's traffic levels and shorter-term operating requirements are difficult to forecast, which increases both the financial and operational risk to the organization.
2. Funding shortfall: As noted previously, the funding allocated to MAI for 2020/21 and 2021/22 falls short of the amounts requested. Since extraordinary measures had already been taken to address the decrease in traffic levels and revenues as a result of Covid-19, finding another $20M in savings to live within the budget allocation in Fiscal 2021/22 is very challenging.
3. Long-term funding: As noted in the OAG's Special Examinations in both 2009 and 2018, the lack of certainty around long term funding makes strategic planning very difficult. While MAI has built a strategic plan to drive both innovation and efficiency in the organization, the uncertainty regarding the amount of funds available from funding period to funding period makes long-term planning very challenging. MAI can only focus on short term operational planning, making projects or initiatives that span longer than a 2-3-year period very difficult to get approved.
4. Overall Cost Recovery: Given the reduction in revenues due to Covid-19, it is very unlikely that MAI will be able to meet the Shareholder's cost recovery targets for 2020/21 or 2021/22, despite careful and stringent expense management.
5. Affordability of service: There has been an increasing concern expressed over the past year, in both social and regular media channels, regarding the affordability of MAI's service. While MAI has frozen rates on Passenger and Passenger Related Vehicle (PRV) traffic on the constitutionally mandated route for the past several years, and for the first two years of this plan, it has continued to increase rates on its CRV traffic. These increases result in more downward pressure on traffic levels, which in turn puts pressure on MAI's ability to meet its cost recovery targets.
6. Non-constitutional cost recovery: In 2015, Transport Canada (TC) shared its expectation that MAI would have to meet 100% cost recovery on its non-constitutional services – including Onboard Services, the Drop Trailer Management fee, and the Argentia service – by 2018/19. Meeting this target for the Argentia service is not achievable using the currently established all-in cost recovery formula. While MAI can take some steps to improve its cost recovery results on that service, the actions required - such as significant rate increases or deep expense cuts - to reach the 100% target puts the service at risk.

Covid-19 has had a significant impact on MAI and its operations. It is important to note that all of the assumptions in this plan are based on the best information available at the time of writing; however, there are many unknowns regarding how and at what pace things will return to relatively normal operations.

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Corporate Overview

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

Marine Atlantic was created on June 27, 1986 as a parent Crown Corporation through the *Marine Atlantic Inc. Acquisition Authorization Act*. As a Crown Corporation, Marine Atlantic is regulated under Part X of the *Financial Administration Act*. As per the Order in Council of March 12, 1987 (P.C. 1987-463), the Bilateral Agreement between Her Majesty the Queen and Marine Atlantic established the relationship between the Parties under which subsidiary operating and capital agreements relating to the operation of specific ferry and coastal services in Atlantic Canada may be executed.

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

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

Vision Statement

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

Mission Statement

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

Corporate Values

SAFETY

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

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

Operating Environment

In March of 2019, MAI's Board of Directors held a facilitated strategic planning session and developed the following SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis. Some of these factors are addressed in more detail in the discussion that follows.

STRENGTHS

1. Dedicated and committed Board, Senior Management and employees
2. Organizational focus on employees
3. Ability to service diverse customer base and needs
4. Strong knowledge of our business
5. Infrastructure
6. Fleet
7. Long-standing relationship with Shareholder
8. Focus on Safety and Health

WEAKNESSES

1. Ability to plan and execute limited by funding timelines
2. Organizational structure/management resources
3. Recruitment/retention, professional development, and succession planning
4. Diversity and inclusion
5. Change management
6. High rates
7. Extent and complexity of unionization
8. Managing the business remotely – distance from operations in time and geography

OPPORTUNITIES

1. Embrace innovation
2. Complete PAB Harbour improvements
3. Embrace diversity and inclusion
4. Renew shareholder relations
5. Increase customer market share

THREATS

1. Change in policy direction
2. Economic downturn
3. Environmental impacts/threats (climate change)
4. Changing regulations (national and international)
5. Funding levels
6. Competitive alternatives
7. Talent recruitment/management

Internal Environment

Workforce

Marine Atlantic employs approximately 1300 individuals (approximately 1100 full time equivalent employees), over 90% of whom are unionized across six bargaining units. Relationships with all unions are professional and productive. At the time of writing, approximately 46% of MAI's employees have been temporarily laid off, or not rehired for the summer season, as a result of Covid-19.

Collective Bargaining

MAI's six collective agreements all expired on December 31st, 2019. Preparation for negotiations with all bargaining units began early in 2019 and are continuing at present. While it is difficult to predict key issues at any bargaining session, it is expected that wages will be an issue common to all bargaining units. Given the complexity of collective agreements, negotiations will likely take between 12 and 18 months to complete. If an agreement cannot be negotiated, then the terms will be settled through arbitration. The collective bargaining process has currently been delayed to the fall of 2020 due to the pandemic; however, decisions taken due to Covid-19 – lay-offs, shore leave restrictions, etc. – will likely make this round of negotiations more contentious than previously expected.

Recruitment and Retention

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

Technological Changes

MAI continues to seek out technology advances to find safer, more efficient ways to operate. In fact, 'Innovation' has been identified as a key strategic objective for the upcoming planning period.

Currently, MAI is focused on a full upgrade of its information systems, the first release of which was completed in July 2019. The Business Process Renewal (BPR) project will continue throughout the planning period, although work on new modules has been impacted by the decrease in funding available. While this project initially focussed on the implementation of a corporate-wide Enterprise Resource Planning (ERP) platform, it is evolving to include other initiatives and technologies that will help drive efficiencies. The governance model and project structure that was established for the ERP phase of the project will be kept in place, but the focus of the BPR project has been expanded to include initiatives beyond ERP. For example, MAI is monitoring other technology advances such as electric vehicles to identify and prepare for the potential impact on operations.

External Environment

Environment

MAI operates in the Gulf of St. Lawrence, a very harsh environment, prone to extreme wind, waves, and ice. Climate change has led to more frequent, longer, and more violent weather events, resulting in increased cancellations. This necessitates a fleet of vessels with the capacity to quickly and efficiently clear up the significant backlog of cargo and passengers that results. Furthermore, the configuration of the Port aux Basques (PAB) Harbour limits MAI's ability to operate in certain weather conditions, adding to the number of cancelled trips.

MAI's route also coincides with the migration path of the North Atlantic Right Whale, one of the species identified as most endangered of all large whales. MAI continues to comply with all restrictions that apply to vessels operating in the Gulf of St. Lawrence. MAI is also actively engaging with its counterparts at TC to ensure that collectively all appropriate measures are identified and implemented to preserve this whale species.

Regulatory

Annex VI to the International Convention for the Prevention of Pollution from Ships (the MARPOL Convention) established new regulations regarding the airborne emissions from ships. As Marine Atlantic operates in a Sulphur Emissions Control Area (SECA), the Corporation has completed the necessary changes to its vessels to operate solely on diesel fuel in order to meet the requirements set out by the convention.

Alternative Providers

There are two primary alternatives to the service that MAI offers. For passengers, the airlines offer regular flights to and from the island and are often viewed as more reasonably priced than MAI's service. Increasing airfare discounts and new entrants in the airline market have increased the choices for consumers. However, the total number of passengers travelling to and from St. John's International airport was down by 3.9% in 2019 compared to the previous year. While part of this decline has been attributed to a reduction in direct flights from St. John's to Europe, overall seat capacity at the airport was down by 8% year over year.

Commercially, MAI supports the road transportation network, of which Oceanex can be viewed as the closest alternative service provider. Oceanex transports approximately 35-40% of the goods to the Island. MAI's advantage is that it offers daily service, which aligns well with the needs of retailers across the province.

Legal Environment

In 2018, MAI received a favorable ruling in the judicial review initiated by Oceanex, which challenged the rates established by MAI and what Oceanex considered as unfair subsidization. Oceanex appealed the ruling received in February 2018 concerning its challenge to Marine Atlantic's rates. That appeal was dismissed in October 2019 by the Federal Court of Appeal.

Economic Environment

The economy of Newfoundland and Labrador is heavily dependent on the natural resource sector and the major projects that go along with developing those resources. While the earlier outlooks for the province's economy were not positive, the impact of Covid-19 on the economy has been significant.

The following information is cited from "The Conference Board of Canada. *Provincial Outlook Newfoundland and Labrador—June 2020".*

- *The COVID-19 pandemic and the fall in oil prices will lead to a 4.1 per cent decline in Newfoundland and Labrador's economy this year.*

- *Employment is forecast to decline by 2.6 per cent in 2020, marking the fifth time in the last seven years that the number of jobs has fallen. The province's unemployment rate is expected to rise to an average of 12.3 per cent this year.*
- *Weak income gains and deep employment losses will hurt consumer confidence in 2020, lowering consumer demand.*
- *An expected rebound next year will push real GDP up by 5.6 per cent.*
- *Over the medium term, growth in Newfoundland and Labrador's economy will be modest, at an annual average of 1.4 per cent.*

The key economic indicators for the province are highlighted below.

Key economic indicators
(percentage change)

	2019	2020	2021
Real GDP	1.9	–4.4	5.7
Consumer price index	1.0	0.4	2.5
Household disposable income	4.0	2.6	0.2
Employment	0.7	–6.5	2.7
Unemployment rate (level)	11.9	15.3	12.3
Retail sales	–0.3	–1.5	4.5
Wages and salaries per employee	4.5	1.6	1.0
Population	–0.7	–0.9	–0.9

Shaded area represents forecast data.
Sources: The Conference Board of Canada; Statistics Canada.

While the impacts of the pandemic are difficult to predict with any degree of certainty, if the restrictions regarding travel, social distancing and limited capacity at businesses remain in place longer than expected, or a second wave of the pandemic leads to these measures being reimplemented at a later date, the economic recovery could take longer than anticipated. Furthermore, if low oil prices persist, delaying new investment in offshore drilling, the medium-term outlook of 1.4% in GDP growth from 2022 to 2024 could be overstated.

Office of the Auditor General (OAG) Special Examinations

In 2017/18, the OAG initiated a Special Examination of Marine Atlantic. The results of this examination were released to the public on February 12, 2019 and tabled in Parliament in May. The Corporation is pleased with the results of this examination, as it demonstrates significant progress since the last special examination that occurred in 2009.

The only significant deficiency noted in the OAG's most recent report relates to the delays in getting MAI's Corporate Plans approved, and the potential impact that this may have on MAI's long-term strategic planning, specifically its long-term fleet strategy. Another deficiency highlighted is the lack of an environmental management plan.

There were, as well, numerous positives noted:

- Overall, MAI 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.

The final report of the OAG's special examination has been posted to MAI's website and can be found at:

https://www.marineatlantic.ca/uploadedFiles/Content/About_Us/Corporate_Information/Marine_Atlantic_Inc._Special_Examination_Report_2018.pdf.

It should be noted that as of the writing of this plan, the Corporation has implemented activities to address all deficiencies identified by the OAG that are within MAI's control. Budget 2019 provided MAI with sufficient funds to implement its fleet strategy, and the Corporation continues to work with the Shareholder to ensure timely approval of its Corporate Plan.

The latest report on the status of MAI's Management Responses to the OAG's recommendations is included in Appendix B. This update is completed quarterly and reported to the Board of Directors.

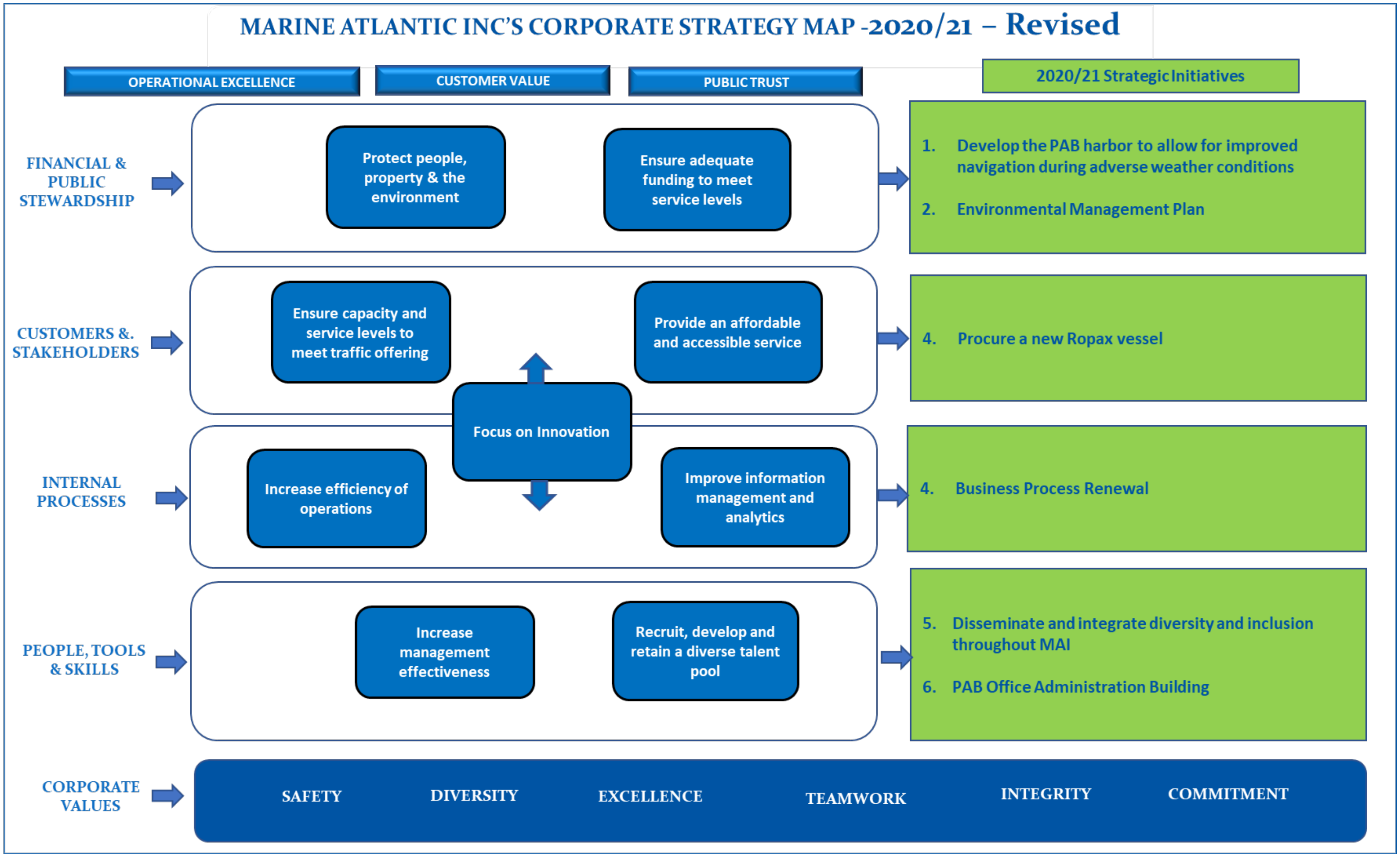
MAI's Strategic Plan

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

The Balanced Scorecard maps a Corporation's strategic objectives to four different components of success - Financial and Public Stewardship, Customers and Stakeholders, Internal Processes, and People, Tools and Skills - all shown on the left side of the map.

Interpreting MAI's strategy map, all activities and objectives are guided by the three strategic pillars noted at the top of the map: Operational Excellence, Customer Value, and Public Trust. Foundational to MAI's success are the Corporation's values, noted at the bottom of the map. Strategic Objectives are developed to support these pillars, which are then mapped to the in-year strategic objectives that the Corporation will focus on for the upcoming planning period.

Guided by the Board's direction and Government's priorities, MAI's Corporate Strategy Map for the 2020/21 planning year is presented below. This strategy map has been adjusted to reflect the impacts of Covid-19 on the organization, as well as the decrease in funding levels.


MARINE ATLANTIC INC'S CORPORATE STRATEGY MAP -2020/21 – Revised
OPERATIONAL EXCELLENCE
CUSTOMER VALUE
PUBLIC TRUST
2020/21 Strategic Initiatives
FINANCIAL & PUBLIC STEWARDSHIP
Protect people, property & the environment
Ensure adequate funding to meet service levels
1. Develop the PAB harbor to allow for improved navigation during adverse weather conditions
2. Environmental Management Plan
CUSTOMERS &. STAKEHOLDERS
Ensure capacity and service levels to meet traffic offering
Provide an affordable and accessible service
4. Procure a new Ropax vessel
Focus on Innovation
INTERNAL PROCESSES
Increase efficiency of operations
Improve information management and analytics
4. Business Process Renewal
PEOPLE, TOOLS & SKILLS
Increase management effectiveness
Recruit, develop and retain a diverse talent pool
5. Disseminate and integrate diversity and inclusion throughout MAI
6. PAB Office Administration Building
CORPORATE VALUES
SAFETY
DIVERSITY
EXCELLENCE
TEAMWORK
INTEGRITY
COMMITMENT

Port aux Basques Harbour Development

Entering and docking at the Port aux Basques harbour is challenging for the size of vessels operated by MAI. The channel entering the harbour is shallow and narrow, making the approach risky. A land mass, Vardy's Island, is in the centre of the harbour and interferes with maneuvering in and out of the harbour. This area is also buffeted regularly with strong winds, which further complicates the docking and undocking of vessels.

The existing navigation channel and turning basin do not meet the current design criteria specified by the World Association for Waterborne Transport Infrastructure (PIANC) and requires advanced vessel maneuvering for access to berths and docking at the MAI terminal in PAB. It also requires a unique vessel configuration, such as extra thrusters, to enable docking. The proposed harbour development project includes options for navigation improvements and the incorporation of PIANC standards, and includes the following five components:

1. Removal of Vardy's Island
2. Partial removal of Baldwin Rock
3. Navigation channel improvements, including dredging of the proposed turning basin and navigation channel
4. Relocation of existing aids to navigation, and
5. Disposal/Re-use of the dredged and excavated materials.

The elimination of Vardy's Island as well as improvements to the channel entering the harbour would increase the operating efficiency of the fleet, while also providing an increased level of safety for passengers and property. In 2018, using the thresholds of sailings cancelled that were less than 35 knots sustained winds speeds, there were 78 cancelled sailings in 2018, or 41% of total cancelled sailings, that can be attributed to the configuration of the harbour and safe entry requirements. That number increased in 2019 to 90 cancelled sailings, 44% of total cancelled sailings.

By making the proposed changes to the harbour, the number of weather-related cancellations can be reduced.

In 2019/20, MAI began to explore the potential costs and operational impacts of making significant changes to the PAB harbour, and an environmental assessment was begun to determine the impacts of removing Vardy's Island.

MAI has also begun discussions with the Province of Newfoundland and Labrador to obtain ownership of the island. It is MAI's intent to take ownership of the island, regardless of whether the harbour development project is approved, as it is currently the site of MAI's navigational equipment and weather stations. Taking ownership of the island will allow MAI to make any improvements that it might need, now or in the future.

As this initiative is in the exploratory phase, MAI is not seeking approval to proceed with the project at this time, but will continue with the assessments required to adequately size and cost the project. The deliverables for this project over the upcoming planning period are outlined in the sidebar. As noted, in 2020/21 MAI will complete all of the due diligence required to identify the impacts and costs of the proposed improvements to the harbour, including public consultations. MAI intends to work with the Shareholder over the upcoming planning period to ensure that sufficient analysis is completed to support this project; once all information requirements have been satisfied, MAI will seek TC's approval and funding for the project. This project has been identified as a potential stimulus activity post pandemic.

IMPLEMENTATION MILESTONES

2020/21

- Complete Environmental Surveys
- Initiate Regulatory Assessments
- Seek Permits and Approvals
- Project Design and Cost Estimating
- Initiate Public Reviews

2021/22

- Finalize Project Design
- Seek BOD Approval
- Secure Funds and Authorities to Proceed
- Post Tender and Award

2022/23 – 2024/25

- Implementation of Project

Environmental Management Plan

In 2019/20, MAI's Executive approved the Corporation's Environmental Management Plan. Foundational to this plan is the development and implementation of MAI's Environmental Management System (EMS). The EMS will incorporate all vessel and shore operations, including those activities conducted by lease holders and contractors.

The implementation of the plan is ongoing, with the following key elements identified:

- Development and Implementation of the EMS Awareness training program to all levels of the organization.
- Implementation and training of terminal-specific oil spill response plans.
- Development of a formal inspection and audit program for EMS, operations, and existing plans.
- Completion of the Annual Management Review to review the Corporation's environmental performance for the year, and to set objectives, targets going forward.

The EMS will ensure continual improvement of MAI environmental performance while working to minimize the environmental impacts of operations, as well as enhancing and highlighting existing programs and plans currently in place. All of the current environmental initiatives and plans have been captured and documented in the EMS.

As a part of the Environmental System, an Environmental Policy has also been developed and adopted by the organization and endorsed by the President and CEO.

MAI has approved annual objectives and targets based on the significant environmental aspects of operations, including fuel management, energy efficiency, waste management, as well as the requirements of the Green Marine Environmental Program.

MAI has set the following objectives and targets for 2020/21:

- Increase environmental reporting by 75%.
- Reduction of waste oil by 5%.
- Reduction of wastewater (grey water) by 5%.
- Improvement of vessel fuel efficiency by 1%.
- Reduce Greenhouse Gases (GHG) from company operated vehicles by 10%.
- Development of formal Energy Performance Plans that have quantifiable objectives and targets for overall reduction in Greenhouse Gas emissions.
- Source and implement an electronic method to report marine mammal sightings for Fisheries and Oceans (DFO) and Marine Mammal Observation Network (MMON).
- Reduce paper usage by 25% by Q4.

These objectives and targets will be reviewed and updated annually, as part of MAI's commitment for continual improvement. As needed, new objectives and targets will be set for the organization.

Long-term Fleet Strategy

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

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

Budget 2019 included funding to secure a new build ferry for the Corporation. This budget decision allows MAI to continue to implement its long-term fleet strategy and positions MAI for longer-term operational stability.

New Vessel Procurement

MAI is now in the process of securing a new RoPax vessel for its fleet. The acronym ROPAX (roll-on/roll-off passenger) describes a RORO vessel built for freight vehicle transport along with passenger accommodation. RoRo refers to a Roll-on/Roll-off vessel, which describes how cargo is loaded and unloaded from the vessel.

During 2019/20, MAI began the procurement process for the vessel. With funding and approvals secured in Budget 2019, MAI released an RFQ in July 2019 to shortlist a group of qualified proponents with whom to proceed to the next phase of the project, the RFP.

The deadline for RFQ submissions was November 13, 2019, and four applicants in total met all of the requirements to be evaluated as a potential proponent. Two of those proponents have successfully moved on to the RFP phase of the project, which was released in Q1 2020/21. The focus of 2020/21 will be on the evaluation of RFP responses, identification of the successful proponent and awarding of the RFP. Once the RFP is awarded, MAI will work with the successful proponent to finalize the design requirements of the vessel specific to MAI's needs, and construction can begin. The time required for construction of the vessel largely depends on where the vessel will be built. MAI has projected 18 months for construction, to ensure that the vessel can be delivered on time.

The high-level project plan highlighting the major milestones of the pr
dependent on who the successful proponent is and where the construct
Once the successful proponent has been identified, MAI will be developing a comprehensive project

IMPLEMENTATION MILESTONES

2020/21

- Evaluation of RFP Responses
- Identification of Successful Proponent

2021/22

- Award RFP
- Finalize Concept Design

2022/23

- Build and Deliver
- Integration and Training of Personnel

2023/24

- Vessel Enters Service

management and risk management plans to ensure timely delivery of the vessel.

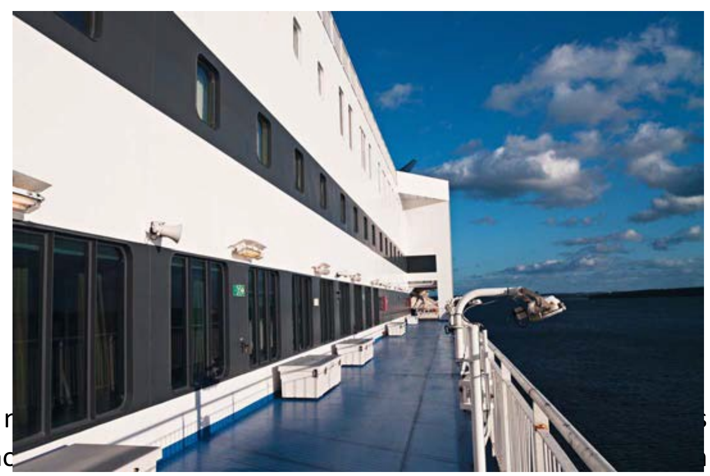
	2019/20				2020/21				2021/22				2022/23				2023/24			
New Vessel Procurement	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Budget Approval/Authority to Proceed																				
RFQ Process																				
Release of RFP																				
RFP Process																				
RFP Submission Deadline																				
Identification of Preferred Proponent																				
Detailed Design																				
Vessel Construction																				
Training/Vessel Configuration																				
Vessel Delivery																				
Vessel In-service																				

The Covid19 pandemic will have some impact on the procurement process. Site visits, for example, will now be completed virtually. MAI is adjusting its process where necessary to accommodate these impacts. Fortunately, there is enough time built into the process to absorb some delays. For example, training and vessel familiarization was originally scheduled over a six-month period. That timeframe has now been reduced to ensure MAI meets the overall vessel delivery date.

Securing a new vessel is a major undertaking for the organization. MAI has availed of several external consultants to help manage this project, including technical, legal, risk and project management expertise. A clear governance model has been put in place to ensure that the project is managed appropriately. Furthermore, all aspects of the RFQ and ongoing RFP process are being overseen by a fairness monitor – an outside consultant whose sole responsibility is to ensure that the process is fair and transparent.

Given that the project will span multiple years, the project plan and schedule is being developed in stages. Currently, the Corporation is focusing heavily on the procurement phase of the project. MAI is committed to a fair, open and transparent procurement process that will result in a quality vessel for the organization and good value for money.

MV *Atlantic Vision*



The MV *Atlantic Vision* is currently under a one-year lease (expires November 2020); MAI has just extended that lease for an additional two years.

For the purposes of this Corporate Plan, MAI has assumed it will continue to lease the MV *Atlantic Vision* or a similar vessel until the end of the planning period. However, over the planning period, MAI will be exploring a r
fleet, with a focus on finding a vessel that is mc
as is feasible. One of the options under consideration is replacing the fourth RoPax vessel in the fleet with

a RoRo vessel, which would be much less expensive to lease and operate than a RoPax. Overall, MAI's goal is to find a long-term fleet solution that will help manage overall operating costs, while still meeting the cost recovery expectations of the Shareholder and still providing a level of service that its customers have come to expect.

MV *Leif Ericson*

Sufficient funding has been provided to the Corporation to complete the MV *Leif Ericson*'s 30-year survey, which will keep the vessel in class until the new vessel is brought into service. The main class survey for the MV *Leif Ericson* must be fully completed by May 31, 2021.

This 30-year class survey is the most extensive survey a vessel will go through. Every space, component, and structure of the vessel is examined for wastage or diminution of original thickness of steel. DNV/GL - the International Association of Classification Societies (IACS) approved class inspection agency - will perform this survey. The survey itself covers 68 items in a pre-defined list. The owner must provide the survey results and be prepared to replace or refit any items that are deemed to be below Class/Statutory Acceptable Limits.

Preparation for this survey began in 2019/20, with the bulk of the work to be completed in 2020/21 and early 2021/22.

Business Process Renewal – Enterprise Resource Planning (ERP)

MAI embarked upon the ERP phase of the Business Process Renewal project to resolve outstanding issues with technology and business processes across the organization. MAI 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.

A number of the critical applications were nearing end of life and required significant investments to upgrade. Moreover, MAI's systems were disconnected, resulting in poor data management, duplication of processes, and organizational silos. In short, MAI lacked an integrated technology platform sufficient to enable innovative transformation.

The ERP project was initiated because of a need to identify more effective processes and solutions and to enable a more integrated work environment. From a technology perspective, the scope of the BPR project started as that typical of any ERP project - targeting the information systems and processes in areas such as Human Resources, Payroll, Finance, Supply Chain, Inventory, Maintenance and Health and Safety. The project is also in strong alignment with the outcomes expected under the 2012 Treasury Board's policy for Enterprise Resource Planning for government departments, specifically the statement that "the implementation of standard ERP systems supporting common business processes will improve the quality, timeliness and reliability of information for decision making, both within departments and government-wide and will serve over time, to reduce inefficiencies, duplication and costs in back office administration."

The project is governed by a number of founding principles:

1. Project success will be measured by organizational transformation.
2. MAI will adjust processes to conform with industry standards.
3. Existing siloed processes will be centralized and consolidated with a defined process owner.
4. Priority will be given to decisions that reduce complexity of processes and technology.
5. The BPR project will establish a scalable platform that not only meets the short to mid-term requirements of the Corporation, but also allows for future innovative growth.

BPR Release 1 commenced in June 2017 and launched across the organization in July 2019. The scope of Release 1 included:

- SAP Jam as the employee intranet portal
- SuccessFactors Employee Central for core human capital management processes
- WorkForce Software for Scheduling, Time & Attendance, and
- SAP S4 for Payroll, Benefits and Finance.

To ensure success, a "hyper care" phase for the project was established - from Go Live (July 26, 2019) to the end of September - and involved numerous resources across the organization who provided one-to-one coaching and on-site training for all employees at all locations.

The hyper care and stabilization phases saw a lower number of systems issues than expected. User acceptance has exceeded expectations; initial feedback across the organization is that the system is well received, and the self-service functions that were deployed with Release 1 have empowered the MAI workforce with more timely access to their information.

Specific benefits and efficiencies from Phase 1 include the following:

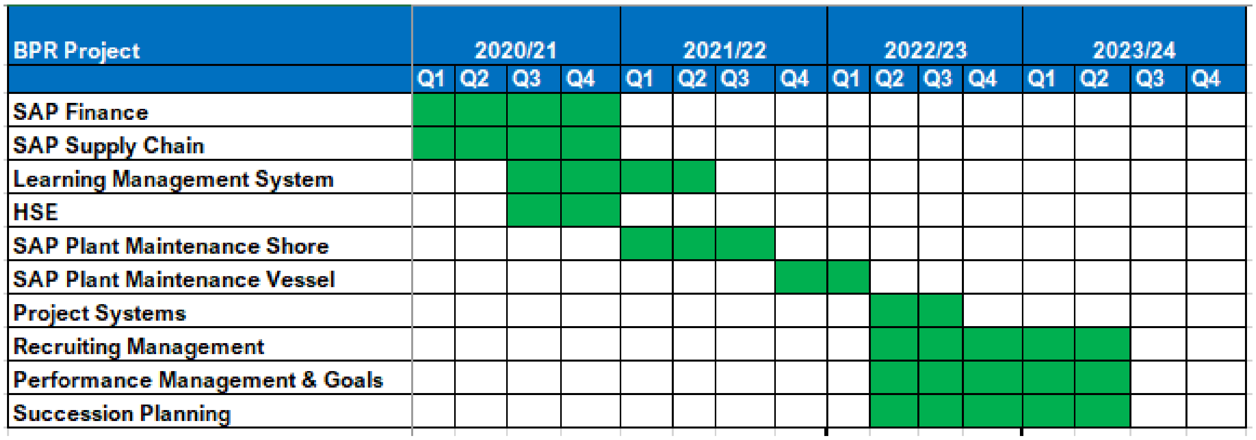
- Elimination of manual/paper-based schedules and paper timesheets
- Automatic selection of employees for call out (per collective agreement policies) and tracking of acceptance/declines, ensuring better information for the purposes of labour relations issues and performance management
- Real time access for employees to payroll and scheduling information
- Transparent processes ensure equity across the employee base
- Automation of travel allowances
- Automation of scheduling related requests – Leaves of Absence, time-off, etc.
- Automated calculation of benefits calculations by employee and agreement
- Automation of rules and policies for collective agreements have been built into scheduling, timekeeping and payroll systems
- 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, and
- Improved reporting capabilities.

Building on the success of Release 1, the project team has started the execution of the next phase of the ERP implementation. The SAP Health, Safety and Environment project kicked off in August 2019 and was targeted for completion by Q1 2020/21. Additionally, the Success Factors Learning Management Project launched in October 2019 and was targeted for completion in Q3 2020/21.

Unfortunately, the combination of reduced revenues due to Covid-19 and funding shortfall has negatively impacted the implementation plan for the next phases of the ERP project. MAI had to drastically reduce its capital program for 2020/21 and transfer its capital funds to operating expense to help offset the reduction in traffic revenues. As a result, the in-year budget for the ERP project has been reduced from $6.0M to $1.9M for 2020/21.

Focus this fiscal will be on the requirements gathering, design and build of the financial and supply chain requirements of the organization. At this time, there is no plan to deploy the financial and supply chain modules during 2020/21 due to the ongoing pandemic. However, should the current financial system become unstable to the point of disrepair, MAI would be in a reasonable position to move quickly to the new system. This fall the project team will assess the project scope and the decision not to deploy, with consideration given to the state of the pandemic at that time.

The revised implementation schedule for the next phases of the ERP project is as follows:



Diversity and Inclusion

MAI aims to have a workforce reflective of the diverse communities it serves. To that end, MAI has identified five under-represented groups as a focus for its diversity and inclusion initiatives:

1. Women
2. Persons with Disabilities
3. Visible Minorities
4. Indigenous Peoples
5. LGBTQ2+

The targets set for the duration of the Corporate Plan are as follows:

Targeted Group	Baseline Representation (2017)	2019 Results	End of Plan Target
Women	37.1%%	38.7%	48%
Indigenous People	3.7%	4.0%	5.5%
Visible Minorities	1.5%	1.6%	2.5%
Persons with Disabilities	4.8%	5.2%	TBD

The Corporation has developed a Diversity and Inclusion Action Plan with the following objectives:

1 Create a psychologically safe workplace free from bullying, harassment and all forms of disrespectful behavior;

2 Develop Workplace Diversity and Inclusion strategies 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.

In 2019/20, 'Diversity' was added to MAI's core values to underscore the importance of an increased focus on diversity and inclusion at MAI. Executive sponsors have also been assigned to all the underrepresented groups addressed in MAI's diversity plan to ensure that the focus on those groups is unwavering.

Embracing our differences leads to better performance and helps MAI achieve its goals. Building on the work that began in 2019/20, there are a number of initiatives planned for 2020/21, including but not limited to the following:

- Enhance Employment Equity Workplace Analysis processes under the *Employment Equity Act*;
- Develop a system to collect employment equity data at various stages of the recruitment process;

- Develop and implement LGBTQ2+ rights guidelines;
- Develop tools and train hiring managers to ensure that a transparent and unbiased recruitment and selection process is followed;
- Develop tools to promote marine industry careers and increase hires of indigenous people and women at MAI;
- Form and implement an Aboriginal advisory group; and
- Continue engagement & consultation with community organizations to discuss emerging issues, priorities and actions.

MAI will be focusing on the key stages of the employment life cycle – recruitment, inclusion, professional growth, and active contribution and leadership. At each of these stages, MAI will be looking to ensure barriers are removed so that all individuals have opportunity to flourish. While some of the activities identified in the Diversity and Inclusion action plan are slightly delayed due to the pandemic, MAI is exploring alternative delivery modes to ensure that the Corporation can continue to meet its targets.

Gender Equity

The current breakdown on MAI's workforce by gender as of the end of 2019 is as follows:

Employment Equity Occupational Group	Total Employees	Total Women	Percentage
01 Senior Managers	8	1	12.50%
02 Middle and Other Managers	54	19	35.19%
03 Professionals	46	35	76.09%
04 Semi-Professionals and Technicians	149	13	8.72%
05 Supervisors	40	22	55.00%
06 Supervisors: Crafts and Trades	8	0	0.00%
07 Administrative and Senior Clerical Personnel	29	23	79.31%
08 Skilled Sales and Service Personnel	80	34	42.50%
09 Skilled Crafts and Trades Workers	76	0	0.00%
10 Clerical Personnel	91	60	65.93%
11 Intermediate Sales and Service Personnel	125	99	79.20%
12 Semi-Skilled Manual Workers	400	55	13.75%
13 Other Sales and Service Personnel	224	157	70.09%
Totals	**1330**	**518**	**38.95%**

In support of the Shareholder's focus on GBA+, MAI has developed the following specific targets for the Corporation for 2020/21.

Initiative
Continue recruitment and succession planning with a focus on MAI female employees including participation in LMDP and mentorship programs.
Complete Pilot Mentorship program for women, evaluate and revised program and identify.
Increase gender equity on Senior Leadership Team by at least 1 position
Develop inclusion guidelines for all under presented groups for managers, and develop awareness and education tools for employees
Senior Management representation at Industry Conferences & Associations to be increased to 30-40%

PAB Office Administration Building

In 2009, Marine Atlantic Inc (MAI) was the subject of a Special Examination by the Office of the Auditor General of Canada (OAG). The results of this Special Examination were poor, with the Auditor General concluding that MAI was at risk of mandate failure, primarily due to its aging assets, insufficient fleet capacity and insufficient management structure. As a result of that audit, MAI developed its Revitalization Strategy, a comprehensive plan to address the shortcomings identified by the OAG. That plan was

supported with a substantial infusion of funding from the Shareholder. MAI's Revitalization Strategy focused first on those issues that directly impacted MAI's ability to provide its service – fleet capacity, aging and unreliable ferries, and crumbling shore-based infrastructure.

MAI is now turning its attention to one of the few outstanding infrastructure issues that remains – to address the current issues with the administration office facilities in PAB. While the need to eventually renovate and expand the building at 10 Marine Drive was identified as part of MAI's Revitalization Strategy, the situation in PAB has now reached a critical point. The facility at 10 Marine Drive has reached the end of its useful life. The building is old, in very poor condition, and poses health and safety issues for employees. Overcrowding, accessibility issues, and limited parking exacerbate the problems with the physical facility.

MAI's proposed solution would include sufficient space to accommodate all of the administrative support functions in one building. The positions that have been identified for co-location are as follows:

Function	Employees
Finance	16
Payroll	7
IT/IM	13
Insurance & Claims	2
Risk	2
Reservations	9
Crewing	11
Health & Safety	4
Human Resources	2
Confidential Administrative Assistants	5
Projects Team	4
Total	**75**

To address the issues with the current facilities, MAI completed an analysis of several options:

1. Lease currently available commercial space in the PAB area;
2. Redesign and renovate the current building at 10 Marine Drive;
3. Build a new facility; and
4. Contract with a third party to have a new facility constructed and leased to MAI.

Since Option 1 – Commercially Available Lease Space was deemed not viable, it has been excluded from the following comparison of options.

OPTIONS SUITABILITY AGAINST REQUIREMENTS			
	OPTION 2	OPTION 3	OPTION 4
REQUIREMENT	VERTICAL /HORIZONTAL EXPANSION	NEW BUILD OWN	NEW BUILD LEASE
	10 Marine Dr.	175 Hardy's Arterial Road	175 Hardy's Arterial Road
Capacity: FTE 75 (based on 166 ft²/FTE)	Yes (1)	Yes (1)	Yes (1)
Employees Co-located	Yes (1)	Yes (1)	Yes (1)
Site Considerations	Flood Prone (0)	Greenfield Site (1)	Greenfield Site (1)
Parking Capacity: 100	No (0)	Yes (1)	Yes (1)
Energy Efficient	Yes (1)	Yes (1)	Yes (1)
Ranking	3/5	5/5	5/5

With the help of its business consultants, MAI developed cost estimates for both the upfront construction/investment for each option, as well as a total cost of operation over a 25-year period. The results of that comparison are outlined below. Both the cost analysis and suitability requirements indicate that Option 3 – New Build construction is the option that presents the best value.

COST CATEGORY	OPTION 2 VERTICAL /HORIZONTAL EXPANSION	OPTION 3 NEW BUILD OWN	OPTION 4 NEW BUILD LEASE
	10 Marine Dr.	175 Hardy's Arterial Road	175 Hardy's Arterial Road
Total Square Feet	30,500 ft^2	24,973 ft^2	24,973 ft^2
Usable Square Feet	21,350 ft^2	18,499 ft^2	18,499 ft^2

The benefits of pursuing Option 3 include the following:

- New building technology and improved construction methods will increase the efficiency of the facility and reduce both initial and operating environmental impact;
- Construction of the facility will result in increased job creation and GDP impact at the direct, indirect, and induced level;
- The design of the facility will incorporate modern Government of Canada standards, providing an inclusive, accessible space that will allow for greater flexibility and use of space, along with enhanced collaboration between employees;
- The project will provide incentives for attraction and retention of required talent; and
- It aligns with Infrastructure Canada's mandate to invest in rural infrastructure to help grow local economies, build stronger, more inclusive communities, and help safeguard the environment and the health of Canadians.

In 2019/20, a revised business case was developed and submitted to TC for consideration. MAI has since been notified that the funds for this building were included in the Shareholder's 2020/21 funding decision. MAI is ready to proceed with the project; however, with the delay in Corporate Plan approval, the project is at a standstill.

Parking lot of Building at 10 Marine Drive

The project schedule will depend upon when approvals are received. Should approvals be received in the fall of this current fiscal, focus this year would be on tender preparation and award for site development. Some site work could be completed, including excavation of surface layer materials, building an access roadway to the site and preparation for rock blasting and utilities extensions. The risk management strategy will follow standard industry practice, as will the procurement strategy. MAI has already established an internal governance strategy for this project that follows best practices, similar to the models used for both the BPR project and the Fleet Renewal project.

Covid-19 Pandemic Management Plan

In February of 2020, MAI began preparations to respond to the Covid-19 pandemic. It updated its Pandemic Response Plan, and put an organizational structure in place to guide decision-making throughout the pandemic.

The goals of the Pandemic Response Plan are:

- *To minimize serious illness and mitigate the spread of disease to MAI employees and customers; and*

- *To minimize service disruption or delays to MAI's essential service between the island of Newfoundland and mainland Canada as a result of a pandemic.*

As the Covid-19 pandemic began to spread across Europe and to make its way to North America, MAI took immediate actions to ensure customer and employee safety:

- Business Continuity Plans were revised and updated.
- Enhanced cleaning protocols on both vessel and shore facilities were instituted.
- Physical distancing practices were applied to workplaces and passenger and traffic handling. Employees who could were told to work from home; front-line employees were given appropriate PPE and advised to practice social distancing at all times.

MAI's Actions to Protect Customers and Employees

Given the essential nature of the service, and the potential impact of having one or more of its vessels and crew quarantined, MAI has gone to great lengths to ensure service continuity. MAI has taken the following actions to protect its customers, employees, contractors and suppliers:

1. Passenger capacity is limited on vessels; while TC guidelines instructed ferries to reduce capacity by 50%, MAI implemented measures that went beyond those guidelines to ensure the service was not interrupted and that people can travel safely.

    - Passenger numbers initially limited to 250 (excluding crew).
    - Reduced to 100 (excluding crew) as of April 1st
    - As of July, capacity was incrementally increased back to 250 as a result of the 'Atlantic Bubble' – the capability for residents of the four Atlantic provinces to move freely throughout the region without having to self-isolate for 14 days upon arrival.
2. Processes for passenger screening were instituted for both out of country and out of province travelers. As per public health guidelines, anyone with symptoms or anyone who has been exposed to someone who had tested positive cannot travel on MAI's service.
3. The Corporation prioritized the movement of goods from NS to NL, ensuring that medical supplies, pharmaceuticals, and food were given top priority.
4. Isolation measures have been put in place on the vessels & terminals. Passengers who are assigned cabins have to stay inside those cabins for the duration of the voyage. Crew watches were established to ensure that passengers followed the security guidelines and do not leave their rooms.
5. Those customers without cabins are escorted to one of the deck lounges, where physical distancing is possible. Again, crew are in place to ensure that the passengers do not roam freely while onboard.
6. Restaurant, bar and retail services have been discontinued; packaged snacks and bottled water are provided to customers upon boarding.
7. Plexiglass barriers have been put in place to protect frontline employees and customers where possible.
8. Floor markers have been installed to ensure customers keep 2 metres apart.

9. The number of people using the elevators has been limited, with MAI crew on duty to ensure that safety guidelines are followed.
10. Commercial drivers, who can normally avail of a shared cabin with other drivers for a reduced cabin price, are no longer permitted to double up.
11. Loading and offloading procedures have been adjusted to minimize crowding as passengers return to their vehicles.
12. In the terminals, the number of Passengers is restricted to 3 at any given time to avail of the washroom facilities. Seating lounges were closed. Trucker lounges were closed as well.

Additional measures have also been put in place to protect MAI's crew:

13. Crew members - who normally share cabins - have been assigned single cabins.
14. Protocols for employee screening before crew shift change have been implemented.
15. Shore leave during an employee's tour of duty was initially eliminated as a result of the Public Health Emergency, but these restrictions have since been loosened as part of the Atlantic bubble, with shore leave being granted upon request.
16. Employees who returned to NL after a two-week shift were initially required to self-isolate for 14 days; those restrictions have since been lifted.
17. Administrative employees began to work remotely where possible.

Financial and Operational Impacts

While these actions ensured that both customers and employees were kept as safe as possible throughout the pandemic, MAI also undertook a review of its financial situation to ensure that the essential service it provides would not be at risk. With Canada closing its borders to all non-essential travel on March 18, and NL restricting travel to only essential travel as of May 4th, the impact on the Corporation's traffic levels has been significant. Year to date traffic statistics, in comparison to the same period last year, are as follows:

Results - Fiscal Year-to-Date (August 9)				
	Units Carried		Variance	
	2020/21	**2019/20**	**Units**	**%**
Passengers	47,304	157,408	-110,104	-70%
PRV's	16,364	60,024	-43,660	-73%
Straight Trucks	390	694	-304	-44%
Tractor Trailers	13,760	15,169	-1,409	-9%
Drop Trailers	17,481	17,045	436	3%
Trips	529	681	-152	-22%
AEU's	147,092	203,156	-56,064	-28%

This trend is expected to continue throughout 2020/21.

The drop in both passenger and commercial traffic has resulted in a significantly reduced revenue forecast for both this year and next. The 2020/21 revenues are forecasted to come in at $53.5M, almost a 50% reduction from last year's results of $105M.

This reduction in revenues has forced MAI to make some difficult decisions to ensure that it can keep its operations afloat. MAI has implemented the following expense reduction activities:

1. A significant reduction in staff – as of June 2020, 46% of MAI's workforce will be impacted by temporary lay-off or lack of work due to the Covid-19 pandemic; over 40% of those employees affected, or 250 people, will be facing financial hardship with no income if the Government's CERB program is discontinued in the fall 2020. These lay-offs include impacts across all departments, including vessel operations, passenger services staff, terminal employees, reservations, and corporate administration. Unfortunately, as a Crown Corporation, MAI was not eligible to apply for the wage subsidy program. Further, employees who were laid off were immediately put on the CERB program, as opposed to Employment Insurance; since MAI has an Income Supplement Agreement (not applicable under the CERB program) that is administered through the EI program, which tops up employee wages in order to retain them year over year in seasonal positions, this continues to financially disadvantage those employees who are laid off.
2. Changes in the operating plan that has the MV *Atlantic Vision* laid up, and the MV *Leif Ericson* in stand-by mode, resulting in a significant number of reduced trips and fuel savings, but also a significant reduction in crewing levels.
3. Suspension of the Argentia service for the 2020/21 fiscal year.
4. Capital spending reduced by $27M to critical requirements only.
5. Deferral of all non-essential training/travel for the fiscal year.
6. Hiring freeze for non-essential positions and vacant positions removed from budget.
7. Vessel refits were postponed from spring to the Fall 2020.
8. External and internal certificates were extended.

By implementing significant expense reduction measures and by transferring $27M from its capital budget to its operating budget, MAI is forecasting that it will be able to manage within its funding allotment for 2020/21. However, as traffic levels start to rebound, driving up both capacity requirements and expenses, MAI cannot absorb the ongoing reduction in revenues and is projecting a $20M deficit in 2021/22.

In 2020/21, MAI decreased its capital budget by $27M. Much of that money was earmarked for required fleet and shore maintenance, and can only be delayed for so long. The remainder of the funds was tagged to strategic initiative projects that have been approved to help continue to drive MAI's strategic plan and to help drive future operating efficiencies. Similarly, in 2021/22, MAI has reduced its original capital plan from $67.4M to $55M, deferring another $12M in capital, again mostly related to fleet and shore maintenance.

Some of the projects delayed in 2020/21 have to be completed in 2021/22, including the MV *Leif Ericson* 30-year survey. Other projects, like BPR, are multi-year projects that MAI has already invested significant amounts of capital in, and need to be completed to realize their full benefits. So while MAI can minimize its capital spend for one year and defer some projects, it cannot do so in the longer term. The failure to complete maintenance – on both the vessels and on shore – will only lead to more costly repairs and service outages down the road.

More details of MAI's Pandemic Response can be found in Appendix C.

Enterprise Risk Management

MAI has implemented a robust Enterprise Risk Management process for the Corporation, details of which can be found in Appendix D.

At a corporate level, the organization has identified 12 key Corporate level risks. A high-level overview of those risks, including their current rating, their projected outlook, and key factors affecting their ratings can be found in the table that follows.

Risk	Risk Statement	Residual Risk Rating Q1 2020-2021	Projected Residual Risk - Outlook	Commentary
1	The risk that MAI is not able to effectively deliver the service within its approved funding levels.			Risk was projected to elevate to High: 1. The impacts of Covid-19 continue to result in declines in traffic and revenues, MAI's ability to live within its appropriations remains uncertain. 2. MAI will have to consider the change in customers' travel habits and what the impact will be on traffic levels longer term. 3. This risk is being mitigated by expense reductions, changes in operating plans, and the transfer of capital to operating. 4. The risk may be reduced should additional funding be approved.
2	Inadequate safety governance policies and processes that fail to protect MAI's customers, employees and contractors.			Risk expected to remain at medium: 1. Implementation of the Behavioral-based Safety Program and other components from the 5-year safety plan will continue to keep the risk stable. 2. Evaluating improvements to PAB Harbour is underway in an effort to further mitigate associated risks. 3. Robust organizational response with respect to its management of the pandemic continues to help keep our employees safe. 4. Corporate training initiative planned for Q3 will help mitigate this risk.
3	Contamination of environment (soil, water, air) by MAI.			Risk expected to remain at medium: 1. Continued efforts over the last year relative to Waste Management, Tank Automation, Conversion to Diesel. 2. Impacts of Green Marine Level 3 Certification. 3. Efforts to further mitigate the risk continue via the implementation of an Environmental Management Plan.
4	Employee behaviours that do not reflect the Corporation's established Values.			Increasing employee discontent as a result of public health measures that have to be implemented by the Company may elevate this risk.

5	Inadequate asset management and inventory management programs negatively impact MAI's operations and service levels.			This risk is not expected to change in the short to medium term. While Covid-19 presents a challenge from a supply chain perspective, increased focus internally has help to mitigate this risk. Increasing potential risks associated with Covid-19 and its impact on Dry docking may elevate this risk. A risk register is under development to highlight the risks and determine the appropriate mitigations. The Corporation is monitoring the IFS system very closely to ensure that MAI is able to respond should system disruptions occur.
6	MAI's ability to respond to a catastrophic event such as natural disaster, act of sabotage/terrorism, grounding, etc. is inadequate.			MAI's response to the Covid-19 pandemic has demonstrated that MAI's ability to respond to these types of events is robust.
7	Failure to meet customers' needs resulting in poor levels of satisfaction.			MAI's response to the changing customer needs through the early phases of the Covid-19 pandemic demonstrates that the Corporation is flexible and adaptable to changing customer requirements.
8	Ineffective stakeholder engagement results in negative publicity and erosion of MAI's reputation and level of public trust.			A stakeholder management strategy has been identified as a priority, but has been put on hold due to Covid-19. This risk remains at medium.
9	The risk that MAI is not able to plan and execute on its medium-long term strategy due to a lack of control over its Corporate Plan and the funding approval mechanisms.			This risk remains elevated: • The 2020/21 CP has yet to be approved • MAI is projecting a $20M shortfall in 2021/22 with no certainty of incremental funding being approved • With no approved plan, implementation of some strategic initiatives has been delayed.
10	Inadequate policies, planning and processes prevent MAI from operating in an efficient manner.			Risk remains at the medium: The impacts of Covid-19 are challenging the organization's ability to deliver on some of its strategic initiatives which were focused on continued improvements in these areas.
11	Inadequate management, integrity, protection and availability of information.			No change anticipated for this risk at this point: 1. IT security/vulnerability will require constant monitoring given the rapidity of technological change. 2. While the number of cyber threats has increased due to Covid-19, MAI's mitigation activities remain strong.
12	People competency, capability, and capacity are insufficient to operate and manage the business.			Risk remains at high. Lay-off's, deferred training, decreased productivity as people adapt to working from home, and a potential for increased absenteeism due to illness all contribute to this risk remaining elevated.

The key focus for the Enterprise Risk Group during the upcoming planning period is ongoing management of the corporate level risks, along with the implementation of development of a divisional risk management process.

Expected Results

In July 2017, the Minister of Transportation issued a mandate letter that outlined the Shareholder's expectations for the Corporation. Those expectations include a number of Key Performance Indicators (KPIs). Given the impacts of the Covid-19 pandemic on MAI's operations, the Corporation does not expect to meet a number of these indicators for the upcoming fiscal year. With the reduction in revenues from declining traffic levels, achieving cost recovery will be extremely difficult across the board in 2020/21. Reduced capacity levels will also drive capacity utilization down below 70%, and may impact MAI's recovery time after a service interruption. Finally, with reduced services, capacity and routes, customer satisfaction results are also expected to decline.

The key performance targets outlined reflect the targets outlined in the Corporation's most recent mandate letter from the Minister, provided in Appendix E.

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

The Corporation tracks both the Corporate level Key Performance Indicators and Key Risk Indicators, reporting the results to the Executive and the Board on a quarterly basis. These measures are reviewed annually and adjusted as required.

Financial Overview

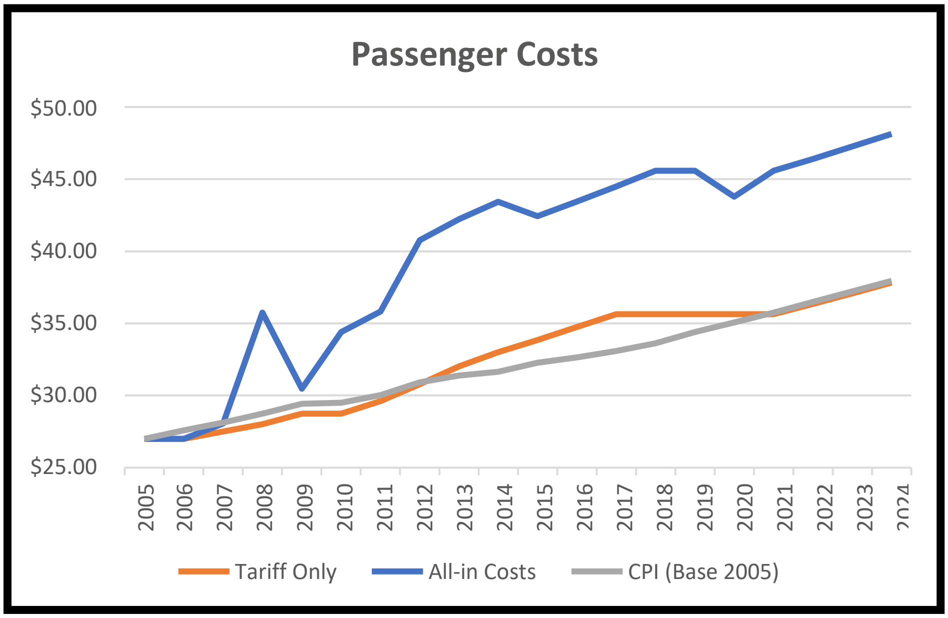
The financial projections in this corporate plan are based on the following assumptions:

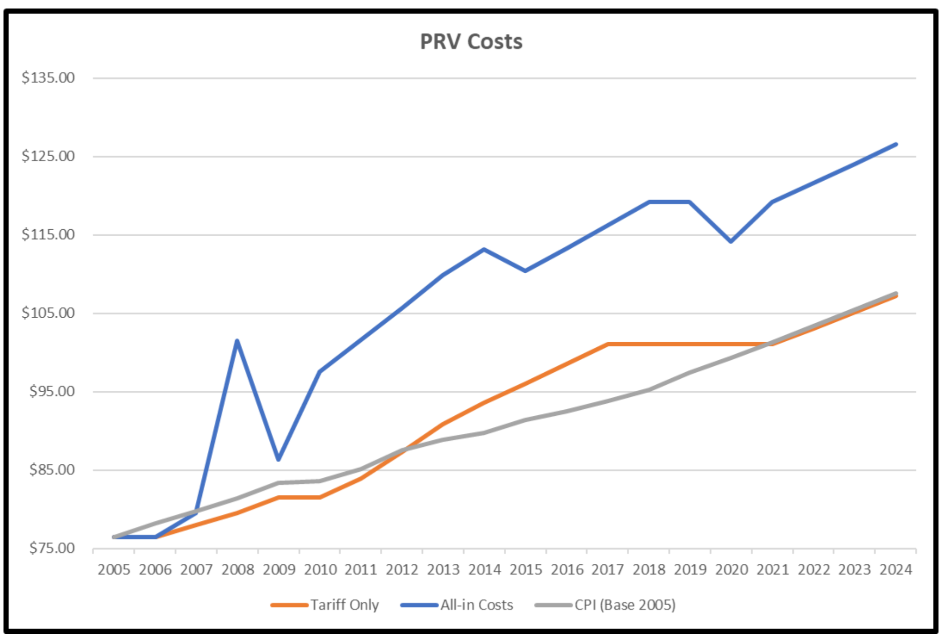
- MAI will continue to operate with a four-vessel fleet for the duration of the five-year plan.
- MAI will continue to operate both routes - Port aux Basques to North Sydney and Argentia to North Sydney - for the foreseeable future, with the exclusion of 2020/21.
- A new vessel will be brought into service in 2022/23.
- Quoted lease rates for the MV *Atlantic Vision* are used until the end of the optional lease periods;
- Traffic levels will be depressed for the first two years of the plan as a result of Covid-19.
- Passenger limits to accommodate social distancing for both customers and crew will remain in effect until at least the end of 2020/21.

A more detailed explanation of specific assumptions follows.

Rates

MAI's customers have seen increasing tariff rates in the past decade, with passenger related vehicle (PRV) and commercial related vehicle (CRV) rates increasing by 16% and 18% respectively since 2012/13. As such, one of MAI's key goals is to ensure that the service remains affordable for customers. While rate freezes on passenger and PRV traffic for the last two years have caused some concern, as it creates the perception that MAI has not kept up with cost of living increases, MAI's analysis shows that in fact, the amount that MAI customers have been paying for the service has actually increased faster than the CPI once the total cost of the service is taken into consideration, which includes not only the tariff rate but also the fuel surcharge and the security fee.





As depicted in the charts, starting about 2012, base rate increases in the range of 2.6 – 4.0% annually drove MAI's base rates above the rate of inflation. In 2018/19, when MAI introduced its rate freeze on these services, rates started to come back in line with the inflation rate. By keeping rates frozen for the last two years, and for the first two years of this plan, the tariff rate for the service will actually come back in line with the rate of inflation in 2021/22.

Further, if one considers the all-in costs to passengers, which includes both the security fee and the fuel surcharge, the price paid for the service has significantly outpaced the rate of inflation from 2006 onwards. The chart below demonstrates the actual costs paid by passengers for the past five years, when compared to both the base rates and what passengers would have paid if only the CPI increase had been applied.

Year	Rate Increase on Base Rates	Tariff Only - PAX Rate	Actual Total Cost to Travel*	Est. PAX Rate w/CPI Increase Only (2005 base year)	Variance to CPI Increase Only
2015	2.6%	$ 33.85	$ 42.43	$ 32.28	$ 10.15
2016	2.7%	$ 34.75	$ 43.46	$ 32.64	$ 10.82
2017	2.6%	$ 35.65	$ 44.50	$ 33.10	$ 11.40
2018	0.0%	$ 35.65	$ 45.57	$ 33.62	$ 11.95
2019	0.0%	$ 35.65	$ 45.57	$ 34.39	$ 11.18
2020	0.0%	$ 35.65	$ 43.78	$ 35.06	$ 8.72
2021	0.0%	$ 35.65	$ 45.57	$ 35.76	$ 9.81

* Includes Fuel Surcharge Fee and Security Fee

Given this analysis, MAI is proposing to freeze rates for MAI's passenger and PRV customers on the Gulf and Argentia routes for the first two years of the planning period. By doing so, MAI will help to stimulate demand and encourage an increase in traffic levels as the economy recovers from the pandemic.

Fuel Surcharge

In April 2020/21, MAI reduced its fuel surcharge from 18% to 13% as a result of the severe decrease in the price of fuel worldwide. For planning purposes, the Corporation is forecasting that the fuel surcharge will remain unchanged at 13% for the first year of the planning period, and will increase back to 18% for the last four years of the plan. However, as in previous years, the Corporation will revisit the fuel surcharge on a regular basis and adjust the charge as required if there are significant changes in the cost of fuel. As per the direction of the Board, MAI is currently analyzing the viability of combining the fuel surcharge with the tariffed rates on a go forward basis. However, until that analysis is completed, the fuel surcharge is presented as a separate line item.

Traffic and Revenue

Based on the projected rate increases and fuel surcharge strategy, as well as the impacts of Covid-19 on the economy overall and MAI's traffic levels in particular, MAI has developed a five-year traffic forecast. Traffic levels are not expected to rebound to pre-Covid-19 levels until 2022/23.

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

Revenue Forecast

Revenues (000's)	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Total Revenues	**$ 53,537**	**$ 85,035**	**$ 109,100**	**$ 112,383**	**$ 114,711**	**$ 474,766**

Fuel Expense

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

For planning purposes, the Corporation has assumed the following prices for Marine Diesel Oil.

Price in cents per litre (CAD) including 2% inflation					
	2020/21	2021/22	2022/23	2023/24	2024/25
MDO	50.00	79.56	81.15	82.77	84.43

Travel, Hospitality, Conference and Event Costs

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

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

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

The Corporation's forecasted travel, hospitality and conference expenses are as follows. As the result of the pandemic, these expenses are forecasted to be significantly lower for the first year of the plan.

(000's)	3-Yr Average	Actual		Forecast				
	2017-18 - 2019-20	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Travel	1,648	1,659	1,367	841	1,129	1,657	1,707	1,766
Conferences	52	57	31	69	254	260	270	276
Hospitality	210	192	146	170	239	239	246	250
	1,910	**1,908**	**1,544**	**1,080**	**1,622**	**2,156**	**2,223**	**2,292**

* Numbers may not add due to rounding

Other Costs

Foreign Exchange Rate

The Plan assumes an exchange rate of 1.55 CAD = 1 EUR until November 2021 and then 1.75 thereafter. MAI is particularly conservative with this forecast, given the number of factors that can influence the exchange rate in the longer-term planning horizon.

Hedging Strategy

The Corporation utilizes a foreign exchange hedging strategy to proactively mitigate exposure to foreign currency. The Corporation secured forward contracts with a financial institution for a portion of the Euro currency requirements over the remaining charter period of the MV *Atlantic Vision*.

MAI's hedging strategy has been successful in bringing stability and cost certainty to the charter obligations for the duration of the charter agreements. MAI will continue to employ a hedging strategy for the new vessel, should it be required.

Inflation Rates

Canada's inflation policy, as set out by the Government of Canada and the Bank of Canada, aims to keep inflation at two per cent. For the purposes of this Corporate Plan, MAI has assumed inflation rates of 2% for expenditures.

Pension Costs

Marine Atlantic's pension plan is a defined benefit plan. The Corporation is in compliance with the Order in Council requiring its pension plan to be cost shared 50:50 between employer and employees. There is currently no requirement for pension solvency payments based on the performance of the Corporation's Pension Plan.

Restructuring Costs

Restructuring costs are based on an average severance package of $150,000 per employee based on current collective bargaining agreements.

Capital Requirements

As in previous years, MAI's capital plan is based on the following requirements: fleet and shore-based maintenance, and investments needed to carry out MAI's Strategic Plan, including longer-term asset renewal.

It must be noted that in order to operate within the approved appropriations for 2020/21, MAI has reallocated $27M of its original capital program budget to operating, which has put a great deal of pressure on the organization from a capital perspective; projects identified and funded are of a critical nature only. Should any unforeseen issues arise, MAI will be forced to seek incremental funding from the Shareholder, or make decisions that may impact the reliability of the service. Similarly, the reduction in approved funding in 2021/22 has resulted in a decrease of $12M in the second year of the plan.

Vessel Maintenance Capital

Regular dry-dockings are a mandatory requirement for MAI's vessels. Final dry-docking costs are a result of the request for proposals (RFP) process that MAI employs to secure dockyard services, plus the costs of any unforeseen incremental work that is identified once the vessels are in dry-dock.

Dry-docks scheduled for early 2020/21 have been postponed to the fall as a result of Covid-19. Work that was previously scheduled to be completed on the MV *Leif Ericson's* 30-year survey has also been deferred to early 2021/22 as a result of budget pressure.

Shore Maintenance Capital

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

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

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

Again, the shore maintenance budget has been drastically reduced for 2020/21 to accommodate only those projects necessary for the safety and reliability of the service.

Strategic Initiative Capital

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

Each of the line items for the Strategic Initiative Funding are discussed below.

1. Port-aux-Basques Administration Building

As noted earlier in this plan, the Corporation has received funding to move forward with the PAB Administration Building, pending Shareholder approval to proceed.

2. PAB Harbour Improvements

As there is still a substantial amount of work ongoing to assess the cost and impacts of the PAB Harbour Improvement project, MAI is not seeking approval to proceed with this project as this time. It is important, however, to recognize that the project will require a significant amount of capital in the outer years of the plan to complete.

3. New Vessel Procurement

Budget 2019 included capital funds for the long-term fleet strategy. It should be noted that the actual amount of spend will be dependent on final contract negotiations once a successful proponent has been chosen for the project.

4. Innovation Strategy

As noted in the discussion on MAI's Strategic Initiatives, MAI has identified 'Innovation' as one of its key areas of strategic focus. In the early years of the plan, those innovation initiatives have been clearly identified and funded – BPR, Self-Service Kiosks, Automatic Vehicle Measurement, for example.

5. Strategic Efficiency Review

As part of its Strategic Efficiency Review project, MAI has identified several projects to drive efficiencies in operating procedures. The two projects identified for 2020/21 are the Ramp Automation and the installation of new propellers on the Seabridger vessels to drive fuel savings.

Financial Summary

Based on all of the assumptions stated, the following table summarizes the Corporation's projected financial performance for the upcoming planning period. It should be noted that although recoverable costs are increasing over the planning period, those increases are primarily related to the rate of inflation.

2020/21 - 2024/25 Financial Projections

(in $ thousands)	2019/20 Actual	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Revenues	105,624	53,537	85,035	109,100	112,383	114,711
Funding Requirement	130,814	142,576	169,892	209,378	188,672	169,540
Funding Available	142,904	140,576	149,892	67,619	45,999	45,999
Surplus/(Deficit)	12,090	(2,001)	(20,000)	(141,759)	(142,674)	(123,541)
Re-allocated/Reprofiled Funding						
Operating Funding	(13,235)	-	-	-	-	-
Capital Funding	11,234	2,001	-	-	-	-
Remaining Surplus/(Deficit)	**10,089**	**-**	**(20,000)**	**(141,759)**	**(142,674)**	**(123,541)**

Cost Recovery

In his letter to the Chair of the Board, received by MAI on July 13, 2017, the Minister of Transport stated:

> *The corporation is expected to continue to reach an overall cost-recovery of 65% using the existing formula (revenues divided by expenses minus capital, charter fees, pension, restructuring and project management office costs), and is to reach 100% for its non-constitutional services (Argentia, drop trailer management and on-board services) by 2018/19, using a revised formula of all revenues divided by all expenses, including capital costs for each of these services.*

For the overall service, MAI manages both its revenues and costs to reach the 65% target. While the Corporation was initially on target to meet its 65% cost recovery target in 2019/20, the impacts of Covid-19 and the significant drop in fuel prices prevented it from doing so.

Similarly, the Corporation will be significantly challenged to meet its cost recovery targets, both for the overall service and the non-constitutional services for fiscal years 2020/21 and 2021/22. The Corporation cannot offset its lost revenues by expense reductions without severely impacting the service.

As for cost recovery on MAI's non-constitutional services - Drop Trailer Management Fee, Onboard Services, and the Argentia service - MAI had been measuring and reporting results using an incremental costing methodology up until 2018/19. As noted in the OAG's most recent Special Examination, however, MAI and TC were still consulting on the appropriate methodology to measure and report on cost recovery for its non-constitutional services based on the revised direction from the Minister. And while the Shareholder and MAI have since agreed upon a revised formula to report on results in this version of the CP, it is MAI's position that the direction on achieving 100% cost recovery should be revisited by the Shareholder.

The Covid-19 pandemic has highlighted a fundamental concern in the current formula. MAI has long maintained that the cost recovery of the non-constitutional services should be calculated using only those incremental costs that the company has to incur to provide them, and to not include those costs the company incurs regardless of whether or not it offers the service. The most obvious expense to illustrate this is the vessel used for the Argentia service.

MAI has stated that the lease costs associated with the MV *Atlantic Vision* should be excluded from the calculation of cost recovery, as the vessel is used to generate incremental revenue on the Argentia service, but is still needed primarily for the Gulf service. The mandated all-in formula includes the lease costs of the vessel, driving cost recovery results down for the Argentia service, and making it virtually impossible to reach 100% cost recovery. MAI is requesting that both the company and the Shareholder commit to working together to find an alternate way of measuring the success of those services that are considered non-constitutional services.

There are several factors that will have significant impact on cost recovery results as time progresses, including but not limited to a decision on the fourth vessel post new vessel delivery, whether or not MAI purchases the new vessel at the end of the proposed charter period, the price of fuel, etc.

Detailed financial statements for the upcoming planning period are included in the CP Addendum in Appendix K.

Appendix A: Corporate Governance Structure

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

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

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

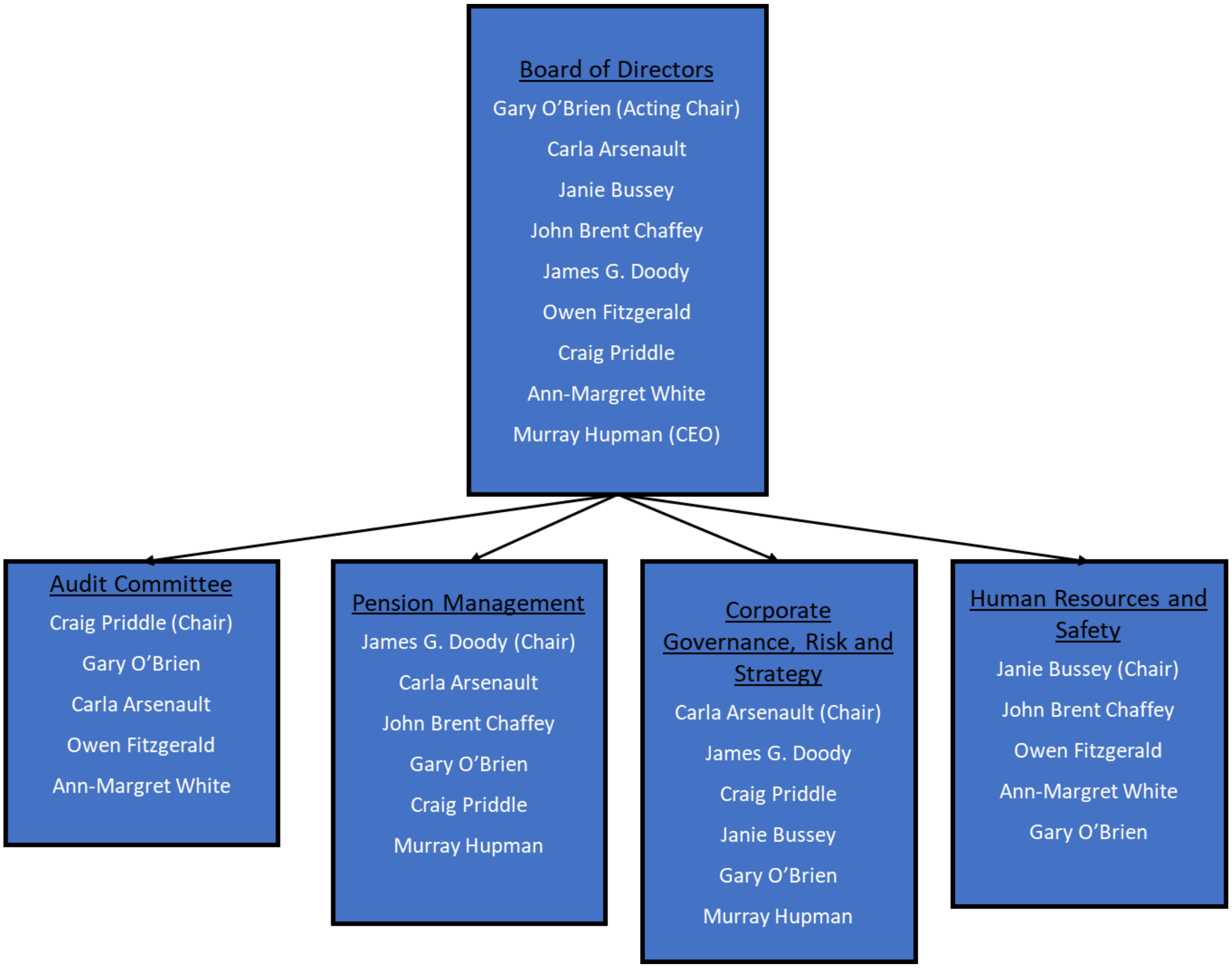
Board Members – Term Expiry Dates

Board Member	Appointed	Expiry Date	Location
Gary O'Brien		December 13, 2021	Port aux Basques, NL
Carla Arsenault	February 5, 2019	February 4, 2022	Sydney River, NS
Janie Bussey	December 14, 2017	December 13, 2021	Logy Bay, NL
John Brent Chaffey	December 14, 2017	December 13, 2021	St. David's, NL
James G. Doody	March 5, 2007	September 28, 2019	Paradise, NL
Owen Fitzgerald	December 14, 2017	December 13, 2020	Sydney, NS
Craig Priddle	December 14, 2017	December 13, 2020	Corner Brook, NL
Ann-Margret White	December 14, 2017	December 13, 2020	St. John's. NL
Murray Hupman	April 15, 2019	April 14, 2024	North Sydney, NS

As per the Government of Canada's guidelines, compensation for MAI's Board of Directors is as follows:

Directors:	$310 per diem– regular meetings and travel
	$360 – additional $50 when in role of Subcommittee Chair
	$4,700 – annual retainer
Chair of the Board:	$375 – regular meetings and travel
	$9,400 – annual retainer

MAI Board Structure



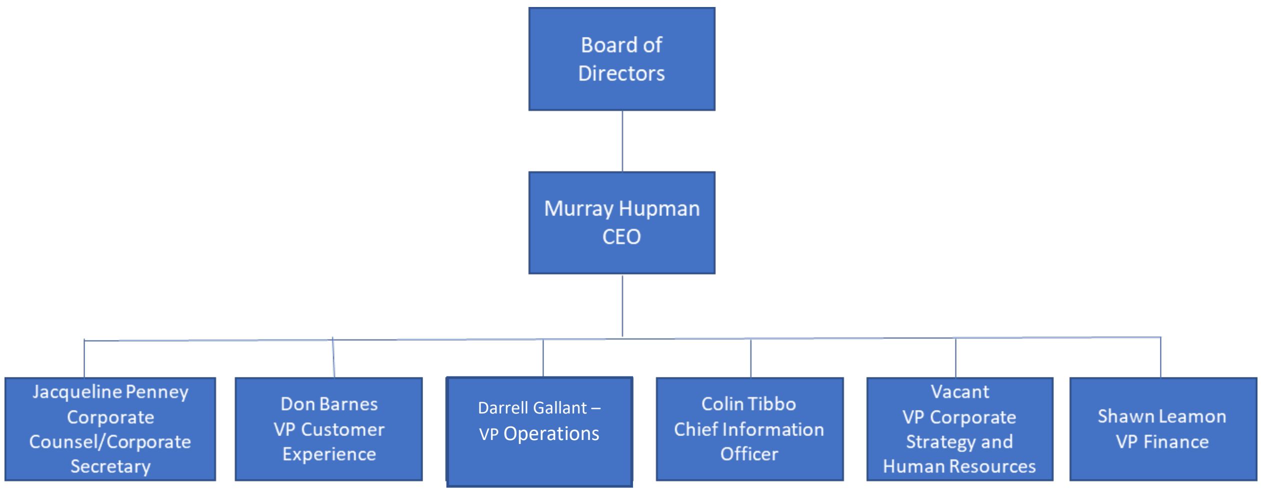
Meeting Attendance

2019/20 Meeting Attendance	Meetings YTD - 4	
Regular Board Meetings	**Attended**	**Regrets**
Kris Parsons (Former Chair)	2	
Gary Joseph O'Brien (Acting Chair)	4	
Carla Arsenault	4	
Janie Bussey	4	
John Brent Chaffey	4	
James Doody	4	
Owen Fitzgerald	4	
Craig Priddle	4	
Ann-Margret White	2	2
Murray Hupman (CEO)	4	
Audit Committee		
Craig Priddle (Chair)	4	
Kris Parsons	4	
Carla Arsenault	3	1
Owen Fitzgerald	3	1
Ann-Margret White	4	
Pension Management		
James Doody (Chair)	3	1
Carla Arsenault	4	
John Brent Chaffey	3	1
Gary Joseph O'Brien	4	
Kris Parsons	2	
Murray Hupman	4	
Corporate Governance, Risk and Strategy		
Carla Arsenault (Chair)	1	
Gary Joseph O'Brien (Previous Chair)	4	
James Doody	4	
Craig Priddle	4	
Janie Bussey	4	
Kris Parsons	2	
Murray Hupman	4	
Human Resources and Safety		
Janie Bussey (Chair)	4	
John Brent Chaffey	4	
Owen Fitzgerald	4	
Ann-Margret White	2	2
Kristopher Parsons	2	
Murray Hupman	4	
Gary O'Brien	2	

Executive Team

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

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



Appendix B: OAG Management Response Update

Recommendation	Response	Owner	Q3 Update
The Corporation should continue to engage with relevant government officials to help ensure the timely approval of its corporate plans and to resolve the Corporation's long-term fleet-renewal strategy, along with funding requirements to support ongoing fleet renewal.	*The Corporation will continue to engage with relevant government officials to help ensure 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.*	Murray Hupman	• Budget 2019 included funding for MAI's long-term fleet strategy • Timely approval of the CP is largely beyond MAI's control as CP cycles don't always line up with the timing of funding approvals • Will continue to work with TC to improve alignment • The 2020/21 CP is well underway, but will not be approved until after Budget 2020.
The Corporation should use its balanced scorecard to monitor all key performance indicators and targets set by the Minister.	*The Corporation will incorporate all performance indicators and targets set by the Minister in its balanced scorecard by the end of the fourth quarter of the 2018–19 fiscal year.*	Murray Hupman	• The Corporation reports on all key performance indicators and targets set by the Minister. • Updated results have been included in the 2020/21 – 2024/25 CP
The Corporation should develop an environmental management plan that states the Corporation's objectives for environmental protection and the activities, timelines, and related resource requirements needed to achieve them. The Corporation should also develop key performance indicators to monitor progress against its strategic objective to protect the environment.	*The Corporation will develop, enhance, and monitor key performance indicators for environmental protection during the 2018–19 fiscal year. This will augment its participation in an industry-accepted marine environmental certification program.* *The Corporation will also establish a formal environmental management plan that clearly documents the current and future plans in the area of environmental protection, as well as the timelines and resources required to execute it, by the second quarter in 2020.*	Kris Parsons	• Completed
The Corporation should ensure that it has a common understanding with the government on how to calculate cost recovery for non-constitutional services.	*The Corporation reports on the cost-recovery targets in its corporate plans. The Corporation will continue its consultation with the Department of Transport to finalize the revised approach to the cost-recovery calculation for the non-constitutional services. This will be completed prior to the end of the 2018–19 fiscal year.*	Shawn Leamon	• Approach has been finalized and agreed to for the current CP • MAI is suggesting that the matter be revisited, as the target set is unachievable

Recommendation	Response	Owner	Q3 Update
The Corporation should improve its monitoring of compliance with its internal training requirements.	*The Corporation will review the current training policies and monitoring processes in the 2018–19 fiscal year with a goal to realizing improvements by the fourth quarter of that year.* *Addressing the challenges associated with the timeliness and accuracy of the training tracking system and related reporting has been identified as a key deliverable in the scope of the Corporation's enterprise resource planning project. The Corporation is confident that the project will effectively meet its training management needs and address the identified limitations and information gaps once fully deployed. The first phase of this multi-year project will be implemented in 2019. The learning management module will be implemented in the 2020–21 fiscal year and is expected to yield the greatest benefits in the training area.*	Colin Tibbo	• The LMS Solution – the next phase of the BPR project - will manage all aspects of the employees training life cycle • Planning phase will be completed Q3 2019/20 • Delayed due to Covid-19
The Corporation should be more diligent in applying its incident reporting policies and procedures for classifying and documenting corrective actions in a timely way. The Corporation should ensure that its tracking system guidance is updated to reflect its revised classification system.	*In October 2017, the Corporation rolled out a half-day incident reporting training session designed to educate employees on its current methods of incident management. The training is ongoing and to date, over 80% of employees have received this training.* *The Corporation established an Incident Management Review Committee in July 2018 to pursue improvements in the current processes and procedures in incident management.* *In addition, the Corporation is working with ferry industry authorities to develop new injury reporting definitions and guidelines. Upon completion, these will be communicated to employees and incorporated into the classification system.*	Kris Parsons	• Under development; will be addresses as part of the BPR HSE module project • Delayed due to Covid-19
The Corporation should ensure that the enterprise resource planning solution under development meets its scheduling needs and effectively addresses the limitations and information gaps in its current systems.	*The Corporation's scheduling and information requirements were fully documented and considered as a key deliverable during the selection of its new enterprise resource planning solution.* *The Corporation is confident that the solution and processes will be deployed to meet the relevant regulatory, collective agreement, and information requirements. The first phase of this multi-year project will be implemented in 2019.*	Colin Tibbo	• Completed

Appendix C: Pandemic Management Plan

In February of 2020, MAI began preparations to respond to the Covid-19 pandemic. It updated its Pandemic Response Plan, and put an organizational structure in place to guide decision-making throughout the pandemic.

The goals of the Pandemic Response Plan are:

- *To minimize serious illness and mitigate the spread of disease to MAI employees and customers; and*
- *To minimize service disruption or delays to MAI's essential service between the island of Newfoundland and mainland Canada as a result of a pandemic.*

As the Covid-19 pandemic began to spread across Europe and to make its way to North America, MAI took immediate actions to ensure customer and employee safety:

- Business Continuity Plans were revised and updated.
- Enhanced cleaning protocols on both vessel and shore facilities were instituted.
- Physical distancing practices were applied to workplaces and passenger and traffic handling. Employees who could were told to work from home; front-line employees were given appropriate PPE and advised to practice social distancing at all times.

MAI's Actions to Protect Customers and Employees

Given the essential nature of the service, and the potential impact of having one or more of its vessels and crew quarantined, MAI has gone to great lengths to ensure service continuity. MAI has taken the following actions to protect both its customers and its employees:

1. Passenger capacity is limited on vessels; while TC guidelines instructed ferries to reduce capacity by 50%, MAI implemented measures that went beyond those guidelines to ensure the service was not interrupted and that people can travel safely.
    - Passenger numbers initially limited to 250 (excluding crew).
    - Reduced to 100 (excluding crew) as of April 1st
    - As of July, capacity was incrementally increased back to 250 as a result of the 'Atlantic Bubble' – the capability for residents of the four Atlantic provinces to move freely throughout the region without having to self-isolate for 14 days upon arrival.
2. Processes for passenger screening were instituted for both out of country and out of province travelers. As per public health guidelines, anyone with symptoms or anyone who has been exposed to someone who had tested positive cannot travel on MAI's service.
3. The Corporation prioritized the movement of goods from NS to NL, ensuring that medical supplies, pharmaceuticals, and food were given top priority.
4. Isolation measures have been put in place on the vessels & terminals. Passengers who are assigned cabins have to stay inside those cabins for the duration of the voyage. Crew watches were established to ensure that passengers followed the security guidelines and do not leave their rooms.

5. Those customers without cabins are escorted to one of the deck lounges, where physical distancing is possible. Again, crew are in place to ensure that the passengers do not roam freely while onboard.
6. Restaurant, bar and retail services have been discontinued; packaged snacks and bottled water are provided to customers upon boarding.
7. Plexiglass barriers have been put in place to protect frontline employees and customers where possible.
8. Floor markers have been installed to ensure customers keep 2 metres apart.
9. The number of people using the elevators has been limited, with MAI crew on duty to ensure that safety guidelines are followed.
10. Commercial drivers, who can normally avail of a shared cabin with other drivers for a reduced cabin price, are no longer permitted to double up.
11. Loading and offloading procedures have been adjusted to minimize crowding as passengers return to their vehicles.
12. In the terminals, the number of Passengers is restricted to 3 at any given time to avail of the washroom facilities. Seating lounges were closed. Trucker lounges were closed as well.

Additional measures have also been put in place to protect MAI's crew:

13. Crew members - who normally share cabins - have been assigned single cabins.
14. Protocols for employee screening before crew shift change have been implemented.
15. Shore leave during an employee's tour of duty was initially eliminated as a result of the Public Health Emergency, but these restrictions have since been loosened as part of the Atlantic bubble, with shore leave being granted upon request.
16. Employees who returned to NL after a two-week shift were initially required to self-isolate for 14 days; those restrictions have since been lifted.
17. Administrative employees began to work remotely where possible.

Financial and Operational Impacts

While these actions ensured that both customers and employees were kept as safe as possible throughout the pandemic, MAI also undertook a review of its financial situation to ensure that the essential service it provides would not be at risk. With Canada closing its borders to all non-essential travel on March 18, and NL restricting travel to only essential travel as of May 4th, the impact on the Corporation's traffic levels has been significant. Year to date traffic statistics, in comparison to the same period last year, are as follows:

Results - Fiscal Year-to-Date (August 9)				
	Units Carried		Variance	
	2020/21	2019/20	Units	%
Passengers	47,304	157,408	-110,104	-70%
PRV's	16,364	60,024	-43,660	-73%
Straight Trucks	390	694	-304	-44%
Tractor Trailers	13,760	15,169	-1,409	-9%
Drop Trailers	17,481	17,045	436	3%
Trips	529	681	-152	-22%
AEU's	147,092	203,156	-56,064	-28%

The drop in both passenger and commercial traffic has resulted in a significantly reduced revenue forecast for both this year and next. The 2020/21 revenues are forecasted to come in at on $53.5M, almost a 50% reduction from last year's results of $105M.

This reduction in revenues has forced MAI to make some difficult decisions to ensure that it can keep its operations afloat. MAI has implemented the following expense reduction activities:

1. A significant reduction in staff – as of June 2020, 46% of MAI's workforce will be impacted by temporary lay-off or lack of work due to the Covid-19 pandemic; over 40% of those employees affected, or 250 people, will be facing financial hardship with no income if the Government's CERB program is discontinued in the fall 2020. These lay-offs include impacts across all departments, including vessel operations, passenger services staff, terminal employees, reservations, and corporate administration. Unfortunately, as a Crown Corporation, MAI was not eligible to apply for the wage subsidy program. Further, employees who were laid off were immediately put on the CERB program, as opposed to Employment Insurance; since MAI has an Income Supplement Agreement (not applicable under the CERB program) that is administered through the EI program, which tops up employee wages in order to retain them year over year in seasonal positions, this continues to financially disadvantage those employees who are laid off.
2. Changes in the operating plan that has the MV *Atlantic Vision* laid up, and the MV *Leif Ericson* in stand-by mode, resulting in a significant number of reduced trips and fuel savings, but also a significant reduction in crewing levels.
3. Suspension of the Argentia service for the 2020/21 fiscal year.
4. Capital spending reduced by $27M to critical requirements only.
5. Deferral of all non-essential training/travel for the fiscal year.
6. Hiring freeze for non-essential positions and vacant positions removed from budget.
7. Vessel refits were postponed from spring to the Fall 2020.
8. External and internal certificates were extended.

MAI absorbed the impact of reduced revenues in 2020/21 by implementing significant expense reduction measures and by transferring $27M in capital to its operating budget. In 2021/22, as traffic levels start to rebound, driving up capacity requirements and expenses, MAI cannot absorb the ongoing reduction in revenues and is projecting a $20M deficit.

In 2020/21, MAI decreased its capital budget by $27M. Much of that money was earmarked for required fleet and shore maintenance, and can only be delayed for so long. The remainder of the funds was tagged to strategic initiative projects that have been approved to help continue to drive MAI's strategic plan and to help drive future operating efficiencies.

Similarly, in 2021/22, MAI has reduced its original capital plan from $67.4M to $55M, deferring another $12M in capital, again mostly related to fleet and shore maintenance.

Some of the projects delayed in 2020/21 have to be completed in 2021/22, like the MV *Leif Ericson* 30-year survey. Other projects, like BPR, are multi-year projects that MAI has already invested significant amounts of capital in, and need to be completed to realize their full benefits. So while MAI can minimize its capital spend for one year and defer some projects, it cannot do so in the longer term, or the failure to complete maintenance – on both the vessels and on shore – will only lead to more costly repairs and service outages down the road.

Appendix D: Enterprise Risk Management

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

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

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

MAI's Risk Matrix

Marine Atlantic Risk Matrix

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

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

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

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

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

Sample Risk Register

Risk #7:	**Failure to meet customers' needs resulting in poor levels of satisfaction.**						
Strategic Objective: Ensure Service meets customer's expectations of value							
Date:	***As of June 30, 2019, updated July 2019***						
Inherent Risk Rating	*Likelihood (from 1 to 5)*	**4.0**	*Impact (from 1 to 5)*	**4.0**	***Severity***	**16.0**	
Risk Owner:	VP Customer Service						
RISK DESCRIPTION AND RESPONSES							
List here the ways that the risk may occur (Causes/Triggers)			***Current Mitigations***	**Strong**	**Moderate**	**Weak**	
			Responses may address more than one of the ways the risk may occur. The strength of the response is aligned with its current capacity to reduce the risk.				
Failure to evolve technology (website, Wi-Fi availability, etc.) to meet customer expectations			Tracking and reporting of on time performance				
Insufficient customer research and knowledge			Preventative maintenance Program				
Failure to meet traffic demand			Improved cycle time by the customer relations department on complaint resolution.				
Poor communication or interaction with MAI staff			TMS project & Drops Management Portal				
Service failure at one point in the customer journey (e.g. late loading)			Customer service training				
Disconnect of service pricing with external comparators			Updated website and payment systems and commercial invoicing.				
Unexpected service interruption (weather, mechanical)			Established compensation for weather and mechanical delays				
Poor service failure recovery			Red Alert and increased communication to commercial customers in delay situation - increased communication in both official languages				
Failure to respond to customer concerns and complaints			Customer satisfaction surveys to identify key areas for improvement				
Failure to change services, prices, etc. to meet changing customer expectations			Ongoing analysis and improvements to customer service offerings				
			New pricing activities - offers and promotions				
			Improved social media presence to identify customer complaints and deal with them immediately				
Assess strength of risk response:				**Strong**	*Gap Y/N?*	Yes	
Strong	**Moderate**	**Weak**					

Residual Risk:	*Given the risk response outlined above in relation to the magnitude of the inherent risk, assess the likelihood of the risk now occurring and impact if it does occur.*					
Residual Risk Rating	*Likelihood (from 1 to 5)*	**3.0**	*Impact (from 1 to 5)*	**3.0**	***Severity***	**9.0**
List the additional actions to be taken to further reduce the risk.						
No additional actions are required when the residual risk is low. Long-term Fleet Strategy Business Process Renewal Strategic Efficiency Review						
Lists reports that allow for direct monitoring of the risk.						
Customer satisfaction research reports Vessel Sailing reports Number and nature of cancelled sailings Traffic volumes Number and Nature of customer complaints Traffic analysis and management report						
Metrics						
On time performance Media Score Overall Customer Satisfaction CRV Overall Customer Satisfaction PRV						

Appendix E: Ministerial Expectations and Planned Results

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

Minister of Transport Ministre des Transports

Ottawa, Canada K1A 0N5

JUL 13 2017

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

Dear Mr. Parsons:

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

As a Crown corporation, MAI has a mandate to provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner. My role as the Minister of Transport is to exercise oversight in accordance with the accountability regime set out in the *Financial Administration Act*, Part X. In this context, one of my key responsibilities is to answer for MAI in Cabinet and in Parliament.

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely,

Marc Garneau

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

Enclosure

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

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

Planned Results

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

Chief Executive Officer Results Commitment

I, Murray Hupman, as President and Chief Executive Officer of Marine Atlantic Incorporated, am accountable to the Board of Directors of Marine Atlantic Incorporated for the implementation of the results described in this Corporate Plan and outlined in these Appendices. I verify that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

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

August 21, 2020

Marine Atlantic Key Performance Indicators - Targets						
Strategic Perspective	**Measure**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Financial & Public Stewardship	**Cost Recovery - YE Forecast:**					
	Overall Service	65%	65%	65%	65%	65%
	Non-constitutional Services - Combined Results	100%	100%	100%	100%	100%
	Argentia Cost Recovery incl. Drops and OBS	100%	100%	100%	100%	100%
	Drops - Gulf Service	100%	100%	100%	100%	100%
	Onboard Services	100%	100%	100%	100%	100%
	Revenue ($000)	$53,537	$85,035	$109,100	$112,383	$114,711
	Vessel Availability	> 97%	> 97%	> 97%	> 97%	> 97%
	On-time Performance	> 90	> 90	> 90	> 90	> 90
	Overall Customer Satisfaction - PRV	> 69%	> 69%	> 69%	> 69%	> 69%
	Overall Customer Satisfaction - CRV	> 60%	> 60%	> 60%	> 60%	> 60%
	Likelihood to Recommend	> 50%	> 50%	> 50%	> 50%	> 50%
	Unplanned Service Interruptions	_<3%	_<3%	_<3%	_<3%	_<3%
	Lost Time Injury Frequency	≤1.5	≤1.5	≤1.5	≤1.5	≤1.5
	Passenger Injury Rate	≤0.82	≤0.82	≤0.82	≤0.82	≤0.82
Internal Processes	**Capacity Utilization**	≥ 70%	≥ 70%	≥ 70%	≥ 70%	≥ 70%
	Information Technology Systems Performance Dashboard	> 94%	> 94%	> 94%	> 94%	> 94%
	Health Check on Strategic Initiatives	> 90%	> 90%	> 90%	> 90%	> 90%

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	Overdue, High Risk Preventative Maintenance Cards	0.0	0.0	0.0	0.0	0.0
	Supply Chain Requests Deemed as Emergency, Expedited or Urgent	< 0.5%	< 0.5%	< 0.5%	< 0.5%	< 0.5%
	Outstanding Non-conformances	< 4	< 4	< 4	< 4	< 4
	Information Management Maturity Score	> 3	> 3	> 3	> 3	> 3
	Cyber Risk Score	5	5	5	5	5
People, Tools, & Skills	**Composite AA Score Regarding Corporate Objectives**	> 90%	> 90%	> 90%	> 90%	> 90%
	Vacancy Rate of Key Positions	<5%	<5%	<5%	<5%	<5%
	Turnover Rate of Employees (Resignations)	< 4%	< 4%	< 4%	< 4%	< 4%

Appendix F: Financial Statements

See updated statements in the CP Addendum in Appendix K.

Appendix G: Chief Financial Officer Attestation

Marine Atlantic Inc.'s CFO Attestation

In my capacity as Chief Financial Officer of Marine Atlantic Inc., I have reviewed the 2020-2021 to 2024-2025 Corporate Plan and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

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

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

Name Shawn Leamon	Date: August 21, 2020
Chief Financial Officer, Marine Atlantic Inc.	

Appendix H: Borrowing Plan

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

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

Appendix I: Compliance with Legislative and Policy Requirements

Official Languages Act

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

Access to Information and Privacy Act

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

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

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

Directive on Travel, Hospitality, Conferences and Event Expenditures

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

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

Pension Plan Reforms

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

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

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

Other acts and regulations governing Marine Atlantic

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

Appendix J: Abbreviations and Acronyms

AEU	Automobile Equivalent Unit
ARG	Argentia
BPR	Business Process Renewal
CP	Corporate Plan
CPI	Consumer Price Index
CRV	Commercial Related Vehicles
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FTE	Full Time Equivalent
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standards
IT	Information Technology
NSY	North Sydney
NTCF	National Trade Corridors Fund
PAB	Port aux Basques
PAX	Passenger
PRV	Passenger Related Vehicles
PSAS	Public Service Accounting Standards
RoPax	Roll-on/roll-off vessel with passenger capacity
RoRo	Roll-on/roll-off Vessel
SMS	Safety Management System
TBD	To Be Determined
YEF	Year End Forecast
YTD	Year To Date

Appendix K – Corporate Plan Addendum

MARINE ATLANTIC INC

2020/21 – 2024/25 Corporate Plan Addendum

January 20, 2021

Summary May 10, 2021

INTRODUCTION

In May of 2020, the Government of Canada allocated $187.1M in funding for Marine Atlantic (MAI). This funding includes 2 full years of operational funding for 2020/21 and 2021/22, plus some capital in 2022/23 to complete the Port aux Basques Office Administration building. This funding amount presented a significant challenge to MAI, as it fell $15.8M short of the requested funding for the current year 2020/21, and $16.8M short of the requested funding for 2021/22.

The shortfall in funding, coupled with the impacts of the Covid-19 pandemic on MAI's operations, put MAI in a difficult position. With the decrease in traffic levels due to the pandemic and the resulting decline in revenues, MAI had to make some very difficult decisions to live within the budget allotment, including temporarily laying off over 40% of its workforce and cancelling the popular Argentia route for the summer season. MAI's original financial analysis indicated that while MAI would be able to meet its obligations in 2020/21 within the funding allotted, there was an estimated $20M shortfall in funding forecasted for 2021/22.

Needless to say, forecasting traffic levels in a pandemic presented a significant challenge, as MAI had no idea of how long the Covid-19 pandemic would last, how long travel restrictions would be in place, what policy decisions the provincial or federal governments would put in place that would affect the operations, and ultimately, what customers' appetite would be for travel during the pandemic. It was also difficult to forecast the impact of the pandemic on commercial traffic, as lockdowns and stay at home orders could have a significant impact on retail spending and therefore traffic demand.

For example, MAI's original pandemic-based traffic forecast did not include the 'Atlantic Bubble' that was put in place in the July timeframe by the four Atlantic provinces. Initially, MAI took a very conservative approach to its passenger traffic forecast to ensure that in the worst-case scenario, the Corporation could live within its appropriations while maintaining the essential service. Similarly, the volume of commercial traffic trended much better than originally forecasted, and was much closer to normal traffic volumes than anticipated. This is a result of numerous factors, including a rebate program that the NL government established for home renovations, which drove retails sales higher than expected.

As a result, 2020/21 YTD traffic results are higher than originally forecasted at the beginning of the pandemic. The resulting increase in transportation revenues has reduced the risk associated with MAI's financial position, and has impacted not only forecasted results for 2020/21, but also reduced the requirement for incremental funding in 2021/22.

The following addendum reflects the changes in MAI's 2020/21 – 2024/25 Corporate plan, including revised traffic and financial forecasts.

Background on Need for Addendum

This addendum has been required by the Shareholder to outline the changes in MAI's financial position for 2020/21. As noted above, these changes are due to a period of economic uncertainty brought on by the current public health crisis, the Covid-19 pandemic.

At the beginning of the pandemic, when little was known about what to expect, MAI had forecasted much greater reduction in traffic, particularly for commercial traffic. However, YTD actuals for drop trailer traffic are slightly above last year's results, and live traffic is down 4% compared to the 25% drop that was forecasted in the early days of the pandemic.

MAI believes there are several reasons for the strong commercial traffic performance. First, Oceanex reduced its service to and from the island early in the pandemic, which could explain the increase in drop trailer traffic. Further, the Government of Newfoundland and Labrador implemented a 25% rebate program on home renovations in an attempt to stimulate the economy. That has driven the sales of building materials up significantly, along with appliances and home decor. Similarly, with most people quarantined at home, the purchase of home gardening supplies also increased sharply. Recreational vehicle sales have also increased.

From a passenger perspective, MAI had anticipated a 75% drop in traffic; while the actuals are not quite that low, the variance can be explained by the opening of the 'Atlantic bubble', which allowed people from the Atlantic provinces to travel interprovincially without having to quarantine for 14 days.

The increase in traffic over forecast has resulted in higher revenues than initially anticipated. The operational plan was also adapted to meet the traffic demand, resulting in operational expenditures that are higher than originally forecast.

Other than increased traffic levels, and the resulting change in MAI's forecasted financial results, there are no other significant changes to the plan. MAI's response to the pandemic and the associated changes in operations have all been outlined in the original version of the plan.

OVERVIEW OF CHANGES TO PLAN

The changes to the plan are a result of higher than anticipated traffic levels during the pandemic. The resulting changes to MAI's revenue forecast and operating budget are outlined below.

Revised Revenue Forecast

Revenues (000's)	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Total Revenues	**$ 77,355**	**$ 89,475**	**$ 106,039**	**$ 107,244**	**$ 111,061**	**$ 491,173**

The organization will continue to assess the impacts of the pandemic to determine when onboard services like restaurant and retail services will be offered. Given the current situation with the second wave of Covid-19, onboard restaurant and retail services will not likely be reinstated until much later in 2021/22.

Updated Financial Summary

2020/21 - 2024/25 Updated Financial Projections

(in $ thousands)	2019/20 Actuals	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Revenues	105,624	77,355	89,475	106,039	107,244	111,061
Funding Requirement	130,814	142,576	143,376	174,583	195,047	163,852
Funding Available	142,904	140,576	149,876	73,119	45,999	45,999
Surplus/(Deficit)	12,090	(2,001)	6,500	(101,465)	(149,048)	(117,854)
Capital Funding	11,234	2,001	(6,500)	3,000	3,500	
Remaining Surplus/(Deficit)	10,089	**-**	**-**	**(98,465)**	**(145,548)**	**(117,854)**

OPERATIONAL CHANGES

Since traffic volumes were higher than expected, MAI changed its operational plan to accommodate traffic levels, while still maintaining all of the safety protocols put in place to protect the health and safety of both customers and employees.

In MAI's original CP, the Corporation had planned to run only two vessels for the first half of the year – the MV *Blue Puttees* and the MV *Highlanders* would stay in service, while the MV *Atlantic Vision* would be laid up, and the MV *Leif Ericson* kept in standby mode. However, to accommodate the unanticipated traffic levels, MAI kept the MV *Leif Ericson* in operation to meet the traffic demand.

RISKS

The submitted draft of MAI's 2020/21 CP was developed at the beginning of the pandemic, and was inherently risky; there were so many unknowns that the financial and operational impacts of the Covid-19 pandemic were difficult to forecast, and funding levels were lower than anticipated. The improvement in MAI's financial position reduces that risk slightly, and it gives the Corporation more flexibility to tweak its operations to better meet changing demands. However, with the second wave of the pandemic upon us, there is still a great deal of uncertainty as we move throughout the planning period.

The Corporation leveraged its improved financial position in 2020/21 to reduce its cash requirements for 2021/22, thereby reducing the funding risk in fiscal 2021/22, and eliminating the request for incremental funding in next year's plan. These changes include termination of fuel swap futures contracts, increased purchases of fuel inventory, advancement of regulatory training and adjusting the payment schedule of insurance premiums at renewal from quarterly to annually. All changes are reflected in the revised Statement of operations and Statement of Financial Position.

EXPECTED IMPACT ON 2020 PLANNED RESULTS

The planned results for 2020/21 are outlined below.

Minister Expectations		
Efficient Ferry Service	Overall cost recovery	65%
	Cost recovery of non-constitutional services:	
	Combined	
	Argentia	100%
	Drop Trailer Management Fees	100%
	Onboard Services	100%
	Vessel capacity utilization	70%
Reliable Ferry Service	Departures are within 15 minutes of published schedule (excludes weather delays)	90%
	Unplanned service interruptions	3% or lower
	Following a mechanical breakdown or weather delay, sailing returns to the published schedule and affected passengers/traffic is re-booked	Within 24 hours
	Overall customer satisfaction of passenger related vehicles (PRV)	70%

Customer Satisfaction	Overall customer satisfaction of commercial related vehicles (CRV)	60%
	PRV customers are very likely to recommend the service to other users	50%

ORGANIZATION'S UPDATED FINANCIAL STATEMENTS AND BUDGET(S)

See attached.

REVISED BORROWING PLAN

N/A

2020/21 - 2024/25 Corporate Plan

Financial Statements

Statement A: Statement of Financial Position

Marine Atlantic Inc.

Statement of Financial Position - Year Ended March 31st

As at March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Financial assets						
Cash (Note 1)	$ 11,202	$ 11,202	$ 19,703	$ (81,749)	$ (230,772)	$ (348,587)
Accounts receivable	6,712	6,112	6,112	6,112	6,112	6,112
Receivable from Government of Canada	8,966	8,966	8,966	8,966	8,966	8,966
Inventories held for resale	325	325	325	325	325	325
Derivative financial instruments	11	11	-	-	-	-
Accrued pension asset	145,652	145,652	145,652	145,652	145,652	145,652
	$ 172,868	$ 172,268	$ 180,758	$ 79,306	$ (69,717)	$ (187,532)
Liabilities						
Accounts payable and accrued liabilities	24,957	25,555	$ 23,957	$ 23,957	$ 23,957	$ 23,957
Derivative financial instruments	9,801	301	-	-	-	-
Deferred revenue	3,287	3,287	3,287	3,287	3,287	3,287
Payable to Government of Canada	583	583	583	583	583	583
Accrued vacation pay	6,259	6,259	6,259	6,259	6,259	6,259
Accrued pension liability	2,829	2,829	2,829	2,829	2,829	2,829
Accrued liability for non-pension post-retirement benefits	51,092	51,092	51,092	51,092	51,092	51,092
Accrued liability for post-employment benefits	11,665	11,665	11,665	11,665	11,665	11,665
	110,473	101,571	99,672	99,672	99,672	99,672
Net financial assets (debt)	$ 62,395	$ 70,697	$ 81,086	$ (20,366)	$ (169,389)	$ (287,204)
Non-financial assets						
Tangible capital assets	419,393	389,538	374,238	384,894	384,039	352,804
Inventories held for consumption	11,985	13,836	11,086	11,086	11,086	11,086
Prepaid expenses	2,728	7,478	2,728	2,728	19,846	16,042
	434,106	410,852	388,052	398,708	414,971	379,932
Accumulated surplus (deficit)	$ 496,501	$ 481,549	$ 469,138	$ 378,342	$ 245,582	$ 92,728

The accompanying notes are an integral part of these financial statements

Notes to Statement A - Statement of Financial Position

1. Cash includes $7,013 held in escrow as security for the lease of the MV *Atlantic Vision* and therefore is restricted and not available to fund operations. Variations in cash beyond 2019/20 are due to changes in the Corporation’s funding levels.

2. Numbers may not add due to rounding.

Statement B: Statement of Operations

Marine Atlantic Inc.
Statement of Operations
For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Budget 2020/21	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Total Revenues	105,625	53,537	77,355	89,475	106,039	107,244	111,061
Expenditures							
Wages and benefits	93,567	78,861	84,533	88,115	90,799	98,531	97,721
Charter fees	14,468	16,825	16,810	17,156	20,405	34,657	47,906
Charter importation taxes	-	-	-	-	-	1,902	3,804
Fuel	28,341	13,558	13,590	19,519	19,860	18,520	18,352
Materials, supplies and services	26,872	17,635	24,902	27,315	32,266	27,210	33,688
Repairs and maintenance	7,729	8,758	8,931	8,545	8,930	9,135	9,299
Insurance, rent and utilities	7,566	8,354	7,443	8,312	8,702	8,912	9,207
Travel	1,367	841	262	1,010	1,749	1,784	1,820
Administrative costs	2,186	5,655	2,895	2,985	2,872	2,955	2,874
Fleet renewal costs	1,727	2,500	2,700	6,000	6,000	-	-
Employee future benefits	516	10,010	10,218	11,296	11,570	12,195	12,342
Foreign currency exchange (gain) loss	10	-	-	-	-	-	-
Realized loss on derivative financial instruments	55	5,500	9,500	-	-	-	-
Loss on disposal of tangible capital assets	241	-	-	-	-	-	-
Amortization	52,025	52,850	62,600	63,800	66,800	70,200	72,900
Total Expenditures	236,670	221,348	244,383	254,052	269,953	286,002	309,914
Deficit before government funding	(131,045)	(167,811)	(167,028)	(164,578)	(163,915)	(178,758)	(198,852)

Marine Atlantic Inc.
Statement of Operations
For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Budget 2020/21	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Government funding							
Operations	105,304	109,831	109,831	94,876	59,119	40,999	40,999
Capital	37,600	30,745	30,745	55,000	14,000	5,000	5,000
Approved Funding	142,904	140,576	140,576	149,876	73,119	45,999	45,999
Operating funding to be reprofiled/reallocated	(13,235)	-	-	-	-	-	-
Lapsed operating funding	(8,830)	-	-	-	-	-	-
Lapsed capital funding	(759)	-	-	-	-	-	-
Capital funding to be re-allocated	13,235	2,001	2,001	2,001	-	-	-
	133,315	142,576	142,576	151,876	73,119	45,999	45,999
Operating surplus (deficit)	2,270	(25,235)	(24,452)	(12,701)	(90,796)	(132,760)	(152,854)
Accumulated operating surplus (deficit), beginning of year	502,595	504,865	504,865	480,413	467,712	376,916	244,156
Accumulated operating surplus, end of period	$ 504,865	$ 479,630	$ 480,413	$ 467,712	$ 376,916	$ 244,156	$ 91,302

1. Employee future benefits expenses for 2019/20 are based on actuarially determined numbers. For 2020/21 and future years, expense is assumed to equal cash requirement for non-pension employee future benefits and current service pension cost payments.

2. Numbers may not add due to rounding.

Statement C: Statement of Remeasurement Gains and Losses

Marine Atlantic Inc.

Statement of Remeasurement Gains and Losses

For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Accumulated remeasurement gains (losses), beginning of year	$ 2,976	$ (8,364)	$ 1,136	$ 1,426	$ 1,426	$ 1,426
Remeasurement gains (losses) arising during the year						
Unrealized gain (loss) on foreign exchange of cash	271	-	-	-	-	-
Unrealized gain (loss) on derivatives	(11,666)	-	290	-	-	-
Reclassifications to the statement of operations						
Realized (gain) loss on derivatives	55	9,500	-	-	-	-
Net remeasurement (losses) gains for the year	(11,340)	9,500	290	-	-	-
Accumulated remeasurement (losses) gains, end of year	$ (8,364)	$ 1,136	$ 1,426	$ 1,426	$ 1,426	$ 1,426

1. Numbers may not add due to rounding.

Statement D: Statement of Change in Net Financial Assets

Marine Atlantic Inc.

Statement of Change in Net Financial Assets

For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Operating surplus (deficit)	$ 2,270	$ (24,452)	$ (12,701)	$ (90,796)	$ (132,760)	$ (152,854)
Change in tangible capital assets						
Acquisition of tangible capital assets	(50,076)	(32,745)	(48,500)	(77,456)	(69,345)	(41,665)
Amortization of tangible capital assets	52,025	62,600	63,800	66,800	70,200	72,900
Loss (Gain) on disposal of tangible capital assets	241	-	-	-	-	-
Reclassification of assets held for sale to financial assets	-	-	-	-	-	-
Proceeds on disposal of tangible capital assets	5	-	-	-	-	-
(Increase) decrease in tangible capital assets	2,195	29,855	15,300	(10,656)	855	31,235
Change in other non-financial assets						
Acquisition of inventories held for consumption	(24,314)	(14,500)	(18,602)	(18,973)	(17,602)	(17,400)
Use of inventories held for consumption	30,777	12,649	21,352	18,973	17,602	17,400
Purchase of prepaid expenses	(17,916)	(21,560)	(17,156)	(20,405)	(51,775)	(47,906)
Use of prepaid expenses	18,533	16,810	21,906	20,405	34,657	51,710
Decrease (increase) in other non-financial assets	7,080	(6,601)	7,500	-	(17,118)	3,804
Net remeasurement (losses) gains	(11,340)	9,500	290	-	-	-
Increase (decrease) in net financial assets	205	8,302	10,389	(101,452)	(149,023)	(117,815)
Net financial assets (debt), beginning of year	62,190	-	-	-	-	-
Net financial assets (debt), end of year	$ 62,395	$ 8,302	$ 10,389	$ (101,452)	$ (149,023)	$ (117,815)

1. Numbers may not add due to rounding.

Statement E: Statement of Cash Flow

Marine Atlantic Inc.
Statement of Cash Flow
For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Operating transactions						
Cash receipts from customers	$ 104,262	$ 77,261	$ 89,325	$ 105,889	$ 107,094	$ 110,911
Other income received	229	94	150	150	150	150
Government funding - operations	84,065	109,831	94,876	59,119	40,999	40,999
Government funding - capital	51,277	30,745	55,000	14,000	5,000	5,000
Government funding - capital (reprofiled)	-	2,001	2,001	-	-	-
Cash paid to suppliers and employees	(180,599)	(176,968)	(173,055)	(191,583)	(220,725)	(220,868)
Cash paid for employee future benefits	(10,644)	(10,218)	(11,296)	(11,570)	(12,195)	(12,342)
	48,590	32,745	57,001	(23,996)	(79,678)	(76,150)
Capital transactions						
Purchase of tangible capital assets	(51,277)	(32,745)	(48,500)	(77,456)	(69,345)	(41,665)
Proceeds on disposal of tangible capital assets	5	-	-	-	-	-
	(51,272)	(32,745)	(48,500)	(77,456)	(69,345)	(41,665)
(Decrease) increase from effect of exchange rate changes on cash	271	-	-	-	-	-
Net increase (decrease) in cash	(2,411)	0	8,501	(101,452)	(149,023)	(117,815)
Cash, beginning of year	13,613	11,202	11,202	19,703	(81,749)	(230,772)
Cash, end of year	$ 11,202	$ 11,202	$ 19,703	$ (81,749)	$ (230,772)	$ (348,587)
Cash consists of:						
Restricted Cash	$ 7,013	7,013	7,013	7,013	7,013	7,013
Unrestricted Cash	4,189	4,189	12,690	(88,762)	(237,785)	(355,600)
	$ 11,202	$ 11,202	$ 19,703	$ (81,749)	$ (230,772)	$ (348,587)

Notes to Statement E - Statement of Cash Flow:

1. Cash paid for EFBs (Employee Future Benefits) includes cash paid for pension, worker's compensation and other non-pension employee future benefits.
2. Cash includes amounts held in escrow as security for the lease of the MV Atlantic Vision and therefore is restricted and not available to fund operations.
3. Numbers may not add due to rounding.

Statement F: Operating Budget

Marine Atlantic Inc.

Operating Budget

For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Budget 2020/21	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Total Revenues	105,625	53,537	77,355	89,475	106,039	107,244	111,061
Expenditures							
Wages and benefits	93,567	78,861	84,533	88,115	90,799	98,531	97,721
Charter fees	14,468	16,825	16,810	17,156	20,405	34,657	47,906
Charter importation taxes	-	-	-	-	-	19,020	-
Fuel	28,341	13,558	13,590	19,519	19,860	18,520	18,352
Materials, supplies and services	26,872	17,635	24,902	27,315	32,266	27,210	33,688
Repairs and maintenance	7,729	8,758	8,931	8,545	8,930	9,135	9,299
Insurance, rent and utilities	7,566	8,354	7,443	8,312	8,702	8,912	9,207
Travel	1,367	841	262	1,010	1,749	1,784	1,820
Administrative costs	2,186	5,655	2,895	2,985	2,872	2,955	2,874
Fleet renewal costs	1,727	2,500	2,700	6,000	6,000	-	-
Employee future benefits - Pension	8,148	7,346	7,709	8,158	8,321	8,841	8,941
Employee future benefits - wcb & other non-pension	2,499	2,664	2,509	3,138	3,249	3,354	3,401
Foreign currency exchange (gain) loss	10	-	-	-	-	-	-
Realized loss on derivative financial instruments	55	5,500	9,500	-	-	-	-
(Gain) Loss on disposal of assets held for sale	-	-	-	-	-	-	-
Expense related working capital adjustments	-	(5,131)	5,403	(5,902)	-	-	-
Total Expenditures	194,535	163,367	187,186	184,350	203,153	232,920	233,210

Marine Atlantic Inc.
Operating Budget
For the Year Ended March 31, 2020 and Projected for 2020/21 to 2024/25

(in $ Thousands)	Actual 2019/20	Budget 2020/21	Forecast 2020/21	Budget 2021/22	2022/23	2023/24	2024/25
Operating deficit before government funding	(88,910)	(109,830)	(109,831)	(94,876)	(97,115)	(125,676)	(122,148)
Operating funding from government							
Approved operating funding	105,304	109,831	109,831	94,876	59,119	40,999	40,999
Operating funding to be re-allocated to capital	(13,235)	-	-	-	-	-	-
Lapsing operating funding	(8,830)	-	-	-	-	-	-
Prior year funding	-	-	-	-	-	-	-
Net available operating funding from government	83,239	109,831	109,831	94,876	59,119	40,999	40,999
Net operating income/(loss) - cash basis	**$ (5,671)**	**$**	**$ -**	**$ -**	**$ (37,996)**	**$ (84,678)**	**$ (81,150)**

1. Numbers may not add due to rounding