Marine Atlantic
Marine Atlantique

Canada

CORPORATE PLAN Summary

2007/2008 ~ 2011/2012

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.

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.

Values:

Safety - Ensuring the safe passage of all passengers and goods, plus a safe and healthy working environment for all employees.

Environmental Responsibility - Taking appropriate measures to protect our environment, to reduce adverse environmental impact, and to incorporate best practices in all operations.

Quality Service - Ensuring customer satisfaction through the efficient and professional delivery of accessible service.

Reliability - Providing consistent and reliable transportation to our customers, fair and open procurement of goods and services, and equitable hiring and employment practices.

Courtesy - Fostering a working environment that promotes meaningful communication, together with mutual respect, cooperation, honesty, and integrity.

Cost-effectiveness - Ensuring appropriate utilization of resources, and full accountability to our shareholder, the people of Canada.

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1 Corporate Profile

1.1 *Mandate*

Marine Atlantic's legislative mandate under the *Marine Atlantic Inc. Acquisition Authorization Act,* 1986 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".

1.2 *Legislative and Governmental Authority*

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

Term 32, which is not only province specific but also community specific in its words, 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) establishes Marine Atlantic as a parent Crown corporation which is separately under contract with Transport Canada to provide the ferry service. The Corporation reports to its only shareholder, the Minister of Transport, Communities and Infrastructure, through Transport Canada offices.

The *Financial Administration Act (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.

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". As a result, Marine Atlantic operates only the constitutional service year round between Port aux Basques and North Sydney, and an alternate route on a seasonal basis only between Argentia and North Sydney.

Funding and Contracts

Revenue received from users is applied to Marine Atlantic's operational and capital needs. The balance of required funding is provided through annual appropriations with Transport Canada.

The Bilateral Agreement[1] with Transport Canada sets out the basic principles that govern the Corporation's relationship with that federal department as well as the mechanisms for executing specific subsidiary agreements under which the Corporation operates its ferry services.

1.3 *Ferry Service History*

A regular steamship Gulf service has operated on the Cabot Strait between Nova Scotia and the Island of Newfoundland for more than 100 years. In 1949, under the Terms of Union between Newfoundland (and Labrador) and Canada, Canadian National Railways (CNR) 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 also undertook to maintain the existing North Sydney to Port aux Basques vessel service and to accommodate the transportation of motor vehicles when the Newfoundland highway was completed from Corner Brook to Port aux Basques.

In 1968, a summer ferry service was initiated between Argentia and North Sydney to meet a growing demand for a second link to the mainland.

The ferry and coastal boat service continued to be operated as a wholly owned subsidiary of CNR until Marine Atlantic Inc. was formed (originally named CN Marine Inc.) as a parent Crown corporation under the *Marine Atlantic Inc. Acquisition Authorization Act* (1986). In the 1990's, the following the dictates of the National Marine Policy and the *Canada Marine Act,* the Corporation divested itself of all Atlantic region ferry and coastal boat routes except the Gulf ferry services from Port aux Basques to North Sydney and the seasonal Argentia service.

[1] Bilateral Agreement between Her Majesty the Queen and Marine Atlantic Inc., Department of Transport, March 12, 1987.

With the refocus of the service provided to only the Province of Newfoundland and Labrador, the Corporation underwent a significant management restructuring and downsizing. Reflecting that new focus, in early 2001 the head office was moved from Moncton, New Brunswick to St. John's, Newfoundland and Labrador.

Since 2001, Marine Atlantic has operated four vessels on its year-round Port aux Basques route and its seasonal Argentia route, utilizing three ferry terminals, one in each of North Sydney, Port aux Basques and Argentia.

1.4 *Structure & Governance*

Operations

The Corporation's business functions are divided between Nova Scotia and Newfoundland and Labrador. The corporate head office is located in St. John's, while its finance, accounting and information technology functions are situated in Port aux Basques and the marine operations and human resource departments are located in North Sydney. All staff responsible for vessel logistics operate from the Corporation's three ferry terminals at Port aux Basques, North Sydney and Argentia.

Marine Atlantic continues to have one non-active subsidiary company, Newfoundland Dockyard Corporation (NDC).

The Board of Directors

Marine Atlantic currently has a Board of Directors reporting to the Parliament of Canada through the nominal shareholder, the Minister of Transport, Infrastructure and Communities. Board members are typically appointed for two to three year terms, which can be extended at the discretion of the Crown.

Membership of the Board includes members with experience in accounting, law, transportation, tourism, and a broad spectrum of general business acumen. These skills are all considered essential to providing Marine Atlantic with appropriate governance direction.

In October 2006, Privy Council appointed a new Chairman and 6 new directors to replace existing ones.

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

December 2006 Board meeting, a new Human Resources Committee has also been added.

1.5 *Transport Canada - Benchmarking Ferry Operations in Canada*[2]

Transport Canada requisitioned a study to review and establish performance measures pertinent to ferry operations. The goals of the study were to:

- Establish objective indicators that are specific, measurable, realistic, and time limited, as pertinent to a ferry operation that includes a mix of passengers and commercial related traffic, and
- Benchmark these operational performance indicators by conducting a comparative analysis with Canadian and non-Canadian ferry operators in the private and public industry.

A total of 12 operators (in addition to the Corporation) were selected from an initial list of over 500 entities. The study noted that it was extremely difficult to find a short list of operators throughout the world that provides a service similar to that of Marine Atlantic. The results of this study will be highlighted in relevant sections throughout this Corporate Plan Summary.

1.6 *Fiscal Year End*

Marine Atlantic's financial year is currently the calendar-year. All funding and reporting requirements with federal government departments are on the federal government's fiscal year end of March 31. At the June 2004 meeting of the Board of Directors, a resolution was passed to change Marine Atlantic's financial year-end to match Government's fiscal year-end of March 31. An Order in Council was passed in the fall of 2006 approving the change. The Corporation will now plan to implement this change for April 1, 2007.

1.7 *Services, Facilities & Assets*

Service Levels: Marine Atlantic transports virtually all of the passenger vehicular traffic between the Island of Newfoundland and mainland Canada.

The Corporation's vessels transport the majority of the Province's freight traffic. Other direct water carriers, principally Oceanex operate to and

[2] Benchmarking Ferry Operations in Canada; Fleetway; TC Contract # - T8080-05-0356; Rev 1 - May 26, 2006.

from Newfoundland ports via Montreal and Halifax, carrying the balance of this traffic. Marine Atlantic transports all of the driver-accompanied freight vehicles. The other carriers carry principally containers together with a limited number of drop trailers. In addition, the Corporation transports nearly all of the fresh produce entering the Island.

Routes: Marine Atlantic's Gulf ferries operate on a 12-month basis on the 96 nautical-mile run between Port aux Basques and North Sydney (Figure 1). For passengers, passenger vehicles and commercial vehicles, this route is the logical link in the Trans-Canada Highway connecting the Island of Newfoundland with the rest of the Canada.

The Corporation also operates a higher-demand seasonal service (operating from late June to late September) between Argentia and North Sydney, which is located on the Island's Avalon Peninsula. Marine Atlantic's service goal reflects the Corporation's intention to continue this important seasonal service.

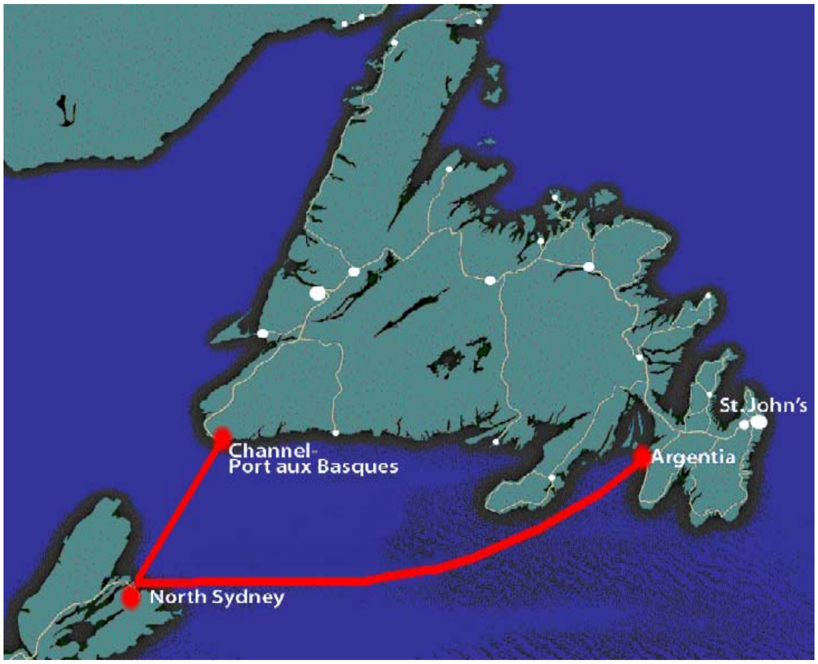

Figure 1: Marine Atlantic Routes

Fleet, terminals and related facilities: Marine Atlantic's current vessel fleet of four ice breaking ocean-going vessels is described in detail in Section 5. The Corporation also operates ferry terminals and associated facilities at each of North Sydney, Port aux Basques and Argentia ports.

2 "The Traffic Offering"

The traffic which presents itself for carriage is made up of passengers, passenger vehicles and commercial vehicles of many types. This diverse traffic mix presents its own challenges for the Corporation.

Marine Atlantic uses the term AEU (automobile equivalent unit) to standardize the measurement of the various types of vehicles being transported on its vessels. The Corporation utilizes an area calculation for AEU's that equates to a lane meter utilization that is reflective not simply of the length of the vehicle being carried, but also reflects the width and the actual consumption of deck space.

Although the 2006 overall traffic increase experienced has been below anticipated levels (1% over 2005), the Island of Newfoundland has experienced significant traffic growth in all sectors over the past 20 years. Commercial traffic increased 29% since 1997. In fact, the traffic carried in 2006 was second only in volume to the Corporation's banner year of 2002 (Figure 2).

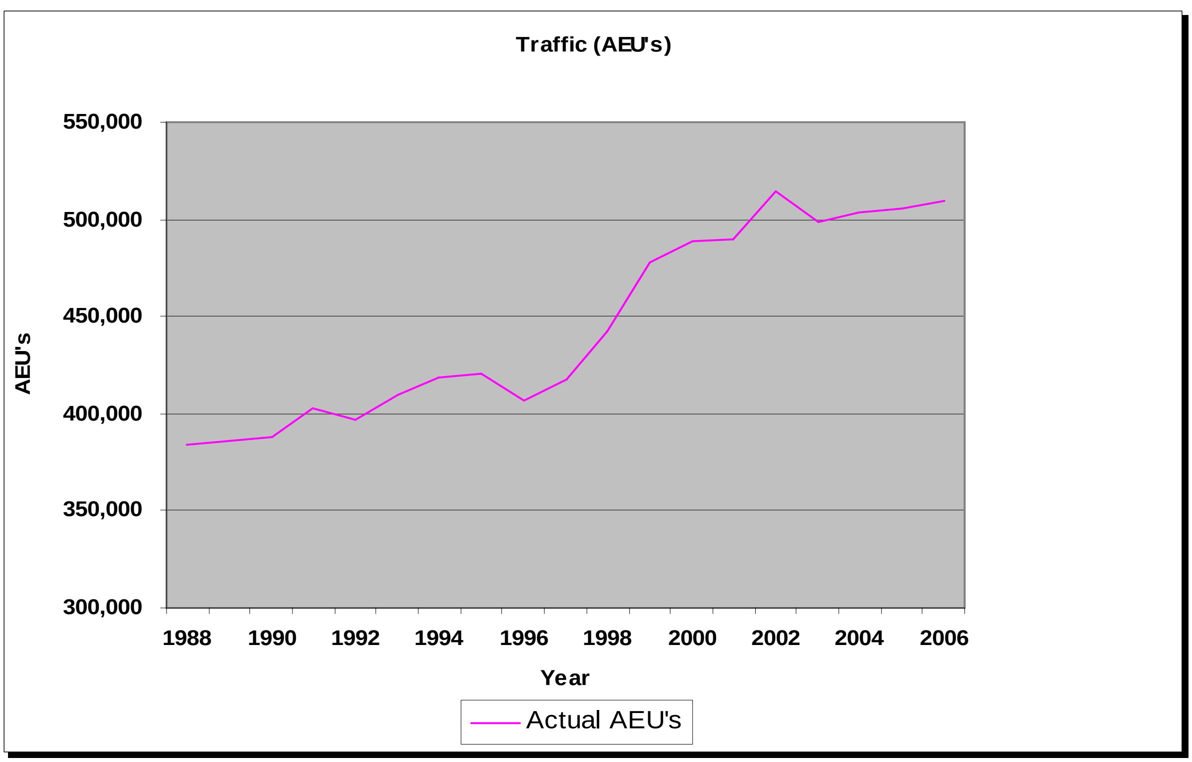

Figure 2: Total Annual Traffic Carried - 1988 to 2005

Future Traffic Expectations

Marine Atlantic is expected to provide a level of service with sufficient capacity to transport those wishing to travel to the Island of Newfoundland. Therefore, the schedule must incorporate the capacity needed to handle the expected traffic throughout the entire year, yet be flexible enough to ensure that if additional capacity is required, extra sailings can be introduced to the schedule.

To predict future 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 forecasted traffic growths are seasonal percentage increases ranging from 0% to 4% above expected 2006 levels, depending on the year and time of the year and assume no restraints imposed by fleet capacity limitations.

Based on growth expectations, Marine Atlantic analyzed the peak period traffic to determine if sufficient fleet capacity currently exists to transport the expected future traffic – Figure 3. The AEU regression analysis line for the highest three week average is presented to illustrate this analysis, given this is the period of greatest capacity demand and assuming this pattern will not significantly change in the future.

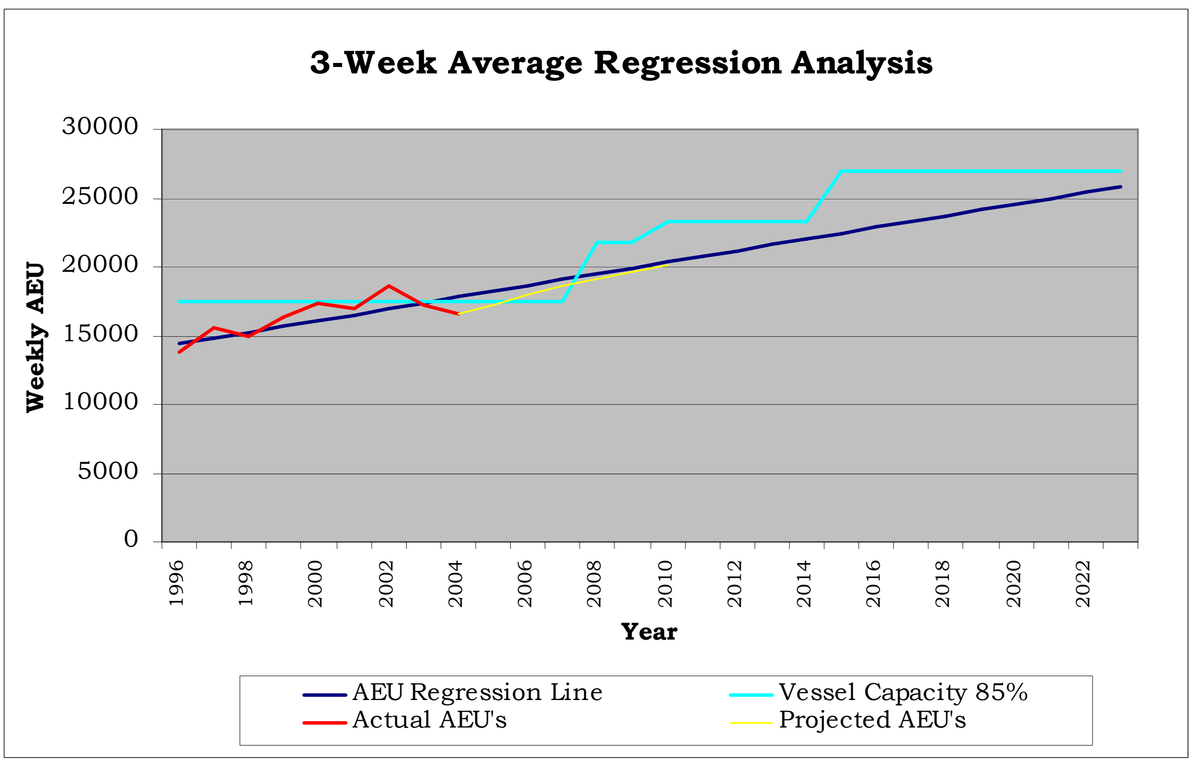

Figure 3: Current Fleet Capacity

The blue line represents the regression line. The solid red line represents the actual traffic from 1996 to 2005. Based on the regression line, the Corporation anticipates traffic to reach the new regression line over a six to seven year period if the overall AEU's increase by 2-4% per year. The extension of the red line beyond 2005 illustrates this conclusion.

As a general rule in the ferry industry, AEU capacity utilization should not exceed 85% or operational performance may be compromised. It is evident from the pink line, that a slight increase in traffic over the next couple of years would place the traffic demand above this line. In fact, if increases experienced in the late 1990's and early 2000's were to reoccur now, the Corporation would be out of capacity immediately.

Conclusion

The existing fleet does not offer sufficient capacity to meet expected traffic demand into the future. As a result, the Corporation is considering options to address its long-term fleet requirements, as explained in the "Fleet Renewal" section of this Summary.

3 Performance – Objectives, Achievements and Plans

Providing an Effective and Efficient Service

Marine Atlantic's Corporate Plan is predicated upon (a) the Corporation's Vision, Values, Mission and Service Level Goal as set forth in the opening section and (b) the corporate objectives from the Corporation's Strategic Plan. Accordingly, this Plan outlines Marine Atlantic's corporate objectives, its achievements to date and the long-term direction. It encompasses components of the Board of Directors' previously approved Strategic Plans, but expands to address the key operational requirements of the Corporation and the developing fleet renewal issues.

During 2006, the Board of Directors continued its involvement in setting operational objectives through its oversight of management's performance. This has resulted in well-defined organizational performance criteria and healthy performance measures which are outlined in Appendix A, with results to December 31, 2006.

In this section of the Plan, the Corporation's achievements during the past 12 months as well as its plans for the remainder of the planning period are detailed.

3.1 *Operations*

3.1.1 Culture and Efficiency

Objectives: *To operate an efficient and effective ferry service.*

Plans

The Corporation's performance goals of becoming "one of the best managed companies in Canada" and "the best ferry operator in North America" are achievable.

In its continual improvement process towards these goals, Marine Atlantic will establish–an Integrated Management System (IMS) realizing that the interrelationship between each guiding standard is the fundamental component of becoming a truly effective organization.

The IMS will capture the realization of key successful business fundamentals and will address cultural improvement through:

- Leadership;
- Vision;
- Strategic alignment;
- Understanding of operational environment;
- Importance of operating as a team; and
- Investment in people.

The IMS will be a major tool used to ensure Marine Atlantic will embrace cultural improvement and operate an effective and efficient operation into 2007 and beyond. The implementation process will take a minimum of three years. It will take several more years before it is fully complete.

3.1.2 Scheduling

Objectives – *To carry the “traffic offering”.*

Achievements

The number of completed crossings over the last seven years is illustrated in Table 1 below with the “vessel utilization” column illustrating deck space utilization for the vessels. There has been a slight decline in utilization in 2006 as a result of providing additional trips during the year. The published schedule introduced for the summer period incorporated all the management discretion sailings; however, the passenger traffic increases did not materialize in the peak period. The commercial traffic continued to be strong throughout the year. Notwithstanding a challenging summer season, the annual achievement level is still only 2% points below the target of 75-82%.

Table 1: Deck Space Utilization Rates - 2000 - 2006

	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	1,982	80	2,062	76
2006	2,086	80	2,166	73

In comparison with other ferry operators throughout the world, the utilization of deck space on Marine Atlantic vessels is high at 73%. The Corporation’s nearest operator in the Benchmark Study undertaken by Transport Canada in 2006 is in the 60 percentile range, and 7 of the 12 operators examined are at 50% or less in utilization, as can be seen in Figure 4 below.

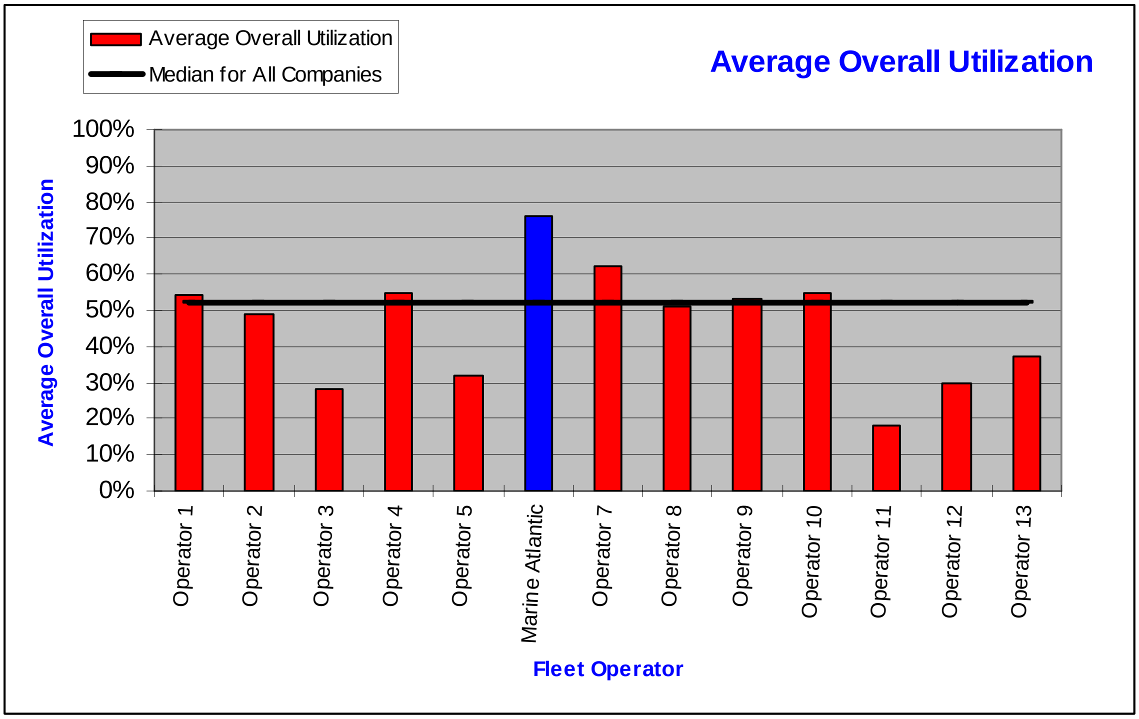

Figure 4: Overall Utilization Rates (from Benchmark Study)

One measure of efficiently loading and unloading vessels is on-time performance. Of the 2,166 scheduled crossings for the year, only 84 had to be rescheduled, but 41 were due to weather. Ignoring weather-related delays and rescheduled crossings, overall on-time performance was at 74%.

The 2006 summer schedule was overly aggressive. Many lessons were learned with the incorporation of all the management discretion sailings (MDS) into the published schedule. With the removal of the slack that the MDS provide, there was no opportunity for the vessels to get back on schedule should they fall behind for whatever reason. Thus, the on-time performance for the year was impacted. Table 2 outlines Marine Atlantic's on-time performance history over the past 6 years.

Table 2: On-time Performance

	2000	2001	2002	2003	2004	2005	2006
On-time Performance %	75	76	74	64	60	76	74

A schedule was developed which included, for the first time, predicted arrival times. In this way, management attempted to maximize the in-port time which, in turn, provided the optimum opportunity to meet an on-time departure.

The Benchmark Study undertaken by Transport Canada in 2006 did not show that other operators performed better in this area, since other operators found it unnecessary to track their on-time performance.

The Benchmark Study used a number of indicators covering a variety of factors to measure performance at different levels. In terms of average overall utilization, Marine Atlantic is leading all of the other compared ferry operators, as can be seen in Figure 4.

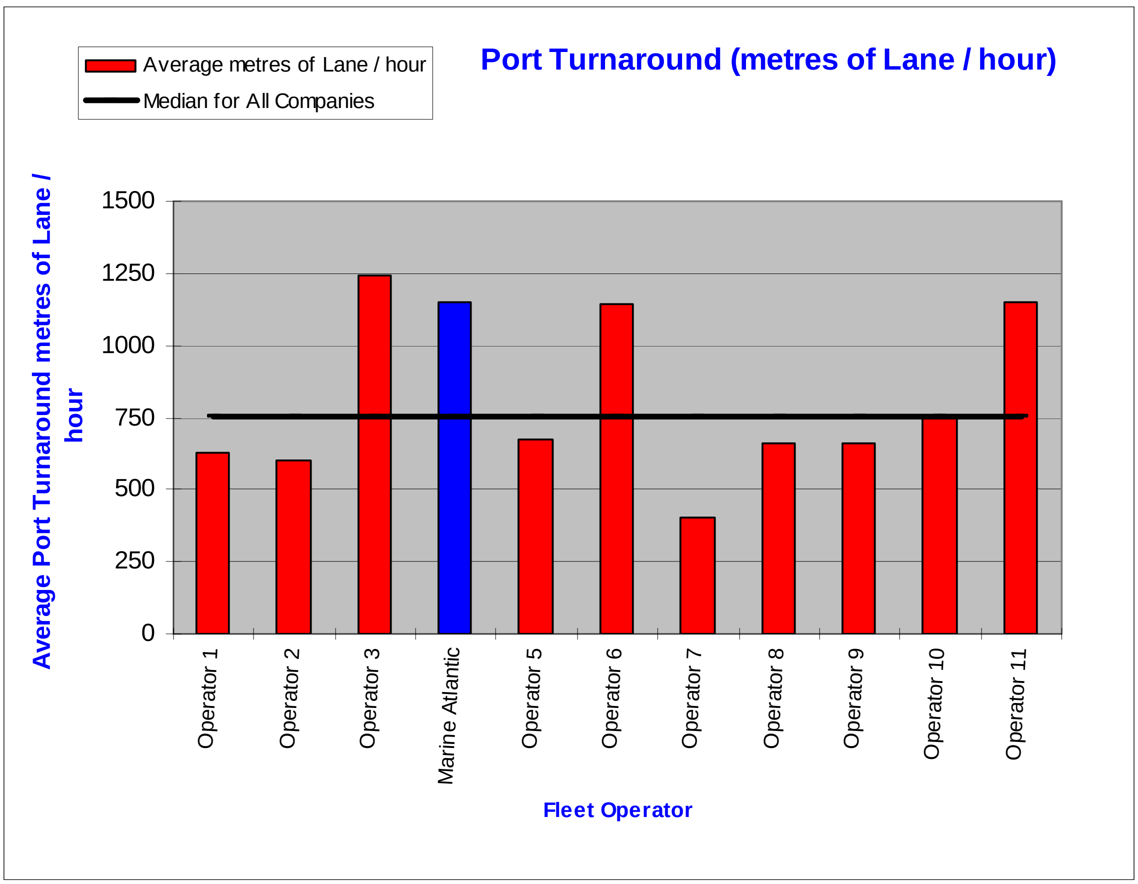

Figure 5: Ferry Operator Turnaround Times (from Benchmark Study)

In terms of port turnaround meters of lane per hour (Figure 5) Marine Atlantic is in second place at 1125 l/m/hr close behind the leader, operator 3 who moves 1200 l/m/hr. The advantage would lie with operator 3 as that company moves predominantly PRV traffic as can be seen in the graphs Figure 6 - Cars/Hour and Figure 7 - Trailer only utilization.

Two operators are recognized as handling a mix of traffic that most closely resembles the Marine Atlantic operation. In Figure 6 below they are operators 1 and 5, shown in the median at third and fifth place.

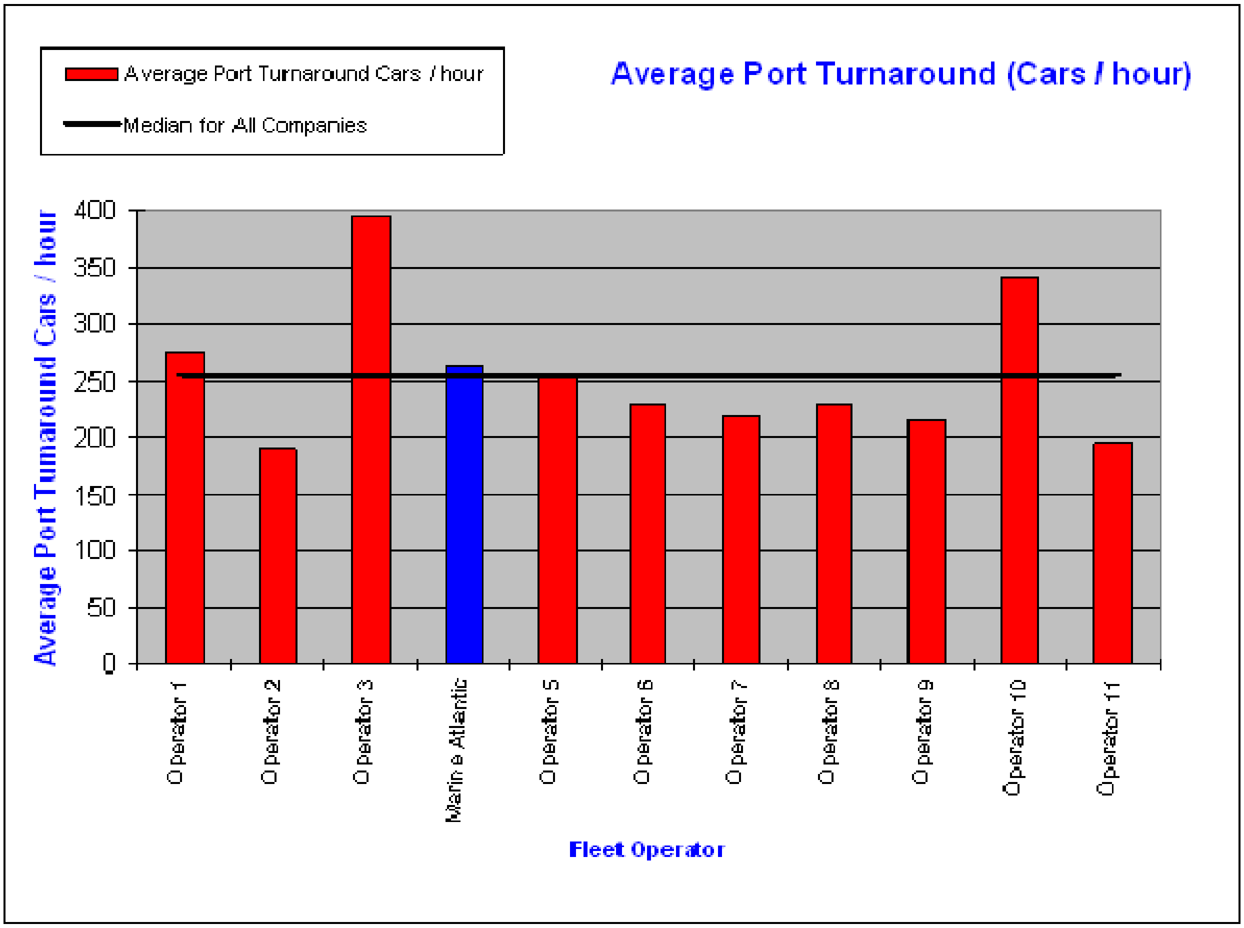

Figure 6: Average Port Turnaround (Cars / hour)

The advantage in the category of cars per hour turnaround lies with those comparators that move mainly passenger-related vehicle traffic. Operators 3 and 10 do just that. Marine Atlantic is, however, above the median and, in performance, is consistent with its closest comparators. In this chart, they are identified as operators 1and 5.

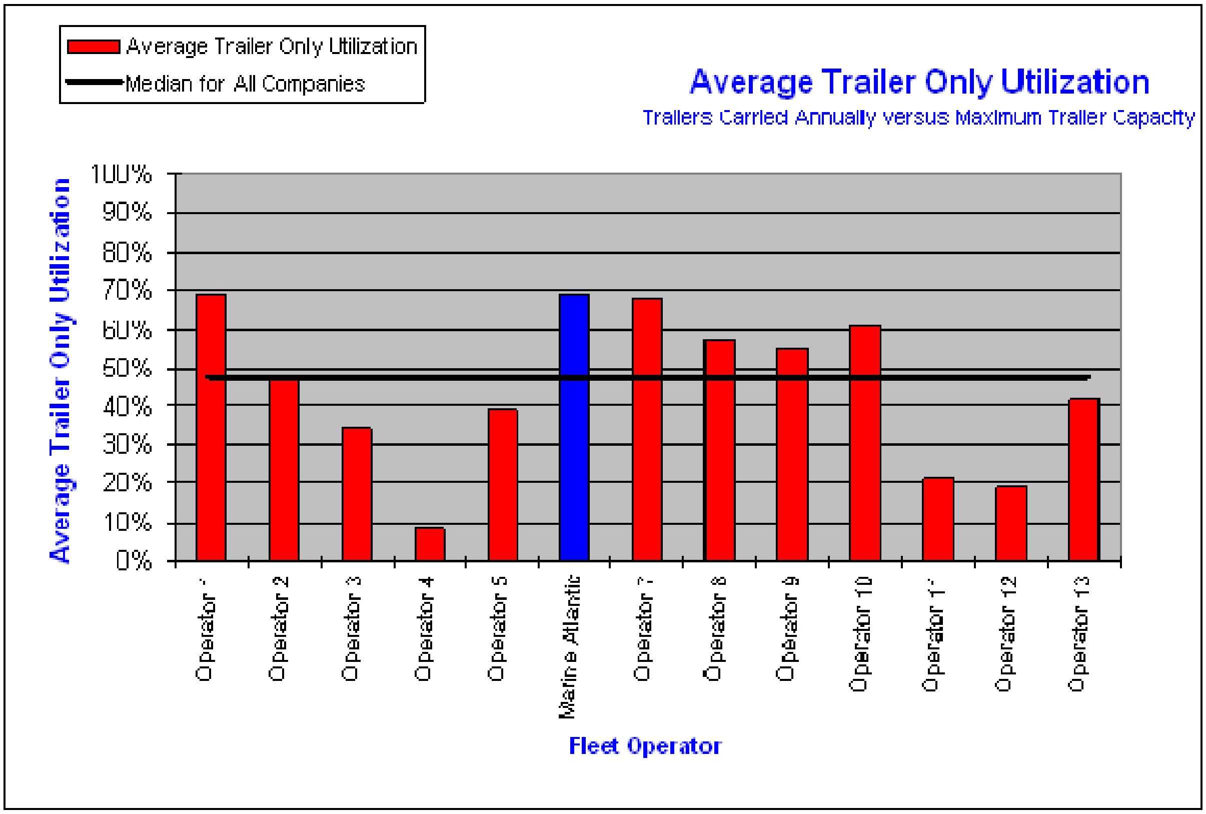

Figure 7: Average Trailer Only Utilization

The average trailers only statistics presents no surprise with Marine Atlantic leading with the same closest comparators following closely behind in second and third place. In this graph, the two comparator companies are identified as operators 1 and 7. Note that operators 5 and 12 rank in only 9th and 12th position in this category whereas they held the top two positions in the previous cars/hour category. Once again this shows that Marine Atlantic knows its traffic and manages it very well.

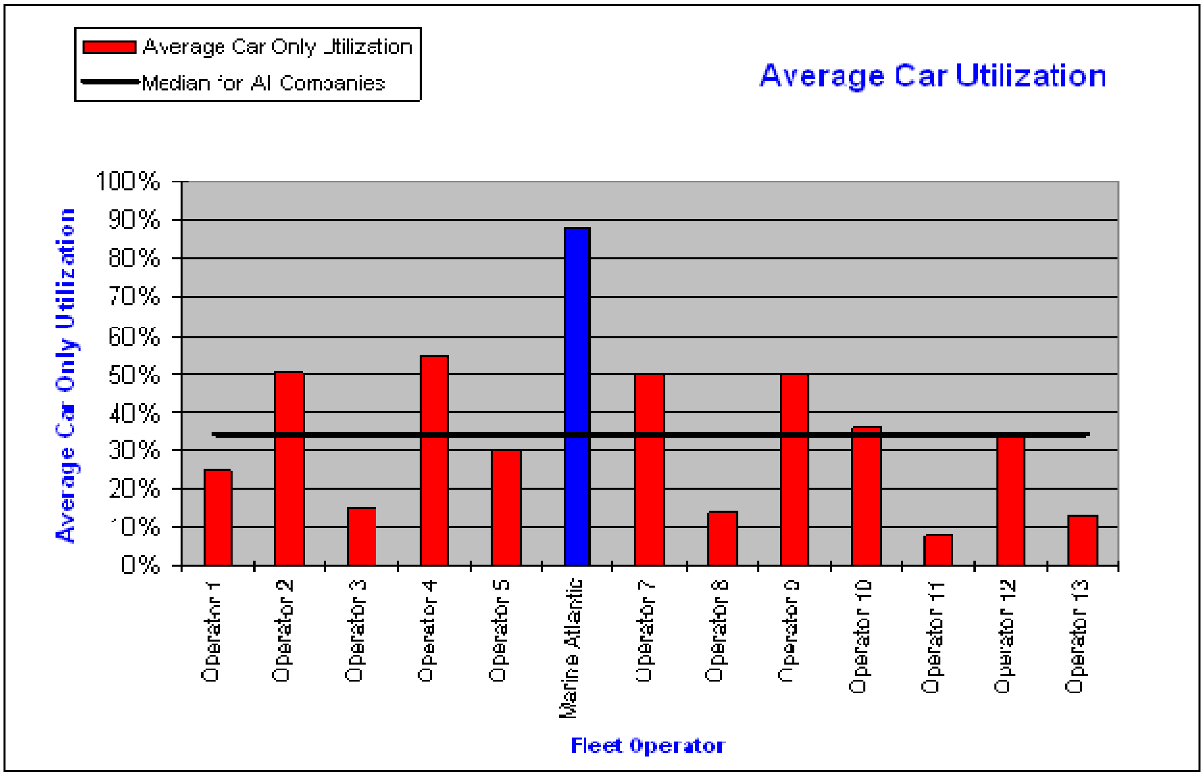

Figure 8: Average Car Utilization

The study indicates that average car utilization (Figure 8) reflects the utilization available for cars after the trailer space has been filled. The available deck space is managed very efficiently given the mix of traffic carried. The two companies Marine Atlantic is most closely aligned with in operations (this time identified as operators 1 and 5) are ranked 8th and 9th in this category.

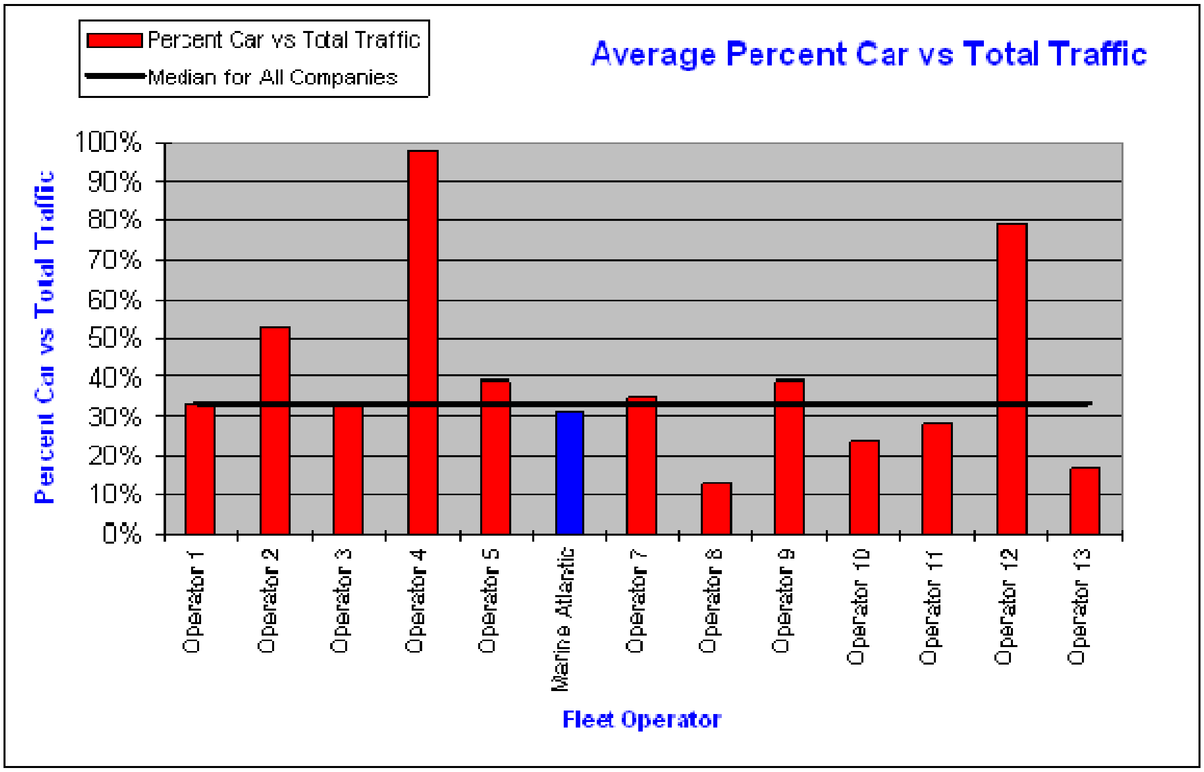

Figure 9: Average Percent Car vs. Total Traffic

In the category of average percent cars versus total traffic, Marine Atlantic again compares favourably with operators 1 and 7, its closest comparators, giving credibility to the accuracy and consistency of the findings in the study.

Of the six performance graph indicators shown above, Marine Atlantic is above the median in all but one and that one is a comparison of two Marine Atlantic statistics; how many cars are carried versus the rest of the traffic. Clearly Marine Atlantic ranks among the most efficient ferry operators in the world in the physical movement of its vessels in the carriage of traffic.

Plans

Annual operating plans are adjusted to accommodate the scheduling of current vessel refits (vessels are generally dry-docked every second or third year) and planned dockside work periods.

The *Canada Shipping Act* crewing regulations dictate that the crew on board meet the hours of rest regulations. These regulations are having an adverse impact on the vessels' schedule and in order to meet the schedule and move the traffic offering, while also complying with the regulations, additional personnel will be employed on board for the 2007 summer season. As a result, this will cost the Corporation additional crewing costs. This cost will not occur again in 2008 provided that the alternate dock in Port aux Basques and second level for the dock in North Sydney are both built in 2007. The resulting vessel schedule for that year will be much different than in previous years.

Management will be using software to assist in the development of schedules. This technology, coupled with proven experience of the vessels' performance, will enable Marine Atlantic to determine sufficient port time for each vessel. The Benchmark Study demonstrated that companies carrying a similar mix of traffic to Marine Atlantic had for the most part (a) longer port times and (b) substantially more unused capacity. The Study also concluded that an operator with short turnaround times like Marine Atlantic is more susceptible to delays compared with those with longer port times, offering a margin for loading, offloading and sufficient time to make minor repairs, if necessary. The Corporation's long term on-time performance goal is 90%. The progression to reach this objective is illustrated in Table 3.

Table 3: On-Time Performance

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
	Target	Target	Target	Target	Target
On-time Performance %	82	85	88	90	90

The planned schedule for 2007 is included in Appendix B. Figure 10 below outlines the capacity available in the 2006 published schedule, the total planned capacity including all MDS, the 2007 proposed schedule and the traffic volumes projected for 2007. The graph reveals that the April and November periods identify a need for additional capacity within the existing schedule. To ensure sufficient capacity is available to handle all expected traffic throughout the 2007-operating year, MDS will be utilized. The Corporation's vessel capacity utilization target for the planning period is 75% to 82%.

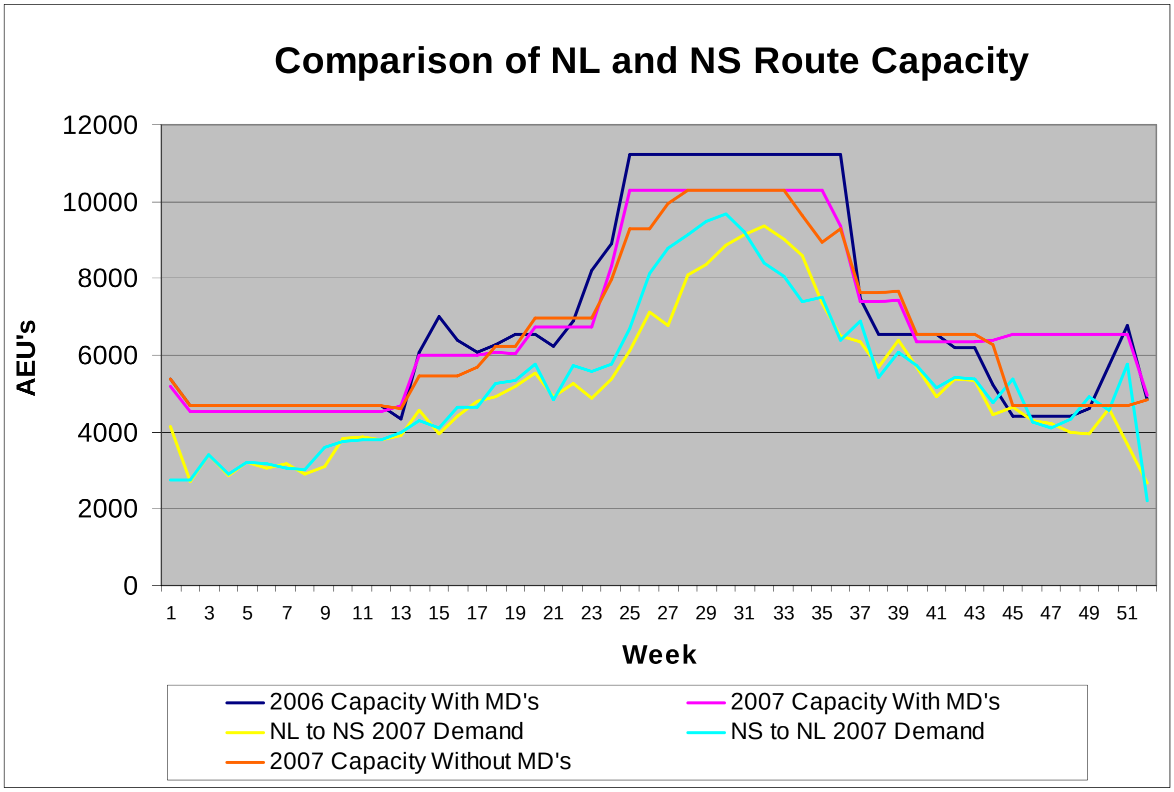

Figure 10: Capacity Utilization – 2007 Proposed Schedule

3.1.3 Maintenance of Corporate Assets

Objectives – *To promote and ensure safety, environmental stewardship, an efficient and quality service.*

Achievements

The Technical Department continued encouraging vendors to participate in partnering opportunities during 2006. One major supplier is providing warehousing facilities to store parts normally consumed by the *MV Caribou* and *MV Joseph and Clara Smallwood.* This has freed up much needed storage space and reduced the investment in inventory.

The pilot project with respect to hull and superstructure painting on the *MV Caribou* has proved beneficial to the organization.

The quarterly hydraulic system inspection program for critical hydraulic components for all vessels was implemented early in 2006 and has proven to be beneficial. As anticipated, the program has resulted in a reduction of hydraulic failure mechanical breakdowns.

The Benchmark Study revealed that the average age for Marine Atlantic's fleet was 18 years in 2004 compared to the median of 11 years for the comparison group. Marine Atlantic had the 4th oldest fleet of the 13 operators in the group. Older equipment normally requires additional maintenance. While every effort is being made to reduce costs, with a substantial amount of the equipment becoming "legacy" equipment, (i.e., equipment that is no longer manufactured), parts are becoming more expensive and expertise within the Corporation is being lost due to attrition.

In 2006, the Corporation redirected the shore maintenance departments under the Technical Department resulting in more efficient processing.

For the vessels, the IFS[3] hierarchal structure for the *MV Leif Ericson*, the lead ship, was started in 2006. Once implemented, the system will become fully integrated with finance and procurement.

The Corporation met the maintenance objectives of timely/scheduled performance of the work performed, minimal deferrals, and compliance with regulatory requirements. The objective of performance on budget was not achieved as projected due for the most part to unforeseen occurrences.

As part of improving on budget controls, Marine Technical implemented improved financial tracking measures.

Plans

The hull and superstructure painting project will be expanded in 2007 to include the *MV Joseph and Clara Smallwood* and the *MV Leif Ericson* during their scheduled dockings.

The quarterly hydraulic system inspection program is now going into the second quarterly inspection. On completion, results will be reviewed and intervals may be adjusted to a semi-annual basis for 2007.

To meet maintenance objectives for 2007, each vessel will undergo one 35-day period annually instead of two 16 to 18 day periods, improving operational efficiencies.

[3] The Corporation implemented the finance and procurement modules of the computer software "IFS" (Industrial and Financial Systems). This is a fully integrated Finance, Purchasing and Materials Management, and an Asset Management system that will be expanded throughout the Corporation with full implementation.

Succession planning reviews will be performed on the maintenance shops in Port aux Basques and North Sydney during 2007 to determine the Corporation's future requirements for qualified and certified tradespeople.

Final testing on the IFS shore maintenance material module will be completed early in 2007. The purchasing model will be implemented on board all vessels. Enhanced monitoring and reporting will be developed to assist in identifying areas of concern in a timely manner. These initiatives, combined with the disposal and/or life extension refits of existing vessels will assist the Corporation in achieving its maintenance performance measures in the future.

3.1.4 Protection of Corporate Assets

Objectives – *To ensure that corporate assets are used appropriately to provide an efficient and cost effective service.*

Achievements

The Corporation implemented a new Asset Loss Prevention Policy in late 2005. As part of the new policy, a Loss Prevention Committee was established in late 2005. The committee focused on implementing control processes and procedures to mitigate asset losses. There has been considerable effort towards securing the Corporation's property compounds in the terminal ports. In 2006, the property in Port aux Basques was fitted with security fencing. While the security fencing is in place, the necessary shed for personnel is yet to be purchased or built and put into operation.

A Corporate Security Officer commenced employment with the Corporation in September 2006. This position reports directly to the President/CEO and has the primary responsibility of administering and protecting the Corporation's assets.

A new Whistleblower Policy was implemented early in 2006. It is designed to allow employees a safe mechanism to report on suspected fraud or wrongdoing in the workplace by making calls to either one of the President/CEO, the Chair of the Board, or the Chair of the Audit Committee of the Board. This new avenue of complaint has resulted in calls being made in 2006.

The Corporation met its goals in this area in the year

Plans

An objective for the Corporation has been to create an environment that eliminates opportunities for asset loss. The Corporation continued to improve the overall security of its compounds in each terminal port is part of a larger initiative that involves providing security posts at all entrances. This initiative ties into the Canadian port security initiatives currently spearheaded by Transport Canada.

3.1.5 Information Technology (IT)

Objectives – *To provide an efficient and cost effective service.*

Achievements

The major IT projects accomplished by the Corporation include:

- From an efficiency and customer service perspective, the most significant IT initiative was the implementation of the new on-line reservation system. Nearly 7% of all reservations are now made on line;
- The Corporation enhanced its Human Resource and Payroll system ("Personality") to accommodate benefit plans, automate work processes, and both collect and report on all safety and health incidents, thereby reducing duplication;
- The IFS implementation in the year yielded significant benefits in the procurement and finance departments;
- Other customer service initiatives include a pilot project to provide Wireless Fidelity (WiFi) computer access points for customers in all three terminals; and
- A feasibility study is currently underway to determine if implementing an electronic vehicle measurement and camera system for vehicle claims is cost effective for the Corporation.

Plans

Initiatives over the planning period include:

- replace the ticketing and reservation system before the end of 2007;
- To ensure accurate and consistent reporting of information and to streamline the flow of information between vessels and shore, the Corporation will be expanding the IFS suite of applications onto the vessels;

- The Human Resource and Payroll system will continue to be enhanced over the next 24 months with the addition of Training, Recruitment, Crew Competency and Crew Scheduling modules;
- With the completion of the upgrades to the IT infrastructure, the next major initiative is network optimization and integration. The Corporation will have a network design assessment completed to determine if it is ready to move forward; and
- A longer-term information technology initiative (3-5 years) will be full connectivity with customers and suppliers. The Corporation's move to Personality and IFS are the first steps in meeting these longer-term objectives.

3.2 *Customer Service*

Objectives – *To provide a quality ferry service in a reliable and courteous manner.*

Achievements

Marine Atlantic conducts an annual independent customer survey. The Corporation relies on customer feedback received as the primary benchmark for evaluating customer service. The Corporation analyzes the results and targets areas for improvement as necessary. Table 4 presents results for the years 2000 to 2006. 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 that must continue to be achieved. The goal of the Corporation is to shift 5% of the mostly satisfied customers to being completely satisfied. In 2006, while this level was reached up to June 30, the overly-tight schedule during busy season created a larger number of complaints.

Marine Atlantic is recognized as a leader in the industry with respect to its Accessibility Committee and its approach to dealing with persons with disabilities. The Corporation was invited by a European company to participate in the development of a video and the production of training modules to educate ferry companies worldwide and their employees in dealing with persons with disabilities. Marine Atlantic played a key role in the development process of this training program, including the majority of filming of the video taking place on Marine Atlantic's vessels.

Table 4: Customer Satisfaction Survey Results

	2000	2001	2002	2003	2004	2005	2006
Overall Quality of Service	96	95	97	97	94	94	94
Overall Quality of Vessel Service	96	95	97	98	95	95	95
Food Service	96	97	87**/ 93***	93** / 97***	95**/ 95***	92**/ 93**	89**/ 94***
Ticketing	94	97	98	99	98	97	98
Price/Cost	N/A****	N/A****	71	74	63	64	60
Terminal Quality	93	96	97	97	95	94	88
Traffic Processing	90	97	93	97	94	96	95
Reservations	90	92	97	98	96	98	95

**Terminal Food Service
***Onboard Food Service
**** N/A – this area was not assessed prior to 2002.

The customer service-training program, "*Defining the Customer Experience*", was introduced for front line employees in 2006. Incorporating knowledge about Newfoundland and Labrador tourism into the annual training program has translated into exceptional customer service that has reflected in the positive customer service ratings received by the Corporation.

In 2006, the Corporation continued regular meetings with its key stakeholders to share information on items such as changing trends, identifying areas of concern and finding solutions.

In 2006, electronic signs were installed in the terminal parking lots to communicate up-to-date vessel arrival and departure information to travellers.

The Corporation's Ombudsman was effective again in 2006, ensuring prompt resolution of travellers' concerns, complaints and comments. Complaints were up in 2006, again result of the too-optimistic summer schedule resulting in vessels being off schedule during the summer and not having the capability to catch up

Plans

The plans for 2007, in this area include:

- In 2007, the Corporation will be considering the introduction of a newsletter for truckers and tourism-based publication for the summer season to assist in promoting Marine Atlantic's services and communicating key corporate messages to all travellers;
- Marine Atlantic will evaluate the benefits of investing in a low-wattage information radio station which customers could access; and
- Marine Atlantic relies on customer feedback as a primary benchmark for performance measurement. The goal for 2007 is to obtain an upward 5% point shift in customer survey results, moving respondents from the "satisfied" to "mostly satisfied" categories.

3.3 *The Environment*

Objectives – *To foster and maintain environmental stewardship.*

Achievements

To date, the Corporation has implemented and introduced various environmental initiatives in its daily operations. Equipment has been purchased, personnel trained, and drills and exercises are carried out on board in accordance with ISM procedures.

In the 2006-2010 Corporate Plan, the implementation of a quality management system (QMS) was discussed and how processes and procedures would be developed and used in relation to environmental issues. This implementation started in 2006.

Other changes being implemented during 2006 include the Halon fire suppression systems, refrigerant and air conditioning systems, as well as paint systems used to protect underwater hulls of the vessels. The *MV Caribou* and the *MV Atlantic Freighter* will meet the latest Halon standards by the end of the year.

Plans

The Canadian Environmental Assessment Agency has announced that federal parent Crown corporations are now required to conduct environmental assessments of their projects. These new obligations stem from an expansion of the definition of "federal authority" in the *Canadian*

Environmental Assessment Act of October 2003 which came into effect on June 11, 2006.

Transport Canada will initiate and complete the Environmental Site Assessments (Phases 1 and 2) of all three ferry terminal sites in 2007-2008. Remediation plans will be developed by Transport Canada if deemed necessary by those assessments. Costs of these environmental site assessments are covered by the Transport Canada Environmental Revolving Fund, as Transport Canada is the owner of these three sites. Marine Atlantic will review the environmental management of its operations and update its environmental management plan that will be submitted to Transport Canada by the end of fiscal year 2007-2008.

An environmental issue arises when considering the course of action to take with the ships' engines in the life extension project of the *MV Caribou* and *MV Joseph and Clara Smallwood*. The existing engines and generators are becoming dated and are no longer being manufactured. The time is now opportune for replacing or upgrading this equipment. Engines manufactured today are "environmentally friendly" with emissions being within environmental standards at the source rather than having to go through scrubbers, as for rebuilt engines. An efficiency by-product of either of these initiatives will be a "one fuel operation" as compared to the two fuel (blended) product currently being consumed

3.4 *Security and Safety*

Objectives – *To promote and maintain corporate-wide security and safety.*

Achievements to date

Some of the initiatives that have been undertaken involve:

- security arrangements for the vessels;
- computer-based training software was placed onboard the vessels to train designated persons to become Ship Security Officers. This software also serves as a tool to promote security awareness among other members of the vessel compliment;
- during 2006, a ship security plan was developed for the MV *Atlantic Freighter* which resulted in the vessel being issued an International Ship Security Certificate; and
- in cooperation with several other members of the Canadian Ferry Operators Association (CFOA), Marine Atlantic exercises an active role in the standing committee established by Transport Canada to review the security requirements of domestic ferry operators. This committee is currently active in reviewing the content of the

Canadian Marine Transportation Security Regulations (MTSR) in anticipation of completing the first draft for publication and review by interested persons. Given the worldwide travel security focus, a review of the need for increased security at Marine Atlantic terminals is currently underway, and will incorporate the requirements of the completed MTSR;

- the Corporation is committed to the development of a complete Occupational Safety and Health program for the entire organization. This initiative has started and continues to progress well;
- Onboard the ships, the ISM is continuously being updated through the document change procedure which is part of the dynamic of that system;
- One measurement of safety is the number of employee and passenger accidents reported on the premises and property of Marine Atlantic. The loss time incidents increased in the year. The 13 incident increase can be traced to the terminal side of the operation. In particular, North Sydney accounted for 10 incidents of this increase. The local Occupational, Safety and Health Committee identified this trend for North Sydney in May, 2006. The committee immediately commenced an analysis of the incidents to identify possible solutions. The action taken had an impact with a lowering of the lost time incidents during the remainder of the year; and
- In addition, the North Sydney Terminal Manager in conjunction with the Internal Auditor, union representation and Safety Officer are carrying out a detailed risk assessment based on one of the findings identified in the Local OSH committee analysis relating to the number of stevedores required for loading operations in North Sydney. The results of the assessment will be completed in the near future.

Table 5: 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	18	56	43
2006	31	52	43

Plans

Continuous improvements are anticipated during 2007 in terminal and vessel security, using the domestic requirements and recommendations contained within the final version of the MTSR:

- Marine Atlantic will continue to work closely with Transport Canada and CFOA in the development of vessel security plans, further training of ship and shore personnel in security awareness and inspections, and the placement onboard of Ship Security Certificates; and
- Marine Atlantic has agreed to participate in the Ocean Guardian III exercise to be held in September 2007. The exercise will simulate a major maritime disaster. The Corporation anticipates that this would be a valuable assignment to improve its representatives understanding of the roles and responsibilities for each of the responders during a large scale emergency exercise. It will also enable the implementation of the Corporation's crisis communication plan, provide positive media coverage, and build employee and customer confidence in Marine Atlantic’s ability to respond effectively to a large scale emergency.

3.5 *Human Resources*

Recognizing that almost 50% of all revenues to the Corporation are utilized in employment costs, salaries and benefits, a significant amount of corporate energy is invested in managing this aspect of the overall ferry service.

In 2006, Marine Atlantic had approximately 1275 employees and 923 full-time equivalent positions. Bargaining units represented approximately 98% of these employees. Table 6 outlines the employee numbers by union group.

Table 6: Employee Numbers by Union Group

Union	Employment with base positions in applicable union group*
CAW shore based maintenance	69
CAW unlicensed personnel	549
CMOU - licensed officers	131
USW/ILA	418
PSAC	29
CMSG	27
Management & non-union	31

* Does not exclude positions on long-term absence. Numbers are based on data as at January 1, 2006 that used to complete the Employment Equity annual return for 2005. Base position equals the position that the employee works in for the majority of their employment during the 12- month period ending 31 December.

3.5.1 Initiatives

Objectives – *To have a motivated and quality workforce.*

Achievements

Accomplishments in 2006 include:

- In line with the goal of improving internal communications, the executive management team introduced meetings with management staff to review the Corporation's strategic and operational plans, initiatives, key changes and new corporate policies and procedures;
- Objective measurement tools to measure on-time performance on each vessel have been developed. The “scorecards” developed initially as a measurement tool for the executive were extended to senior operational managers;
- Core competencies for major positions within the organization developed previously. In 2006, a performance assessment form was introduced to measure technical skills and was being established as a performance management tool for some managers during 2006. In addition, a Performance Management pilot program that establishes measurable goals and objectives and identifies gaps in position competencies was introduced for 13 senior managers. That program will be extended to all management levels in the organization in 2007;
- Managers 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. The Corporation successfully used that process during 2005 and 2006 to promote qualified lower-ranked employees to more senior vessel positions and it will be used to identify future management progression;

- Following the Canadian Human Rights Employment Equity Compliance Audit in March 2006, Marine Atlantic was formally advised that it was compliant with applicable legislation and regulations;
- Recognizing the cost of absenteeism, the well-being of its employees and the regulatory requirements for seafarers, Marine Atlantic implemented a Disability Management Program as at January 1, 2005. This has been a successful program with notable achievements:
    - The Newfoundland and Labrador Workplace Health and Safety Commissions recorded a reduction in total claims paid year to date and a reduction in lost-time claims year to date;
    - The Workers' Compensation Board of Nova Scotia indicated a cost ratio that is lower than the Group Rate Cost Ratio. This has resulted in a merit discount;
    - The renewal provided by the Corporation’s insurance company for short-term disability benefits provided a decrease in premiums; and
    - The Corporation achieved compliance with the regulations worker's compensation boards.

These Human Resources Performance Standards calculations were introduced as measures of efficiency in 2005 and in 2006 were further developed as components of the corporate performance scorecard:

- Employee turnover
- Healthcare costs/employee (Disability management program)
- Benefits costs/employee
- Cost/hire
- Training costs as a percentage of payroll
- Cost/grievance

The overall goal of ensuring a motivated and qualified workforce was enhanced by the many initiatives achieved in the year.

The creation of a new Human Resources Committee by the Board of Directors in December 2006 is seen as a positive move towards an increased stewardship of this important aspect of the Corporation’s operations.

Plans

The Corporation plans over the planning period include:

- The Corporation will continue to enhance procedures for its Disability Management and Workplace Accommodation Program.
- To ensure due diligence and the safety of employees, procedures will be implemented to ensure that shipboard employees who have a change in medical status must update the Corporation with that information.
- The Employee Wellness Program (EWP) will also be reviewing opportunities to support staff wellness. Fitness rooms are available on each vessel and the provision of subsidized gym membership to staff participating in fitness programs outside of the workplace were explored in 2006. Recognizing that it is not possible to have a safe organization if its does not have healthy employees, the EWP is a component of the Corporation's Safety Program. As the program progresses, further measurement tools will be implemented.
- In 2006, the Corporation requested proposals from Employee Assistance Plan (EAP) providers to ensure that Marine Atlantic receives a competitive rate as well as a quality service. A new provider will be responsible for the program effective 1 March 2007.
- The performance indicators introduced in 2006 will be further analyzed throughout the year to determine appropriate goals for 2007.

All initiatives will serve to enhance the workforce with the goal of having a motivated and qualified workforce.

3.5.2 Recruitment and Selection

Objectives – *To maintain a motivated and qualified workforce*

Achievements

Employees hired for entry level positions were mostly selected from the previously established eligibility lists. Actual attrition during 2005 was 6.75%, of which 3.41% was due to retirement from service. During 2006, additional stevedores were recruited to offset this higher level of attrition. Screening processes including the use of a contractor for entry level screening, medical assessment and criminal checks continue to be successful recruitment processes.

The Corporation met its recruitment and selection objectives for 2006.

Plans

The Recruitment and Selection policy and procedures were reviewed in 2006 and will be reviewed each year to ensure that they continue to support the Corporation's requirements and its succession initiatives.

The Corporation will introduce additional measurement standards that will be used to assist both in recruitment and selection initiatives and succession planning.

3.5.3 Training

Objective - *To maintain a motivated and qualified workforce.*

Achievements

The Corporation identified the need for customer service training for all front-line employees and employees who are not predominantly involved in traditional customer service roles, but do have contact with the public. A customized customer service-training program and video was developed entitled "*Defining the Customer Experience*" that highlights that enhancing the relationship between customer and employee is paramount in providing a superior service.

Marine Atlantic has undertaken a major safety training initiative for vessel employees in the effective deployment of Marine Atlantic's Marine Evacuation System (MES).

Training is ongoing for all regulatory requirements under the Marine Occupational Safety and Health (MOSH) and Canada Labour Code-Occupational Safety and Health (COSH) regulations. This training has a greater focus with the obvious intent of eliminating occupational injuries and illnesses.

In 2005, the Corporation achieved its performance objective by utilizing 95.6% of the training hours that had been budgeted.

Plans

The Corporation plans include:

- Marine Atlantic continually reviews its training requirements and the programs offered to ensure the greatest impact along with most appropriate and cost-effective delivery. The Corporation will continue to offer its customer service-training initiative to all departments in the future;

- Ongoing programs include MOSH training for vessel personnel who deal with confined spaces, safety awareness, hazard recognition, etc. COSH training for shore-based personnel is also ongoing;
- The emergency preparedness tabletop exercise will be continued into the future. Emergency Response Centre (ERC) created in North Sydney and the emergency preparedness documentation will be upgraded; and
- Integration of continuous learning will be explored. In 2007, to facilitate continuous learning, training rooms outfitted with computers will be established at each terminal to ensure that the Corporation can take advantage of computerized and interactive training programs.

The goal for the future will be to ensure that the appropriate amount of training is completed in a timely and efficient manner. The goal is to ensure the required training hours are completed on time and on budget within a variance of 5% between actual training hours versus budgeted hours.

3.5.4 Succession Management

Objectives – *To maintain a motivated and qualified workforce.*

Achievements

The succession plan developed in 2001 is continually reviewed and updated each year for submission to the Board. Retirement projections for the next 5 years are updated and the data indicates that the majority of employees are inclined to remain with the Corporation and to make working for Marine Atlantic a chosen career path. The average age of Marine Atlantic employees is almost 46 years.

A high reliance on external recruitment to fill other key vessel roles has continued, but opportunities to develop staff from within are also constantly being reviewed.

All mission critical positions were filled on a timely basis throughout the past twelve months.

Plans

The Succession Plan will continue to be updated each year to reflect demographic and other changes. Recognizing the difficulty in attracting some positions, programs to allow for internal development of employees will be implemented or extended. The Education and Financial Assistance Policy and Procedure will continue to be promoted to employees.

3.5.5 Collective Bargaining

Objectives – *To ensure an efficient and cost effective service through a motivated and qualified workforce.*

Achievements

As at December 31, 2005, all existing collective agreements had expired and bargaining was taking place on five agreements. Each negotiation is at various stages with the bargaining teams.

3.5.6 Official Languages

Objectives – *To provide a quality service in a courteous manner.*

Achievements

To comply with regulatory requirements, Marine Atlantic took the necessary steps to ensure that bilingual services were offered at all times to French-speaking customers. The Corporation required additional full-time bilingual ticket clerk positions. To fill these positions, Marine Atlantic recruited or trained existing staff members.

In order to ensure that language quality is achieved, the Corporation introduced external testing of current bilingual employees on a yearly basis. For 2006, the Corporation planned for the introduction of language maintenance sessions to be attended by all bilingual employees.

In 2005, the Corporation conducted a survey for the Argentia terminal to measure official language service requirements. To date, it was not mandatory to offer bilingual service at this terminal. The results of that survey were received in the fall of 2005. The Public Services Human Resources Agency has advised that the Argentia terminal designation remains the same.

Plans

The Corporation will continue to monitor its bilingual requirements to meet its regulatory obligations. The Corporation will continue to train employees, assess and continue to recruit required employees for these bilingual positions.

3.6 *Corporate Governance & Risk Management*

Objectives – *To provide Board of Directors oversight of all corporate objectives.*

Achievements

The Board of Directors' primary governance responsibilities and objectives for 2006 included: (a) providing policy direction to management, (b) monitoring the criteria already set out for measuring the management's performance, and (c) assessing the financial wellness of the Corporation.

The Board approved the policies and procedures such as the whistleblower procedures, property ownership verification searches, and risk management program to assist in the safeguarding of the Corporate Assets.

The Board was also active with self review, training, reviewing financial performance of the Corporation and legislative compliance.

In late 2005, the Board reviewed and implemented a new travel guideline for Board member expenses, benchmarked against other Crown corporations in Canada. Subsequently in early 2006, an audit of Board and senior management travel and hospitality expenses was performed as the result of a request from the Minister of Transport, Infrastructure and Communities. No inappropriate expenses were revealed.

Plans

Monitoring systems have been established and are viewed by the Board on a quarterly basis to ensure that management fulfills its responsibility to operate the Corporation efficiently and effectively as it expends public funds.

By the end of 2006, the Terms of Reference of all standing committees of the Board (Audit, Pension Management and Corporate Governance &

Risk Management) were in the process of being reviewed and where necessary updated.

Before late 2006, all of the then existing Board members' terms of office had expired. But since October, a new Chairman of the Board was appointed and six director positions have been filled with new appointees. New initiatives are being now developed by the incoming Board to ensure that Marine Atlantic stands at the vanguard of good corporate governance practices into the future.

3.7 *Financial Performance*

Objectives – *an efficient and cost-effective service.*

Achievements
The financial results for fiscal year 2006/2007, showing variances from the Plan, are presented in Table 7.

Highlights of the results include:

- Revenue expected to be 2% less than projected as a result of overall traffic carried for the year being less than projected;
- Expenses were on target up to the last three months of 2006. In October and November, these expenses increased beyond expectations due to unanticipated maintenance events offsetting the savings in terminal and operations expenses; and
- An $1.8 million betterment in fuel resulted from favourable prices;
- A requirement to fund the Pension Plan for the Employees of Marine Atlantic by $3.4 million more than had been anticipated;
- All project managers anticipated completing all capital projects by the end of the fiscal year. However, with the late-June 2006 Treasury Board approval of the Corporate Plan, most capital projects were deferred until late into the construction season. In addition, the Corporation realized savings in some of the major projects, such as the MV Caribou Halon system upgrade and the MV Joseph and Clara Smallwood Marine Evacuation System. $1.4 million of the remaining amount is allocated for on-going projects and safety-related projects that will be completed in early spring 2007. The additional funding helped fund the pension plan payment;
- Restructuring spending is expected to remain on target to the end of the year; and
- The working capital was an expectation of the amount of funding that is carried forward from one year to the next. More funding was

available from the end of the last year as a result of better than expected results in actual fuel purchases, moving to quarterly payments on the Pension Plan, and better management of available resources generally. In addition, Transport Canada provided additional funding of $1.1 million for working capital to Marine Atlantic. This money will enable the Corporation to move forward with 2007/2008 operating and capital priorities.

Table 7: 2006/07 Financial Results (in $ thousands) - March 31

	2006/2007 Corporate Plan	2006/2007 Projected	Variance
Revenue	$ 70,089	$ 68,965	$ (1,124)
Expenses			
Base operating	93,108	95,407	(2,299)
Fuel	27,529	25,719	1,810
Pension	20,000	23,382	(3,382)
Operating Subsidy Required	70,548	75,543	(4,995)
Capital projects	8,907	4,673	4,234
Restructuring	1,014	992	22
Working capital	511	(2,728)	3,239
Total Operating Requirements	$ 80,980	$ 78,480	$ 2,500

The Board-approved financial performance objectives as noted in Appendix A are regularly tracked, reported and reviewed. To provide core scheduled services, there is a minimum level of vessel and shore support staff required. Providing this scheduled service, with passenger and traffic levels lower than anticipated, resulted in the real cost of service per AEU and passenger, and the cost of labour per AEU and passenger objectives being below expectations.

The Corporation has controlled costs over the last five years. It is the items outside of management's control that has caused the significant increases in funding requirement. Table 8 details the financial performance of the organization since 2002, which was selected as the base year since it was the first full year that the Corporation operated the four existing vessels.

Management has been instituting measures to manage those costs over which they have control. Some examples of that review reveal:

- Maintenance costs in 2006 are only 7% higher than they were in 2002, significantly less that the 11% general inflation experienced during that period.
- Operational costs are actually 2% lower;
- Wage and benefit costs have increased by 12%. Normal collective bargaining increases alone would have generated a 14% increase and additional sailings of the freight-only vessel *Atlantic Freighter* instituted due to increased commercial traffic would have increased the labour component for that vessel; and
- The non-controllable expenditures have increased over $29 million or 144% over this same period driven by the escalation in fuel prices and the financial position for the pension plan for solvency calculation purposes.

Table 8: Financial Performance 2002-2006 (in $ thousands) - December 31 year-end

		2002 (1) (2)	2003	2004 (3)	2005	2006	Change since 2002	%
Controllable expenditures	**Wages and benefits (4)**	56,784	58,847	59,358	60,934	63,447	6,663	12%
	Maintenance	16,128	15,051	15,979	13,161	17,229	1,101	7%
	Operating	13,439	13,030	12,547	12,588	13,225	(214)	-2%
	Capital	3,403	4,182	4,993	5,527	4,981	1,578	46%
	Total Controllable	89,754	91,110	92,877	92,210	98,882	9,128	10%
Non-controllable expenditures	**Pension (5)**	88	95	16,482	15,446	22,167	22,079	25090%
	Fuel	14,865	16,932	17,768	20,856	24,970	10,105	68%
	Insurance	967	1,132	1,453	1,549	1,536	569	59%
	Restructuring	4,498	3,147	2,435	1,856	1,157	(3,341)	-74%
	Total Non-controllable	20,418	21,306	38,138	39,707	49,830	29,412	144%
	Revenue from Customers	64,843	64,032	66,769	67,890	68,169	3,326	5%
	Cost Recovery (excluding pension, restructuring & capital)	63%	61%	62%	62%	57%		

Notes
1) Wages and benefits include the actual cash payments for the workers' compensation obligations as per Note 8 within the notes of the financial statements and the actual cash payments for non-pension employee future benefits as per Note 9 within the notes of the financial statements. Actuarially determined expenses for Employee future benefits were deducted from this analysis for ease of comparison. In addition, for comparison purposes, $3,462 has been deducted in 2006 for the one time payment to Workers' Compensation Board of Nova Scotia to settle the obligation for the pre-2003 liabilities. 2002 was the first year that the four existing vessels were in operation for the entire operating year therefore, this was selected as the base year.
2) The insurance, rent and utilities; materials, supplies and services; and other expenses were reclassified into operating for this analysis. In addition, insurance was reclassified into its own category and the accrual expense for restructuring was removed.
3) Pension is the actual cash payments remitted by the Corporation in the year as per Note 5 within the notes of the financial statements. During 2002 and 2003 the Corporation was nsot required to make contributions for current service.
4) Restructuring includes cash payments for the year as per Note 7 within the notes of the financial statements in addition to liability pay downs for past service closures.
5) A one time reimbursement of $1,701 received from the pension plan of a wound up subsidiary has been deducted from the 2004 revenue.

Plans

Marine Atlantic is committed to running a high quality effective operation. This will be accomplished through an investment in its employees. The essential elements of this investment will be the time to train and coach employees. Initiatives such as "coaching for performance", the Performance Management program, and the integrated management system (IMS) will assist the Corporation in meeting its goal of becoming one of the best managed corporations. These processes will also be critical in the Corporation meeting its financial objectives for the future.

Assuming no significant reduction in the level of service provided to the public, Marine Atlantic anticipates operating requirements will be reduced in the future as a result of (a) operating more efficient and modernized vessels, (b) improved vessel on-time performance, (c) increased modern capacity and (d) improved and expanded customer amenities, providing greater revenue-generating potential than currently exists. These initiatives will also move the Corporation towards its efficiency goal.

The financial performance objectives for the next five years are shown in Table 9.

Disregarding the impact of inflation, expectations for 2007 are consistent with last year. But as outlined in section 5 of this Plan, the Corporation will be adding necessary vessel capacity with the introduction of a chartered vessel for 2008 to 2010.

Table 9: Performance Objectives 2007-2012

Objective	**2006/ 2007**	**2007/ 2008**	**2008/ 2009**	**2009/ 2010**	**2010/ 2011**	**2011/ 2012**
Real cost of service per AEU (1)	125	126	172	176	159	146
Real cost of service per passenger	157	149	203	208	188	174
Operations labour dollars per AEU	106	106	120	119	119	118
Cost of labour per passenger	133	126	141	140	140	141
Cost recovery (2)	57%	60%	59%	61%	63%	66%

1. Real cost of service excludes fuel, maintenance and pension expenses.
2. Cost recovery is the total revenues received from customers divided by the total expenses excluding pension, capital and restructuring.

4 Other Factors Affecting Planning

Marine Atlantic must also highlight within this Plan a number of external factors that could have an impact on the projections and estimates made by the Corporation.

Revenue considerations include:

- The start up of the proposed direct water drop trailer service between Belledune, NB and Corner Brook, NL could possibly impact on this Plan's projections on the commercial traffic for the Gulf service;
- A proposed cruise ferry service has been suggested from Quebec City to ports in eastern Canada, including Newfoundland and Labrador could have a slight impact on this Plan's projection of commercial traffic for the Gulf service; and
- Oceanex, the only other carrier of freight to Newfoundland is a limited purpose income trust. The recent federal announcement concerning taxation of income trusts will impact this entity's business in the future. With these developments, there is a potential that Marine Atlantic's commercial traffic projections could be impacted over the planning period. To the end of the third quarter 2006, Oceanex experienced a drop in its commercial traffic whereas Marine Atlantic's commercial traffic had increased. In the fall of this year, Oceanex removed a vessel from its Halifax-St. John's service, further suggesting that its traffic had not materialized as anticipated.

4.1 *Operating Expense Considerations*

4.1.1 Inflation

A 3% general inflation assumption was used in past Corporate Plans 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%. Therefore, this document will continue to assume a 3% general inflation rate annually over the planning period.

4.1.2 Fuel Prices

Fuel is the major commodity consumed by Marine Atlantic vessels, accounting for 19% of total expenditures. In 2006, prices actually topped the US$70 a barrel mark. The expected increase in OPEC capacity, combined with a projected decline in required OPEC crude, and a softening global economy should help to moderate prices in 2007, according to the OPEC Monthly Oil Market Report for January 2007[4].

With the many factors that can influence the market price of fuel, price volatility will continue to be a reality in the future. Therefore, Marine Atlantic assumes that prices will remain at the current high levels over the planning period - $0.46 per litre for Bunker C and $0.82 per litre for MDO - and that these will increase by 3% per year thereafter. By 2011, Bunker C is expected to cost the Corporation $0.54 per litre and MDO will cost $0.95 per litre.

4.1.3 Pension Plan for Marine Atlantic's Employees

There are issues with respect to the existing defined benefit pension plan raise concerns that may affect Marine Atlantic's funding requirements:

Solvency requirements: As with most pension plans and investment portfolios in place in the 1990's, Marine Atlantic's Plan experienced very favourable returns in investment markets which resulted in a healthy asset base. Based on this position, the Corporation was not required to make contributions to the Plan in 1997 and accordingly took a pension contribution holiday. Since 2002, as with most plans and due to volatility in investment markets and long-term interest rates, the Plan has been in a solvency deficit position. The Corporation is now required to make payments and file actuarial valuations annually to the Office of the Superintendent of Financial Institutions until the fund's solvency position is at 100%. As of December 31, 2005, the solvency ratio was 88.6% compared to 89.4% as of December 31, 2004. As of December 31, 2005, however, the Plan is fully funded on a going concern basis (104% compared to 97% as of December 31, 2004).

Department of Finance Initiative/2006 Budget Changes: A number of changes were made in the federal budget in 2006 which may affect the Pension Plan. The most significant immediate impact to Marine Atlantic is for future special payments to be amortized over a new 5-year period. This could impact the amount of these payments in the future and will be further analyzed with the Corporation's actuary.

[4] OPEC, Monthly Oil Market Report; January 2007.

Pension Plan Litigation: The Corporation terminated employees as a result of the closure of the Bay of Fundy service in 1997, the closure of the Prince Edward Island service in 1997, and the transfer of the Labrador service and relocation of the Corporation's head office between 1997 and 2000. As a result of these employment terminations, the Corporation made distributions, in accordance with reports filed with the Superintendent of Financial Institutions Canada, from the Pension Plan for Employees of Marine Atlantic Inc. to the former employees. In September 2005, three applications were commenced in the Federal Court of Canada seeking judicial review of the decisions of the Superintendent related to these reports. Former members of the pension plan are challenging the Superintendent's decisions and are seeking distribution of a portion of the plan surpluses that existed at the time of their termination. The Corporation is opposing these applications in their entirety.

4.1.4 Workers' Compensation

Workers' compensation benefits are provided in accordance with the relevant legislation of each of the four Atlantic Provinces. The Corporation's arrangement involves claims being reported to the applicable provincial Board or Commission, with each agency then billing Marine Atlantic for claim payments made plus a service charge. These self-insured arrangements reflect the cost of the current Gulf service, as well as costs from all prior services formerly provided by Marine Atlantic.

Due to changes in policy at the Workers' Compensation Board of Nova Scotia (WCBNS), Marine Atlantic was required to transfer from a self-insured basis to a payroll assessment basis, effective January 1, 2003. The change is prospective only, which means the Board insures future accidents. Following further discussion with the WCBNS during 2006, a further actuarial valuation was performed that set the prior liabilities at $3.4 million. Upon advice from the Corporation's actuaries, the sum was accepted and the liability paid in full at the end of 2006.

Marine Atlantic's ferry operations in Newfoundland and Labrador, New Brunswick, and Prince Edward Island continue to be on a self-insured basis. The Corporation has also assumed all liabilities related to the Newfoundland Dockyard Corporation including the obligations for past and future claims of former Dockyard employees.

4.1.5 Insurance

In 2005, the financial markets performed relatively well, and insurance loss ratios have been relatively on target with expectations. The result of market improvements, favourable loss records and the tender process in 2005 was insurance renewals at present terms or with policy decreases.

In consultation with the Corporation's insurance brokers, but in the absence of any clear indication of future pricing, Marine Atlantic will assume that its premiums will increase by normal inflationary pressures over the life of this plan.

4.1.6 Regulatory Requirements

The international marine industry is heavily regulated to ensure the safe operation of vessels at sea:

- various acts and regulations govern these activities.
- Marine Atlantic also falls under the umbrella of the International Convention for the Safety of Life at Sea (SOLAS), the pre-eminent of all international treaties concerning the safety of merchant ships; and
- Marine Atlantic was one of the very first companies in North America to voluntarily comply with the International Safety Management (ISM) Code, the highest standards for safety and the protection of the environment for shipping related organizations.

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 Vessel Capacity Requirements

5.1 *Changing World Trends in Ferry Operations*

Ferry operations are subject to change. This has been happening recently in Canada and in Europe, and no doubt elsewhere in the world. Marine Atlantic has been impacted from changes in the manner in which commercial customers are increasingly using “tractorless” trailers (i.e. drops) to move their goods. There are even examples of yards offering charter arrangements right from the ship yard.

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 for 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 *Fleet Renewal Strategy Developed*

Marine Atlantic must satisfy Canada’s constitutional obligation to transport all ferry traffic demand commensurate with the “traffic offering". Those traffic volumes increased last year and are expected to continue into the future. It is most important that the Corporation establishes appropriate strategies and options to ensure the capability to handle the traffic offering over the five-year planning period and beyond.

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 within Canada;
- Purpose-built new construction outside of Canada;
- Purchase of existing vessel(s) in the market place built to Canadian standards or European-equivalent standards with subsequent Canadianization requirements;
- Life extension refits
- Multi-year full-time charter(s); or
- Multi-year seasonal charter(s), or
- Any mix of the above.

Three principal driving forces that determine fleet requirements are:

i. The life cycle status of current vessels and their operational condition;
ii. The unique characteristics of the Gulf service; and
iii. The existing and projected traffic demand.

5.2.1 Life Cycle Status – Examining the Existing Fleet

An overview of the four vessels in the Marine Atlantic fleet is presented in Table 10 below.

Table 10: Current Marine Atlantic Fleet

Marine Atlantic Fleet				
	MV Caribou	***MV Smallwood***	***MV Ericson***	***MV Freighter***
Launched	1985	1989	1991	1978
Constructed	Canada	Canada	Norway	Asia
Length	179 m	179 m	155 m	151 m
Deadweight	3,662 Tons	3,663 Tons	4,486 Tons	8,661 Tons
Capacity:				
Passengers	1,200	1,200	500	12
Autos	350	340	300	283
Purchase Value	$128.8 million	$157.7 million	$76.7 million	$11.9 million
Book Value	$7.1 million	$34.0 million	$54.6 million	$1.8 million

MV Atlantic Freighter:

- Constructed in Korea.
- Purchased in 1986 by Marine Atlantic and oldest vessel in the Corporation's fleet.
- Consideration was given to replace the vessel during the last special survey in 2003, but the Corporation concluded that, operationally and financially, it was in Marine Atlantic's interest to retain that vessel for a period.
- The next special hull survey for this vessel will be required in 2008.

MV Caribou* and *MV Joseph and Clara Smallwood:

- Purpose-built for Marine Atlantic in Canada.
- Stringent refits 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 life extension refit program.
- These two vessels do not meet all of the SOLAS 90 standards, nor are they required to, but Transport Canada Marine Safety has indicated that all Canadian ferries will be required to meet the SOLAS 90 standards by 2010.

MV Leif Ericson:
- Built in Norway.
- Purchased by Marine Atlantic in 2000.
- Modifications were completed to her ramp systems and other systems prior to entering service.
- The *MV Leif Ericson* meets all of the latest classification society and SOLAS 90 rules.

5.2.2 Unique characteristics of the Gulf Service

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

European standards are comparable to Canadian standards in ferry construction. There are, however, differences as Canadian standards reflect the realities of the harsh marine all-season operating environment of the East Coast of Canada. Any vessels purchased abroad, but not constructed to Canadian standards, may have to be retrofitted before entering into service on the Gulf.

The Gulf ferry service is a year-round operation. The Cabot Strait experiences heavy ice conditions during the winter season. The *MV Caribou* and *MV Joseph and Clara Smallwood* have one of the highest ice classes, Super 1A. 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.

Because of the restricted navigable space and depth of Port aux Basques harbour, the overall dimensions 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 the terminal ports.

All the above factors severely limit the selection of available vessels in the world marketplace.

5.2.3 The Traffic Profile

Marine Atlantic classifies its traffic into two categories; passenger related vehicles (PRV's) and commercial related vehicles (CRV's). One sub-type within the CRV's is the drop trailer[5].

As evidenced in Figure 11, 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 seasons. The peak for all vehicles occurs during the summer period. The mix of traffic types may fluctuate in any given year; however, the deck space requirements show a consistent trend. For the Corporation, a typical blend of traffic on the *MV Caribou* for a summer crossing is 14 drop trailers, 16 tractor-trailers and 169 passenger related vehicles. This blend currently works well both for the customers and the Corporation. However, this loading arrangement is constantly monitored against the traffic mix fluctuations to ensure optimal loads are achieved by the Corporation within the desired loading times.

[5] 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.

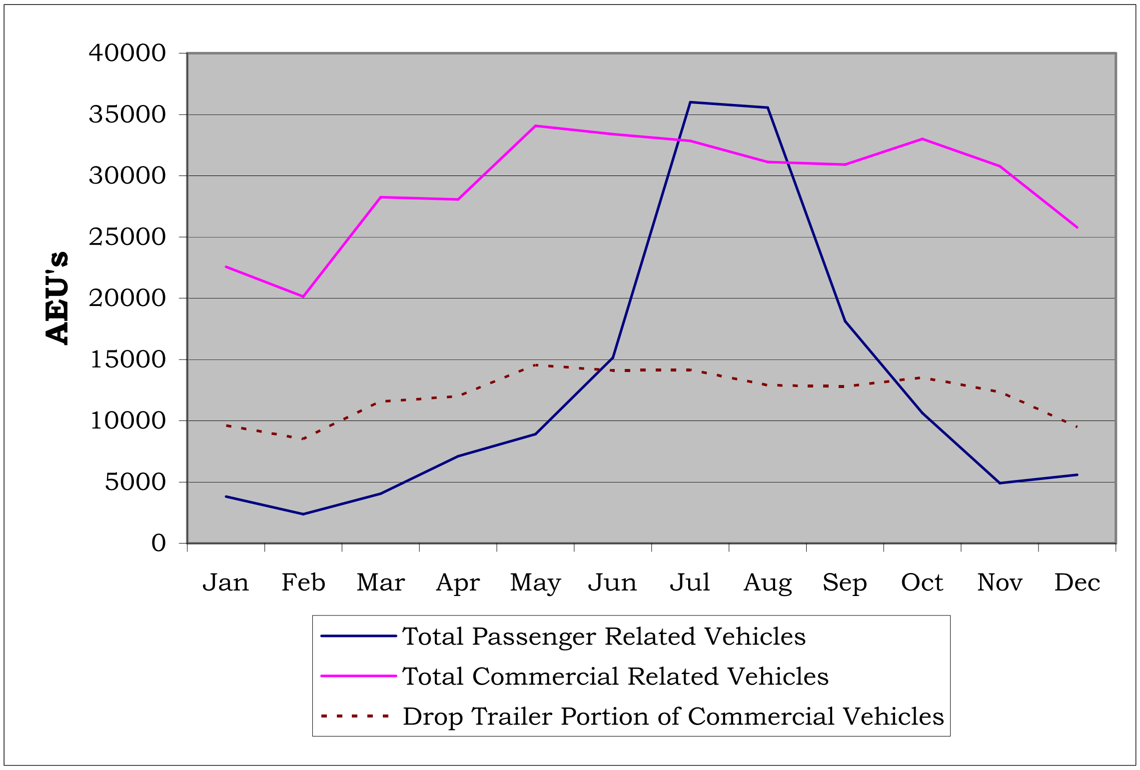

Figure 11: Marine Atlantic Traffic Profile

5.3 *Recommending a Future Fleet Configuration*

As a part of its obligation to provide its shareholder with various options and recommendations within this Corporate Plan, Marine Atlantic has reviewed over 100 possible options and studied in detail three likely options for its fleet renewal program. The Corporation engaged two external and well respected marine consultants, Fleetway Inc.[6] and Oceanic Consulting Corporation (OCC)[7], to assist in its study and to develop the conclusions necessary to determine the most viable fleet option.

[6] 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.

[7] OCC are world leaders in marine performance evaluation and specializing in vessel performance and has over 200 researchers and engineers who work in marine performance evaluation or specialize in vessel performance. They work in one of the world's most comprehensive marine testing and research facilities serving clients worldwide.

The analysis 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" for the future as forecast by the regression data provided by Marine Atlantic;
2. A fleet configuration that takes into account the Argentia service operating annually from mid-June to the end of September;
3. A fleet configuration that takes into account the demands 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); and
4. The lowest projected life cycle costs (operational, maintenance and procurement).

Many options failed to adequately meet the traffic offering. Other options had significantly higher comparative costs than others. Further studies were completed on options that did meet the initial criteria with external consultants.

5.4 *Defining the Future Fleet Requirement*

To define the future fleet requirements to meet the demands of the service the Corporation has analyzed:

- The requirement for a short term charter to handle the expected future traffic levels;
- The existing vessels in the fleet that should be retained or disposed of in the immediate future and the scope of work required to retain them; and
- The requirements for a new build ferry program.

5.4.1 Procurement Strategy

This fleet plan and procurement process is based on the information available to Marine Atlantic in the due diligence process. In the event that new or different facts arise during the procurement process, the Corporation will consider whether changes are appropriate.

The analysis will consider:

- the schedule to have the most efficient and effective fleet renewal that meets the requirements of the organization;
- a design/feasibility study;
- the fleet reconfiguration management;

- the estimated cost;
- the funding source and availability; and
- the government policies and sourcing.

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 (a) an expansion of the customer base, (b) the Corporation providing additional services, (c) increasing rates and fares to travel or utilize the Corporation's ancillary services, or (d) increasing subsidy levels. Once detailed analysis for vessel configurations is complete, MAI will be better able to quantify revenue expectations.

6.1 *Long-Term Subsidy Solutions*

Cabinet 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, for the development of an action plan to address the Corporation's financial requirements.

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

The goal of the Corporation is to manage the operations within the funding that is provided in any given year. However, there has to be an acknowledgement that there are financial pressures of operating a constitutionally guaranteed ferry service beyond what can reasonably be assessed during a budgeting process. There are external and internal events that can impact these budgets including weather related events, mechanical failures, urgent upgrades determined by regulations, labour disruptions and terrorism.

6.2 *Rate Structure*

Within the January 2007 letter of priorities from the Minister of Transport, Infrastructure and Communities to Marine Atlantic, the Minister released a new tariff structure. The strategy involves three components: an escalator for the existing rates of the constitutional Port aux Basques service, Argentia service rates, and a fuel surcharge component.

Port aux Basques Service: The rates on this service will increase by the full consumer price index each year and will apply to passengers, passenger related vehicles and commercial vehicles. These will be calculated considering the year over year averages for the Consumer Price Index (CPI) for Canada, all items and not seasonally adjusted. The calculated increase of 2.1% was applied to the existing tariff structure for this service February 9, 2007.

The Argentia service: The Minister has determined that the Board of Directors will be responsible for determining the rates for this service. The 2.1% CPI was applied to the existing tariff structure for this service February 9, 2007. The Board will review this position during 2007.

Fuel Surcharge: The Corporation will introduce a methodology that will adjust the surcharge based upon the price escalation of fuel in the future. The base fuel price for 2007 will be the 2006 average consumption price per litre. It is this figure that will be used as the base amount and any future increases in the price of fuel will be compared to this level. The percentage surcharge increase will be calculated by comparing the increase in fuel price impact to the Corporation with the expected remaining revenue for the year.

Alternative Pricing Arrangements: The concepts of seasonality, discounting, incentives and yield pricing will be further evaluated in the future.

Passenger Related Services: The Corporation reviewed the passenger related services for its customers, the existing pricing structure being only one component of this analysis. The current pricing strategies for these services are based upon industry best practices.

7 Capital Expenditures

The following capital projects relate to capacity, asset renewal, life extension regulation and customer service The 2007/2008-2011/2012 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 projects within the capital plan exceeding $1 million in cost are described below.

7.1 *Future Fleet Considerations*

The Minister has noted in his letter of priorities that he has requested additional funding to perform further analysis to determine the specific requirements and costs for the new vessels and the refits.

7.2 *Port aux Basques Alternate Dock*

Port aux Basques until four years ago had two functioning docks consisting of a single-level transfer bridge capable of accommodating the *MV Atlantic Freighter* and one bi-level docking facility (the "Gulfspan Dock") which can accommodate all of the Corporation's vessels. Four years ago, the 35-year old single-level dock was deemed unsafe for normal operations and was condemned. In 2002, that facility was demolished.

Scheduling a four-vessel fleet is difficult to achieve with a single dock. This has resulted in undesirable arrival and departure times. Having only one docking facility also leaves the Corporation vulnerable if this dock were to become inoperable for some reason. As well, attempting to perform routine maintenance on the existing dock is extremely difficult when it is the only operational dock.

With current traffic levels, future traffic projections and the need for a docking contingency, Marine Atlantic has concluded it necessary to have an alternative docking arrangement in Port aux Basques.

This recommendation is designed to (a) ensure ease of maintenance of the existing dock, (b) accommodate expected future traffic on a realistic schedule, and (c) take advantage of the efficiencies of completing the entire dock within a single project. This alternate dock is critical to implementation of the 2008 schedule that is necessary to allow the Corporation the ability to carry the traffic offering.

7.3 *North Sydney Alternate Dock Modifications*

The North Sydney alternate dock was modified in 1998 to become a single-level hydraulically operated transfer bridge. The original design allowed for expansion to a second level to accommodate future traffic. Again, with the current traffic volumes, the scheduling of vessels is difficult having only one dock with bi-level vessel access. To handle the expected traffic volumes on a realistic schedule in 2008, it is critical to add the second level to the alternate dock.

7.4 *Halon Fire Suppressant Replacement Program*

The *MV Caribou*, *MV Joseph and Clara Smallwood* and *MV Atlantic Freighter* are equipped with a Halon fire suppressant system. The production of Halon has been banned since 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 and Halon by 2010. The Corporation has developed a replacement program and this project would be completed in 2009.

7.5 *Dock Fendering – North Sydney and Port aux Basques*

The Gulfspan docks were constructed specifically for the *MV 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. The panels comprising this system are showing various stages of wear and the timbers are being damaged and worn. The plan is to replace this system with the new intermittent spacing rubber fender system 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.

7.6 *MV Joseph and Clara Smallwood Marine Evacuation Systems (MES) renewal*

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

The present MES on the *MV Joseph and Clara Smallwood* were installed in 1988 and are showing signs of deterioration. For this reason, the objective is to replace two complete systems annually between 2006 and 2008.

7.7 *Terminal Facilites Upgrades*

The Corporation will perform an assessment study on its land-based facilities in Port aux Basques, North Sydney and Argentia that will assess the current condition of the existing assets, the functional location, port security considerations, and the impact of future traffic levels. The initial analysis will be performed in 2007. The Corporation is identifying that funding could be required as early as 2009 to complete any major work that may arise from this assessment.

7.8 *Electronic Measuring System*

The Corporation is investigating the feasibility of purchasing and installing electronic vehicle measuring equipment at both the Port aux Basques and North Sydney terminals. The business case is being further developed to ensure that the operational efficiencies are achievable and that the operation will not be compromised.

7.9 *Emerging Projects*

The emerging capital projects are to address regulatory requirements, capacity issues, asset renewal, safety and customer service initiatives. These projects are valued under $1 million, and evaluated by the Corporation’s capital committee to ensure each meets the corporate objectives.

8 Financial Projections and Borrowing Plan

Bank Line of Credit: Marine Atlantic's bank line of credit is currently approved at $7 million.

Letters of Credit: The Province of New Brunswick has requested a stand-by letter of credit of $4.2 million as security against long-term liabilities arising from Marine Atlantic employees' past injury claims and this Corporation's status as a "deposit account company" with that province's Workers' Compensation Board. The bank line of credit supports this letter of credit with the New Brunswick Board.

8.1 *Projections and Planning Assumptions*

Statements A through D 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 schedules as set out in Appendix B. To the extent that round trip MDS are not required, fuel consumption expenditures will be reduced.

- Freight, passenger and passenger vehicle projected growth is reflected in the revenue increase.

- Fuel prices as set out in Section 4.1.2. Each one cent per litre deviation in fuel product prices will have the following annual cost impact:
    - MDO $248,000, and
    - Bunker C $188,000.

- Insurance cost increases as set out in Section 4.1.5.

- General inflation increases on all other expenditures not described above, as set out in Sections 4.1.1.

- The plan assumes the Corporation will continue to receive the non-profit HST rebate over the planning period.

8.1.1 Income Statement, Fiscal Year

Statement A

Marine Atlantic Inc.
Corporate Plan 2007/08-2011/12
Income Statement - Year Ended March 31
In $ Thousands

	2005-2006	Plan 2006-2007	Forecast 2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Revenues	68,297	70,089	68,965	75,763	81,291	84,835	89,550	93,160
Expenses	148,308	140,637	144,508	151,428	178,494	169,108	154,486	146,477
Depreciation & write down of assets	21,445	21,942	17,049	18,419	18,567	18,648	29,168	34,274
Reduction in provision for capital Assistance	(21,445)	(21,942)	(17,049)	(18,419)	(18,567)	(18,648)	(29,168)	(34,274)
Operating subsidy, Federal Government	80,011	70,548	75,543	75,665	97,203	84,273	64,936	53,317
Restructuring payments	1,588	1,014	992	434	100	5	-	-
Federal Government subsidy	81,599	71,562	76,535	76,099	97,303	84,278	64,936	53,317

Note: Restructuring expenses are the severance costs for employees resulting from discontinued operations. They are allocated to fiscal years on a cash basis for corporate plan purposes. For audited financial statements, they are an expense of the year in which the liability is known.

8.1.2 Funding from Government, Fiscal Year

Statement B

Marine Atlantic Inc.
Corporate Plan 2007/08-2011/12
Funding from Government, Government Fiscal Year
In $ Thousands

Marine Atlantic Funding Requirement	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**2010-2011**	**2011-2012**
Operating expenses	144,508	151,428	178,494	169,108	154,486	146,477
Less: Revenues	68,965	75,763	81,291	84,835	89,550	93,160
Operating subsidy	75,543	75,665	97,203	84,273	64,936	53,317
Restructuring payments	992	434	100	5	-	-
Capital spending	4,673	27,452	5,963	121,628	164,802	45,290
Funding through working capital	(1,628)	(9,500)	(2,500)	(2,500)	-	-
Total Funding Requirement	**79,580**	**94,051**	**100,766**	**203,406**	**229,738**	**98,607**
Government Funding Available						
Reference level available	36,920	36,920	36,920	36,920	36,920	36,920
Additional funding	55,100	69,571	76,286	54,000	54,000	54,000
Leif Ericson payment	(9,940)	(9,940)	(9,940)	(21,940)	-	-
Total Government Funding Available	**82,080**	**96,551**	**103,266**	**68,980**	**90,920**	**90,920**
Funding Requirement Excess (Deficiency)	**2,500**	**2,500**	**2,500**	**(134,426)**	**(138,818)**	**(7,687)**
Cumulative 2006-2011						**(275,931)**

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

8.1.3 Balance Sheet

Statement C

Marine Atlantic Inc.
Corporate Plan 2007/08-2011/12
Balance Sheet - Year Ended March 31
In $ Thousands

	2005-2006	Forecast 2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Assets							
Cash	2,122	3,000	3,000	3,000	500	500	500
Current assets	16,918	16,900	16,900	16,900	16,900	16,900	16,900
Deferred pension asset	57,631	76,377	95,123	111,443	119,493	123,302	123,302
Fixed assets and deferred charges - net	153,482	141,106	150,139	137,535	240,515	376,179	387,195
Total Assets	230,153	237,383	265,162	268,878	377,408	516,881	527,897
Liabilities and Equity							
Current liabilities	15,462	15,450	15,450	15,450	15,450	15,450	15,450
Other liabilities	44,953	44,833	44,399	44,299	41,794	41,794	41,794
Provision for capital assistance	153,482	141,106	150,139	137,535	240,515	376,179	387,195
Capital stock	258,530	258,530	258,530	258,530	258,530	258,530	258,530
Deficit	(242,274)	(222,536)	(203,356)	(186,936)	(178,881)	(175,072)	(175,072)
Total Liabilities and Equity	230,153	237,383	265,162	268,878	377,408	516,881	527,897

8.1.4 Statement of Cash Flow, Fiscal Year

Statement D

Marine Atlantic Inc.
Corporate Plan 2007/08-2011/12
Statement of Cash Flow - Year Ended March 31
In $ Thousands

	2005-2006	Forecast 2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Operating Activities							
Net operating costs	(59,970)	(75,543)	(75,665)	(97,203)	(84,273)	(64,936)	(53,317)
Net restructuring costs	(1,588)	(992)	(434)	(100)	(5)	-	-
Government operating subsidy	64,668	77,407	69,099	97,303	81,778	64,936	53,317
Change in non-cash working capital	-	6	-	-	-	-	-
Cash provided by operations	3,110	878	(7,000)	-	2,500	-	-
Financing Activities							
Government capital assistance	5,564	4,673	27,452	5,963	121,628	164,802	45,290
Vessel disposals	-	-	7,000	-	-	-	-
Investing Activities							
Capital assets and deferred charges	(6,262)	(4,673)	(27,452)	(5,963)	(121,628)	(164,802)	(45,290)
Increase (Decrease) in Cash	2,412	878	-	-	(2,500)	-	-
Cash, Beginning of Year	(290)	2,122	3,000	3,000	3000	500	500
Cash, End of Year	2,122	3,000	3,000	3,000	500	500	500

Appendix A: Operational Plan Performance Objectives

Marine Atlantic Inc. Operational Plan
Performance Objectives

A. **OPERATIONAL OBJECTIVES – YEAR TO DATE December 31, 2006**

KEY ACCOUNTABILITIES AND INITIATIVES	SENIOR MANAGER'S ROLE IN ACHIEVING OBJECTIVE	PERFORMANCE MEASUREMENT TOOL
1. Performance against schedule		
Number of sailings on time (non- weather)	To provide direction to managers in creating realistic scheduling that will meet the Corporation's mandate.	(see table below)
2. Maintenance		
• performed on budget	To provide direction to the Technical Department in developing achievable budgets in concert with the vessel management group.	(see table below)
• timely/scheduled performance	To provide direction to the Technical Department in developing achievable budgets in concert with the vessel management group.	*Caribou* - YTD all PWP's and refits complete *Smallwood* - YTD all PWP's and refits complete *Ericson* - YTD all PWP's and refits complete *Freighter* - YTD all PWP's and refits complete
• minimal deferrals	Provide direction to ensure that the maintenance program is being monitored using the AMOS monitoring system.	Migration of information to IFS ongoing.
3. Compliance		
• required DOT training/certification	To give direction to the Marine & Safety Departments and reinforce Marine Atlantic's commitments through the associated Corporate procedures.	YTD - Requirements met
• regulatory – marine safety	To give direction to the Technical/ Marine/ Safety Departments and to monitor their activities against Class/TC and SMS requirements. Hours of rest regulations to be enforced.	CC's (conditions of class) against vessels: *Caribou* – Boiler gauge glass to be replaced. *Freighter* – Replace one shot on Starboard anchor chain Software being implemented - Marine Superintendent

Performance measurement tool — 1. Performance against schedule:

	Actual	Budget	Last Year
Performance on time	74%	80%	76%
%PRV first crossing	99%	100%	
%PRV next crossing	100%	100%	

Performance measurement tool — 2. Maintenance, performed on budget:

Maintenance	Actual	Budget	Last Year YTD Actual
Terminals	$5,095,000	$5,137,000	$4,909,000
Vessels	$23,588,000	$19,970,000	$18,266,000

• environmental	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 *Canada Shipping Act* requirements.	Green plan will be included in the new Quality Management System. ISM and regulations requirements are being met.		
4. <u>Cost Effectiveness</u>				
• real cost of service / AEU	To provide direction to Operations Management: • to load vessels to optimum traffic levels while remaining on schedule and minimum use of MD sailings • to provide good supervision and good lines of communication providing for a more efficient workforce	Actual YTD	Budget YTD	Last Year YTD
		$134	$127	$127
• real cost of service / passenger	To provide direction to passenger services management in reviewing manpower requirements in light of services to be provided	Actual YTD	Budget YTD	Last Year YTD
		$168	$151	$153
5. <u>Fleet Development/Deployment</u>				
• needs assessment for future	• Development of mid-life refit project plan for *Caribou* and *Smallwood.*	Consultation award by July 2004 MET		
	• Development of near term fleet configuration project plan. • Increased traffic demand in 2008.	Configuration plan completed end 2006. Long term plan completed end 2006.		
• efficient use of current resources	• Measure against traffic movement.	Actual	Budget	Last Year
		73%	82%	77%

B. FINANCIAL OBJECTIVES

KEY ACCOUNTABILITIES AND INITIATIVES	SENIOR MANAGER'S ROLE IN ACHIEVING OBJECTIVE	PERFORMANCE MEASUREMENT TOOL
1. Corporate Plan Development		
a) - establish and promote plan	a) Develop project plan in consultation with senior management, management, Board of directors and TC.	a) Target – June 1, 2006 - MET

b) - timely production required	b) Manage the entire process from initialization to completion of requirements.	Targets: Info to Senior Management - July 7-MET Info to Board of Directors - July 28-MET Senior Management Final Review - Sep 21-MET Board of Directors Final Review – October 12 -MET Presentation to Transport Canada – October 20-MET
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 being non-compliance and 5 is meeting objective. 1 2 3 4 $\boxed{5}$
2. "Operational" Plan Development		
a) - current strategic objectives	a) Manage the development of the operational plan.	Target Date: July 14-MET
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 14-MET
3. Provision of Timely Information		
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 – March 06 - MET June 06 - MET Sept 06 - MET Dec 06 - MET
b) - to Shareholder (annually and as required)	b) Manage the corporate process to ensure information is available as required.	Target - March 31 - MET
4. Utility of Information Provided		
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 $\boxed{5}$
b) - clear, concise presentation	b) Manage the process of developing clear, concise information for the intended readers.	Qualitative 1 2 3 4 $\boxed{5}$
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 $\boxed{5}$

C. HUMAN RESOURCES OBJECTIVES as at 31 December 2006

Key Accountabilities and Initiatives	**Senior Manager's Role In Achieving Objective**	**Performance Measure Tool**
Human Resources Plan:		
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 corporate needs	Complete
b) Training and development	Ensure that approval of training budget/programs is in accordance with training policy and procedure.	**Training Hours v Budgeted Hours** 35,615 hours trained verses 52,503 hours budgeted Variance 32% **Cost of training per full time employee** $1,925.49 Training cost/Total Labour Cost **-** 3%
c) Performance Management	• Ensure that a program is in place that provides for the assessment and development of management /supervisory employees • Ensure that a program is in place that provides for the assessment and development of all other employees	• Implement June 2006 (This program is presently behind schedule). • Pilot program introduced November 2006. Pilot to run to 31 March 2007 to test format and process. • Evaluation form introduced 2006, initially used for officers. • Extended on pilot project to all other areas of the Corporation. November 2006.
d) Select and retain qualified employees	• Ensure qualified employees are selected and retained	**Qualitative**: • Review and update Recruitment and Selection Policy and Procedure annually or as required by June 2006**. - Complete** • Review and update recruitment and selection

		criteria per each position recruited. **Complete** • Review and update interview process for each position recruited **Complete to date**. **Quantitative Annually - January** • Number of employees hired versus attrition excluding retirements per year • Number of employees hired versus total attrition per year • Number of employees terminating within first two years of employment.
e) Communication	Educate Employees on their Benefit Plans Educate/ Assist employees to plan for their retirement.	Implement Information Seminars in 2006 - **Introduced October 2006. Benefit sessions held in terminals and on vessels. Complete** Provide retirement seminars - minimum one annually. **Seminars held in St John's, PAB and North Sydney - 2006 - Complete**

Appendix B: 2007 Schedule

Port aux Basques to North Sydney

R = Restricted
RR = Double Restricted
MD = Manager Discretion

E-MD = Manager Discretion (*Ericson*) S-MD =Manager Discretion (*Smallwood*) C-MD = Manager Discretion (*Caribou*)
F- MD = Manager Discretion (*Freighter*)

Date	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Jan 1 - Jan 4		1130 - 2345	0800 - 1700 - 2345	1130 - 2345	0800(RR) - 1700 - 2345		
Jan 5 - Mar 31	1130 - 2345	1130(R) - 2345	1130 - 2345	1130 - 2345	1130(RR) - 2345	1130 - 2345	1130 - 2345
Apr 1 - Apr 28	1130 - 2345 - (F-MD)	1130 - 2345 - (F-MD)	1130 - 1800(F) - 2345	1130 - 1800(F)-2345	1130 - 1800(F) - 2345	1130 - 2345 - (F-MD)	1130 - 1800(F) - 2345
Apr 29 - May 5	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) -2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345
May 6 - May 13	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	0800 - 1800(F) - 2345	1130 - 1800(F) -2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345
May 14 - Jun14	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	0800 - 1800(F) - 2345	0800(E) - 1645 - 1800(F) - 2345(E)	0800(C) - 1800(F) - 2345(C)	0800 - 1645 - 1800(F) - 2345
Jun 15 - Jul 7	0730 -1000(E-MD) - 1700 -1930(F)-2359(S-MD)	0200 - 0800 - 1630(F) - 1830 - 2359	1100 - 1700 - 1930(F) – 2359	0800(C-MD) - 1100 - 18000(F) 2359	0900 - 1600 - 1930(F)	0130* - 0630(C-MD) - 0900 - 1730(F) - 1930	0130 - 0900 - 1745 - 2030(F) - 2359
Jul 8 - Aug 25	0730 - 1000 - 1700 - 1930(F) - 2359	0200 - 0800 - 1630(F) - 1830 - 2359	1100 - 1700 - 1930(F) - 2359	0800 - 1100 - 1800(F) - 2359	0900 - 1600 - 1930(F)	0130 - 0630(C-MD) - 0900 - 1730(F) - 1930	0130 - 0900 - 1745 - 2030(F) - 2359
Aug 26 - Sept 8	0730 - 1000(E-MD) - 1700 - 1930(F)-2359(S-MD)	0200 - 0800 - 1630(F) -1830 - 2359	1100 - 1700 - 1930(F) - 2359	0800(C-MD) - 1100 - 1800 - 2359	0900 - 1600 - 1930(F)	0130 - 0630(C-MD) - 0900 - 1730(F) - 1930	0130 - 0900 - 1745 - 2030(F) - 2359
Sept 9 - Sept 29	1130* - 1130** - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 2000(F) - 2345	1130 - 1700 - 2000(F) - 2345	1130 - 1700 - 2000(F) - 2345	1130 - 1800(F) - 2345	1130 - 1700 - 2000(F) - 2345
Sept 30 - Nov 3	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800(F) - 2345	1130 - 1800 (F) – 2345	1130 - 1800 (F) - 2345	1130 - 1800(F) - 2345
Nov 4 - Dec 24	1130 - 2345- (E-MD)	1130R* - 2345 - (E-MD)	1130 - 2345 - (E-MD)	1130 - 2345 - (E-MD)	1130RR - 2345 - (E-MD)	1130 - 2345 - (E-MD)	1130 - 2345 - (E-MD)
Dec 25 - Dec 31	1130 - 2345	1130 - 2345	2345	2345	1130R – 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	0900(R) - 1500 - 2330	1130 - 2330	0900 - 1500(RR) - 2330		
Jan 5 - Mar 31	1130 - 2330	1130 - 2330	1130 - 2330	1130(RR) - 2330	1130(R) – 2330	1130 - 2330	1130(R) - 2330*-2330*
Apr 1 - Apr 28	1130 - 2330 - (F-MD)	1130 - 2330 - (F-MD)	0645(F) -1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 – 2330	1130 - 2330 - (F-MD)	0645(F) - 1130 - 2330
Apr 29 - May 5	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 – 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330* - 2330**
May 6 - May 13	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 – 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330
May 14 -Jun 14	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645 - 1130 - 2330	0645(F) - 1500 - 2330	0645(F) - 0900 - 1500 – 2330*	0645(F) - 1500 - 2330	0645(F) - 0900 - 1500 - 2330
Jun 15 - Jul 7	0130(E-MD) - 0630(F) - 0900 - 1430(S-MD) - 1730 - 2330	0530(F) - 0930 - 1600	0200 - 0630(F) - 0900 - 1600 - 2330(C-MD)	0130 - 0630(F) - 1600 - 2300	0500(F) - 0800 - 1700 - 2300(C-MD)	0100 - 0600(F) - 1230 - 1700	0200 - 0645(F) - 0900 - 1600 - 2330
Jul 8 - Aug 25	0130 - 0630(F) - 0900 -1430 - 1730 - 2330	0530(F) - 0930 - 1600	0200 - 0630(F) - 0900 - 1600 - 2330	0130 - 0630(F) - 1600 - 2300	0500(F) - 0800 - 1700 - 2300(C-MD)	0100 - 0600(F) - 1230 - 1700	0200 - 0645(F) - 0900 - 1600 -2330
Aug 26 - Sept 8	0130(E-MD) - 0630(F) - 0900 - 1430(S-MD)-1730 - 2330	0530(F) - 0930 - 1600 - 2330	0200 -0630(F) - 0900 - 1600 - 2330(C-MD)	0130 - 0630(F) - 1600 - 2300	0500(F) - 0800 - 1700 - 2300(C-MD)	0100 - 0600(F) - 1230- 1700	0200 - 0645(F) - 0900 - 1600 - 2330
Sept 9 - Sept 29	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 0900 - 1500 - 2330	0645(F) - 0900 - 1500 - 2330	0645(F) - 1130 - 2330	0645(F) - 0900 - 1500 - 2330
Sept 30 - Nov 3	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330 (E-MD)	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330	0645(F) - 1130 - 2330
Nov 4 - Dec 24	1130 - 2330 - (E-MD)	1130 - 2330 - (E-MD)	1130 - 2330 - (E-MD)	1500(RR) - 2330 - (E-MD)	1130(R) - 2330 - (E-MD)	1500 - 2330 - (E-MD)	1500(R) - 2330 - (E-MD)
Dec 25 - Dec 31	1130 - 2330	1130 - 2330	2330	2330	1130(R) - 2330	1130 - 2330	1130 - 2330

2007 Schedule (Continued)

Argentia to North Sydney							
Date	**Sunday**	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Saturday**
Jun 15 - Jul 7			0030		0900		0830
Jul 8 - Aug 25			0030		0900		0830
Aug 26 - Sept 8			0030		0900		0830
Sept 9 - Sept 29			2359				

North Sydney to Argentia							
Date	**Sunday**	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Saturday**
Jun 15 - Jul 7		0730		0730		1530	
Jul 8 - Aug 25		0730		0730		1530	
Aug 26 - Sept 8		0730		0730		1530	
Sept 9 - Sept 29		0600					

Appendix C: Marine Atlantic Tariff Structure

PORT AUX BASQUES SERVICE

CATEGORY	2006	2007
Passengers:		
Adults	$27.00	$27.50
Child 5-12	$13.50	$13.75
Child Under 5	FREE	FREE
Seniors	$24.75	$25.25
Group Adult (25+ adults)	$24.75	$25.25
Group Child (25+ children)	$12.25	$12.50
Group Senior (25+ seniors)	$22.25	$22.75
Day Cruise Adult	$39.50	$40.25
Day Cruise Child	$19.75	$20.25
Day Cruise Senior	$35.50	$36.25
Passenger Vehicles:		
Autos to 20’	$76.50	$78.00
Autos 21’ to 30’	$115.75	$118.75
Autos 31’ to 40’	$163.75	$167.00
Autos 41’ to 50’	$211.50	$215.75
Autos 51’ to 60’	$257.25	$262.50
Autos over 60’	$305.75	$312.00
Buses	$201.25	$205.50
Motorcycles	$38.75	$39.50
Motorcycles & Side Car or Trailer	$57.00	$58.25
Bicycles	$12.00	$12.25
Commercial Vehicles:		
Comm. to 30’	$156.75	$160.00
Comm. 31’ to 40’	$197.75	$201.75
Comm. 41’ to 50’	$260.25	$265.50
Comm. 51’ to 60’	$312.50	$319.00
Comm. 61’ to 70’	$370.50	$378.00
Comm. 71’ to 80’	$414.50	$423.00
Comm. over 80’	$414.50 + 7.00/ft	$423.00 + 7.25/ft
Bus up to 30’	$156.75	$160.00
Bus 31’ and over	$185.50	$189.25
Jockey Tow	$95.50	$97.50
Jockey Power	$37.75	$38.50
Dangerous Goods Surcharge	$56.75	$58.00

Cabin and Berth Charges:	2006 Day	2006 Night	2007 Day	2007 Night
4 Berth Cabin	$54.00	$99.00	$54.00	$99.00
Person with disability cabin	$54.00	$99.00	$54.00	$99.00
Dayniter seat	$9.00	$9.00	$9.00	$9.00
Trucker’s Berth	$24.75	$24.75	$24.75	$24.75
Dormitory – sleeper	$16.00	$16.00	$16.00	$16.00
Owner’s Cabin	$99.00	$99.00	$99.00	$99.00

Tariff Structure (continued)

ARGENTIA SERVICE

CATEGORY	2006	2007
Passengers:		
Adults	$75.50	$77.00
Child 5-12	$37.75	$38.50
Child Under 5	FREE	FREE
Seniors	$68.00	$69.50
Group Adult (25+ adults)	$68.00	$69.50
Group Child (25+ children)	$34.25	$35.00
Group Senior (25+ seniors)	$61.25	$62.50
Passenger Vehicles:		
Autos to 20’	$157.00	$160.25
Autos 21’ to 30’	$237.25	$242.00
Autos 31’ to 40’	$335.00	$341.75
Autos 41’ to 50’	$432.75	$441.75
Autos 51’ to 60’	$528.00	$538.75
Autos over 60’	$625.75	$638.50
Buses	$411.50	$420.00
Motorcycles	$78.50	$80.00
Motorcycles & Side Car or Trailer	$116.50	$119.00
Bicycles	$24.25	$24.75
Commercial Vehicles:		
Comm. to 30’	$429.25	$438.00
Comm. 31’ to 40’	$517.75	$528.25
Comm. 41’ to 50’	$712.75	$727.25
Comm. 51’ to 60’	$795.50	$811.75
Comm. 61’ to 70’	$984.00	$1004.25
Comm. 71’ to 80’	$1,072.50	$1,094.50
Comm. Over 80’	$1,072.25 + $21.25/ft	$1,094.50 + $21.75/ft
Bus 31’ and over	$391.00	$399.25
Jockey Tow	$95.50	$97.50
Jockey Power	$37.75	$38.50
Dangerous Goods Surcharge	$56.75	$58.00
Cabin and Berth Charges:	Day/Night	Day/Night
4 Berth Cabin	$137.50	$137.50
Person with disability cabin	$137.50	$137.50
Dayniter seat	$17.75	$17.75
Trucker’s Berth	$34.50	$34.50
Dormitory – sleeper	$27.50	$27.50
Owner’s Cabin	$137.50	$137.50