



**Marine Atlantic**  
**Marine Atlantique** Canada

---



**Marine Atlantic**  
**Marine Atlantique** Canada

---

## **CORPORATE PLAN SUMMARY 2006 ~ 2010**

---



## **Vision**

To achieve excellence in fulfilling the Federal mandate to provide a ferry service between the mainland of Canada and the Province of Newfoundland and Labrador.

## **Mission**

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

## **Ferry Service Goal**

To continue to provide a year round service between Port aux Basques, NL and North Sydney, NS and a seasonal service between Argentia, NL and North Sydney, NS.



## Table of Contents

---

<b>1 Corporate Profile</b> .....	<b>1</b>
<b>1.1 Mandate</b> .....	<b>1</b>
<b>1.2 Legislative Authority</b> .....	<b>1</b>
<b>1.3 History</b> .....	<b>2</b>
<b>1.4 Structure &amp; Governance</b> .....	<b>3</b>
<b>1.5 Special Examination by OAG in 2004</b> .....	<b>4</b>
<b>1.6 Fiscal Year End</b> .....	<b>4</b>
<b>1.7 Services, Facilities &amp; Assets</b> .....	<b>5</b>
<b>2 Year 2005 Performance</b> .....	<b>7</b>
<b>2.1 Operations</b> .....	<b>7</b>
2.1.1 Culture and Efficiency – Management Restructuring .....	7
2.1.2 Loading/Unloading Efficiencies .....	7
2.1.3 The Traffic Offering .....	8
2.1.4 Crossings, Vessel Utilization, On-time Performance .....	10
2.1.5 Schedules .....	11
2.1.6 Maintenance .....	12
2.1.7 Loss Prevention .....	12
2.1.8 Information Technology .....	13
2.1.9 Other Marine Services Initiatives .....	13
<b>2.2 Customer Service</b> .....	<b>14</b>
2.2.1 Customer Service Training .....	14
2.2.2 Accessibility .....	15
2.2.3 Customer Survey Results .....	15
2.2.4 Stakeholder and customer communication .....	16
2.2.5 Ombudsman .....	17
2.2.6 Other Customer Service Initiatives .....	17
<b>2.3 Environment</b> .....	<b>17</b>
<b>2.4 Safety - National and Corporate</b> .....	<b>18</b>
2.4.1 Safety Awareness and Results .....	18
2.4.2 Safety-focused Training .....	20
2.4.3 Safety Initiatives .....	20
<b>2.5 Human Resources</b> .....	<b>21</b>
2.5.1 Human Resources Initiatives .....	21
2.5.2 Recruitment and Selection .....	22
2.5.3 Collective Bargaining .....	22
2.5.4 Internal Communications .....	23
2.5.5 Official Languages .....	23
<b>2.6 Financial Performance</b> .....	<b>24</b>
<b>2.7 Corporate Governance &amp; Risk Management</b> .....	<b>25</b>
<b>3 Outlook for the Future</b> .....	<b>26</b>
<b>3.1 Operations</b> .....	<b>26</b>
3.1.1 Culture and Efficiency – Management Restructuring .....	26
3.1.2 Loading/Unloading Efficiencies .....	27
3.1.3 The Traffic Offering .....	27



3.1.4	Crossings, Vessel Utilization, On-time Performance .....	29
3.1.5	Schedules.....	30
3.1.6	Maintenance.....	32
3.1.7	Loss Prevention.....	32
3.1.8	Information Technology Initiatives .....	33
<b>3.2</b>	<b>Customer Service.....</b>	<b>33</b>
3.2.1	Customer Service Training .....	33
3.2.2	Accessibility.....	34
3.2.3	Customer Survey Results .....	34
3.2.4	Stakeholder and customer communication.....	34
3.2.5	Ombudsman .....	34
<b>3.3</b>	<b>Environment .....</b>	<b>35</b>
<b>3.4</b>	<b>Safety.....</b>	<b>35</b>
3.4.1	Safety Awareness and Results.....	35
3.4.2	Safety-Focused Training.....	36
<b>3.5</b>	<b>Human Resources .....</b>	<b>36</b>
3.5.1	Human Resources Initiatives .....	36
3.5.2	Recruitment and Selection.....	38
3.5.3	Internal Communications .....	38
3.5.4	Official Languages.....	38
<b>3.6</b>	<b>Financial Performance.....</b>	<b>39</b>
<b>3.7</b>	<b>Corporate Governance.....</b>	<b>39</b>
<b>4</b>	<b>Other Factors Affecting Revenues and Expenditures.....</b>	<b>40</b>
<b>4.1</b>	<b>Revenue Considerations .....</b>	<b>40</b>
4.1.1	Belledune - Corner Brook Service .....	40
4.1.2	Cruise ferry Service .....	40
4.1.3	Strait of Belle Isle Tunnel.....	40
4.1.4	Oceanex Capacity Increase.....	41
<b>4.2</b>	<b>Operating Expense Considerations.....</b>	<b>41</b>
4.2.1	Inflation.....	41
4.2.2	Fuel Prices.....	41
4.2.3	Pension Plan for Marine Atlantic's Employees .....	42
4.2.4	Workers' Compensation .....	43
4.2.5	Insurance.....	44
4.2.6	Regulatory Requirements .....	44
<b>5</b>	<b>Traffic Capacity Requirements.....</b>	<b>45</b>
<b>5.1</b>	<b>Changing World Trends in Ferry Operations.....</b>	<b>45</b>
<b>5.2</b>	<b>The Gulf Ferry Service / Marine Atlantic's Mandate.....</b>	<b>45</b>
<b>5.3</b>	<b>Life Cycle Status – Examining the Existing Fleet.....</b>	<b>46</b>
<b>5.4</b>	<b>Unique characteristics of the Gulf Service .....</b>	<b>47</b>
<b>5.5</b>	<b>The Blend of Traffic.....</b>	<b>48</b>
<b>5.6</b>	<b>Future Ferry Fleet configuration .....</b>	<b>49</b>
<b>5.7</b>	<b>Long Term Strategy.....</b>	<b>49</b>
<b>6</b>	<b>Revenue Options .....</b>	<b>51</b>
<b>6.1</b>	<b>Long Term Subsidy Solutions.....</b>	<b>51</b>
<b>6.2</b>	<b>Rate Increase.....</b>	<b>51</b>
<b>7</b>	<b>Capital Expenditures .....</b>	<b>53</b>



7.1	<b>Halon Fire Suppressant Replacement Program .....</b>	<b>53</b>
7.2	<b>Dock Fendering &amp; Repairs – North Sydney and Port aux Basques ....</b>	<b>53</b>
7.3	<b>Smallwood Marine Evacuation Systems (MES) renewal.....</b>	<b>54</b>
7.4	<b>Computer System Upgrade .....</b>	<b>54</b>
8	<b>Financial Projections and Borrowing Plan.....</b>	<b>55</b>
8.1	<b>Borrowing Plan.....</b>	<b>55</b>
8.1.1	Bank Line of Credit.....	55
8.1.2	Letters of Credit.....	55
8.2	<b>Projections and Planning Assumptions.....</b>	<b>55</b>
8.3	<b>Financial Statements.....</b>	<b>56</b>
8.3.1	Funding from Government, Corporation Fiscal Year .....	57
8.3.2	Funding from Government, Government Fiscal Year .....	58
8.3.3	Balance Sheet .....	59
8.3.4	Statement of Cash Flow .....	60

### LIST OF TABLES

Table 1:	Traffic History .....	9
Table 2:	Traffic Volume Variances by Type and Service - 2005 vs. 2004 .....	9
Table 3:	Fleet Crossings 2000-2005 .....	10
Table 4:	On-Time Performance .....	11
Table 5:	Customer Satisfaction Survey Results.....	15
Table 6:	Employee & Passenger Accident and Incident Statistics.....	19
Table 7:	Financial Results (In \$ Thousands) .....	24
Table 8:	Fleet Trips and Vessel Utilization 2000-2010 .....	29
Table 9:	On-Time Performance (excluding weather) .....	30
Table 10:	Scheduled Sailings - 2006 vs. 2005.....	31
Table 11:	Employee & Passenger Accident and Incident Statistics.....	36
Table 12:	Marine Atlantic Fleet .....	46
Table 13:	Rate Survey Summary .....	52

### LIST OF FIGURES

Figure 1:	Marine Atlantic Routes .....	5
Figure 2:	Current Fleet Capacity Levels .....	28
Figure 3:	Capacity Utilization – 2006 Proposed Schedule.....	31
Figure 4:	Projection of Financial Position and Employer Contributions .....	43
Figure 5:	Marine Atlantic Inc. Traffic Profile .....	49

### APPENDICES

Appendix A:	Marine Atlantic Organizational Structure .....	61
Appendix B:	Operational Plan Performance Objectives .....	62
Appendix C:	Operational Plan - Goals and Strategies.....	68
Appendix D:	Traffic Projections by Service.....	69
Appendix E:	Year 2006 Operating Plan.....	70
Appendix F:	2006 Proposed Ferry Schedule.....	72
Appendix G:	Customer Service Performance Measures.....	74



## 1 Corporate Profile

---

### 1.1 Mandate

Marine Atlantic's legislative mandate is the "acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto" (*Marine Atlantic Inc. Acquisition Authorization Act*, 1986). Marine Atlantic also fulfills a constitutional mandate originally established by the Terms of Union by which Newfoundland and Labrador joined the Canadian Confederation in 1949.

Marine Atlantic's importance within the Newfoundland and Labrador economy and to the people of the province has assured an even broader social and economic mandate for this service. It now plays an essential role in the province's tourism sector, in the importation and exportation of goods, and in the free movement of its citizens. As an extension of the Trans-Canada Highway, it forms a crucial bond within the Canadian confederation, connecting the province of Newfoundland and Labrador to the rest of the Nation.

### 1.2 Legislative Authority

The origin of Marine Atlantic's legislative authority underscores its importance to the people of the Province of Newfoundland and Labrador. In 1949 when Newfoundland (and Labrador) joined the Canadian Confederation, the service was accorded special constitutional status under Term 32(1) of the Terms of Union (*The Newfoundland Act*, 1949). Term 32 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."*

The *Marine Atlantic Inc. Acquisition Authorization Act* (1986) established Marine Atlantic as a parent Crown corporation with a mandate to operate a marine transportation service, which it does under contract with Transport Canada.

The *Financial Administration Act* (1985) (*FAA*) requires that Marine Atlantic's records, systems and management practices be maintained to ensure that assets and transactions are safeguarded and controlled, and that the financial, human and physical resources of the Corporation be managed efficiently and effectively. The *FAA* also sets out various reporting, governance and transaction authority provisions for Crown corporations.



The *Canada Marine Act* (1998) (*CMA*) and Transport Canada's National Marine Policy directs the Corporation to "substantially reduce its costs and increase efficiency" and to "commercialize its operations by exploring new vessel management and procurement practices, the commercial operation of vessels, and the streamlining of services". The *CMA* was reviewed in 2003 and "provides for the continuance of constitutional services and the provision of "similar services" on other routes."

Revenue received from services provided is applied to fund Marine Atlantic's operational and capital requirements. The balance of funding is provided through annual contracts with Transport Canada. The Bilateral Agreement<sup>1</sup> with Transport Canada sets out the basic principles that govern the Corporation's relationship with the federal department as well as the terms for executing specific subsidiary agreements under which the Corporation operates its ferry services.

Certain other federal legislative and policy requirements - Official Languages, Employment Equity, Alternative Fuels, Privacy and Confidentiality and the Federal Identity program - also govern the Corporation's conduct.

### 1.3 History

A regular steamship service has operated on the Cabot Strait between Nova Scotia and Newfoundland (and Labrador) for more than a hundred years. Begun by the Reid Newfoundland Company in 1898, it connected the Island's railway to the Canadian system. The Canadian government began providing a subsidy for the service in 1911, which continued until 1924 after the Newfoundland government took over its operation. In 1949, under the Terms of Union between Newfoundland (and Labrador) and Canada, Canadian National Railways assumed responsibility for the service, in addition to the coastal boat service, the St. John's dry dock and the Newfoundland Railway.

By the Terms of Union, Canada undertook to maintain the existing North Sydney, Nova Scotia to Port aux Basques, Newfoundland (and Labrador) vessel service, and to accommodate the transportation of motor vehicles when the highway link was completed from Corner Brook. In 1968, a summer ferry service was inaugurated between Argentia, Newfoundland and North Sydney to meet a growing demand for a second link to the mainland.

The ferry and coastal boat service continued as a wholly owned subsidiary of the Canadian National Railway Company (later CN Marine) until Marine Atlantic Inc. was formed as a parent Crown corporation under the *Marine Atlantic Inc. Acquisition Authorization Act* (1986). Pursuant to its National Marine Policy

---

<sup>1</sup> Bilateral Agreement between Her Majesty the Queen and Marine Atlantic Inc., Department of Transport, March 12, 1987.



(1995) and the *Canada Marine Act (1998)*, Transport Canada instructed crown corporations to 'commercialize activities' as much as possible. As a result, Marine Atlantic sold all assets of Newfoundland Dockyard Corporation and divested itself of all ferry service routes except those from North Sydney, Nova Scotia to Newfoundland and Labrador.

Through this period of transition, the Corporation underwent a significant management restructuring in response to its changing mandate, from a regional ferry service to a dedicated Newfoundland-mainland service. Reflecting that new focus, the head office was moved from Moncton, New Brunswick to St. John's, Newfoundland and Labrador in early 2001.

Since 2001, Marine Atlantic has operated four vessels on its year-round Port aux Basques route and its June to September Argientia route, and utilized three ferry terminals, one in each of North Sydney, Port aux Basques and Argientia.

#### **1.4 Structure & Governance**

**Operations:** Marine Atlantic's operations are located in both Nova Scotia and Newfoundland and Labrador. Its corporate head office is in St. John's, its finance, accounting and information technology functions are based in Port aux Basques, and its operations and human resources management are located in North Sydney. Operations staffs are located in the Corporation's ferry terminals at Port aux Basques, North Sydney and Argientia.

**Board of Directors:** Marine Atlantic has a 12-person Board of Directors, which reports to the Parliament of Canada through the Minister of Transport. Board members are typically appointed for two to three-year terms, which can be extended at the discretion of the Crown. The Board meets quarterly and convenes additional meetings as the need arises.

The Board Chairman completed his term in December 2003. Privy Council has not yet appointed a new Chairman. Thus, the Vice-Chairman of the Board is currently the acting Chair.

Three committees function to support the role of the Board: the Audit Committee, the Pension Management Committee, and the Corporate Governance & Risk Management Committee.

The Office of the Auditor General (OAG) prepared a Special Examination Report in 2004. The recommendations are being implemented.

**Management:** Organizational changes and management restructuring continued in 2004, as it had for the last number of years. The current Marine Atlantic organizational structure is illustrated in Appendix A.





## 1.5 Special Examination by OAG in 2004

The Office of the Auditor General (OAG) performed a special examination in 2004 in accordance with Section X of the *FAA*. A final report was presented to the Board of Directors in September of 2004. The key areas of concentration for the examination included the safety and environmental responsibilities of the service, the quality service components, and the cost effectiveness of the service. Through the examination criteria, the topics discussed included the constitutional obligation, essential nature of the service, managing human resources, long-term asset planning, funding issues, and the historical context. The report commented that the examination had progressed well and there was reasonable assurance that there were no significant deficiencies in the systems and practices examined with the exception of the following two significant deficiencies:

- The Corporation does not have reasonable assurance that its operations are efficient and economical; and
- Initial annual operating agreements with the Minister of Transport have not reflected the known full cost of providing the contracted service.

From these findings, four recommendations have been acted upon:

- **Performance expectations** – Performance measures and targets have been finalized, approved by the Board of Directors and are in place.
- **Labour relations** – The Corporation is committed to a long-term approach to improving the efficiency of operations, including increased efficiencies in its use of human resources.
- **Vessel replacement** – The Corporation is currently developing a comprehensive vessel replacement plan based on operating needs and full life-cycle costs.
- **Annual operating agreements** – In collaboration with Transport Canada, the Corporation is working to establish annual operating agreements with the Minister of Transport that include both the full cost of providing the contracted service and the planned level of service performance.

## 1.6 Fiscal Year End

Marine Atlantic's fiscal year is currently on a calendar-year basis. All funding and reporting requirements with Federal Government departments are on the government fiscal year end of March 31. This situation involves developing special reports and constant reconciliation from Corporate and government fiscal year-ends. In particular, this situation can result in confusion when discussing funding requirements.

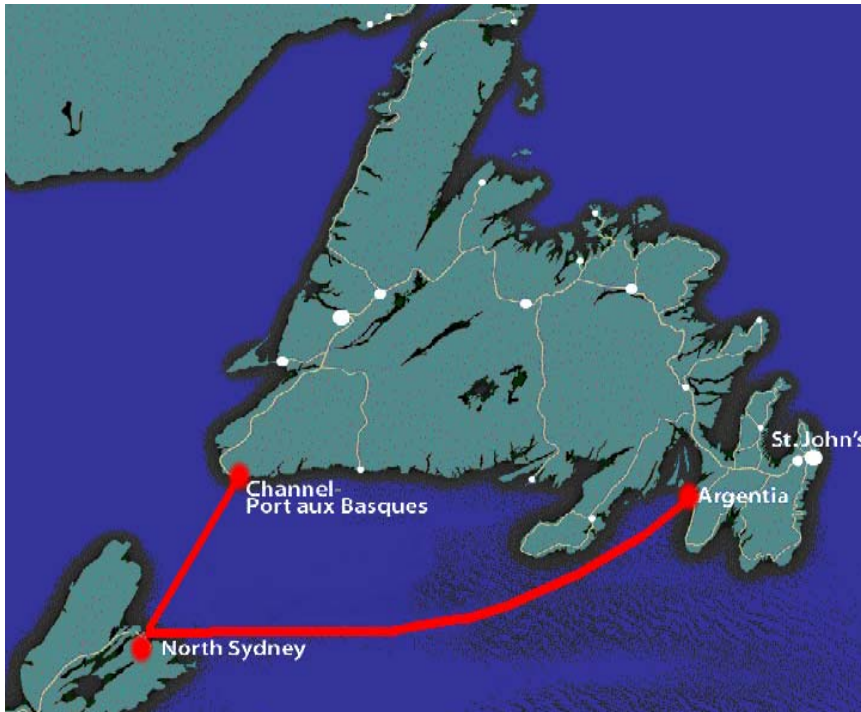
In the June 2004 meeting of the Board of Directors, a resolution was passed to change the financial year-end of Marine Atlantic to match Government's federal

fiscal year-end. Management has been pursuing this change with the relevant federal departments and will implement the change for April 1, 2007.

## 1.7 Services, Facilities & Assets

**Service Levels:** Marine Atlantic transports virtually all of the passenger vehicle traffic between Newfoundland and Labrador and mainland Canada.

Marine Atlantic also transports the majority of the province's freight traffic, with direct water carriers, principally Oceanex operating out of Montreal and Halifax, carrying the balance. These carriers provide mainly container and a limited drop trailer service. Marine Atlantic transports all of the driver-accompanied freight vehicles.



**Figure 1: Marine Atlantic Routes**

**Routes:** Marine Atlantic's ferries operate year-round on the 100-nautical mile run between Port aux Basques and North Sydney (Figure 1). For passengers, passenger vehicles and commercial vehicles, this route is the continuation of the Trans-Canada Highway between Newfoundland and Labrador and the rest of the country.

The Corporation also operates a high-demand seasonal service (late June to late September) between North Sydney and Argentia on the island's Avalon Peninsula. This 280-nautical mile run significantly reduces the 900-kilometer highway drive from Port aux Basques to the Avalon Peninsula where the majority



of the provincial population resides. By providing a circle route across the island, entering on one coast and exiting on the other, visitors and other traffic avoid the need to repeat a ten-hour highway drive across the length of the island. This is a particularly attractive option for tourists.

***Fleet, terminals and related facilities:*** Marine Atlantic's current fleet consists of 4 ice-breaking class ocean-going vessels described in detail in Section 5 of this Plan.

The Corporation also operates three ferry terminals and associated facilities at North Sydney, Port aux Basques and Argentia. In addition to the docks, wharves, piers and vehicle marshalling areas, it also maintains a variety of other structures, such as passenger terminals, ticket booths, maintenance facilities and administrative offices. There is also a variety of equipment needed to operate the ferry service, such as service vehicles, maintenance equipment and yard tractors/shunt trucks.



---

## 2 Year 2005 Performance

---

### 2.1 Operations

#### 2.1.1 Culture and Efficiency – Management Restructuring

##### Senior Management:

Although always mindful of Marine Atlantic's 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*" and while always working towards the goals within that statement, only in 2003 was the executive in a position to move forward and address the long-term concerns. Those concerns included not only completing the management restructuring, but also focusing on the long-term objectives of the Corporation which included the future of the existing fleet, the fleet required to handle future traffic expectations, and the need to address with Transport Canada various long-term funding solutions for the future.

**Operations Management:** Significant changes in the area of shore and shipboard operations management were made in the following departments:

Marine Technical	Marine Operations
Safety	Terminal Management
Shipboard Management (Masters & Chief Engineers)	

During 2005, the rebuilding of the operations shore management group will have been, for the most part, completed.

**Shipboard Management (Masters & Chief Engineers):** During 2004/2005, six masters and four chief engineers retired from the Corporation. Four of the master's positions have been filled by promotion from within, and two are new hires to the Corporation. Three of the masters were formerly relieving masters, only two of these relieving master positions will now be refilled, which will be done during the course of 2005. The four chief engineer positions have now been filled.

#### 2.1.2 Loading/Unloading Efficiencies

In order to measure efficiency, management reviewed the reliability of the service, i.e. on-time performance (OTP). During the winter and shoulder season, the sailing schedule is such that vessel time in port can be up to 4½ hours. The Corporation examined the method being used to load/unload the vessels and found that, due to the lengthy port time available, the practice was to unload the



vessel upon arrival and then to delay loading until, depending on the traffic level, approximately one hour before the vessel's scheduled departure.

To address this issue, management adopted a policy of loading/unloading vehicles immediately upon the arrival of the vessel. The passenger services department was required to prepare the passenger lounges and cabins while off-loading of all traffic and the loading of drop trailers was taking place. As soon as the passenger areas had been serviced, the "live" traffic, i.e., passenger and commercial vehicles with drivers, could be loaded.

Management also examined further efficiencies within the loading/unloading process. A computer program was developed to allow Marine Atlantic to measure the amount of time required to off-load/load any specific traffic mix. The time necessary for off-loading/loading activities is constantly being examined together with the loading plan and activities such as lashing the vehicles to the deck to see if further efficiencies can be achieved.

The on-time performance of the vessels has improved from 60 percent in 2004 to 73 percent for the first nine months of the year. This is a 22 percent improvement.

In 2004 for a Ro-Pax vessel carrying a typical load of 14 drop trailers, plus 16 tractor-trailers and 169 passenger vehicles, the turnaround time was often in excess of 2 hours. Since April 30, 2005, the implementation date of the new procedures, turnaround times have improved by at least 30 minutes to approximately 1½ hours. This is a significant improvement.

### ***2.1.3 The Traffic Offering***

The island of Newfoundland has experienced significant traffic growth in all sectors over the past 20 years (Table 1). Particularly during the period 1996 to 2002, Marine Atlantic experienced substantial increases in passenger and passenger vehicle traffic, primarily driven by major provincial tourism promotions and events together with a strengthening provincial economy. In 2003 and 2004, passenger traffic declined from these traditional levels.

The major issues affecting traffic since 2003 include:

- Increase in price of gasoline;
- Decrease in tourism volumes in Atlantic Canada;
- Appreciation of the Canadian Dollar;
- Public sector and large employer labour disputes; and
- Fear of travel due to world terrorism events.

Commercial or freight traffic has continued a steady expansion since 1997, increasing from 68,000 units that year to a projected 87,394 units in 2005. This constitutes a 29 percent increase over this short period.



**Table 1: Traffic History**

Direction	Type	1983 Volume	2002 Volume	Total % Growth	Annual % Growth	2004 Volume
NSY-PAB	Passengers	145192	243108	67%	2.9%	195884
	PRV's	40016	78979	97%	3.8%	63440
	CRV's	31937	39973	25%	1.3%	43531
PAB-NSY	Passengers	139229	236653	70%	3.0%	190543
	PRV's	38057	76170	100%	3.9%	61241
	CRV's	31288	38814	24%	1.2%	41884
NSY-ARG	Passengers	15257	23389	53%	2.4%	15701
	PRV's	5578	8433	51%	2.3%	6053
	CRV's	68	176	159%	5.4%	240
ARG-NSY	Passengers	17278	25825	49%	2.3%	17692
	PRV's	6284	9146	46%	2.1%	6737
	CRV's	42	129	207%	6.4%	114
<b>Total Auto Equivalent Units</b>		<b>329112</b>	<b>514316</b>	<b>56%</b>	<b>2.5%</b>	<b>503113</b>

Marine Atlantic traffic volumes have increased approximately 2 percent over 2004 for the first eight months of 2005. The year-to-date traffic statistics indicate passenger and passenger vehicle traffic are on par or slightly over last year, however there is an increase in commercial vehicle traffic for the same period. Deck space utilization for 2005 was basically on target, although the vehicle mix had changed from projections. Forecasted traffic volumes for 2005 are compared to the actual 2004 volumes in Table 2.

**Table 2: Traffic Volume Variances by Type and Service - 2005 vs. 2004**

	Port aux Basques Service			Argentia Service			Service Totals		
	2004 Actual	2005 Forecast	Variance %	2004 Actual	2005 Forecast	Variance %	2004 Actual	2005 Forecast	Variance %
Passengers	386,427	395,169	2	33,393	38,231	15	419,820	433,400	3
Auto's/Trailers/Campers	121,386	126,187	4	11,707	13,040	11	133,093	139,227	5
Buses	541	553	2	72	85	18	613	638	4
Motorcycles/Bicycles	2,754	2,770	1	1,011	1,112	10	3,765	4,019	7
Straight Trucks	2,619	2,770	6	124	158	27	2,743	2,928	7
Tractor Trailers	41,551	42,225	2	18	18	0	41,239	42,243	2
Trailers Only & Other	41,575	41,983	1	212	241	14	41,787	42,223	1
<b>Auto Equivalent Units</b>	<b>487,010</b>	<b>498,726</b>	<b>2</b>	<b>16,104</b>	<b>17,994</b>	<b>12</b>	<b>503,113</b>	<b>516,720</b>	<b>4</b>
Trips	1,952	1988	2	76	80	5	2,028	2,068	2



### 2.1.4 Crossings, Vessel Utilization, On-time Performance

One of the options used in developing schedules and for efficient operations is the use of the Management Discretionary Sailings (MDS). This option allows non-published sailings to be included in the schedule. When needed, management can use them to reduce pressure on the published sailings. In this way, the most efficient use of the vessels will be realized. Only when maximum utilization of a vessel is being reached does Marine Atlantic put an MDS into service.

Including all MDS for 2005, the Corporation expects to make approximately 2068 crossings throughout the entire year. This is a 2 percent increase over the crossings made in 2004, which coincides with the increase in traffic expected. The crossings made over the last 5 years are illustrated in Table 3 below. The vessel utilization section in the Table illustrates how the Corporation has been able to accommodate more traffic using fewer crossings. Vessels are being utilized more efficiently through improved scheduling and the new loading processes described in Section 2.1.2.

**Table 3: Fleet Crossings 2000-2005**

	Port aux Basques Service	Argentia Service	Service Totals	Vessel Utilization %
2000	2,156	82	2,238	71
2001	2,095	80	2,175	69
2002	2,150	80	2,230	71
2003	2,020	76	2,096	73
2004	1,952	76	2,028	76
2005	1,988	80	2,068	75*

\* Year to date to September 30, 2005.

Of the 1,630 scheduled crossings to the end of September 30th, 2005, only 36 had to be rescheduled, but 24 were due to weather conditions. Ignoring weather-related delays and rescheduled crossings, overall on-time performance was at 73 percent for this period, an improvement of 22 percent compared to 2004. Table 4 outlines the on-time performance history over the past 6 years. The improvement in the 2005 statistics is attributed to the effort by the Corporation to improve the on-time departures. Some of the initiatives utilized to improve this process are explained in Section 2.1.2.



**Table 4: On-Time Performance**

	2000	2001	2002	2003	2004	2005
On-time Performance %	75	76	74	64	60	73*

\*Year to date to September 30, 2005.

### 2.1.5 Schedules

Teamwork is essential in developing a schedule that balances the needs of both internal and external stakeholders. Internal stakeholders consist of Terminal Management, Marine Technical, Marine Operations, Passenger Services and all corporate departments that service the needs of the operations department. The Newfoundland public, the trucking and tourism industries are the main external stakeholders who compete for the limited vessel space. In addition to space, time is a major factor to consider when moving the “traffic offering”. Given the required sailing time for each crossing, the port time necessary to off-load and load, the number of vessels in the fleet, a dictated number of sailings have to occur in order to carry the “traffic offering”. Departure times are based on the 24-hour clock. But contrary to a widely held public misconception, some of the more popular and heavily booked crossings are those schedules for the late night and very early morning hours.

In 2005, the development of the Marine Atlantic Trucker’s Website was a new initiative. This site allows the trucking companies with Internet access to gain information about the movement of their traffic, i.e. when their units are loaded on board a vessel and when the vessel departs. With this information, these companies can make arrangements for immediate pick-up and delivery of their drop trailers. This eliminates the need for terminal management to send information by fax as was done in the past.

Using this site, truckers also provide Marine Atlantic with reciprocal information. To date, the venture has met with only partial success, as trucking companies also need to embrace a cultural change in their businesses. Management is confident, however, that this website will eventually provide the information that will lead to the greater scheduling efficiencies which are being sought.

The *Freighter* moves the drop trailer traffic during the summer time, but the scheduling of the *Freighter* is key to any success. If wrongly located in the schedule, that vessel can impact the passenger vessels because of the *Freighter’s* slower sailing speed and load times. This year, in co-operation with the trucking industry, the *Freighter’s* departure time was moved from an 11:30 North Sydney departure to a 07:00 departure from that port. Possible conflicts with the schedules of the other passenger vessels are then avoided.





### **2.1.6 Maintenance**

As stated previously, the technical department was one of the areas where a change in management arose from a retirement. One of the tools being implemented by the technical department is an analytical tool that dictates when maintenance is required based on equipment usage.

Another feature is the partnering with Marine Atlantic's major machinery suppliers. Each month these suppliers, who generally are the manufacturers of the equipment, are given an update of the equipment operating hours. In this way, information is provided that allows the supplier to have the parts on hand required for any predetermined maintenance, again reducing the necessity for the Corporation to carry excessive inventory.

Vessel personnel generally complete the Planned Work Periods on the vessels with support from the shore maintenance department. The introduction of project planning helps alleviate resource issues, especially the use of maintenance department personnel. It was found, however, that there was often a conflict with requirements for terminal maintenance; since management at the terminals were not sufficiently knowledgeable about ship technical operations. It was decided that the maintenance department should come under the direction of the technical department as staff there were knowledgeable about both terminal and vessel maintenance. With this change, the technical department can produce one large project plan that will take into account both terminal and vessel maintenance for the year, with sub-projects emanating from this plan. To date this has proven effective, with many of the resource conflicts being eliminated.

### **2.1.7 Loss Prevention**

It had been suggested to the Corporation by a security organization that a loss prevention policy would assist management in ensuring that many significant in value, but small in size property items (i.e., tools, inventory, parts, consumables, etc.) are used only for the Corporation's purposes, and not for private gain. As a result, in 2005 a new Asset Loss Prevention Policy was developed which will enable management to, where appropriate, search persons and vehicles leaving the various sites where Marine Atlantic operates if management suspects that goods may be leaving the premises inappropriately. Results are expected in 2006 with the implementation of the new policy.

In addition, a Loss Prevention Committee was established in 2005. The focus of the Committee is to implement control processes and procedures to mitigate asset losses.



### **2.1.8 Information Technology**

The past year has seen a number of information technology initiatives implemented that have improved operations, enhanced customer service, and provided the Corporation with timely information for effective decision making. As reported in Section 2.1.5, Marine Atlantic implemented a commercial website that provides trucking companies with the ability to report anticipated future commercial traffic volumes. For those commercial operators with no access to the Internet, a 1-800 service has also been implemented.

Other initiatives over the past year included enhancements to the new Human Resource and Payroll system with the setup and implementation of electronic personnel action forms and employee benefits. Although these modules are not fully implemented, the Corporation will achieve efficiency gains as these processes are currently being completed manually.

In the spring 2005, the Corporation made the decision to fully integrate the finance module of the Industrial Financial Systems (IFS) with the IFS materials and maintenance management modules. There has been significant work completed with the implementation of the materials and maintenance management modules to date. The decision to implement the finance module only strengthens the Corporation's position to become more efficient through systems integration and simplification. When fully implemented, the IFS system will replace the 5 current non-integrated systems.

The past year has also seen customer service initiatives that include (1) a joint pilot project with Aliant to provide Wireless Fidelity (Wi-Fi) computer access points to all three terminals, (2) commercialization of the Marine e-Commerce Applications (MeCA) project providing satellite services to the three passenger ferries for accessing the Internet, ATM and other web-based services, and (3) sub-contracting the Atlantic Portal e-tourism website, a site for tourism operators to advertize their services, which activity will also generate revenues for the Corporation.

### **2.1.9 Other Marine Services Initiatives**

Marine Atlantic has invested in environmental protection. The No.1 fuel tank was modified to meet proposed enhanced standards to prevent oil spills. A spill containment pad has also been installed to prevent spills during the fueling of vessels.

Additional radar systems were ordered for the passenger vessels. Each vessel now has 3 Bridge Master radars to ensure redundancy. The systems are also interchangeable, meaning they can now easily be transferred from ship to ship, thereby reducing maintenance costs.



The fender panels at the docks in Port Aux Basques and North Sydney have begun to be replaced with intermittently spaced paneling composed of new technology. This will replace wooden faced panels, which are more susceptible to damage. This modification should reduce maintenance costs, while not sacrificing safety during the berthing of vessels.

The *Ericson* was equipped with a solid-state converter to utilize the shore power facilities. This will result in substantial fuel savings as auxiliary engines can now be turned off while the vessel is in port.

## **2.2 Customer Service**

Marine Atlantic continues to build on the considerable momentum started in 2000 to improve all aspects of customer service and to enhance its corporate image with all stakeholders. The Corporation has always played a major role in promoting tourism for the province of Newfoundland and Labrador. During customer service training programs, the Corporation ensured that employees were exposed to information on all important tourism events that were occurring in the province. This was important because visitors who travel to Newfoundland and Labrador view the “boat ride” as part of the overall tourism experience. Incorporating this product knowledge into the annual training program translated into exceptional customer service and was reflected in the positive customer service ratings received by the Corporation.

### **2.2.1 Customer Service Training**

The Corporation has found customized training programs to be most effective in meeting Marine Atlantic's needs because of the ability to individualize programs to this organization, often covering topics from certified programs and higher-level courses as required. Certified programs offer the fact of certification, but not the courses and material required specifically by Marine Atlantic. Customer service training is provided to all new employees during orientation.

Marine Atlantic continually reviews its training requirements and the programs offered to ensure the greatest impact with the most appropriate and cost-effective delivery. Although customer survey statistics provided an overall satisfaction of 94 percent in 2004, Marine Atlantic recognizes the need for continuous improvement.

The Corporation is again building non-regulatory programs into the training budget. For 2005, supervisory training was approved and is presently taking place. For 2006, the Corporation will again look at requirements for customer service training for all employees.



### 2.2.2 Accessibility

Marine Atlantic's Accessibility Committee continues to be a leader in promoting accessibility to all its passengers. The Committee is very active in making recommendations for improvement, while communicating the need for accessible transportation options. The Corporation has sponsored a number of open house sessions to showcase Marine Atlantic as a leader in Canada for accessible transportation.

In addition, the Corporation continues to implement the requirements identified in the Canadian Transportation Agency's (CTA) *Ferry Code of Practice*.

### 2.2.3 Customer Survey Results

Marine Atlantic relies on customer feedback as the primary benchmark for evaluating customer service, based on surveys conducted by an independent organization throughout the peak summer seasons. The Corporation analyzes the results and targets appropriate areas for improvement.

Table 5 presents the survey results for the years 2000 to 2005. Percentages indicate those respondents who were either "completely satisfied" or "mostly satisfied" with the quality of each service. Management recognizes that maintaining these very high customer satisfaction levels is a performance target. However it has been noted that in 2005 there has been a shift from the number of those "mostly satisfied" to "completely satisfied".

**Table 5: Customer Satisfaction Survey Results**

Indicator	Score (%)					
	2000	2001	2002	2003	2004	2005****
Overall Quality of Service	96	95	97	97	94	94
Overall Quality of Vessel Service	96	95	97	98	95	95
Food Service	96	97	87* / 93**	93* / 97**	95* / 95**	91*/93**
Ticketing	94	97	98	99	98	97
Price/Cost	N/A***	N/A***	71	74	63	62
Terminal Quality	93	96	97	97	95	93
Traffic Processing	90	97	93	97	94	95
Reservations	90	92	97	98	96	98

\* Terminal Food Service

\*\* Onboard Food Service

\*\*\* N/A – this area was not assessed prior to 2002.

\*\*\*\* Year to date August 31, 2005



#### **2.2.4 Stakeholder and customer communication**

Marine Atlantic's mission statement outlines the Corporation's commitment to providing a quality and reliable ferry service. The three key users of the ferry service include commercial trucking, manufacturing and the tourism industries. In 2005, the Corporation continued the focus to further enhancing its working relationship with these groups.

The President and CEO with members of the management team meet regularly with representatives from the key users groups. The Stakeholder Communications Group includes representatives from Hospitality Newfoundland and Labrador, the Atlantic Provinces Trucking Association, Newfoundland and Labrador Carriers Association, the Independent Truckers' Association and the Newfoundland and Labrador Manufacturer's Association. These meetings have focused on developing an understanding of the needs and limitations of all groups, as well as identifying areas of concern and finding solutions before they become a public issue. It also provides an opportunity to gather information on changing trends in stakeholders' industries. One example of a change as a result of these meetings was the altering of the *MV Atlantic Freighter's* schedule to avoid interference with passenger services.

In addition, the Corporation is working with key departments within the Government of Newfoundland and Labrador and representatives from the port communities on various projects of mutual interest.

Marine Atlantic has a representative member on the Board of Directors of the Atlantic Provinces Trucking Association (APTA). The Corporation's representative is also a member of the ferry committee, a board subcommittee that examines trucking/ferry issues.

Marine Atlantic and its stakeholders have both benefited from increased two-way communications in that there has been less negative media coverage and thereby less attention invested in correcting negative impressions. This approach has also built an increased goodwill for times when the Corporation must react to inevitable issues like mechanical breakdowns. These benefits positively impact the Corporation's bottom line.

One-on-one communication between frontline employees and customers is the Corporation's primary method of communication with customers. The Corporation also undertakes an annual independent customer service survey providing feedback on the overall service provided by the Corporation and in particular the service provided by shore and on board staff. Concerns are reviewed by the Corporation's Ombudsman who in turn works with managers to correct any issues.



### **2.2.5 Ombudsman**

The customer Ombudsman was effective again in 2005, ensuring prompt resolution of customer concerns, complaints and comments. The Ombudsman's contact information is prominently displayed at all Marine Atlantic terminal and vessel locations.

In the period January to August 2005, the Ombudsman addressed the comments of 121 travelers, down from 163 for the same period in 2004, a reduction of more than 25 percent. It must be remembered that a total of approximately 315,000 passengers traveled within that period, so to put the magnitude of comments into proper perspective 121 problems equates to complaints from 4 for every 10,000 of Marine Atlantic's customers.

### **2.2.6 Other Customer Service Initiatives**

Numerous renovation projects were initiated on board the vessels to increase passenger comfort in the lounges, cabins and washrooms. The air conditioning unit in the *Caribou* cafeteria was replaced. The North Sydney terminal received capital to improve its passenger seating.

The 3-berth passenger cabins on board the *Ericson* were converted to a 4-berth configuration which provides both increased revenues and improved customer satisfaction. This change also resulted in efficiencies for the reservations staff when doing vessel substitutions involving the other passenger vessels which have 4-berth cabins only.

## **2.3 Environment**

For environmental management, the Corporation presently follows the "Green Plan", developed in-house to address issues such as recycling, duplex printing, purchasing of environmentally friendly cleaning materials, recycling paper as well as providing information with regard to dealing with pollution incidents, such as oil and other product spills. The Green Plan does not cover the larger issues, such as those covered by the requirements of ISO 14000. Elements of ISO 14000 will be included in the new Quality Management System (QMS) will be titled "Marine Atlantic's Safety, Quality and Environmental Management System".

In order for Marine Atlantic to become more cost-effective, a decision was taken in 2000 to reintroduce IFO 180 (blended) fuel to the *Caribou* and the *Smallwood*. These two vessels had operated on this type of fuel when first brought into service, but due to an incident on the *Caribou* when a heat tracing line broke causing the fuel to solidify, management at that time decided to revert to diesel fuel only, "dealing with the symptom rather than the problem". That solution proved to be extremely costly to the Corporation.



Although operating with only the Green Plan, Marine Atlantic has been proactive in investigating new technologies designed to make the operation of its ships, especially those burning blended fuel, more environmentally friendly. During 2002, the marine technical department participated in testing a scrubber system designed to eliminate environmentally unwanted emissions from vessel exhaust gases. The trials, which lasted almost a year, were carried out on board the *Ericson* which operates entirely on IFO 180 fuel. Although cost effective, IFO 180 is less environmentally friendly than diesel fuel. The trials were somewhat successful, but the equipment needed further development and was removed from the vessel.

## **2.4 Safety - National and Corporate**

Marine Atlantic continues its commitment to ensure its passengers are transported in a safe and efficient manner. Consistent with its vital role in the delivery of persons and goods to and from the island of Newfoundland, the Corporation has recognized that its ferry service is an important part of the Canadian national transportation system. Resultantly, Marine Atlantic must be aware of and operate under national security standards for marine operators. To ensure compliance and consistency in approach and through its association with the Canadian Ferry Operators Association (CFOA), a domestic ferry security policy is being developed. A subcommittee of CFOA will also meet with the Director of Marine Security at Transport Canada to develop regulations for implementation. Discussions on this initiative will commence at the Canadian Marine Advisory Counsel meetings in October 2005.

The Corporation is very committed to enhancing the current safety culture that instills in all employees that "safety comes first". To that end, the Corporation continues to provide significant amounts of safety training.

### **2.4.1 Safety Awareness and Results**

Health and Safety Committees composed of both management and union employees are very active on shore and on board the vessels. The Health and Safety Policy Committee is responsible for the development of corporate safety policies that ensure best practices. These processes promote good communication between committees and management at all levels.

The Corporation has committed to the development of a complete Occupational Safety and Health program for the entire organization. A baseline audit has commenced which, upon completion, will provide a strategy for implementation.



**Table 6: Employee & Passenger Accident and Incident Statistics**

Year	Employee		Passenger
	Lost Time Accidents	Medical Aid with No Lost Time Accidents	Accidents & Incidents
2000	24	44	39
2001	24	66	60
2002	30	56	60
2003	18	60	29
2004	30	51	37
2005*	14	39	32

\*Year to date August 31, 2005

The safety systems used by Marine Atlantic to control and monitor the safety management functions are the “Safety Management System” (SMS) for on-board operations and the “Safety Manual” for shore operations. These regimes adequately look after the needs of customers, employees and assets. Nevertheless, The Corporation intends to introduce a new system that will integrate not only these two systems, but also the “Environmental” aspects and the “Quality” of the service.

In 2004, management concluded that the path forward was to have a safety audit carried out in the three terminals in order to ensure that the procedures being applied from the Safety Manual were in compliance with the *Canada Labour Code*, Part II. Management considered this to be the first step towards an integrated Quality Management System. The Corporation retained the services of an accredited safety consultant to carry out the terminal safety audits. The audits revealed that the existing safety manual that had been developed over the years, although meeting the *Code*, was deficient in some procedures required to meet the higher standards that management was striving to achieve. To the credit of the existing safety manual, the audit revealed that the level of lost time accidents and medical aid accidents at Marine Atlantic was below industry standards. The audit resulted in a new Safety Manual being developed and introduced into the work place.

The second phase of this integration of systems is to procure the expertise of a company that can provide and implement a QMS. This system would include elements of ISO 9001-2000, 14000 and 18000 which protocols cover quality and safety, as well as the environment and pollution. To this end, an RFP has been issued and the process is expected to start during the 4<sup>th</sup> quarter of 2005. Implementation will take several years after the program is fully developed.





### **2.4.2 Safety-focused Training**

Marine Atlantic has undertaken a major initiative to enhance Marine Evacuation Training for vessel employees. In consultation with an outside agency, the Corporation developed a new multi-media training program entitled, "Seven Short-One Long", tactical strategies for the effective deployment of Marine Atlantic's Marine Evacuation System (MES). The course directs employees through an emergency situation, crowd control scenarios and interaction with passengers, isolates proper procedures, identifies crucial lines of communication, and prepares employees to efficiently and effectively deploy the MES.

Training for all regulatory requirements under the Marine Occupational Safety and Health (MOSH) and Canada Labour Code - Occupational Safety and Health (COSH) regulations continues. The development of the Occupational Health and Safety program has resulted in training being directed to areas such as job hazard analysis to ensure that managers are provided the necessary support to identify the safety requirements of each position. This training has greater focus with the obvious intent of eliminating occupational injuries and illnesses.

### **2.4.3 Safety Initiatives**

In 2005 a significant amount of capital was invested in improving and maintaining safety systems. Marine Atlantic began the process of replacing the Marine Evacuation system (evacuation slides) and life rafts on board the *Ericson* and the *Smallwood*. Heating, ventilation and air conditioning (HVAC) systems have been installed/modified in the *Argentia* and Port aux Basques terminals to improve air quality. An improved fire detection system has been added to the *Argentia* maintenance building. Improved sliding doors for the *Ericson's* passenger elevators to comply with the A60 standard were ordered. A full mission simulator program was developed for new masters to permit training of vessel handling in a controlled environment.

Several changes were made to the *Smallwood* subsequent to the incident on board when a truck caught fire. A new communications system was installed giving better reception to radio communication on board, even in the most remote areas of the ship. New signage was installed that reflects very latest SOLAS regulations. As well, new procedures were put in place and additional training was given to the deck crews with respect to alarms, alarm bells and the operation of the fire detection system.

Management has also implemented fire and boat drills that include passengers on board all of its vessels. This practice has been accepted with interest by passengers and has made the drills a more realistic exercise for the crews.



## 2.5 Human Resources

In 2005, Marine Atlantic Inc. has approximately 1,278 employees (916 full-time equivalent positions). Bargaining units represent approximately 98 percent of these employees. The Canadian Autoworkers (CAW) represents unlicensed vessel and shore based maintenance personnel, the United Steel Workers of America/International Longshoremen Association (USWA/ILA) represents stevedores and other shore based employees, the Canadian Marine Officers Union (CMOU) represents the licensed personnel excluding Masters, Chief Engineers and Chief Electrical Engineers who are represented by the Canadian Merchant Services Guild (CMSG), and supervisory personnel are represented by the Public Service Alliance of Canada (PSAC).

### 2.5.1 Human Resources Initiatives

Despite the significant amount of time allocated by the human resources department to labour relations matters, Marine Atlantic has at the same time progressed many human resources improvements.

**Performance Management:** Additional competencies for management staff in each department were developed during 2005 with the view to establishing a new performance management system in 2006.

Managers also attended training sessions in 2005 on “coaching for performance”, a system that encourages continuous improvement by staff based on the skills and competencies for each position.

#### **Employment Equity Program:**

Marine Atlantic's commitment to persons with disabilities and accessibility to the service was also extended to the workplace. In 2004, the Corporation focused on identifying issues of access to facilities for employees with disabilities. A workplace review that identified the changes required in each work area to ensure an ease of access for employees with disabilities was completed.

**Disability Management:** Recognizing the cost of absenteeism, the well being of its employees and the regulatory requirements under Transport Canada for seafarers, Marine Atlantic has implemented a Disability Management Program.

The introduction of the program has ensured compliance with the regulations established by the Newfoundland and Labrador Workplace Health and Safety at *Work Act* as well as the Nova Scotia Board's regulations.

**Health and Wellness Program:** The Corporation revised and broadened its Employee Assistance Program in 2004 to an Employee Wellness Program in



recognition that health and wellness are emerging as one of the top business factors affecting productivity of the workforce. Understanding this fact, a workplace committee is reviewing potential initiatives that can be adopted. A web-based tool, designed to give employees information towards leading a healthier life, was introduced in late 2004.

### **2.5.2 Recruitment and Selection**

Marine Atlantic has continued to place emphasis on attracting certified officers in engineering, electrical and deck positions, where national shortages continue to exist. Due to the seasonality of the ferry service, recruitment and retention in these classifications is often difficult.

Opportunities to develop staff from within are being reviewed under the Corporation's succession initiatives. Qualifications for all positions continue to be updated annually and prior to external recruitment campaigns in order to ensure that new recruits meet regulatory requirements.

**Succession Management:** Significant work was completed for succession management in 2004. Marine Atlantic's experience over the past five years identified that:

- there are successors for senior leadership roles; and
- there was a high reliance on external recruitment to fill key roles.

The main focus had initially been certified vessel positions. In 2004, the plan was further developed so that all critical positions in the organization were identified to ensure that Marine Atlantic could maintain an efficient and effective operation in spite of turnover.

The age and service profile for critical positions, such as masters and specified management positions, suggested that a high rate of retirement would occur in the next few years. Succession planning and building of leadership capability is therefore of strategic importance to the Corporation.

Succession planning is critical to Marine Atlantic's future. To ensure that the Corporation continues to meet staffing requirements for shore and vessels, the succession plan is regularly monitored and updated.

### **2.5.3 Collective Bargaining**

As at 31 December 2004, the collective agreements with CMOU, CMSG and CAW (shore and vessel based personnel) all expired. Each union provided notice to bargain. However, CAW also gave notice on behalf of its bargaining units to discuss maintenance of activities in accordance with the "essential services" section of the *Canada Labour Code*. In CAW's view, its personnel are



not essential, notwithstanding the CIRB decision in November 2003 in the dispute between Marine Atlantic and CMOU, in which case CAW had intervened.

#### **2.5.4 Internal Communications**

Marine Atlantic employees work in 11 separate work areas. Ensuring that one message is communicated to all employees has been a challenge for managers and employees. In fact, an employee survey completed in 2004 identified the lack of internal communications as the number one concern among employees. The results of the survey identified that employees also had other areas of concern.

In response to these results, in 2005 senior management put in place the “Workplace Improvement Team”, a diverse group of employees representing the employee population. The team has been tasked with providing recommendations to management designed to improve the workplace. The team identified its number one priority as improving internal communications.

Late in 2005, a new electronic newsletter will be introduced providing employees with more information on policies and procedures, the direction of the Corporation, and successes of colleagues as well as providing updates on our progress of corporate goals.

The Corporation’s published employee newsletter, *The Mariner*, will continue on a bi-annual basis. As well, plans are underway to develop key ‘communication’ areas throughout the Corporation’s workplaces. These will be bulletin board locations and will focus on Human Resources, Occupational Health and Safety and employees notices.

#### **2.5.5 Official Languages**

Marine Atlantic continues to offer its customers service in both official languages at customer contact points, i.e., reservations, website, terminals, offices and vessels. As part of its commitment to maintaining the level of service in the minority language, Marine Atlantic continues to provide French language upgrading in an immersion environment for its employees.

During 2004, the Federal Department of Public Service, Human Resources Management Agency of Canada, required Marine Atlantic to independently survey passengers traveling through the Argentia terminal to determine if there was a requirement for official designation of that terminal in accordance with the *Official Languages Act*. Currently, the Corporation provides bilingual services in Argentia as a customer service initiative, but it is not a requirement of legislation. The surveying began at the commencement of the 2005 season and results will be available in the fall 2005.

## 2.6 Financial Performance

The financial results for 2005-2006 are presented in Table 7. Revenues are off by 1.5 percent for the year. The overall traffic carried is expected to be approximately on target, however, the mix of traffic is different from projections. In 2005, passenger traffic to date has been the same as 2004; however, there has been an increase in commercial traffic. Expenses are projected to be \$5.8 million higher due to the timing of the Atlantic Freighter refit, extra pension, fuel and maintenance costs. Capital spending is expected to decrease by \$7.2 million as a result of the deferral of the alternative docking facility in Port aux Basques pending final discussions with Transport Canada in the fall as well as the deferral of other projects.

**Table 7: Financial Results (In \$ Thousands)**

	<u>2005 Corporate Plan</u>	<u>2005 Projection</u>	<u>Variance</u>
Revenue	67,981	66,930	(1,051)
Expenses	124,516	130,282	(5,766)
<b>Operating Subsidy Required</b>	56,535	63,352	(6,817)
Capital projects	13,806	6,601	7,205
Restructuring	1,711	1,711	-
<b>Total Operating Requirements</b>	<u>72,052</u>	<u>71,664</u>	<u>388</u>

Major financial highlights:

- Revenue is projected to be \$1.1 million less than anticipated. Passenger traffic was expected to increase by 3.2 percent over 2004 levels and passenger vehicle traffic (on an AEU basis) by 4.5 percent, while commercial freight traffic growth (on an AEU basis) was projected to increase by 1.9 percent. However, due to slight changes in the traffic mix total revenue is expected to be down.
- No tariff increases were implemented in 2005-2006.
- In 2005, the *Caribou*, *Smallwood* and *Ericson* continued to consume the less-expensive blended fuel.
- The 2006 refit of the Atlantic Freighter was moved back to the first quarter of 2006 adding \$2.1M in additional costs to the 2005-2006 fiscal year – as this is a timing only issue the result is that \$2.1M is removed from fiscal 2006-2007 as a result of this refit rescheduling.



- During 2005, the aging Marine Atlantic fleet experienced a number of mechanical breakdowns and more maintenance than anticipated during refit or planned maintenance work. The estimated cost of repairs to get the vessels back in service amounted to approximately \$2.2 million to the end of September.
- Due to the decrease in passenger and passenger vehicle traffic, the seasonal staffing levels in the terminals and the passenger service department on the vessels were reduced from traditional levels resulting in \$0.9 million less spending than anticipated.
- Marine Atlantic anticipates total pension payments of \$16.1M in 2005-2006 an increase of \$1.9M over the budgeted \$14.2M due to the latest pension actuarial evaluation.

## **2.7 Corporate Governance & Risk Management**

The Board of Directors has continued in its aggressive role of providing new policies and monitoring the performance criteria set for management.

At each meeting of the Board, new and/or revised corporate policies are considered and approved for implementation. During 2005, in addition to its on-going initiatives, the Board developed and implemented a new “Whistleblower” Policy to allow employees a safe access point for raising concerns about inappropriate corporate activities which may be present. To protect and preserve corporate assets, a new Asset Loss Prevention Policy was also developed and implementation will commence before year-end.

One of the most significant initiatives in 2005 was the introduction of a formal Risk Management protocol at Marine Atlantic to assess and guard against all of the major risks to the Corporation and its business activities, not simply financial risks. Responsibility for this initiative was assigned by the Board to its Corporate Governance Committee, working with the Internal Auditor of the Corporation. At the date of this Plan, an integrated Risk Management System was being developed at the “grass roots” level by the Internal Auditor working directly with those employees who have a working knowledge of the various risks associated with the operation of a ferry service. Monitoring of those risks will follow in 2006.

Finally, at each Board meeting financial statements are examined and scrutinized to ensure that funds available to the Corporation are expended prudently. The expenses of the Chair of the Board and the CEO are reviewed annually to ensure that they are consistent with fulfilling the mandate of Marine Atlantic.



### 3 Outlook for the Future

---

During 2004 and 2005, the Board of Directors continued its involvement in setting operational objectives through the oversight of senior management performance criteria. A process was initiated to identify acceptable levels of performance and to identify relevant performance measures, to be able to assess success in the key components of these operational objectives. These sessions resulted in well-defined organizational performance criteria and new performance measures. These performance measures are outlined in Appendix B with results to July 31, 2005.

Operational Goals and Strategies have been defined and are outlined in Appendix C. These goals help guide the organization towards appropriate actions to accomplish the objectives set for safety, the environment, cost-effectiveness, customer service and human resources.

#### 3.1 Operations

##### ***3.1.1 Culture and Efficiency – Management Restructuring***

Management's chosen goals of becoming "one of the best managed companies in Canada" and "the best ferry operator in North America" are lofty. It is accurate to state that Marine Atlantic is currently at the "start of the beginning" on this initiative, but the goals are believed to be achievable.

In order to achieve this goal, Marine Atlantic must have in place:

- A management group with foresight and imagination. Current management is believed to possess these characteristics;
- A solid foundation built on a quality management system that encompasses all of the practices performed by the organization, i.e. safety, the environment and personnel and monetary control;
- The management changes discussed earlier in Section 2.1.1 and the Quality Management System.

Management are developing new performance measurements or expanding upon existing measures. Variances are to be used by employees to measure their own performance not just after the fact when it is too late for remedial action, but also to become proactive. Coaching for performance initiatives will continue to be promoted within the organization, and the succession plan will be developed further to ensure appropriate career progression within Marine Atlantic.



The current situation report which provides information pertaining to on-time performance is being examined more closely. Events causing a late departure of a vessel or the withdrawal of a vessel from service will be used as one of senior and middle management's performance measurements.

### ***3.1.2 Loading/Unloading Efficiencies***

In Section 2.1.2, one of the main objectives of the Corporation in 2005 was to improve on-time performance. Measurement was found to be the key to finding efficiencies.

During the busy summer season, port time must be reduced and vessels often have to be off-loaded and loaded within 1-1 ½ hrs. In the winter, however, port time is considerably longer because traffic demands normally require only two sailings per day.

### ***3.1.3 The Traffic Offering***

#### **Newfoundland and Labrador Economic Environment**

Beyond 2005, development and production schedules of major projects will continue to have a significant influence on economic growth over the next several years. Real GDP is expected to increase sharply in 2006 as both the White Rose oil project and the Voisey's Bay mine record a full year of production. Beyond 2006, GDP numbers are negatively impacted by expected declines in Terra Nova and Hibernia oil production as these projects pass their production peaks. GDP aside, many other economic indicators are much more stable over the forecast period. This is because changes in mineral and oil production have a greater impact on GDP than on employment and income. The medium-term outlook would be improved substantially by the development of other major projects such as the Hebron oil field and the Lower Churchill hydro project.

Tourism continues to be a growing services industry in the province which continues to target the market comprising the Maritimes, Ontario and the eastern seaboard of the US. The NL Department of Tourism operates on the belief "there's no such thing as an accidental tourist. It takes deliberate action to visit here...." For this reason, Marine Atlantic is expected to provide a level of service that will allow sufficient capacity to bring to the island all people who want to visit. Therefore, the schedule must incorporate the capacity needed to handle the expected traffic throughout the entire year and be flexible enough to ensure that, if additional capacity is required, extra sailings can be added.



## Traffic - 2006 Projections

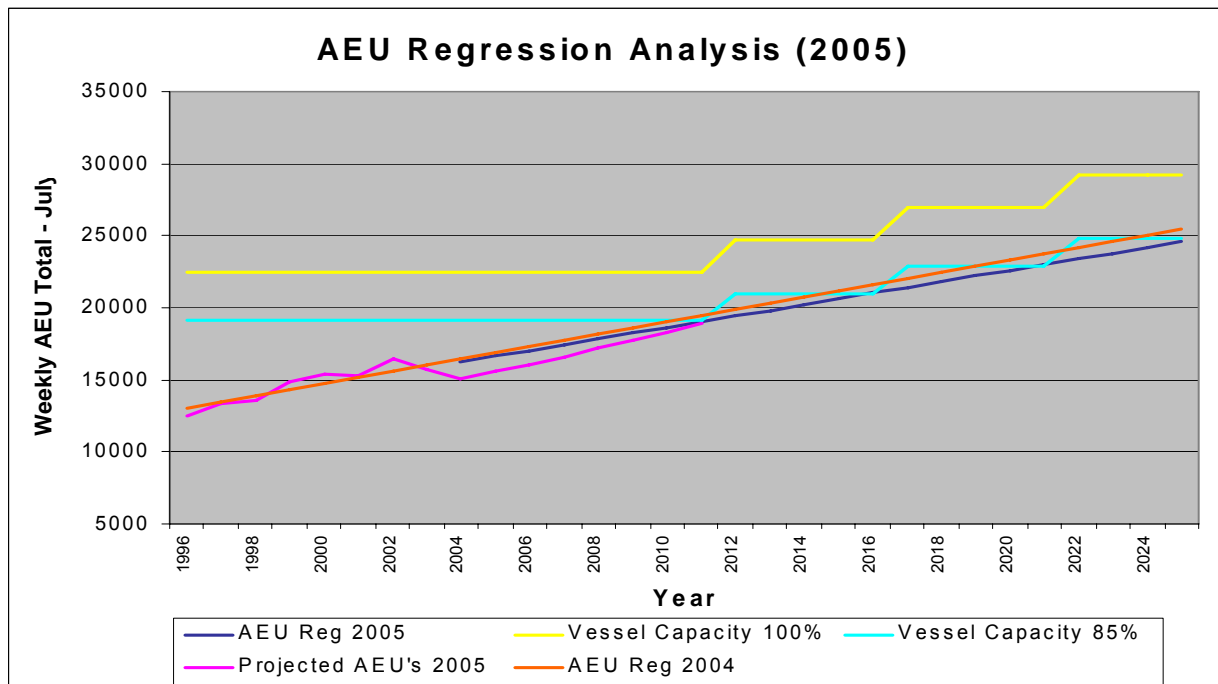
Marine Atlantic traffic volumes were compiled on a weekly basis for the 9-year period from 1996 to 2004.

To predict future passenger and vehicle traffic growth by direction, passenger and vehicle type, Marine Atlantic utilizes simple “linear regression”, a statistical calculation used to project future trends based on past volumes. The analysis focuses on 8 seasonal periods within the year. These periods display unique traffic patterns. These seasonal periods were trended with regression analysis for the past 9 years to assist in preparing the expected traffic projections. This seasonal approach analyzes growth in the seasonal blocks throughout the year, thus providing an improved estimation of future traffic expectations.

Based upon this analysis, the forecasted traffic growth is shown in Appendix D. These growth forecasts are percentage increases above expected 2005 levels and assume no restraints imposed by capacity limitations.

Based on these growth expectations, the peak period traffic was analyzed to determine if sufficient fleet capacity exists to address the expected traffic in the future – Figure 2. The AEU regression analysis line for the month of July was utilized for this analysis, given this is the period of greatest capacity demand and assuming this will not significantly change in the future.

**Figure 2: Current Fleet Capacity Levels**





The dark blue line represents the new regression line with a slope that is slightly less than 2004 results. The pink line represents the actual traffic from 1996 to 2004. Based on the new regression line, the Corporation anticipates traffic to reach the new regression line over a six-year period if the overall AEU's increase by 2-4 percent per year. The extension of the pink line beyond 2004 illustrates this conclusion.

As a general rule in the ferry industry, AEU capacity utilization should not exceed 85 percent or operational performance may be compromised. Since Marine Atlantic must also compensate for having insufficient sleeping accommodations on night sailings of the passenger ferries, this comfort threshold may in reality be somewhat lower than 85 percent. Based on traffic projections within this 2006 Corporate Plan, Marine Atlantic's fleet achieves full AEU capacity (85 percent - the industry norm) on the Port aux Basques - North Sydney service by the year 2011. The light blue line in Figure 2 represents this capacity.

The Corporation is currently considering options to address the long-term requirements for its fleet. These will be explained further in the "Fleet Renewal" section to follow.

### 3.1.4 Crossings, Vessel Utilization, On-time Performance

Marine Atlantic's vessels are being operated more efficiently through improved scheduling and loading/unloading processes which, in turn, provide a better on-time performance (Table 8). To maximize efficiencies, management will enhance the vessels' schedule, but input is needed from the trucking industry who can advise about traffic on its way to the terminals. Advancing this initiative will be a priority as without the information, the desired 75 percent to 82 percent utilization of each crossing is difficult to achieve. With cooperation from the industry, the Corporation anticipates that 80 percent of the truckers will use the website during 2006 providing management with the pertinent information required.

**Table 8: Fleet Trips and Vessel Utilization 2000-2010**

	Port aux Basques Service	Argentia Service	Service Totals	Vessel Utilization %
2000	2,156	82	2,238	71
2001	2,095	80	2,175	69
2002	2,150	80	2,230	71
2003	2,020	76	2,096	73
2004	1,952	76	2,028	76
2005	1,988	80	2,068	75*
2006 - 2010	1,925	80	2,005	Target 75-82

\* Year to date to September 30, 2005.



Another area for management’s focus is better internal communication and the development of good service recovery plans.

On-time performance has improved in 2005 and will continue to be a priority with management for 2006 and beyond. The Corporation has already seen good results for its efforts during the first half of 2005. At times, however, there is a need to balance on-time scheduling with what is best for customers.

The Corporation has confirmed with other Canadian ferry companies that a 90 percent on-time performance is the desired industry standard. As illustrated in Table 9, this is the Corporation’s goal for in the future.

**Table 9: On-Time Performance (excluding weather)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
							Target	Target	Target	Target	Target
On-time Performance %	75	76	74	64	60	73*	82	85	88	90	90

\* Year to date to September 30, 2005.

**3.1.5 Schedules**

The fleet operating plan for 2006 is presented in Appendix E. Annual operating plans beyond 2006 are adjusted to accommodate the scheduling of vessel refits (vessels are generally dry-docked every second or third year) and planned dockside work periods. The refit schedule has changed from last year’s Plan. The *Smallwood* refit was moved from 2006 to the spring of 2007 to create a better schedule of two refits per operating year. This move is totally within the regulations and does not in any way compromise safety or the vessel’s maintenance program.

The proposed ferry schedule for 2006 is presented in Appendix F. The Corporation plans to maintain this annual number of trips over the planning period, unless traffic growth trends and demand patterns warrant adjustments.

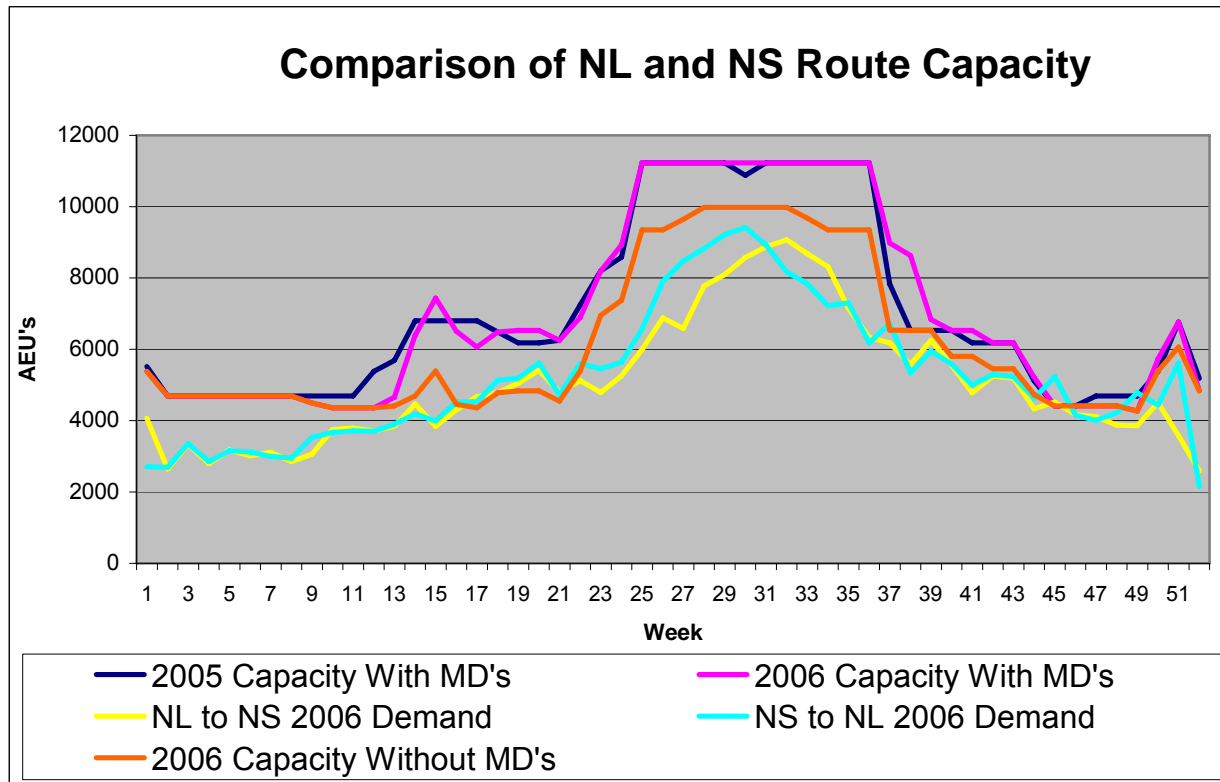
Table 10 illustrates the Management Discretionary Sailings (MDS) identified in the operating plan. Given the level of traffic projected for 2005 and beyond, it is anticipated a portion of these MDS will be utilized over the plan period. Therefore, only a portion of the cost of providing these additional sailings is costed in this Plan. Based on the traffic projections, it is estimated that only 40 percent of the MDS will be utilized in 2006.



**Table 10: Scheduled Sailings - 2006 vs. 2005**

Vessel	Scheduled Sailings 2006	Management Discretion Sailings 2006	Total Planned 2006	Total Planned Sailings 2005	Scheduled Sailings 2005
<i>Caribou</i>	715	32	747	766	734
<i>Smallwood</i>	613	20	633	654	636
<i>Ericson</i>	400	130	530	524	360
<i>Freighter</i>	276	150	426	368	298
<b>Total</b>	2004	332	2336	2312	2028

Figure 3 outlines the capacity available in the 2005 published schedule, the total planned capacity including all MDS, the 2006 proposed schedule and the traffic volumes projected for 2006. The graph reveals that the November period is showing a need for additional capacity within the existing schedule. This capacity will be achieved with utilization of the *Freighter* which is in stand-by (an “as required” mode) during this period. Therefore, sufficient capacity is available to handle all expected traffic throughout the 2006-operating year.



**Figure 3: Capacity Utilization – 2006 Proposed Schedule**



The ferry schedule is the basis of an efficient operation and requires the utmost attention during the development stages. In order to achieve best results, management anticipates some schedule enhancement during the period covered by this Plan. This enhancement will include port time that allows for fueling, storing, and required services, such as garbage removal and the loading of fresh water.

Management discretionary sailings (MDS) will continue to be a contingency available to management within the full schedule.

Terminal management has also been tasked with finding improved ways of carrying out their duties. With effective communication, vessels can arrange for provisions to be brought on board, or the purchasing department would advise the vessels that spare parts are available to come on board, and necessary events such as fueling, taking on water or lube oil or arrangements to remove garbage from the vessels can be completed without adversely affecting the schedule and on time performance.

### **3.1.6 Maintenance**

In Section 2.1.6, reference was made to some of the changes in practice carried out in the maintenance of the ships and terminal equipment, and some of the savings management believes emanate from these changes. The Corporation is confident that the three issues driving this initiative - performance tracking, partnering with manufacturers, and redirecting the maintenance department - will improve matters significantly.

The introduction of the spreadsheet tracking has already been implemented, as has partnering with the Corporation's major suppliers. More suppliers will be partnered and the existing spreadsheet will be further populated as this system is developed.

The assistance of maintenance department personnel on board the vessels during Planned Work Periods (PWP's) will similarly be evaluated. Estimates of the work to be performed will be integrated into the plan and consequently the manpower-loading requirement will become apparent.

### **3.1.7 Loss Prevention**

The objective for the Corporation is to implement an environment that eliminates opportunities for asset loss. In 2006, efforts will continue to ensure the delivery of goods process is improved through alternative or improved procedures. The goal is to establish and have implemented these improvements by the end of 2006.

Through these improved controls, the corporate goal in 2006 will be to reduce the cost of goods sold, as a percentage of revenues. In addition, through improved



controls, there is an expectation to reduce the general cost of supplies and materials within the organization.

### ***3.1.8 Information Technology Initiatives***

The IFS system will have an impact on Purchasing and Materials Management processes because the system will automate many of the current procedures.

The IFS finance module will be utilized by the Marine Atlantic finance department to manage all corporate finance functions. The IFS Finance and Purchasing & Materials Management modules are fully integrated. The IFS Maintenance module is part of the integrated IFS solution currently being implemented, however the cost savings for 2006 will be minimal. Once fully implemented, the IFS maintenance module will reduce the amount of module maintenance costs by \$25,000 annually.

The MeCA (Marine e-Commerce Applications) project will provide the three passengers ferries with high-speed internet access via internet kiosks, ATM services, WiFi access, and pay-phone services.

Another component of the MeCA project is the “Atlantic Portal” tourism website. The maintenance and administration of the Atlantic Portal website has been contracted out, and the estimated revenue for 2006 is \$15,000. Based on growth projections, the Atlantic Portal tourism website will ultimately generate approximately \$25,000 annually.

Marine Atlantic has entered into a pilot WiFi project with Aliant. WiFi services will be provided from the three terminal locations and at the vehicle marshalling areas. The rate structure for this service has not yet been determined, but initial estimates would indicate that the service could generate approximately \$1,500 per month for the Corporation.

The Corporation is currently in the process of sourcing a new ticketing and reservation system to replace the current antiquated system.

## **3.2 Customer Service**

### ***3.2.1 Customer Service Training***

For 2006, the Corporation has identified from internal communication and the customer surveys that customer service training for all front-line employees is required including providing training to stevedores and vessel employees working on vessel decks who are not predominantly involved in traditional customer service roles.



### **3.2.2 Accessibility**

The Corporation's continuing goal is to continue to meet and/or exceed the Canadian Transportation Agency's (CTA) *Ferry Code of Practice*.

### **3.2.3 Customer Survey Results**

Marine Atlantic relies on customer feedback as a primary benchmark.

The survey is broken into several categories and then a score is applied; e.g. *Mostly Dissatisfied, Completely Dissatisfied, Mostly Satisfied, Completely Satisfied*. Although the *Dissatisfied* numbers are small, the Corporation's challenge is to eliminate the reasons customers are *Dissatisfied* and take action to ensure that they move to the *Satisfied* categories. Management will also take measures to move the *Mostly Satisfied* customers to being *Completely Satisfied* customers. The goal is to obtain a 5 percent point shift in 2006 in those customer survey results.

Existing performance measures have been developed and more will be completed over the planning period (Appendix G).

### **3.2.4 Stakeholder and customer communication**

Beginning in 2006, the Corporation will begin a new initiative that focuses on communication with customers within the terminals. New promotional material is being designed that will provide customers with a focus on superior customer service. The results of these improvements will be evaluated within future customer surveys, with the goal of improving on customer rankings of the service and Marine Atlantic's overall corporate image.

### **3.2.5 Ombudsman**

At year-end, all concerns and compliments will be categorized and used as a performance management tool. The Ombudsman's duty is to be both reactive and proactive. From a reactive perspective, complaints and concerns need to be answered. From the proactive perspective, the Corporation must learn from past problems what steps need to be taken to eliminate such issues into the future. Numbers and categories of complaints can be used to indicate areas in which training may be required for future years.



### 3.3 Environment

The Quality Management System will include procedures to safeguard the environment. These procedures will be far reaching and include coverage of the Arctic Pollution Regulations as set out in the *Canada Shipping Act*, as well as the ISO 14000 standard. Quick response procedures are already in place and will be incorporated into the new QMS. The due diligence requirements of *Bill-C15* regarding pollution and its adverse effects on birds and other wildlife must also be met.

The use of blended fuel (IFO 180) has produced significant dollar savings for the Corporation. However, there is an ongoing cost in terms of the environment. In light of this, one can say the “heavy fuel” project is only partially completed. The reconfiguration of the fleet is under way and during the upgrading process, all existing vessels will be upgraded to meet the very latest environmental standards. Other changes that will be implemented, or are already in the process of being implemented, are the Halon fire suppression systems, refrigerant and air conditioning systems, as well as paint systems used to protect underwater hulls.

These initiatives are timely given that funding is becoming available for site assessment, care and maintenance and remediation projects. As such, the Corporation qualifies for this program and has accepted the invitation from the Director General Marine Policy to be included.

In addition to the above, other environmental initiatives are being pursued. An example is the recycling of containers such as bottles and cans, a practice that has not been seriously pursued by the Corporation in the past, but will be concentrated on in 2005, with the view to having a program developed and implemented in late 2006.

### 3.4 Safety

#### 3.4.1 Safety Awareness and Results

The Corporation has committed to the development of a complete Occupational Safety and Health program for the entire organization. This program will be incorporated into the QMS and is to be known as “*The Marine Atlantic Inc. Safety, Quality & Environmental Management System*”. Changes made by management have seen the Corporation move towards being recognized as one of the safest shipping operations in Canada and one of the goals is to continue to promote this good safety culture through the development of the QMS system.

Table 11 profiles passenger incidents and employee injuries for 2005 as compared with prior years from 2000, along with targets for 2006.





**Table 11: Employee & Passenger Accident and Incident Statistics**

Year	Employee		Passenger
	Lost Time Accidents	Medical Aid with No Lost Time Accidents	Accidents & Incidents
2000	24	44	39
2001	24	66	60
2002	30	56	60
2003	18	60	29
2004	30	51	37
2005*	14	39	32
2006 Target	15	35	30

\*Year to date August 31, 2005

### **3.4.2 Safety-Focused Training**

Marine Atlantic has undertaken a major initiative to enhance Marine Evacuation Training for vessel employees. That training will be ongoing during 2006 and will become a requirement for all new vessel employees.

Ongoing programs include the Marine Occupational Safety & Health (MOSH) training for vessel personnel who deal with confined spaces, safety awareness, hazard recognition etc. The Corporate Occupational Safety & Health (COSH) training for shore-based personnel is also ongoing and deals with the same issues as the MOSH training does. Both of these programs are mandatory under the Canada Labour Code, Part II.

The emergency preparedness table top exercise, which is a safety training exercise for senior management, was a success as new additions to the management team and existing management personnel had the opportunity to interact while learning what they would face if a real emergency situation developed. This training exercise will be continued into the future.

The emergency preparedness documentation will be upgraded to include companies that were not on the lists of respondents that may be called upon during an emergency.

## **3.5 Human Resources**

### **3.5.1 Human Resources Initiatives**

Managers attended training sessions in 2004 and 2005 on “coaching for performance” based on the process skills and competencies for each position.



This model is supported by senior management and will be further emphasized in 2006 when a new performance evaluation process will be introduced.

Although efficiency is important, the more difficult and challenging components of human resources are the measures of effectiveness, such as the impact of organizational strategy on the business operation. It is much more difficult to measure each employee's contribution to organizational performance and achievement of that strategy. This is an area that the Corporation is also reviewing with a view to developing further measurement standards.

Marine Atlantic continues to progress many human resources improvement initiatives.

### **Employment Equity Program:**

The Corporation has been notified by the Compliance Review Officer that a report will be submitted to the Commission advising that Marine Atlantic is compliant with the twelve statutory requirements. The Corporation continues to review, implement and revise practices and procedures with the objective to meet the goals established in the Employment Equity Plan.

As an extension of that Plan, the Corporation is involved with the various organizations that work to eliminate barriers for the various designated groups. Marine Atlantic's commitment to persons with disabilities and accessibility to the ferry service was also extended to the workplace. The objective is to ensure that this Corporation has the ability to accommodate employees with a disability, while recognizing employment projections in Canada of an aging workforce and workplace needs for the older worker.

### **Disability Management:**

Measurement standards will be introduced in 2005/2006 and will be reviewed and/or extended during the next 12 months. The challenges facing the marine industry in respect to seafarers' medical certificates and the failure of vessel employees to meet the medical standards will be reviewed under this area of management.

### **Health and Wellness Program:**

The Corporation will continue to promote the Employee Wellness Program in recognition that health and wellness are emerging as one of the top business factors affecting productivity of the workforce. In 2005, the Committee will be required to prepare its report on 2005 activities for senior management and cost measurements will be established during 2006



### **3.5.2 Recruitment and Selection**

The establishment of the eligibility lists in 2003 and 2004 provided an efficient and effective method of meeting demand, particularly for seasonal fluctuations. The Corporation will continue to operate these lists for entry-level positions.

The Corporation will continue to place emphasis on attracting certified officers in engineering and deck positions where national shortages continue to exist. In addition, through the educational and financial assistance program, self-development for internal staff will be encouraged. The succession plan has identified the need to provide internal development for future officer positions. Through the management team, coaching will be promoted through the new Masters and Chief Engineers.

Opportunities to develop staff from within the organization for future management positions are being reviewed under the Corporation's succession initiatives.

### **3.5.3 Internal Communications**

The Workplace Improvement Team's priorities for 2006 include internal communications, advancement opportunities and respect, job security and scheduling. Specifically, the Team's objectives include:

- Improve internal communications throughout the Corporation;
- Improve advancement opportunities and mutual respect of other employees within the Corporation;
- Increase employees' understanding regarding the overall direction of the Corporation, thereby enabling employees to focus on their jobs; and
- Maximize employee understanding of the ferry schedule.

2005 was the beginning of a transformation for internal communications. In late 2005, Marine Atlantic will be implementing a new electronic newsletter to increase dissemination of employee relevant information. During 2006 and 2007, the focus will be on quality messaging to employees as it relates to their jobs. While specific goals for the type of information and concentration are currently underway, the newsletter will focus on themes such as safety, customer service and human resources.

Through these initiatives, the Corporation's goal is to improve employee morale which ultimately results in more productive employees.

### **3.5.4 Official Languages**

Surveying for the Argentia Terminal to measure official language service requirements began at the commencement of the 2005 season and results will be available in the fall 2005. Subject to the survey results to be reported, the



Argentia Terminal may be designated in accordance with *Official Languages Act* as requiring a bilingual service. This will not result in additional cost as bilingual staff coverage is presently provided.

The Corporation is assessing and developing a plan to meet regulatory requirements for bilingual coverage at both its North Sydney and Port aux Basques terminals. Changes are required to maintain regulatory compliance. The cost of the changes will require additional bilingual staff coverage at an estimated cost in excess of \$500,000 per annum. That cost will be included in operational budgets in 2006.

### **3.6 Financial Performance**

Marine Atlantic is committed to streamlining costs into the future, wherever possible. Assuming no significant reduction in the level of service provided by the Corporation, Marine Atlantic anticipates operating requirements will be reduced in the future as a result of operating more efficient and modernized vessels, improving the vessels' on-time performance, increased modern capacity, and improved and expanded customer amenities providing greater revenue generating potential than currently exists.

### **3.7 Corporate Governance**

The creation and monitoring of appropriate and up-to-date corporate policies, covering the principal issues, and confronting the type of operation in which Marine Atlantic is involved, continues to be a significant initiative of the Board. Through the maintenance of such policies, the Board is able to ensure that the Corporation is focused on its goals and objectives using always those rules and practices that ensure compliance with legislation and good governance. This is an annual requirement.

On a quarterly basis, the Board will continue to monitor the various performance measures created in 2004 and 2005, allowing the shareholder's representatives a mechanism to measure performance of the Corporation by measuring the performance of those who carry out its daily functions.

Because of the ever-changing nature of corporate auditing standards, pension management objectives and risk management tools, in 2006 the Board will continue its program of self-improvement through the provision of courses from external consultants. These courses allow Board members to be up-to-date in their knowledge and understanding of best corporate practices. To measure the Board's own performance, the self-assessment survey will be once again completed by all members in 2006.



---

## 4 Other Factors Affecting Revenues and Expenditures

---

For the future, there are a number of areas to highlight that could have an impact on the projections and estimates of this Plan and they are included as information in the following sections.

### 4.1 Revenue Considerations

#### 4.1.1 *Belledune - Corner Brook Service*

The proposed direct water service between Belledune, NB and Corner Brook, NL, was scheduled to begin operation in the spring of 2002. The focus of this service is exclusively on the drop trailer freight business

#### 4.1.2 *Cruise ferry Service*

A proposed cruise ferry service has been considered from Quebec City with stops in ports throughout eastern Canada, including Newfoundland and Labrador. A Quebec company suggested the cruise ferry idea is very popular in other parts of the world and would work well in eastern Canada. The concept is to transport passengers in a luxury cruise vessel that also has the capability to carry some amount of freight.

Again, if this service is successful in starting, it could have a slight impact on this Plan's projection of commercial traffic for the Gulf service. However, there is currently insufficient data available to determine if it would have a real impact on Marine Atlantic's service to the trucking industry.

#### 4.1.3 *Strait of Belle Isle Tunnel*

The Government of Newfoundland and Labrador commissioned a pre-feasibility study to determine if the idea of building a sub sea rail tunnel connecting the northern portion of the island of Newfoundland with Labrador is worthy of further consideration. The results of the study concluded a tunnel under the Strait of Belle Isle at its narrowest point is the most technically and economically attractive alternative.

The time frame for development of this initiative is outside of the planning horizon of this Corporate Plan. Therefore, Marine Atlantic does not anticipate an impact to expected traffic levels.



#### **4.1.4 Oceanex Capacity Increase**

Oceanex is a limited-purpose income trust that operates three modern ice-class Ro/Ro container ships and one ice-class container ship to transport containers, trucks, trailers, automobiles, and standard and dimensional machinery through the ports of St. John's and Corner Brook from Montreal and Halifax. The company took possession of a new 150-metre vessel in May of 2005. This ship will increase Oceanex's cargo capacity by 55 percent on its Montreal - St. John's route.

It is anticipated that Oceanex will market heavily to fill the vessel to its maximum cargo capacity. Marine Atlantic had initially predicted an impact from this development and had reflected this in earlier plan projections for commercial traffic. However, given that the drop trailer traffic carried by Marine Atlantic from January to September 2005 shows an average growth pattern of 4 percent, it is difficult to determine that any negative effect has resulted to date.

### **4.2 Operating Expense Considerations**

#### **4.2.1 Inflation**

A 3 percent general inflation assumption was used in the 2005-2009 Corporate Plan and inflation reports over the past several months have been either slightly less or in line with this assumption.

Canada's inflation policy, as set out by the Federal Government and the Bank of Canada, aims to keep inflation within a target range of 1 to 3 percent. Therefore, this document will continue to assume a 3 percent general inflation annually over the planning period.

#### **4.2.2 Fuel Prices**

Fuel is the major commodity consumed by Marine Atlantic vessels, accounting for 19 percent of its total expenditures or \$28 million annually. Since early in 2002, the Corporation is consuming blended fuel in 3 of its 4 vessels. The cost to implement this project was approximately \$5 million in 2001. Since implementation of the project, the Corporation has realized savings of \$13 million due to the consumption of blended fuel.

OPEC's crude oil target pricing is set at US\$23-\$28 per barrel and expectations were that it would maintain prices at these levels. However, in 2005, prices actually topped the US\$60 a barrel mark.



### 4.2.3 Pension Plan for Marine Atlantic's Employees

The financial position of the defined benefit plan raises concerns that may affect Marine Atlantic's funding requirements:

**Solvency requirements:** As with most pension plans and investment portfolios in the 1990's, Marine Atlantic experienced very favourable returns in the markets which resulted in a healthy asset base. The solvency ratio from 1993 to 2000 fluctuated from 109 percent to nearly 120 percent<sup>2</sup>, meaning the Corporation had more assets in the Plan than were required to fund liabilities. Based on this position, the Corporation was not required to make contributions to the Plan in 1997 and accordingly took a pension contribution holiday. In 1998, in consultation with bargaining units of the Corporation, a decision to extend the contribution holiday to all active pension members for two years commencing in 1999 was granted.

However, with the volatility of the stock markets in 2001 and 2002, the value of the Plan for solvency purposes has declined. In addition, plan improvements negotiated in 2001 and the significant decline in long-term interest rates over the last few years have increased the Plan's liabilities. As of December 2003, the value of the assets for solvency purposes was \$428.5 million while the value of the liabilities was \$471.2 million, giving a deficiency of \$42.8 million. The *Pension Benefits Standards Act 1985* has a requirement that a plan sponsor (the employer) must fund a solvency deficit in equal payments over a maximum of 5 years. The Corporation, upon recommendation from its actuary, amortized the payments of the deficit over this maximum period. The funding requirement from the December 2003 actuarial valuation amounted to a special payment of \$9.7 million and a current service cost payment of 8.7 percent of members' pensionable income for 5 consecutive years.<sup>3</sup> The Corporation commenced these payments in July of 2004 and currently continues to make them.

Another actuarial valuation was completed for the period ending December 2004. That valuation has determined that the liabilities of the Plan have increased to \$508.3 million from \$471.2 million in 2003. The resulting solvency deficit increased from \$42.8 million in 2003 to \$53.8 in 2004, giving a solvency ratio of 89 percent. However, the "going concern" financial position has improved from a deficit of \$36.5 million in 2003 to a deficit of only \$14.2 million in 2004. On a going concern basis, the funding ratio is 97 percent.

As a result of the solvency deficit, the special payments will increase from \$9.7 to \$14.0 million per year. The current service cost to the employer will increase to 9.1 percent from 8.7 percent (\$5.5 million to \$5.7 million). Overall, this is \$4.5

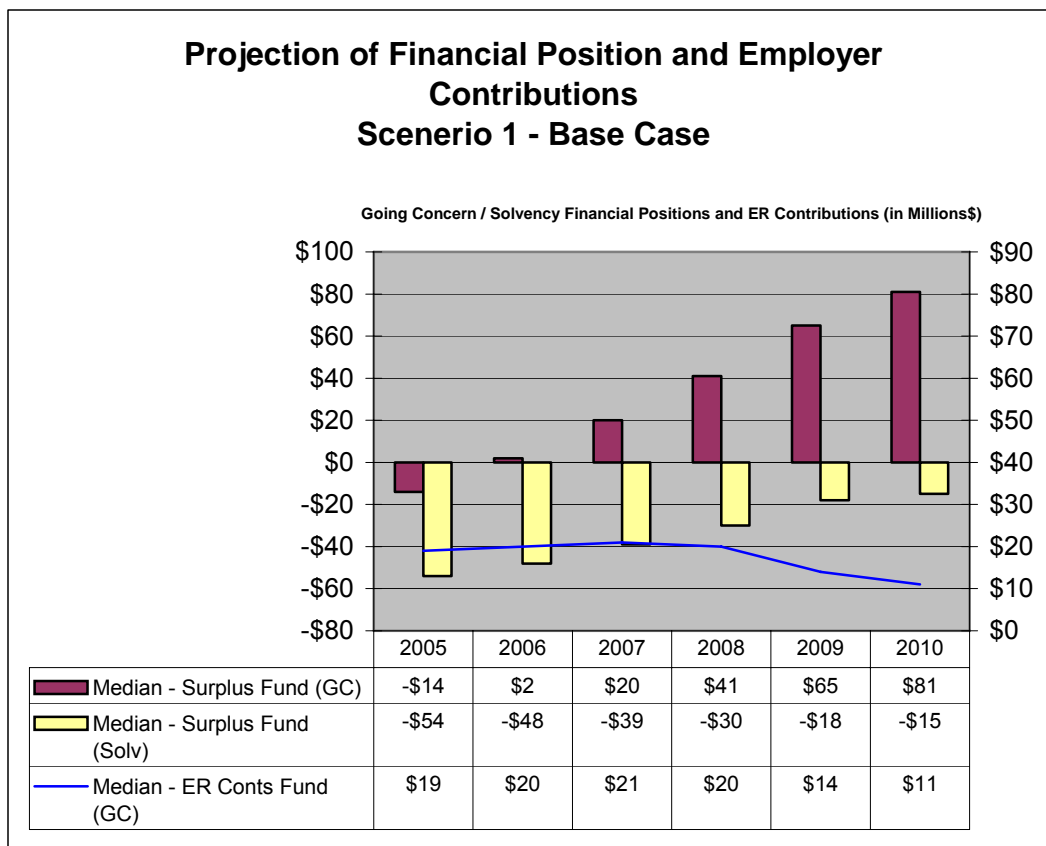
<sup>2</sup> The solvency ratio for 2000 was 110% based upon the actuarial valuation completed for the Pension Plan for the Employees of Marine Atlantic Inc. for December 31, 2000.

<sup>3</sup> Employer's current service cost was \$5.5 million in 2004, while current members paid \$3.4 million for their current service cost.

million more required annually for the next 5 years over what was anticipated in Marine Atlantic's 2005-2009 Corporate Plan.

Marine Atlantic has been closely monitoring the Plan's asset and liability positions. The Corporation's actuary provided 7 market condition scenarios to predict the future position of the Plan for solvency purposes. Scenario 1 (Figure 4) is based on the Plan's current financial position, with considerations for the Plan's investment structure and current market conditions projected to 2010. This scenario provides one of the most probable outcomes from the options analyzed.

**Figure 4: Projection of Financial Position and Employer Contributions**



#### 4.2.4 Workers' Compensation

Workers' compensation benefits are provided in accordance with the workplace compensation legislation of each of the four Atlantic Provinces. Workers injured on the job are provided benefits in accordance with the then current workers' compensation regime for their province of assigned regular employment. The arrangement involves claims being reported to the applicable provincial Commission, with each Commission then billing Marine Atlantic for claim payments made plus a service charge. Such self-insured arrangements have applied to Marine Atlantic in each of the Atlantic Provinces. The workers'





compensation self-insured arrangements reflect the cost of the current Gulf service, as well as costs from all prior services formerly provided by Marine Atlantic.

#### **4.2.5 Insurance**

In 2005, the financial markets performed relatively well, and insurance loss ratios have been relatively on target with expectations. As well, this year the Corporation marketed both its shore based insurance and its hull and machinery vessel insurance coverage, and switched its brokers for both insurances. The result of market improvements, favourable loss records and the tender process was insurance renewals at present terms or with policy decreases.

#### **4.2.6 Regulatory Requirements**

The international marine industry is heavily regulated to ensure the safe operation of vessels at sea. The *Marine Safety Division* of Transport Canada closely monitors the marine industry in Canada. Various acts and regulations govern these activities including the *Canada Labour Code*, *Marine Occupational Safety and Health Regulations*, *Transportation of Dangerous Goods Act and Regulations*, *Marine Liability Act and Regulations*, *Canada Shipping Act and Regulations*, *Canada Marine Act*, and *Coasting Trade Act*.

Marine Atlantic also falls under the umbrella of the International Maritime Organization (IMO). The organization regulates the International Convention for the Safety of Life at Sea (SOLAS). The SOLAS Convention in its successive forms is generally regarded as the pre-eminent of all international treaties concerning the safety of merchant ships. The Maritime Safety Committee is IMO's senior technical body on safety-related matters.

Marine Atlantic's operations must adhere to the rules and regulations set forth by the various governing bodies mentioned. These organizations are very dynamic and constant improvements and changes are implemented to regulations and policies to improve the safety of life at sea. Significant costs could be associated with such changes.



## 5 Traffic Capacity Requirements

---

### 5.1 Changing World Trends in Ferry Operations

Ferry operations are subject to change from time to time. This has been happening recently in Canada and in Europe, and no doubt elsewhere in the world. Marine Atlantic has seen some of the impact from changes in the way that commercial customers are moving their goods by increasing the use of “tractorless” trailers.

Consistent with the above, a report from *ShipPax*, a company providing the ferry and general shipping industry with information about ferries and the companies that operate them, advises that there is a tendency that, for trips of less than 13 hours, Ro-Pax vessels are increasing, and that for trips of more than 13 hours, Ro-Ro vessels are increasing. Marine Atlantic falls into the less than 13-hour Ro-Pax category and is experiencing that commercial traffic carried is increasing, as it is on European ferries.

These examples demonstrate that the traffic demand for ferry operators changes from time to time, but operators must always be able to respond to the needs and concerns of the traveling public. In the province of Newfoundland and Labrador, the demand from commercial traffic operators, especially drop trailers, has continued to rise annually. Marine Atlantic, like all ferry operators throughout the world, must be sensitive to such changing or increasing demands in the development of its future fleet configuration.

### 5.2 The Gulf Ferry Service / Marine Atlantic’s Mandate

Marine Atlantic must satisfy Canada’s constitutional obligation to transport all ferry traffic demand commensurate with “traffic offering”. The declines in traffic volumes experienced in 2003 and 2004 are not projected to continue into the future. Based on future traffic projections, the Corporation could require additional capacity by the year 2011. However, if traffic growth returns to 2002 levels faster than anticipated and a constant annualized traffic growth materializes over the plan period, a requirement to address fleet capacity may happen even prior to that year. Establishing appropriate strategies and options to ensure the Corporation has the capability to handle the traffic offering over the normal five-year planning period and beyond will be very challenging.

Continuing forecast growth in traffic demand over the next 20 years undoubtedly requires that additional ferry capacity be added. This need must also be viewed in concert with an orderly replacement program that is required to renew the current aging fleet. Proper forward planning will ensure that an orderly fleet renewal and capacity upgrade program is carried out efficiently, economically and effectively, with no foreseeable demands which cannot be met.



Fleet renewal and upgrade options are straightforward:

- Purpose-built new construction in Canada;
- Purpose-built new construction outside of Canada;
- Acquisition of existing vessel(s) built to Canadian standards or European-equivalent standards (with subsequent Canadianization requirements) through purchase;
- Multi-year full-time charter(s); or
- Multi-year seasonal charter(s).

The three primary driving forces in the determination of fleet requirements are:

- i. The life cycle status of each vessel and its operational condition;
- ii. The unique requirements of the Gulf service; and
- iii. The overall fleet capacity requirements based on existing and projected traffic demand.

### 5.3 Life Cycle Status – Examining the Existing Fleet

An overview of the four vessels in the Marine Atlantic fleet is presented in Table 12 below.

**Table 12: Marine Atlantic Fleet**

Marine Atlantic Fleet				
	<i>Caribou</i>	<i>Smallwood</i>	<i>Ericson</i>	<i>Freighter</i>
<b>Build Year</b>	1985	1989	1991	1978
<b>Build Country</b>	Canada	Canada	Norway	Asia
<b>Length</b>	179 m	179 m	155 m	151 m
<b>Deadweight</b>	3,662 Tons	3,663 Tons	4,486 Tons	8,661 Tons
<b>Capacity:</b>				
<b>Passengers</b>	1,200	1,200	500	12
<b>Auto's</b>	350	340	300	243
<b>Purchase Value</b>	\$128.8 million	\$157.7 million	\$76.7 million	\$11.9 million

**Atlantic Freighter:** The *Freighter* was built at Hyundai Shipbuilding in 1978 for Stena Lines and was purchased from Stena and entered service with Marine Atlantic on April 5th 1986.

The *Freighter* is the oldest vessel in the Corporation's present fleet and in 2003, after the 5-year special hull survey, received its class certificate. Consideration was given to replacing the vessel at that time, but the Corporation concluded that operationally and financially it was in Marine Atlantic's best interest to retain that vessel.



In addition to the annual surveys, every 5 years a special hull survey is carried out. This survey becomes more stringent as the vessel ages. The next special hull survey for the *Freighter* will take place in 2008.

***Caribou and Joseph & Clara Smallwood:*** The *Caribou* was built by Versatile Davie Inc. in 1985 and entered service with Marine Atlantic on 12 May 1986. The *Smallwood* was built by the same shipyard in 1989, and entered service with the Corporation in December 1989.

As part of Marine Atlantic's continuous preventative maintenance program, the Corporation performs stringent refits, which have kept the structural standards of these two vessels to an exceptionally high level. However, as with any mechanical equipment, there will be a requirement to increase the annual investment to continue with this maintenance program and, eventually, the vessels will have to be phased out or re-generated through a mid-life refit program.

Presently, these two vessels do not meet the SOLAS 90 standards, nor are they required to; however, Transport Canada Marine Safety has indicated that all Canadian ferries will be required to meet the SOLAS 90 standards, but that agency has yet to implement this requirement. SOLAS 90 requirements were based on proposals put forward by the Panel of Experts on the safety of roll on-roll off passenger vessels, which was established in December 1994 following the sinking of the ferry *Estonia*.

***Leif Ericson:*** The *Ericson* was built by the Fosen Shipyard in Norway in 1991 for Stena Lines and was purchased by Marine Atlantic in 2000. The vessel entered service in the Gulf in June 2001 after extensive modifications to her ramp systems in order to allow her the use of the docking facilities at the Marine Atlantic's terminals, as well as modifications to other systems to meet the harsh Canadian winter environment. The *Ericson* meets all of the very latest classification and SOLAS 90 rules.

#### **5.4 Unique characteristics of the Gulf Service**

A decision on whether to continue to operate or retire and replace these vessels is required. Since the *Caribou* and *Smallwood* were purpose-built to Canadian standards, specifically designed for the Newfoundland and Labrador service, it is reasonable to conclude that any replacement of these core vessels will be with purpose-built, whether in Canada or elsewhere.

Because of the restricted navigable space in Port aux Basques harbour, the overall length of any ferry using that port is limited by both length and draft. Also, ferries operating in the Newfoundland service must have significant high-headroom commercial vehicle deck capacity within the confines of that length limitation, and must be able to fit the docks in use in the Gulf service.



The Newfoundland Gulf ferry service is a year-round operation. The Cabot Strait experiences heavy ice conditions during the winter season. For this reason, at least a significant portion of the fleet must have a high-level ice class, again limiting the selection of available vessels in the world marketplace. The *Caribou* and *Smallwood* have one of the highest ice classes, Super1A.

The SOLAS 90 standard is another factor to consider when choosing to update the existing fleet or obtain a vessel from the marketplace, given Transport Canada's indication that this will be an operational requirement into the future.

The above factors severely limit the selection of available vessels in the world marketplace. In addition, as evidenced in the past and in previous planning documents, with the ever-changing circumstances around the world, consideration has to be given to the fact that there are dynamics at play that either reassert the envisioned strategy or cause a reassessment of that strategy.

## 5.5 The Blend of Traffic

**Traffic profile and drop trailer traffic:** Marine Atlantic Inc. classifies its traffic into two categories; passenger related vehicles (PRV's) and commercial related vehicles (CRV's). There are sub-categories of vehicle types within each of these categories. One type within the CRV's is the drop trailer<sup>4</sup>. While pursuing efficiencies over the last few years, the Corporation examined the drop trailer service and what affect that traffic had on the overall operation. The following conclusions were reached.

The drop trailer traffic represents more than 50 percent of the commercial traffic and 30 percent of all traffic handled each year by Marine Atlantic. This drop trailer traffic accounts for 25 percent of the Corporation's total revenue. The revenue is generated through charges based on the length of the trailer and a jockey fee, which is payment for loading of the unit using Marine Atlantic personnel and equipment. Jockey fee revenues of over \$4.0 million were collected in 2004.

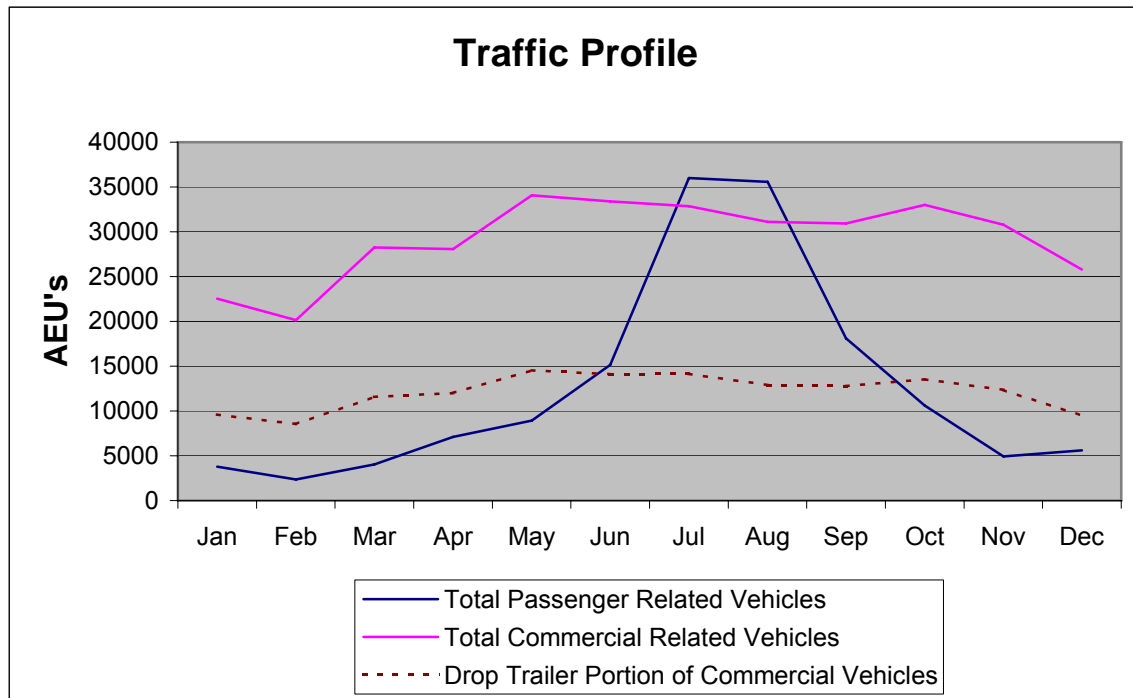
As evidenced in Figure 5, commercial traffic and in particular drop trailer traffic is spread evenly throughout the year. Passenger vehicle levels are low during the periods leading up to the summer and Christmas. The peak for all vehicles occurs during the summer period. For the Corporation, a typical blend of traffic on the *Caribou* for a summer crossing is 14 drop trailers, 16 tractor-trailers and 169 passenger related vehicles. This blend works well for the existing fleet.

---

<sup>4</sup> Drop Trailer – a commercial trailer that is delivered to Marine Atlantic premises by the customer; the unit is detached from the tractor and stored in holding areas. Marine Atlantic personnel then utilize Corporation trucks to transport these trailers on-board the vessels. These trailers are unloaded at its destination again by Marine Atlantic personnel to holding areas to await pick-up by the customer.



Figure 5: Marine Atlantic Inc. Traffic Profile



With the mix of traffic explained, the expected time to unload and load the *Caribou* would be approximately 1 hour, 32 minutes.

## 5.6 Future Ferry Fleet configuration

Because the evaluation process and the timing required to purchase is a lengthy one, interim steps may have to be taken to meet short-term capacity issues that may arise while new vessels are being put into service.

**Interim Step – Short term Charter:** A replacement vessel may be required for the busy summer season, which makes a multi-year seasonal charter a desirable short-term option to increase capacity. In this short-term, a multi-year 4-month charter will be of sufficient duration each year to cover the summer season requirements. This option avoids winter lay-up costs and lay-up facilities for a vessel. However, summer is the period of greatest demand for passenger ferries in both North America and Europe, so a multi-year seasonal summer charter will be difficult to secure from European operators. In addition, it is anticipated such a short-term charter arrangement would be costly.

## 5.7 Long Term Strategy

As a part of its obligation to provide its shareholder with various options and recommendations in this 2006-2010 Corporate Plan, Marine Atlantic reviewed twelve options and studied three options in detail for its fleet renewal program.



The Corporation engaged two external and well respected marine consultants, Fleetway Inc.<sup>5</sup> and Oceanic Consulting Corporation (OCC)<sup>6</sup>, to assist in its study and to develop the conclusions necessary to determine the most viable fleet option.

Early in 2004, the preliminary information required to carry out condition surveys on the *Caribou* and the *Smallwood* was being developed in order to assess the feasibility of mid-life refits. While carrying out this work, Fleetway created a “strategic model”, a tool that provided options for management to consider during the fleet reconfiguration evaluation process. This strategic model was developed using data provided by the Corporation and was designed to provide sufficient information to determine the correct fleet configuration for future years, i.e., a fleet that is capable of meeting the following demands:

1. The “traffic offering” in 2020 as forecasted by the regression data provided by Marine Atlantic.
2. A schedule similar to the 2005 schedule currently used that will provide coverage adequate to meet the traffic offering in 2020.
3. A fleet configuration that takes into account the *Argentia* service operating annually from mid-June to the end of September.
4. A fleet configuration that takes into account the demand of the summer season (mid-June to the end of September), the shoulder season (October to November and April to May) and the winter season (December to March).

Other required information to be produced in this strategic process was:

- Operational costs.
- Maintenance costs.
- Procurement costs.

To evaluate the Corporation’s requirements against these three options, further studies were completed.

---

<sup>5</sup> Fleetway is an expanding team of Project Managers, engineers, technologists, technical writers and trainers that specialize in integrated logistics support, consulting and engineering support services to clients in the Shipbuilding, Oil & Gas and other Industrial sectors.

<sup>6</sup> OCC are world leaders in marine performance evaluation and specializing in vessel performance and has over 200 researchers and engineers who work in one of the world’s most comprehensive marine testing and research facilities serving clients worldwide.



## **6 Revenue Options**

---

As a Crown corporation, Marine Atlantic receives a portion of its revenues from fare-paying customers and the remainder as subsidies from the Federal Government through Transport Canada. Revenue growth can be achieved through expansion of the customer base, providing additional services, increasing the rates and fares to travel or utilize the Corporation's ancillary services, or increasing the subsidy levels.

### **6.1 Long Term Subsidy Solutions**

Approval of the previous three Corporate Plans directed Transport Canada to manage a process with Marine Atlantic, in consultation with the Treasury Board Secretariat, the Department of Finance and the Privy Council Office, to develop an action plan to address the Corporation's financial requirements. Transport Canada has been successful in securing short-term funding solutions since 2001. However, a long-term solution needs to be identified. These funding pressures are making it extremely difficult to financially operate the Corporation. Jointly with Transport Canada, Marine Atlantic will need to develop a long-term funding solution.

Operating budgets were based strictly on the schedule and no monetary consideration was given to events that were clearly likely to happen. These events include weather delays, mechanical incidents and delays or cancellations that result from mechanical incidents. Passenger services projects and capital projects have often been delayed due to the funding shortfalls.

As previously mentioned, the OAG's 2004 Special Examination deemed the long-term funding situation of Marine Atlantic to be a significant deficiency.

The Corporation is committed to developing this long-term funding solution with Transport Canada. This will enable the Corporation to set long-term goals and enable it to cope with short-term escalation in costs that are beyond Marine Atlantic's control, thereby stabilizing the subsidies required to operate. Marine Atlantic is committed to keeping operating costs to set levels based upon a consistent operating environment over the planning period.

### **6.2 Rate Increase**

As the major surface link between Newfoundland and mainland Canada, Marine Atlantic's role is to accommodate the surface traffic demand for passengers, passenger vehicles and commercial vehicles. The service is effectively the only year-round highway link to the island portion of the province.





A recent survey of North American ferry rates demonstrates that Marine Atlantic's fares are the lowest for passenger related vehicles and among the two lowest in North America for commercial related vehicles when compared on a cost-per-kilometer basis (Table 13). The Argentia route has the lowest fare per kilometer for commercial traffic.

**Table 13: Rate Survey Summary<sup>7</sup>**

Service Description	Operator	Dis	Pax&Auto	\$/Km	Pax&CRV	\$/Km
		(km	2004	2004	2004	2004
North Sydney to Argentia	Marine Atlantic	519	\$232.50	\$0.45	\$1,148.00	\$2.21
North Sydney to P.A.B.	Marine Atlantic	178	\$103.50	\$0.58	\$441.50	\$2.48
Blacks Harbour to North Head	Coastal Transport	35	\$20.15	\$0.58	\$86.37	\$2.47
Seattle to Bremerton	Washington State Ferries	25	\$16.63	\$0.67	\$133.00	\$5.32
Cap aux Meules to Souris	Co-op Trans. de Maritime et	146	\$118.50	\$0.81	\$471.75	\$3.23
Tobermory to South Baymouth	Owen Sound Transportation	48	\$41.35	\$0.86	\$306.50	\$6.39
Vancouver to Vancouver Isle	BC Ferries	56	\$47.25	\$0.84	\$280.00	\$5.00
Matane to Godbout	Société des traversiers de	55	\$42.70	\$0.78	\$249.69	\$4.54
Portland to Yarmouth	Prince of Fundy (CANCELLED)	339	\$256.50	\$0.76	-	-
Blanc Sablon to St. Barbe	Apollo	30	\$32.00	\$1.07	\$169.50	\$5.65
Comox to Powell River	BC Ferries	31	\$36.50	\$1.18	\$190.25	\$6.14
Anacortes to Sidney, BC	Washington State Ferries	59	\$61.88	\$1.05	\$495.00	\$8.39
Wood Islands to Caribou	Northumberland Ferries	22	\$33.75	\$1.53	\$54.75	\$2.49
Yarmouth to Bar Harbor	Bay Ferries	185	\$203.75	\$1.10	-	-
Manitowoc to Ludington	Lake Michigan Car Ferry	96	\$125.00	\$1.30	\$340.00	\$3.54
Saint John to Digby	Bay Ferries	70	\$117.00	\$1.67	\$297.00	\$4.24
New London – Block Island	Nelseco Navigation	42	\$64.80	\$1.54	\$185.63	\$4.42
Anacortes to Orcas	Washington State Ferries	23	\$49.50	\$2.15	361.75	15.73
Rockland to Vinalhaven	Maine State Ferry	24	\$45.00	\$1.88	\$207.50	\$8.65
PEI Confederation Bridge*	Strait Crossing Inc.	13	\$19.75	\$1.52	\$28.25	\$2.17

\*Not Included in comparisons

Marine Atlantic's fare structure provides uniform fares for all categories of passenger and vehicular traffic throughout the year. Within this structure, fare discounting is provided for "youth" and "senior" passenger categories, and volume discounting is available for passengers and bus tours.

It should be noted that the trucking and bus tour industries require significant advance notice of rate changes in order to factor these additional costs into their tariff structures. Marine Atlantic has a standing commitment with the trucking industry to give them not less than 60 days notice of any rate increases.

<sup>7</sup> Pax – passenger.



---

## 7 Capital Expenditures

---

The capital projects relate to capacity, asset renewal, life extension and customer service and have been deferred as much as possible to assist in the funding pressures currently experienced. For example, the alternate dock for Port aux Basques was identified for completion in 2000, however it is now slotted for consideration in 2007. The 2006-2010 Plan outlines the projects that are required over the plan period to ensure the operation continues to provide an effective and efficient, quality service. The deferral of projects jeopardizes the Corporation's assets and the overall quality of service. This point was reiterated in the OAG's 2004 Special Examination.

The Corporation completed \$6.4 million worth in capital projects in 2005. The major projects in progress or completed were the Halon replacement for the *MV Smallwood* and *MV Caribou*, the dock fendering projects in North Sydney and Port aux Basques, and computer system upgrades. The plan identifies a number of projects for the planning period that will be completed or started. For 2006, the Corporation received \$8.9 million to complete these projects. Some of the larger projects to be completed are detailed below.

### 7.1 Halon Fire Suppressant Replacement Program

The *Caribou*, *Smallwood* and *Freighter* are equipped with a Halon fire suppressant system which scientists have discovered depletes the earth's ozone layer when released into the atmosphere. For this reason, the Montreal Protocol, an international treaty to which Canada is a signatory, banned the production of Halon from January 1994. The International Maritime Organization (IMO) has also prohibited its use on Safety Convention vessels built on or after October 1, 1994, and Canada has prohibited its use on domestic registered vessels on or after October 1, 1995.

Environment Canada has called for the phasing out of chlorofluorocarbons (CFC's) and Halon in the national action plan of May 2001. The phasing out plan is as follows: by 2003 the refilling of portable Halon equipment will be prohibited; for fixed systems, one refill will be allowed between 2005 and 2010 on the condition that the system is replaced by an alternative within a year of refill; by 2010, all refills will be prohibited. The Corporation has developed a replacement program and this project would be completed in 2009.

### 7.2 Dock Fendering & Repairs – North Sydney and Port aux Basques

The Gulfspan docks were constructed specifically for the *Caribou*. These are the primary docks for both locations. Both docks were constructed in the 1980's and, apart from on-going maintenance, no major capital work has been completed on these facilities since that time.



The original fendering systems installed when the docks were constructed still exists. This system is a series of continuous timber panels attached to the main dock structure with steel brackets and chain. The panels are showing various stages of wear, with the steel and chain showing corrosion and the timbers being damaged and worn.

The plan is to replace this system with the new intermittent spacing rubber fender system which utilizes rubber fenders spaced 12 to 16 feet apart, providing more absorption for vessels during docking. This system has a longer lifespan and provides better protection for both the dock and the vessel. Phase one of this project began in 2005 and will be completed over a three-year period.

### **7.3 Smallwood Marine Evacuation Systems (MES) renewal**

Regulatory requirements compel Marine Atlantic Inc. vessels to operate with marine evacuation system (MES) to allow the evacuation of the vessel if there is an emergency. It is also a requirement to service a MES annually on a rotational basis. For example, a vessel having six MES is required to have all stations serviced within six years.

The present MES on the Smallwood were installed in 1988 and are showing signs of deterioration. For this reason, the objective is to replace 2 complete slides and cassettes annually between 2006 and 2008.

### **7.4 Computer System Upgrade**

The upgrade of computer systems was approved in the 2001-2005 Corporate Plan. This project will continue for the next few years with a goal to upgrade the majority of systems and hardware within the organization. The systems being considered are outlined in Section 3.1.8.



---

## 8 Financial Projections and Borrowing Plan

---

### 8.1 Borrowing Plan

#### 8.1.1 Bank Line of Credit

Marine Atlantic's bank line of credit is currently approved at \$7 million. In the first quarter of 2004, the Corporation requested a temporary increase of \$2 million to ensure it was possible to meet short-term operational payment obligations in that period. Such overdraft situations were not common in the past and were only for very short periods of time. There is a possibility that Marine Atlantic will again need to utilize its line of credit in the future, given the current funding pressures with the increase in pension payments, operating and maintenance costs.

#### 8.1.2 Letters of Credit

On occasion, commercial transactions require letters of credit (typically large-dollar long-lead-time or specialty orders from suppliers) for which the guarantor bank requests a sufficient level of deposits or a bank line of credit as security. Of particular significance, the Province of New Brunswick has requested a standby letter of credit as security against long-term liabilities arising from Marine Atlantic's past injury claims and its status as a deposit account company with that province's Worker's Compensation Board. The bank line of credit supports this letter of credit with the New Brunswick Board.

### 8.2 Projections and Planning Assumptions

Statements A through F present financial projections over the planning period based on the operational plans, forecasts and assumptions discussed in previous sections of this corporate plan. These are summarized below:

- The operating plans and schedules as set out in Appendix E and F. To the extent that round trip MDS's are not required, fuel consumption expenditures will be reduced. Fuel costs for 40 percent of the 332 MDS's are budgeted in the plan (per trip average \$7,245). This percentage increases in the plan as additional capacity demands require these sailings to meet the traffic offering.
- Freight traffic growth as set out in Appendix D. Each one percent deviation from projected traffic growth represents approximately \$341,993 annual revenue impact.
- Passenger and passenger vehicle growth as set out in Appendix D. Each one percent deviation from projected traffic growth represents approximately \$242,825 annual revenue impact.



- Each one cent per litre deviation in fuel product prices will have the following annual cost impact:

MDO	25,148,270 litres	\$251,483
Bunker C	18,585,280 litres	\$185,853
- General inflation increases on all other expenditures not described above, as set out in Sections 4.2.1.
- The plan assumes the company will continue to receive the non-profit HST rebate over the planning period.

### 8.3 Financial Statements

The following Tables (Statements A through F) present Marine Atlantic's financial position and projections over the planning period.



### 8.3.1 Funding from Government, Corporation Fiscal Year

Statement A

**Marine Atlantic Inc.**  
Corporate Plan 2006 -2010  
Funding Required from Government - Year Ended December 31  
In \$ Thousands

	<b>Plan 2005</b>	<b>Forecast 2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Marine Atlantic</b>							
Operating expenses	123,812	127,015	142,769	149,610	156,672	157,694	157,539
Less: Revenues	67,431	67,240	69,775	73,098	76,923	81,073	88,592
Operating subsidy	56,381	59,775	72,994	76,512	79,749	76,621	68,947
Restructuring payments	1,898	1,857	1,179	496	125	29	7
Capital spending	13,806	6,412	8,907	51,056	142,890	137,953	37,986
Funding through working capital	(15,278)	(9,473)	(16,666)	—	—	—	—
Payment on <i>Leif Ericson</i>	9,940	9,940	9,940	9,940	9,940	21,940	—
	66,747	68,511	76,354	138,004	232,704	236,543	106,940
<b>Newfoundland Dockyard</b>							
Distribution of pension surplus	—	—	—	—	—	—	—
<b>Total Requirement</b>	<u>66,747</u>	<u>68,511</u>	<u>76,354</u>	<u>138,004</u>	<u>232,704</u>	<u>236,543</u>	<u>106,940</u>

Note: Restructuring expenses are the severance costs for employees resulting from discontinued operations.

### 8.3.2 Funding from Government, Government Fiscal Year

#### Statement B

**Marine Atlantic Inc.**  
 Corporate Plan 2006 –2010  
 Funding from Government, Government Fiscal Year  
 In \$ Thousands

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
<b>Marine Atlantic Funding Requirement</b>						
Operating expenses	130,969	140,637	150,481	157,524	158,570	158,341
Less: Revenues	67,548	70,089	73,417	77,248	81,403	88,928
Operating subsidy	63,421	70,548	77,064	80,276	77,167	69,413
Restructuring payments	1,711	1,014	346	91	24	2
Capital spending	6,412	8,907	51,056	142,890	137,953	37,986
Newfoundland Dockyard pension distribution	—	—	—	—	—	—
Funding requirement deficiency	—	—	—	—	—	—
Funding through working capital/Vessel Disposal	(800)	511	—	—	(2,000)	(30,000)
<b>Total Funding Requirement</b>	<b>70,744</b>	<b>80,980</b>	<b>128,466</b>	<b>223,257</b>	<b>213,144</b>	<b>77,401</b>
<b>Government Funding Available</b>						
Reference level available	36,920	36,920	36,920	36,920	36,920	36,920
TC funding of Marine Atlantic (excess)/deficiency	43,253	—	—	—	-	—
Payment on <i>Leif Ericson</i>	(9,940)	(9,940)	(9,940)	(9,940)	(21,940)	—
<b>Total Government Funding Available</b>	<b>70,233</b>	<b>26,980</b>	<b>26,980</b>	<b>26,980</b>	<b>14,980</b>	<b>36,920</b>
<b>Additional Government Funding Available</b>	<b>—</b>	<b>54,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Funding Requirement Excess (Deficiency)</b>	<b>(511)</b>	<b>—</b>	<b>(101,486)</b>	<b>(196,277)</b>	<b>(198,164)</b>	<b>(40,481)</b>
<b>Cumulative 2006-2011</b>						<b>(536,408)</b>

Note: Restructuring expenses are the severance costs for employees resulting from discontinued operations.



### 8.3.3 Balance Sheet

Statement C

**Marine Atlantic Inc.**  
Corporate Plan 2006 –2010  
Balance Sheet - Year Ended December 31  
In \$ Thousands

	2004	Forecast 2005	2006	2007	2008	2009	2010
<b>Assets</b>							
Cash	11,544	17,166	500	500	500	500	500
Current assets	10,568	10,550	10,550	10,550	10,550	10,550	10,550
Deferred pension asset	49,407	60,698	45,698	40,698	40,698	40,698	40,698
Fixed assets and deferred charges - net	173,565	158,678	145,643	172,204	283,454	382,869	380,418
<b>Total Assets</b>	<u>245,084</u>	<u>247,091</u>	<u>202,390</u>	<u>223,951</u>	<u>335,201</u>	<u>434,617</u>	<u>432,166</u>
<b>Liabilities and Equity</b>							
Current liabilities	12,639	12,650	12,650	12,650	12,650	12,650	12,650
Other liabilities	47,540	51,275	33,430	32,934	32,809	32,780	32,773
Provision for capital assistance	173,565	158,678	145,643	172,204	283,454	382,869	380,418
Capital stock	258,530	258,530	258,530	258,530	258,530	258,530	258,530
Deficit	(247,190)	(234,042)	(247,863)	(252,367)	(252,242)	(252,213)	(252,206)
<b>Total Liabilities and Equity</b>	<u>245,084</u>	<u>247,091</u>	<u>202,390</u>	<u>223,951</u>	<u>335,201</u>	<u>434,617</u>	<u>432,166</u>





### 8.3.4 Statement of Cash Flow

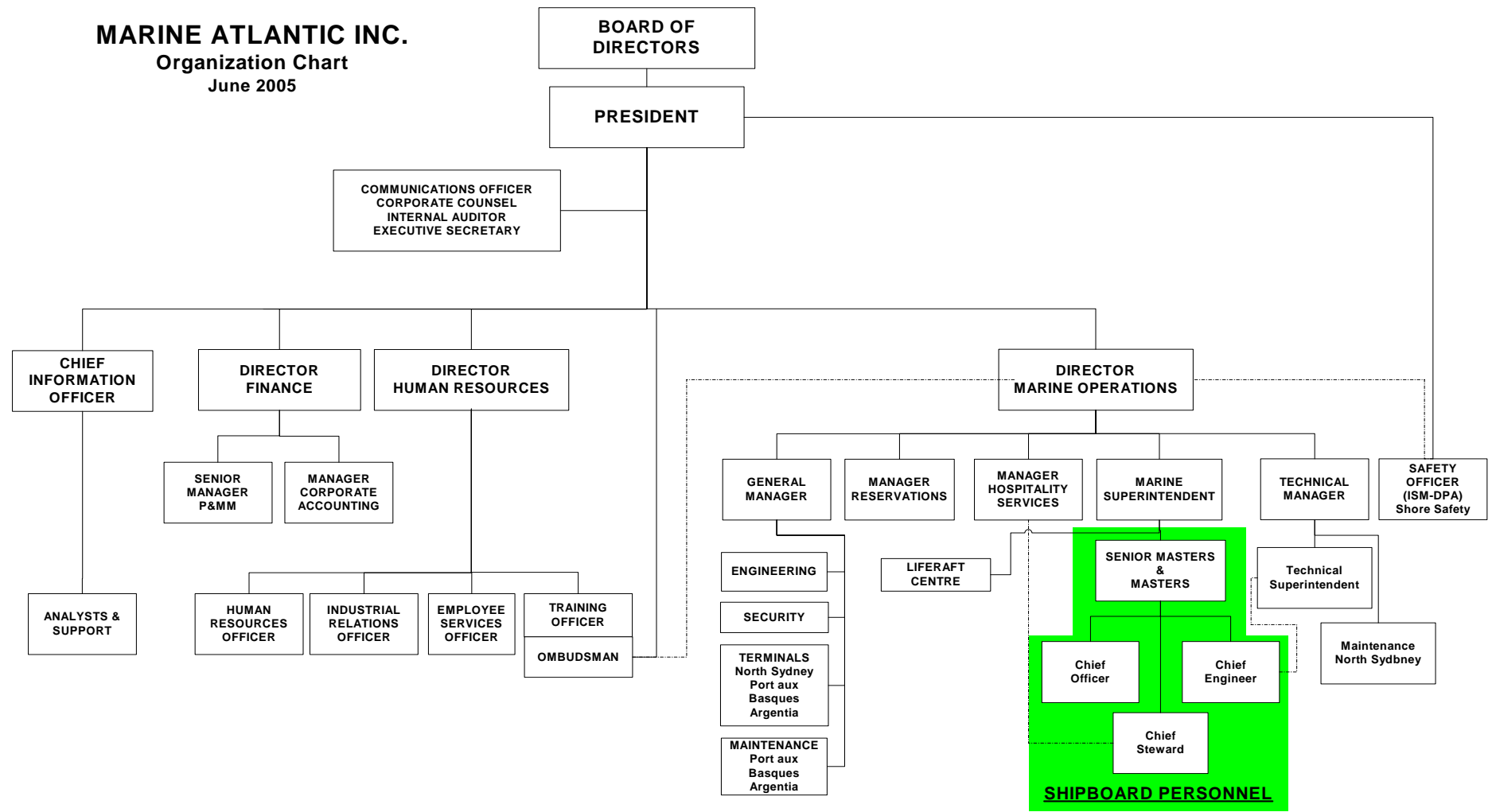
Statement D

**Marine Atlantic Inc.**  
Corporate Plan 2006 –2010  
Statement of Cash Flow - Year Ended December 31  
In \$ Thousands

	2004	Forecast 2005	2006	2007	2008	2009	2010
<b>Operating Activities</b>							
Net operating costs	(53,466)	(59,775)	(72,994)	(76,512)	(79,749)	(76,621)	(68,947)
Net restructuring costs	(2,342)	(1,857)	(1,179)	(496)	(125)	(29)	(7)
Government operating subsidy	57,614	67,225	57,507	77,008	79,874	78,650	98,954
Distribution of subsidiary pension surplus	1,701	—	—	—	—	—	—
Change in non-cash working capital	—	29	—	—	—	(2,000)	(30,000)
Cash provided by operations	3,507	5,622	(16,666)	—	—	—	—
<b>Financing Activities</b>							
Government capital assistance	4,993	6,412	8,907	51,056	142,890	137,953	37,986
<b>Investing Activities</b>							
Capital assets and deferred charges	(4,993)	(6,412)	(8,907)	(51,056)	(142,890)	(137,953)	(37,986)
<b>Increase (Decrease) in Cash</b>	3,507	5,622	(16,666)	—	—	—	—
<b>Cash, Beginning of Year</b>	8,037	11,544	17,166	500	500	500	500
<b>Cash, End of Year</b>	11,544	17,166	500	500	500	500	500



### Appendix A: Marine Atlantic Organizational Structure





## Appendix B: Operational Plan Performance Objectives

### Marine Atlantic Inc. Operational Plan Performance Objectives

#### A. OPERATIONAL OBJECTIVES – YEAR TO DATE July 31, 2005

KEY ACCOUNTABILITIES AND INITIATIVES	SENIOR MANAGER'S ROLE IN ACHIEVING OBJECTIVE	PERFORMANCE MEASUREMENT TOOL			
<b>1. <u>Performance against schedule</u></b>					
Number of sailings on time (non-weather)	To provide direction to managers in creating realistic scheduling that will meet MAI's mandate.		<b>Actual YTD</b>	<b>Budget YTD</b>	
		Performance on time	74%	70%	
		%PRV first crossing	99%	100%	
		%PRV next crossing	100%	100%	
<b>2. <u>Maintenance</u></b>					
<ul style="list-style-type: none"> <li>performed on budget</li> </ul>	To provide direction to the Technical Department in developing achievable budgets in concert with the vessel management group. Ensure that these two groups take ownership of the budget.	<b>Maintenance</b>	<b>Actual YTD</b>	<b>Budget YTD</b>	<b>Last Year YTD Actual</b>
		Terminals	\$2,682,157	\$2,998,197	\$2,522,315
		Vessels	\$8,415,930	\$7,596,944	\$9,780,731
<ul style="list-style-type: none"> <li>timely/scheduled performance</li> </ul>	To provide direction to the Technical Department in developing achievable budgets in concert with the vessel management group.	<i>Caribou - YTD all PWP's and refits complete</i> <i>Smallwood - YTD all PWP's and refits complete</i> <i>Ericson - YTD all PWP's and refits complete</i> <i>Freighter - YTD all PWP's and refits complete</i>			
<ul style="list-style-type: none"> <li>minimal deferrals</li> </ul>	Provide direction to ensure that the maintenance program is being monitored using the AMOS monitoring system.	YTD – Being reviewed for migration of information to IFS. Additions being made to job cards.			
<b>3. <u>Compliance</u></b>					



<ul style="list-style-type: none"> <li>required DOT training/certification</li> </ul>	To give direction to the Marine & Safety Departments and reinforce MAI's commitments through the associated Corporate procedures.	YTD – requirements met		
<ul style="list-style-type: none"> <li>regulatory – marine safety</li> </ul>	To give direction to the Technical/ Marine/ Safety Departments and to monitor their activities against Class/Transport Canada and Safety Management System requirements.	CC's (conditions of class) against: - <i>Leif Ericson 1</i> . Ballast tank #2 hull penetration Deferred until refit. <i>Smallwood</i> : Portside hull damage. Deferred until PWP		
<ul style="list-style-type: none"> <li>environmental</li> </ul>	To give direction and support Department Managers in reinforcing the Corporation's commitments as outlined in the "Green Plan".  To monitor the vessels against ISM and the <i>Canada Shipping Act</i> requirements.	Green plan being reviewed. RFP for QMS issued and closed. This will include environment procedures. ISM and regulations requirements are being met.		
<ul style="list-style-type: none"> <li>real cost of service / AEU</li> </ul>	To provide direction to Terminal Management: <ul style="list-style-type: none"> <li>to load vessels to optimum traffic levels while remaining on schedule and minimum use of MD sailings</li> <li>to provide good supervision and good lines of communication providing for a more efficient service.</li> </ul>	Actual YTD	Budget YTD	Last Year YTD
		\$132	\$135	\$128
<ul style="list-style-type: none"> <li>real cost of service / passenger</li> </ul>	To provide direction to passenger services management in reviewing requirements in light of services to be provided.	Actual YTD	Budget YTD	Last Year YTD
		\$169	\$168	\$162
<ul style="list-style-type: none"> <li>cost of labour per AEU</li> </ul>		Actual YTD	Budget YTD	Last Year YTD
		\$106	\$105	\$104
<ul style="list-style-type: none"> <li>cost of labour per passenger</li> </ul>		Actual YTD	Budget YTD	Last Year YTD
		\$30	\$31	\$30
<b>5. <u>Fleet Development/Deployment</u></b>				



<ul style="list-style-type: none"> <li>needs assessment for future</li> </ul>	<ul style="list-style-type: none"> <li>Development of mid-life refit project plan for <i>Caribou</i> and <i>Smallwood</i>.</li> </ul>	Consultation award by July 2004 - <b>MET</b>		
	<ul style="list-style-type: none"> <li>Development of near term fleet configuration project plan.</li> <li>Increased traffic demand in 2008.</li> </ul>	Preferred option by September 2005 - <b>MET</b>		
<ul style="list-style-type: none"> <li>efficient use of current resources</li> </ul>	<ul style="list-style-type: none"> <li>Measure against traffic movement.</li> </ul>	Actual YTD	Budget YTD	Last Year YTD
		77%	N/A	63%

B. FINANCIAL OBJECTIVES

KEY ACCOUNTABILITIES AND INITIATIVES	SENIOR MANAGER'S ROLE IN ACHIEVING OBJECTIVE	PERFORMANCE MEASUREMENT TOOL
<b>1. Corporate Plan Development</b>		
a) - establish and promote plan	a) Develop project plan in consultation with senior management, management, Board of Directors and TC.	a) Target – June 14, 2005 - <b>MET</b>
b) - timely production required	b) Manage the entire process from initialization to completion of requirements.	Targets: Info to Senior Management - July 8 - <b>MET</b> Info to Board of Directors - July 28 - <b>MET</b> Senior Management Final Review - Sep 20 - <b>MET</b> Board of Directors Final Review – October 25 Presentation to Transport Canada – November
c) - relevant approach and content	c) Develop relevant approach, offering suggestions and soliciting suggestions from consultation with management, the Board of Directors and TC	Qualitative  1 2 3 4 5



<b>2. <u>“Operational” Plan Development</u></b>		
a) - current strategic objectives	a) Manage the development of the operational plan. Factor the goals of the Board of Directors, TC, senior management and other managers. Assist in the development of the strategic objectives to achieve the stated corporate goals. Assist in aligning the corporate goals, management goals, and shareholder goals. Assist in the development of key performance indicators to determine if the corporate goals, management goals and shareholder goals are being met.	Target Date: July 8 (New approach taken this year - on-going – incorporating into the Corporate Plan, therefore will be complete September 20, 2005) - <b>MET</b>
b) - compatible with Corporate Plan	b) Manage the process of aligning the operational plan with the goals established within the Corporate Plan.	Target Date: July 11 (New approach taken this year - on-going – incorporating into the Corporate Plan, therefore will be complete September 20, 2005) - <b>MET</b>
<b>3. <u>Provision of Timely Information</u></b>		
a) - to Board of Directors (quarterly and as required)	a) Manage the corporate process to ensure information is available as required.	Target - 7 days prior to regularly scheduled meetings – <b>MET</b>
b) - to Shareholder (annually and as required)	b) Manage the corporate process to ensure information is available as required.	Target - March 31 - <b>MET</b>
<b>4. <u>Utility of Information Provided</u></b>		
a) - accurate snapshot of facts	a) Manage the corporate process to ensure information presented is an accurate snapshot of the facts.	Qualitative 1 2 3 4 <b>5</b>
b) - clear, concise presentation	b) Manage the process of developing clear, concise information for the intended readers.	Qualitative 1 2 3 4 <b>5</b>
c) - informative/insightful contents	c) Manage the process of ensuring information provided is insightful and provides value to the intended reader. Consultation with the Board, management and TC.	Qualitative 1 2 3 4 <b>5</b>



**C. HUMAN RESOURCES OBJECTIVES**

Key Accountabilities and Initiatives	Senior Manager's Role in Achieving Objective	Performance Measure Tool
<b>1. Human Resources Plan:</b>		
a) - succession plan for key staff	Provide senior management with direction and information on the succession plan. Identify at risk positions and develop with senior management action plan to meet the Corporation's needs.	Review plan annually or as required subject to changing data. <b>Review - August 2005 - MET</b> <i>Succession Plan to be provided to Governance Committee December 2005</i>
b) - training and development	Ensure that approval of training budget/programs is in accordance with training policy and procedure.	As at 31 July 2005 Safety and other regulated training Hours YTD Budgeted = 25,356 Actual = 36,203  Personal Development YTD Budgeted = 16,980 Actual = 2,147  <b>Note: personal development is all training that is not safety/regulated training</b>
<b>2. Employer/Employee Relations:</b>		
a) - improve internal communication through meetings with employees (note not employee performance meetings)	Develop employee communication fan out system for management/employee meetings.	Management personnel to meet and communicate with all staff during the year. - <i>Ongoing</i>
b) - administer employee survey	<ul style="list-style-type: none"> <li>Develop questionnaire for survey.</li> <li>Ensure survey is administered to employees and that completed confidential surveys are sent to research Company.</li> <li>Obtain data and facilitate review with senior</li> </ul>	<ul style="list-style-type: none"> <li>Questionnaire complete -15 June 2004 <b>(Complete)</b></li> <li>Survey responses completed – 30 July 2004 <b>(Complete)</b></li> <li>Corporate Report Card – to be</li> </ul>



	management and assist in the development of an action plan as required.	provided to Board of Directors December 2004 <b>(Complete)</b> <ul style="list-style-type: none"><li>• Corporate Report Card to be circulated to all employees January 2005 with letter from President. <b>(Complete 29 December 2004)</b></li></ul> Employee/Mgt. Committee to be established January 2005 <b>Complete February 2005</b> <b>Workplace Team Chaired by Tara Laing with HR representation in place. 4 meetings held as at 31 August 2005.</b>
c) – present retirement planning seminar	Ensure HR department organizes retirement planning seminar.	Seminars PAB and NS to be held in April 2005 <i>October 2005 (April Complete)</i>





## Appendix C: Operational Plan - Goals and Strategies

**Safety Goal:** To promote, foster and maintain safety.

- Strategies:**
1. Develop and maintain safety management systems.
  2. Continually reinforce a safety culture.
  3. Be prepared to respond to unplanned events.

**Environment Goal:** To promote, foster and maintain environmental stewardship.

- Strategies:**
1. Develop and maintain environmental management systems.
  2. Reinforce an environmentally sensitive culture.
  3. Be prepared to respond to unplanned events.

**Cost Effectiveness Goal:** To operate an efficient and cost-effective ferry service.

- Strategies:**
1. Implement efficient utilization of fleet consistent with realistic customer requirements.
  2. Assess existing ancillary revenue generating activities to ensure a positive contribution to operations.
  3. Develop and introduce new revenue streams appropriate to ferry operations.
  4. Establish and apply tariff principles that balance stakeholder interests.
  5. Implement efficient and effective staffing and crewing levels.
  6. Apply transparent procurement practices.
  7. Explore and implement technological changes and best industry practices.

**Customer Service Goal:** To provide a quality ferry service to customers in a reliable and courteous manner.

- Strategies:**
1. Produce realistic sailing schedules.
  2. Publish schedules in a timely fashion.
  3. Ensure traffic offering is moved as effectively as possible.
  4. Achieve on-time performance.
  5. Establish a customer service quality management system.
  6. Implement continuous service improvements.
  7. Ensure effective customer communication.

**Human Resources Goal:** To manage and maintain a motivated and qualified workforce.

- Strategies:**
1. Develop and maintain a succession plan.
  2. Develop core competencies for all positions.
  3. Develop optimal staffing plans.
  4. Implement recruitment and selection programs to attract and retain qualified candidates.
  5. Provide appropriate training opportunities to meet organizational requirements.
  6. Implement an employee evaluation program.
  7. Foster a positive work environment



### Appendix D: Traffic Projections by Service

		Annual Growth							
		2006							
Taffic Type		Jan-Mar	Apr-May	Jun	July	Aug	Sep	Oct-Nov	Dec
<b>PAB Service</b>	Passenger	0.8%	2.2%	1.3%	4.0%	4.0%	1.3%	2.1%	1.5%
	PRV's	1.8%	2.6%	2.0%	4.0%	4.0%	2.0%	2.7%	2.4%
	CRV's	1.9%	2.6%	2.2%	2.6%	2.0%	2.6%	2.8%	2.8%
<b>ARG Service</b>	Passengers			4.0%	4.0%	4.0%	4.0%		
	PRV's			3.0%	3.0%	3.0%	3.0%		
	CRV's			0.2%	0.2%	0.0%	0.0%		
		2007							
Taffic Type		Jan-Mar	Apr-May	Jun	July	Aug	Sep	Oct-Nov	Dec
<b>PAB Service</b>	Passenger	0.7%	2.1%	1.3%	4.0%	4.0%	1.3%	2.0%	1.5%
	PRV's	1.8%	2.5%	1.8%	4.0%	4.0%	2.0%	2.6%	2.4%
	CRV's	1.9%	2.6%	2.2%	2.7%	2.2%	2.5%	2.7%	2.7%
<b>ARG Service</b>	Passengers			4.0%	4.0%	4.0%	4.0%		
	PRV's			3.0%	3.0%	3.0%	3.0%		
	CRV's			0.2%	0.2%	0.0%	0.0%		
		2008							
Taffic Type		Jan-Mar	Apr-May	Jun	July	Aug	Sep	Oct-Nov	Dec
<b>PAB Service</b>	Passenger	0.7%	2.1%	1.3%	4.0%	4.0%	1.3%	2.0%	1.5%
	PRV's	1.7%	2.5%	1.8%	4.0%	4.0%	1.9%	2.6%	2.3%
	CRV's	1.8%	2.5%	2.2%	2.6%	2.2%	2.4%	2.7%	2.6%
<b>ARG Service</b>	Passengers			4.0%	4.0%	4.0%	4.0%		
	PRV's			3.0%	3.0%	3.0%	3.0%		
	CRV's			0.2%	0.2%	0.2%	0.2%		
		2009							
Taffic Type		Jan-Mar	Apr-May	Jun	July	Aug	Sep	Oct-Nov	Dec
<b>PAB Service</b>	Passenger	0.7%	2.1%	1.3%	4.0%	4.0%	1.3%	2.0%	1.4%
	PRV's	1.7%	2.4%	1.8%	4.0%	4.0%	1.9%	2.5%	2.3%
	CRV's	1.8%	2.4%	2.1%	2.6%	2.1%	2.4%	2.6%	2.5%
<b>ARG Service</b>	Passengers			4.0%	4.0%	0.0%	0.0%		
	PRV's			3.0%	3.0%	0.0%	0.0%		
	CRV's			0.2%	0.2%	0.0%	0.0%		
		2010							
Taffic Type		Jan-Mar	Apr-May	Jun	July	Aug	Sep	Oct-Nov	Dec
<b>PAB Service</b>	Passenger	0.7%	2.0%	1.2%	3.3%	2.6%	1.3%	1.9%	1.4%
	PRV's	1.7%	2.4%	1.7%	4.0%	4.0%	1.9%	2.4%	2.2%
	CRV's	1.8%	2.4%	2.1%	2.5%	2.1%	2.3%	2.5%	2.5%
<b>ARG Service</b>	Passengers			4.0%	4.0%	0.0%	0.0%		
	PRV's			3.0%	3.0%	0.0%	0.0%		
	CRV's			0.2%	0.2%	0.0%	0.0%		

\* PRV = Passenger related vehicles  
 \*\*CRV = Commercial related vehicles  
 \*\*\* PAB = Port aux Basques  
 \*\*\*\* ARG = Argentia



Appendix E: Year 2006 Operating Plan

North Sydney to Port aux Basques Service

	Caribou	Smallwood	Freighter	Leif Ericson	Total Days		Single Trips
					Operating / Stand by	Lay Up / Maintenance	
JAN	OPR	OPR	WARM LU	STAND BY	93	31	128
FEB			-- 09 -- REFIT   05 WARM LU		84	28	112
MAR			01 STAND BY	-- 16 -- PWP	108	16	124
APR	-- 02 -- REFIT		-- 02 -- OPR	-- 02 -- PWP	90	30	186
MAY	-- 03 -- OPR			-- 03 -- STAND BY	112	12	186
JUN		-- 22 -- PWP   -- 16 -- OPR		-- 21 -- OPR	94	15	254
JUL					102	0	294
AUG		ARGENTIA 3 Trips/WK 16 Jun-10 Sep			102	0	290
SEP		ARGENTIA 1 Trip/WK 11 Sep-30 Sep		-- 25 -- PWP	104	6	238
OCT	-- 16 -- PWP			-- 15 -- OPR	94	30	186
NOV	-- 05 -- OPR	-- 05 -- PWP	-- 01 -- STAND BY		90	30	120
DEC		-- 19 -- STAND BY   -- 05 -- OPR	-- 19 -- WARM LU	-- 06 -- STAND BY	93	31	138
OPR	314	261	263	328			
MTCE	51	39	102	37			
Total:	365	300	365	365	1166	229	2256



**North Sydney to Argentia Service**

	Smallwood	Total Days		Single
		Operating	Lay Up / Maintenance	Trips
JUN	-- 16 --	11	0	13
JUL		22	0	27
AUG	ARGENTIA 3 TIMES A WEEK 16 Jun-10 Sep	22	0	26
SEP	-- 11 --	10	0	14
OCT	ARGENTIA 1 DAY PER WEEK 11-30 Sep	0	0	0
OPR MTCE Total:	65 0 80	65	0	80

**OPR =** The vessel is performing normal operations of moving passengers and vehicles on a Marine Atlantic scheduled route.

**REFIT =** The vessel leaves Marine Atlantic premises and goes to dry-dock for hull and other maintenance work.

**PWP =** Vessel “Planned Work Period”. This is scheduled work completed on the vessel at the tie-up dock in North Sydney.

**STAND-BY =** The vessel is secured at the alternate dock in North Sydney, is completely operational with a reduced crew onboard to safely maintain equipment and keep vessel ready for immediate use. Time frame to go into service is within 24 hours notice.

**LAY-UP =** The vessel is tied at the alternate dock in North Sydney with minimal crewing to maintain fire and security watch. Time frame to go into service is 2-3 days.

**COLD LAY-UP =** When the vessel is in “Cold Lay-up”, all systems are shut down, there is shore side security watch only, and there is no crew or vessel activity. There is a minimum 5 days to reactivate.

**WARM LAY-UP (LU) =** Vessel is attached to shore power with minimal crew on-board to provide a watch keeping duty.



### Appendix F: 2006 Proposed Ferry Schedule

#### Port aux Basques to North Sydney

R = Restricted  
RR = Double Restricted  
MD = Manager Discretion  
E-MD = Manager Discretion (Ericson)  
F-MD = Manager Discretion (Freighter)

Date	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Jan 1 - Jan 4	1130 - 2345	0800 - 1700 - 2345	1130 - 2345	0800RR - 1700 - 2345			
Jan 5 - Apr 1	1130 - 2345	1130R - 2345	1130 - 2345	1130 - 2345	1130RR* - 2345	1130 - 2345	1130 - 2345
Apr 2 - Apr 9	1130 - 2345 - (F-MD)	1130R - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130RR - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)
Apr 10 - Apr 17	0800 - 1645(S-MD) - 2345 - (F-MD)	1130R - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130RR - 1645 - 2345 - (F-MD)	0800 - 1645((S-MD) - 2345 - (F-MD)	0800 - 1645 - 2345 - (F-MD)
Apr 18 - May 2	1130 - 2345 - (F-MD)	1130R - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130RR - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)
May 3 - May 21	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)
May 22 - Jun 1	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)
Jun 2 - Jun 15	0800 - 1645MD - 2100(F) - 2345	1130 - 2100(F) - 2345	0800 - 1645(E MD) - 2100(F) - 2345	0800 - 1645 - 2100(F) - 2345	0800 - 1645(E-MD) - 2100(F) - 2345	0800-1645 - 2100(F) - 2345	0800 - 1645(E-MD) - 2100 - 2345
Jun 16 - Jul 6	0730-0900(E-MD)-1700 - 2100(F) - 2330 (S-MD)	0100 - 0800 - 1530 - 2100(F) - 2359	0530 - 1700 - 1930(E-MD) - 2100(F) - 2359	0800 - 1030 - 2100(F) - 2359	0200 - 1600 - 1800 - 2100(F)	0630*(C-MD)-0900-1100(E-MD) - 1930 - 2100(F)	0130-0900-1645(E-MD)- 2100(F)-2359
Jun 7 - Aug 17	0730 - 900(E-MD)-1700 - 2100(F) - 2230 (S-MD)	0100 - 0800 - 1530 - 2100(F) - 2359	0530 - 1700 - 1930(E-MD)- 2100(F) - 2359	0800 - 1030 - 2100(F) - 2359	0200 - 1600 - 1800 - 2100(F)	0630(C-MD) - 0900- 1100 - 1930 - 2100(F)	0130- 0900-1645(E-MD)- 2100(F)-2359
Aug 18 - Sept 10	0730 - 0900(E-MD)- 1700 - 2100(F) - 2230 (S-MD)	0100 - 0800 - 1530 - 2100(F) - 2359	0530 - 1700 - 1930(E-MD)- 2100(F) - 2359	0800 - 1030 - 2100(F) - 2359	0200 - 1600 - 1800 - 2100(F)	0630(C-MD)-0900-1100(E-MD)- 1930 - 2100(F)	0130-0900 - 1645(E-MD)- 2100(F)-2359
Sept 11 - Sept 24	1130 - 2100(F) - 2300 - (E-MD)	1130 - 2100(F)- (E-MD)	1130 - 2100(F) - 2345 - (E-MD)	1130 - 2100(F) - 2345 - (E-MD)	1130 - 2100(F) - 2345 - (E-MD)	1130 - 2100(F) - 2345 - (E-MD)	1130 - 2100(F) - 2345 - (E-MD)
Sept 25 - Sept 30	1130 - 2100(F) - 2300	1130 - 2100(F)	1130 - 2100(F) - 2359	1130 - 2100(F) - 2359	1130 - 2100(F) - 2359	1130 - 2100(F) - 2359	1130 - 2100(F) - 2359
Oct 1 - Oct 15	1130 - 2345 - (F-MD)	1130 - 2100(F) - 2345	1130 - 2345 - (F-MD)	1130 - 2100(F) - 2345	1130 - 2100(F) - 2345	1130 - 2345 - (F-MD)	1130 - 2100(F) - 2345
Oct 16 - Oct 31	1130 - 2345 - (F-MD)	1130 - 2100(F) - 2345	1130 - 2345 - (F-MD)	1130 - 2100(F) - 2345	1130 - 2100(F) - 2345	1130 - 2345 - (F-MD)	1130 - 2100(F) - 2345
Nov 1 - Nov 4	1130 - 2345	1130R - 2345	1130 - 2345	1130 - 2345	1130RR - 2345	1130 - 2345	1130 - 2345
Nov 5 - Dec 5	1130 - 2345	1130R - 2345	1130 - 2345	1130 - 2345	1130RR - 2345	1130 - 2345	1130 - 2345
Dec 6 - Dec 13	1130 - 2345	1130R - 2345	1130 - 2345	1130 - 2345	1130RR - 2345	1130 - 2345	1130 - 2345
Dec 14 - Dec 21	0800 - 1700 - 2345	1130R - 2345	0800 - 1700(C- MD) - 2345	0800 - 1700 - 2345	0800RR* - 1700 - 2345	0800 - 1700(S-MD) - 2345	0800 - 1700 - 2345
Dec 22 - Dec 24	0800 - 2345					0800 - 1700 - 2345	0800 - 1700(C-MD) - 2345
Dec 25 - Dec 31	2345	2345	1130 - 2345	1130R - 2345	1130 - 2345	1130 - 2345	1130 - 2345



**North Sydney to Port aux Basques**

Date	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Jan 1 – Jan 4	1130 - 2330	0900R - 1500 - 2330	1130 – 2330	0900 - 1500RR - 2330			
Jan 5 – Apr 1	1130 - 2330	1130 - 2330	1130RR – 2330	1130 - 2330	1130R – 2330	1130 - 2330	1130R – 2330
Apr 3 – Apr 9	1130 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130RR - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130R - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130R - 2330 - (F-MD)
Apr 10 - Apr 17	0900(S-MD) - 1500 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130RR - 2330 - (F-MD)	1130 - 2330 - (F-MD)	0900R - 1500 - 2330 - (F-MD)	0900(S-MD) - 1500 - 2330 - (F-MD)	0900 - 1500R - 2330 - (F-MD)
Apr 18 - May 2	1130 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130RR - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130R - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130(R) - 2330 - (F-MD)
May 3 - May 21	1500 - 2330! - 2330* - (F-MD)	1130 - 2330 (F-MD)	1130 - 2330 - (F-MD)	1500 - 2330 - (F-MD)	1500 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1500 - 2330 - (F-MD)
May 22 - Jun 1	1500 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1500 - 2330 - (F-MD)	1500 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	1500 - 2330 - (F-MD)
Jun 2 – Jun 15	0700(F) - 0900(C-MD) - 1600 - 2330	0700(F) - 0900 - 2330	0700(F) - 0900(E-MD) - 1600 - 2330	0700(F) - 0900 - 1600 - 2330	0700(F) - 0900(E-MD) - 1600 - 2300*	0700(F) - 0900 - 1600 - 2330	0700(F) - 0900(E-MD) - 1600 - 2330
Jun 16 - Jul 6	0100MD-0700(F-0900 - 1430MD - 1630 - 2330	0700(F) - 0800 - 1600 - 2200	0700(F) - 0900 - 1200(E-MD) - 1530 - 2330	0230 - 0700(F) - 1600 - 1800	0700(F) - 0800 - 1000 - 2300MD	0100 - 0230MD-0700(F) - 1230 - 1800	0200-0700(F)-0900MD -1600 - 2330
Jul 7 – Aug 17	0100MD - 0700(F) - 0900 - 1430 - 1630 - 2330	0700(F) - 0800 - 1600 - 2200	0700(F) - 0900 - 1200MD - 1530 - 2330	0230 - 0700(F) - 1600 - 1800	0700(F) - 0800 - 1000 - 2300MD	0100 - 0230 - 0700(F) - 1230 - 1800	0200 - 0700(F) - 0900MD -1600 - 2330
Aug 18- Sept 10	0100MD-0700(F)-0900-1430MD - 1630* - 2330	0700(F) - 0800 - 1600 - 2200	0700(F) - 0900 - 1200MD - 1530 - 2330	0230 - 0700(F) - 1600 - 1800	0700(F) - 0800 - 1000 - 2300MD	0100-0230(E MD)-0700(F)-1230-1800	0200-0700(F)- 0900MD -1600 - 2330
Sept 11-Sept 24	0700(F) - 1130 - 2330 - (E-MD)	0700(F) - 2330 - (E-MD)	0700(F) - 1600 - 2330 - (E-MD)	0700(F) - 1500-2330-(E-MD)	0700(F) - 1500 - 2330 - (E-MD)	0700(F) - 1130 - 2330 - (E-MD)	0700(F) - 1500 - 2330 - (E-MD)
Sept 25-Sept 30	0700(F) - 1130 - 2330	0700(F) - 2330	0700(F) - 1600 - 2330	0700(F) - 1500 - 2330	0700(F) - 1500 - 2330	0700(F) - 1130 - 2330	0700(F) - 1500 - 2330
Oct 1 - Oct 15	1130 - 2330! - 2330* - (F-MD)	1100(F) - 1500 - 2330	1130 - 2330 - (F-MD)	1100(F) - 1500 - 2330	1100 - 1500 - 2330	1130 - 2330 - (F-MD)	1100(F) - 1500 - 2330
Oct 16 - Oct 31	1130 - 2330 - (F-MD)	1100(F) - 1500 - 2330	1130 - 2330 - (F-MD)	1100(F) - 1500 - 2330	1100(F) - 1500 - 2330	1130 - 2330 - (F-MD)	1100(F) - 1500 - 2330
Nov 1 - Nov 4	1130 - 2330	1130RR - 2330	1130 - 2330	1130 - 2330	1130R - 2330	1130 - 2330	1130R - 2330
Nov 5 - Dec 5	1130 - 2330	1130RR - 2330	1130 - 2330*	1130 - 2330	1130R - 2330	1130 - 2330	1130R - 2330
Dec 6 - Dec 13	1130 - 2330	1130RR - 2330	1130 - 2330	1130 - 2330	1130R - 2330	1130 - 2330	1130R - 2330
Dec 14 - Dec 21	0800 - 1500 - 2330	1130 - 2330	0800 C-MD - 1500RR - 2330	0800 - 1500 - 2330	0800R - 1500 - 2330	0800 S-MD - 1500 - 2300	0800R - 1500 - 2330
Dec 22 - Dec 24	0800 - 2330					0800 - 1500 - 2330	0800(C-MD) - 1500 - 2330
Dec 25 - Dec 31	2330	2330	1130R - 2330	1130 - 2330	1130 - 2330	1130 - 2330	1130 - 2330

**Argentia to North Sydney**

Date	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Jun 16 - Jul 6		2359			0900		0830
Jul 7 - Aug 17		2359			0900		0830
Aug 18 - Sep 10		2359			0900		0830
Sep 11 - Sept 24		2359					

**North Sydney to Argentia**

Date	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Jun 16 - Jul 6		0600		0700		1530	
Jul 7 - Aug 17		0600		0700		1530	
Aug 18 - Sep 10		0600		0700		1530	
Sep 11 - Sept 24		0600					

## Appendix G: Customer Service Performance Measures

Performance measures currently being used in passenger services include:

For efficiency:

- The revenue per passenger (per month, per ship, per outlet)-history for the past 12 years;
- The cost of goods tracking - history for the past 4 years;
- The cost of crew feeding tracking - history for the past 4 years; and
- The operating budget.

For quality of service:

- The customer Service Surveys - history for the past 10 years; and
- The complaints database - history for the past 3 years.

For safety:

- The Health Canada Inspections - measuring Food Sanitation standards - history for the past 3 year; and
- The Time/Temperature checks for Foodservice - history for the past 3 years.

Performance measures being developed in addition to the above for future use include:

- Operating Procedures to be incorporated into the QMS;
- The Customer Survey broken down by category;
- Online Customer Survey Card through the Marine Atlantic Website;
- Facility's inspection /processes audit; - conducted by three sources;
  - Within the department;
  - By Internal Audit;
  - By external Security Personnel;
- The daily revenue per crew member within department;
- The vessel preparation for embarking passengers (measuring time to prepare the vessel against the utilization of the vessel outlets); and
- HACCP (Hazard Analytical Critical Control Points) - Developed for NASA to ensure that food supplies were monitored for temperature and quality throughout the use of the product; The base year used to measure against all future years for these performance measures will be 2005.