

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

ECONOMIC DEVELOPMENT

Thursday, September 3, 2015

LEGISLATIVE COMMITTEES OFFICE

Yarmouth-Portland Ferry / Agenda Setting

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ECONOMIC DEVELOPMENT COMMITTEE

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Mr. Derek Mombourquette
Mr. David Wilton
Hon. Pat Dunn
Mr. John Lohr
Hon. Sterling Belliveau
Hon. Denise Peterson-Rafuse

[Ms. Margaret Miller was replaced by Ms. Joyce Treen]
[Hon. Pat Dunn was replaced by Hon. Christopher d'Entremont]
[Hon. Denise Peterson-Rafuse was replaced by Hon. Maureen MacDonald]

In Attendance:

Ms. Monica Morrison
Legislative Committee Clerk

Ms. Karen Kinley
Legislative Counsel

WITNESSES

Nova Star Cruises

Mr. Mark Amundsen - President and CEO
Mr. Owen John - Vice-President of Sales and Marketing
Mr. Danny Morton - Director, Cruise Marketing and Business Development
Mr. Mark Muise - Chief Operating Officer

Department of Transportation and Infrastructure Renewal

Mr. Paul LaFleche - Deputy Minister
Mr. Bruce Fitzner - Chief Engineer, Highway Programs
Mr. Alan Grant - Executive Director, Policy and Planning
Ms. Diane Saurette - Executive Director, Finance & Strategic Capital Planning
Ms. Martha Stevens - Director of Marketing (Tourism Nova Scotia)



House of Assembly
Nova Scotia

HALIFAX, THURSDAY, SEPTEMBER 3, 2015

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

9:30 A.M.

CHAIRMAN
Mr. Joachim Stroink

MR. CHAIRMAN: I call this meeting to order. Before we begin, we'll start with introductions of committee members.

[The committee members introduced themselves.]

MR. CHAIRMAN: Thank you very much. Today we are having a presentation from Nova Star and the Department of Transportation and Infrastructure Renewal, on the Yarmouth-Portland ferry, followed by agenda setting.

Before we start, this meeting will be broken up into two blocks, with Nova Star going first and then TIR, with a small break in between. During that break I ask that people remain in the gallery and the press remain in the gallery and that all scrums happen afterwards so that we can keep the flow of the meeting going.

We will keep in mind that this meeting will probably go longer than the set allocated time. I'm asking all committee members if we're okay to go past 11:30 a.m. - Ms. MacDonald.

HON. MAUREEN MACDONALD: I'm okay with that but I think we need to set how much longer we will go. A half-hour?

MR. CHAIRMAN: A half-hour, I'm good with that. Is everybody okay with 12:00 noon? Okay, thank you.

I ask the presenters to please introduce themselves. Also a reminder to turn off all cellphones so that we don't have any disruptions. We'll do some introductions before we do some rules of engagement, so I'll pass it over to Nova Star.

MR. MARK AMUNDSEN: Good morning, Mr. Chairman and members of the legislative committee, and thank you for the opportunity to meet with you today.

I'd like to introduce my team. To my left is Danny Morton. As many of you know, Danny is a veteran and leader in Nova Scotia tourism. He serves as Director of Cruise Marketing and Business Development. To my left is Owen John. Owen is Vice-President of Sales and Marketing and has led our effort to accomplish our major goal this season: bringing more U.S. travellers to Nova Scotia. Finally, to my right is Mark Muise, our Chief Financial Officer. Mark is the leader in our Yarmouth office where our call centre and the centre of our business is located.

MR. CHAIRMAN: Thank you very much. Before we get to your presentation, just a couple of reminders. I ask that all committee members ask very pointed questions, not story-long questions. We have a very short period of time. To be clear, I will cut you off if you're going to go on a ramble. This is about respecting each other and the questions that we have put forward.

I will now turn it over to Nova Star to give us their presentation.

MR. AMUNDSEN: Thank you, Mr. Chairman. Today I'd like to do my best to give you a synopsis of where we are. In doing so, I will try to answer some basic questions. The first question is, how are things going? We're making progress, but it is slower than we had hoped. Operations are very strong. We're 100 per cent service reliability and very high in customer satisfaction among our passengers coming on *Nova Star* to Nova Scotia.

American passengers are up over 7 per cent, which from our understanding is a key economic development goal of re-establishing the ferry service. Clearly the rapid change in the currency exchange has had an effect on the Canadian usage of the ferry. Unfortunately, the Canadian passengers are down 40 per cent from last year, which impacts our overall passenger numbers.

The next question is, what would make the service suitable? Let me try to explain some variables that go into making a viable ferry service. A growth market for potential passengers - we have that. Demand that lasts for as many months in the year as possible - we're not sure about that. The shoulder seasons of June, September - not September, but going into October, the latter part of September - we're working on that. A reliable and efficient vessel - we have that in *Nova Star*. A vessel cost structure that is predictable - we have made big strides on that front. Marketing and a customer offering that makes people aware of the service and induces first-time and repeat use - we're getting there, but it will take time to rebuild the market after the four-season hiatus.

Our next question - can the Yarmouth-Portland service ever be viable without public subsidy? We believe so, but it's going to take some time. Every service that's operating in and out of Nova Scotia has a subsidy - Newfoundland, P.E.I., Digby. We believe the Yarmouth-Portland service, *Nova Star*, will be able to operate without subsidy when the following three thresholds are met: number one, a target of 80,000 passengers is achieved; number two, predictable work is obtained for the vessel during the off season; number three - and one of the most important elements - a long-term solution to ensure fuel costs are not affected by the commodity price of oil.

We're working on all three factors and are confident we can get to a subsidy-free future, but it will take some time to do this.

The next question is, what about all the subsidies we've received? First of all, we're immensely grateful today to the people in the Province of Nova Scotia for the support they have provided to restart the service. We really are. It is very important that this is well understood. We understand how difficult it has been for Nova Scotians to have spent more than they expected.

We're committed to provide this service within the \$13 million subsidy this year and we will meet that commitment, despite the lower passenger numbers expected. This is less than half of what the subsidy was in the start-up year. We expect to be able to lower that subsidy again for next year.

The question we are most often asked is, can this service be viable? In short, the answer is yes. It won't be easy to rebuild the New England market. When the ferry shut down in 2009, there were four years without a ferry service and all the marketing and the build of marketing up to 2009 was lost. There was no marketing done to attract the New England passengers and we have to rebuild that.

The next question is, what are the trends that have impacted our business? Short term includes energy costs and currency fluctuations have clearly impacted the business model this year. In addition, several structural changes have occurred over the last decade or so that have worked against the service. Number one, the alternate roads available to travellers are much better with roads now twinned, compared to the road situation when the ferry last operated. A large portion of the ferry riders, particularly in the shoulder season, were gaming junkets with gamblers needing to get on international waters to gamble. Onshore gambling is readily available in New England and in Nova Scotia so that market has completely disappeared. That accounted for one-third of the passenger totals on *Scotia Prince* when it last operated in 2004.

Finally, the changes in the Canadian Border Services Agency security requirements affect a portion in the U.S. market which can easily come to Canada, because few Americans - 34 per cent - actually have passports.

How can we be optimistic in the face of all these challenges? Our optimism comes from our direct experience over the last two years. Visitors who use the ferry know about it and want to come to Nova Scotia. The market adjustment to exchange rates can be made. There are alternatives to dramatic changes in our largest variable input, fuel, and we at Nova Star are on track to become independent of that volatility.

Winter work is essential for our ferry service from Yarmouth to Portland. The asset *Nova Star* can't remain idle in the wintertime; it has to be utilized. That is one of the most important elements that we need to have committed to winter work.

Thank you for listening. We will be pleased to answer any questions you may have. Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Thank you very much. As the topic was brought up on this side of the table, we'll start over here with Mr. d'Entremont.

HON. CHRISTOPHER D'ENTREMONT: Thank you very much, Mr. Chairman, and the folks from Nova Star, thank you for being here. Mr. Amundsen, it's always good to see you.

First of all I want to start with sort of the overarching issue in my constituency. It's a fact that many in my community, of course, are very happy that the *Nova Star* is there providing service. They are very happy about the extra visitors that they're seeing who come to their establishments - those who are in the tourist industry like Le Village, Musée des Acadiens, Wedgeport Tuna Museum, all of those - so, of course, we're very happy of the service. But there's always the concern that because of those numbers that we saw in August that maybe we're not going to be making our 80,000 number.

Can you maybe speak to August's numbers and what happened to that market a little bit? We know there's an exchange rate issue that's being looked at, but how is the marketing working to make sure that they attract the visitors to Nova Scotia and then maybe we can sort of follow that up with the issue of what's happening to the Canadian market that is not travelling to the U.S.?

MR. AMUNDSEN: Yes, thank you for the question. Firstly, last year we had over 20,000 passengers in August and that was a very important number for us. We did not attain that number this past August. We attribute that to number one, we have seen a 40 per cent reduction in the Canadian traveller. This is an important number for us because that fills up the overall number. Nova Scotia, itself, was our number-two travel market in the first year of operation and with the currency fluctuation as it is right now that has disappeared. Nova Scotians are not going to Portland, Maine, and that has everything to do with the price structure of all the hotels and restaurants. Last year was the first year - there was probably a kept-up demand for the first year of the ferry and probably there was a little bit more people going over to try it out, but that is the number-one reduction, we feel.

This whole thing for us, from my perspective, is to bring U.S. citizens to Nova Scotia for leisure travel, and we're doing that. We're going to be up over 7.5 per cent - that's where we are right now and we expect that number to be there at the end of the year. That's our primary goal and we feel that we're going to accomplish that.

MR. CHAIRMAN: Mr. Belliveau.

HON. STERLING BELLIVEAU: Thank you very much for the presentation. Certainly Nova Star has received roughly \$35 million of the taxpayers' money so I guess my question would be concerning how many jobs have been created by that investment; how many Nova Scotians actually work on this vessel? How many of these jobs are located onshore regarding this particular investment?

MR. AMUNDSEN: Mark is our CFO, maybe you could talk about our Yarmouth office first and then I'll go back to on-ship.

MR. MARK MUISE: Currently we have in Yarmouth over 50, we support over 50 jobs that wouldn't be there unless we were providing the service. That includes, of course, all of our line handlers, security, traffic control, reservation agents, call centre workers, some administration, and also the additional Canadian Border Services agents who work in there as well. I'm not sure about the other jobs but we do have over 120 Nova Scotia vendors that we're using as well, which is up from last year, so I would have to guess that that would also increase further employment. (Interruption)

Yes, sorry, there's one in Halifax too. He asked me about Yarmouth, though.

MR. CHAIRMAN: Thank you - I've got you next.

MR. AMUNDSEN: Could I finish with the question about on board the vessel?

MR. CHAIRMAN: Sure, Mr. Amundsen.

MR. AMUNDSEN: We have 120 people working on the vessel. We have a ship manager of FleetPro out of Miami, Florida. They use an international crew and we would invite him - we do have people from Canada who work on the ship. It is important for the viability of the vessel to have a crew that is trained in the hospitality industry for cruise ships; that is their specialty.

We invite all Nova Scotians to contact FleetPro should they want to work on the ship. We are very open to that.

MR. CHAIRMAN: Thank you very much. Mr. Mombourquette.

MR. DEREK MOMBOURQUETTE: Thank you, Mr. Chairman, and thank you for your presentation. My question is around winter work. You mentioned it a few times in

your talk and I'm just looking for an update. We've heard about possible winter work; where does that sit for this coming year, is there any winter work present there for the vessel?

MR. AMUNDSEN: We're in contract right now for winter work in Europe. There's also a fantastic new opportunity now that Cuba has opened up in the U.S.; *Nova Star* has all the documentations so we could start there tomorrow. We were actually hoping to do that for this winter where actually that may even be an opportunity.

Right now we have our own ferry licence issued by the U.S. Government to go between Cuba and the U.S. We have our U.S. Coast Guard document of compliance for passenger ships. We're allowed to trade in the U.S. right now. We have been waiting for Cuba to actually issue the licences so it's an exciting time. Again, one of our three thresholds - winter work for the viability of the service.

MR. CHAIRMAN: Mr. Lohr.

MR. JOHN LOHR: Thank you, Mr. Amundsen, for your presentation too. Actually I was going to ask about winter work so I'll move on to another topic. One of the things I wonder about and we sometimes hear in our communities is that the boat is too large for the amount of work. How does that impact - does that really have an impact on your cost structure, the size of the boat? Is the boat the right size for the route it is doing and the volume of traffic that it has? How does that impact the cost structure?

MR. AMUNDSEN: We designed the vessel for - when we went through the selection committee the expert panel by Peter Nicholson was convened by the Government of the Province of Nova Scotia. They recommended a vessel that is identical to *Nova Star*. We're designed for 110,000 passengers. Our ridership isn't near that yet.

Most importantly, *Nova Star* is a brand-new vessel and that's an attraction for people to come to Nova Scotia. We started last year in a market where fuel pricing was high. We were paying \$40,000 a day for our fuel costs. We have since got a MARPOL exemption and are in the process of converting to natural gas. We are paying under \$20,000 this year in fuel costs per day, which is below half of where we were.

As I mentioned in my presentation, it's important to have control of fuel pricing. It affected the previous services in place. Natural gas is a commodity which, in the summertime in New England, is not utilized at all, the costing is cheap. This is one of our long-term, principal goals to make in the viability of the ferry.

MR. CHAIRMAN: Thank you. Ms. MacDonald.

MS. MACDONALD: Thank you for being here. You have outlined several challenges - the American passport, the fuel costs, and so forth. I'm looking at the previous two reports - Gardner Pinfold's - on the Yarmouth ferry and I note that, in fact, in 2002 the

ridership began to drop rather significantly. If I could just refer to the report, the attributing factors were border security requirements - passport, exchange rates, the fluctuation in the Canadian dollar, rising fuel costs, et cetera. So they have these factors 13 years ago that were attributed to the declining ridership of the ferry of the day, and today you're here and you're telling us that these continue to be the characteristics that are having an impact and are the challenges on the existing operation.

So my question is, how do you overcome those? This is not a situation that occurred yesterday - four years ago. In fact, it has been going on for 13 years and so how can we have confidence that we're going to be able - I mean, the currency is going to continue to fluctuate. That's the nature of the Canadian economy beside the American economy. Fuel, very volatile. So how do you respond to that?

MR. AMUNDSEN: I think their report was quite well as some of the other reports. There was once a market over 10 years ago where we had 300,000 passengers on two separate ferries coming into Yarmouth - one from Portland, one from Bar Harbor. That market has changed substantially. There is no gaming - the whole casino operations. You have casinos within 25-minute drives of Portland, Maine. People are not going to come for that. One-third of the market on *Scotia Prince* was just for gaming junkets. That is gone.

The other part of it is that we believe that Nova Scotia is a destination for vacationers - we really do. It's beautiful up here, but when you take the marketing away for five years - and I'm going to ask Owen John to talk about this in a minute because it's important that everyone have a clear understanding - when you stop the marketing completely in New England, it takes time to rebuild. Massachusetts is spending \$10.5 million a year just on marketing. That's for maintenance and I'll ask Owen to talk about the marketing part of it.

MR. OWEN JOHN: I think it's probably helpful to back up to where we were last year and the main thrust of our marketing to introduce *Nova Star* as the ship and talk about how great it was, how your vacation starts the moment you step on board. It really was all focused about the ship and as the season went along, we started to look at things. It occurred to us that as great as the ship is, it's not the reason that's going to get passengers on board. They have to have a reason to come to Nova Scotia and so this last year we evolved our marketing to be promoting Nova Scotia as a destination and the reasons why Americans in the northeast U.S. would want to come to Nova Scotia and, by the way, *Nova Star* is the best route or way to get to Nova Scotia.

If you were to look at our TV ads that are running all throughout Boston, radio and the TV ads, they promote - actually, they leverage Nova Scotia tourism, the association agency assets and we worked with Extreme Group to basically customize existing take-yourself-there television assets and to create a spot that promoted Nova Scotia and then tacked on some nice footage of the ferry as promoting the way to get there.

That has proven the way to go in terms of our web visitation, and interest this year versus last year has been consistently up. I think that essentially whether it's a printout too; 80 per cent of the real estate in our print ads is devoted to whetting the appetite and giving a reason to come to Nova Scotia and then, by the way, take the ship. I think the only caveat we'll say to that is that if you look at Nova Scotia and how Nova Scotia markets itself and has done, whether it's lobsters and whale-watching, et cetera, coincidentally that's how Massachusetts and Maine promote themselves.

Our challenge is really to figure out a way to speak to the same market and rather than just telling them to come up the coast and go to Maine, to look at lighthouses and whale-watch, come to Nova Scotia and go the extra mile on the ship and enjoy all the unique things there which is why in our print and radio spots we focused on the darkest skies tourist destination, the tidal bore rafting, Bay of Fundy, Annapolis Valley wine region, Cabot Trail, and really showcase what are those iconic and really exciting reasons to come to Nova Scotia.

MR. AMUNDSEN: I'll just add one more thing: people are of habit, I think. All of us, when we find a fantastic vacation spot, we like going there year after year. When the four-year interruption of service occurred, a lot of people had to find a new place to go for vacation. The average vacation is five days. They're not going to spend two of the five days driving up and around, which is kind of really the position for us to get people - the land bridge getting over here to Nova Scotia.

If you live in Boston, Massachusetts, you can drive two hours and get on the ferry and wake up - get out of work on a Friday, get on the ferry, and you wake up in Yarmouth, Nova Scotia, to begin your vacation. So we are the land bridge and it's important that we not only get people to come back up to Nova Scotia, we need to change their vacation habits again so that next year they come up to Nova Scotia and it's their principal vacation direction.

MR. DANNY MORTON: Also, just to interject, I mean it's important to recognize that ferry marketing went away when the ferries went away. The provincial marketing that supported that and supported the province as a destination to that New England market, for all intents and purposes, went away with the exception of Atlantic Canada Tourism Partnership, a small amount went there. But also, CTC, what is now Destination Canada, has gone through years of not marketing Canada as well. It is only in this past year that they've decided to go back into that marketplace, and through Connecting America, starting this coming year and over the next three years, there is going to be a concerted effort looking for partners to be advertising Canada again as a destination, which is really important for us to get a handle on because we are an international entry point.

MR. CHAIRMAN: Thank you very much. Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you for coming today. It's good to hear the information that you're sharing with us.

The minister has repeatedly asked for financials and has repeatedly been delayed on receiving the financials. Can you explain why the delays have occurred?

MR. MUISE: We are currently up to date on all financial information for the province.

MS. LOHNES-CROFT: Now - but it took a while to get it.

MR. MUISE: Yes. So the number of factors, the 2014 audited statements were independently done by Grant Thornton. The first audit of any start-up takes longer and is more complicated than most, so that was a factor. On top of that, we were dealing with third parties whose financial information was outside the country, and that just complicated and delayed things even more, along with some personnel changes that have happened over the years, but we're there.

MR. CHAIRMAN: Mr. d'Entremont.

MR. D'ENTREMONT: Thank you very much. I want to go back to maybe packaging and marketing for a few minutes. Of course, when someone travels to Nova Scotia they're expecting to do something, they're not just going to come and drive around Highway No. 103, hit Halifax, drive down Highway No. 101, and head home again.

What kind of work is being done to match up with our destinations, with our busing services, with our tour operators, to provide the travellers with options? How has that been going - I'm looking at Danny because I know he has been working on some of that. How has that been going and are you getting the support from the department, as well, in trying to make these things happen?

MR. MORTON: The lucky thing is that I've lived here in Nova Scotia for 44 years so I know a lot of the product. I am the one who is putting together our packaging that we've been doing. We were really happy this year to launch our Discovery packages and our Discovery packages, one of the things I discovered last year as I was doing different trade shows in the United States, was how few people really did still know about Nova Scotia as an option, whether that be travel agents, wholesalers, whether it be motorcoach companies, there is lots to be mined out there.

One of the challenges that they have is understanding the product here in Nova Scotia, and have an easy way to book. Travel agents do an amazing amount of business down there, you've got the numbers, Owen, but we've been enjoying the benefits of the AAA network in New England. They needed and wanted and are using the pre-packaged itineraries that we are putting together to make it easy for them to book. So you can now book anything from a one-night package to a seven-night package in Nova Scotia. We're selling hotel rooms like crazy, we're not just selling ferry passage. I just took a look in the last couple of days and the numbers for the Fisheries Museum, Annapolis Royal Historic

Gardens, the Citadel, we're selling tickets for passage for all of that, packaged in with itineraries, to make it easy for people to book.

It's really a win for all, it's a win for the Nova Scotia companies that are enjoying the benefits, it's a win for the customer, it's making it a lot easier for them to book, and it's a real win for the travel trade and wholesalers out there who have really been needing some easy way to book into Nova Scotia and we're finding that it is being successful.

MR. AMUNDSEN: I just have one more. Danny, you may want to talk about the motorcoaches for next year.

MR. MORTON: Sure. That was even a surprise to me last year, the fact that we got 18 motorcoaches in our very first year, to think that there would be the ability to get any was honestly a surprise to me because of the lead time that most need in series, in bigger companies. Again, what I've been discovering is there's a whole lot of smaller companies and custom tours that are interested once they learn about some of our exciting product here, whether it be an historical visit or the Tattoo has been a huge one for us and really important as an attraction.

I just had one company that used to come to Nova Scotia, stopped when the ferry stopped. He just confirmed 10 dates with us next year which is great. We've got issues with some of our bigger series and some of our bigger companies that are still kind of waiting on the sidelines. This year we're going to do 70 and we've already got 40 on the books that have asked us to hold them space now, and most of them are new so it's a really bright shining light.

There are a lot of people who think that the motorcoach market is dead and not around anymore, but it's just not true. They are out there, they're looking for new places to take their people with some exciting product. I think about the new museum that opened near Shelburne, in Birchtown, there's just some really great product that there's great interest for if we can get the word out there and make sure that people are aware of it and have enough lead time to book. I'm being asked now for 2017 rates because that is how long in advance people need to know to get us in catalogues, to really maximize on that opportunity.

MR. CHAIRMAN: Mr. Belliveau.

MR. BELLIVEAU: In your presentation earlier you talked about, if I have my numbers correct here, that the U.S. ridership compared to last year is up over 7 per cent. The Canadian ridership is down by 40 per cent. I find that interesting because the projections are that Nova Scotia in total is projected to have one of the highest tourism seasons ever, I find that very interesting. I was going to ask you to explain. The other one interest in your presentation, you made several notes where you talked about the cost of fuel. When fuel is available, other than this past weekend, it is the lowest it has been in a number of years, worldwide. Nova Scotians would like to know the answer to that. The

cost of fuel is the cheapest it has been for a number of years, and yet in your presentation you make reference to it several times. Nova Scotia is enjoying one of the best tourist seasons overall, can you explain those two points, please?

MR. AMUNDSEN: Yes, the people coming to Nova Scotia, there are three areas we look at. Ontario - because people in Ontario will drive across the Massachusetts Turnpike, get on the ferry in Portland, Maine, and go across to Nova Scotia. In Quebec, people will drive down from Montreal to Portland, Maine, and take the ferry over. We have seen reductions in that this year and we attribute that to the cost of the ferry when you look at putting in the reduction in the currency exchange. For people in Nova Scotia to go to Maine for vacation is very expensive. Maine anticipated having five million tourists come from Canada into Maine this year. That number is going to be down by well over one million. It's not just the ferry. The currency fluctuation is a real aspect that we have to deal with.

In regard to the fuel, last year we were paying over \$750 a metric tonne for fuel; it's a fairly good-sized vessel. This year we're paying \$350 a metric tonne for fuel. It's a substantial decrease. Part of that is because we got permission from Transport Canada, the U.S. Coast Guard, EPA, and our flag Bahama - we're in a two-year trial period for our conversion to natural gas and we're allowed to burn an alternate fuel during that time period, which is much cheaper than anyone could use. We operate 100 per cent of the time in the North American emission controlled area, which has sulphur limits. This has a drastic effect on the fuel.

We have a fantastic fuel program going forward. We understand that we are going to have the volatility - the natural gas aspect because of the reduction in the northeast will give us a long-term controlled pricing, which will be predictable, and that's what we need.

MR. JOHN: I think I'd like to add too, as I said before, when we're running heavy TV advertising in greater Boston and Connecticut, add in Rhode Island, New Hampshire, and Maine, and we're doing print and magazine advertising that's promoting Nova Scotia in those scenarios that I explained - I think that 80 per cent of our marketing messaging is promoting Nova Scotia as a destination, and 20 per cent of it is focused on taking the ferry as a way to get to Nova Scotia.

I don't think it's inconceivable to say that a lot of people are looking at our advertising and get enticed to go to Nova Scotia, but ultimately, it's not hard to envision a scenario where a couple look at one another and say: Hey honey, we could go to Nova Scotia, we could drive up there this weekend - it's just 10 hours; let's go. I think that's great. I think we're taking the right approach. We help benefit Nova Scotia in general, which is a big part of our job. I think that however they get there, some of them are being driven by advertising and marketing that we're doing.

MR. CHAIRMAN: Ms. Treen.

MS. JOYCE TREEN: Thank you for your presentation. You'll have to excuse me, I get allergies and I start coughing.

I took the ferry, not this past August but the August before - my family and I went down and came back on the boat. I was actually shocked that there was absolutely no literature on there about tourism. There was none on the way down to Maine and there was none on the way back, and I hunted that boat high and low. There was a lot of singing and games and movies and everything, but there was not one brochure.

I realize a lot of people go on the Internet and they research, whatever, but I know when I vacation - when I arrive or I'm on my way - I look for the little stand where all the small little mom-and-pops advertise because they don't have the money to get into the ads and into the big books. I look for those things because sometimes those are your best little attractions that you get to. There was nothing. Usually I collect them all and by the time I arrive at the hotel, or wherever I'm picking them up, usually I've accumulated so many I can't possibly do everything I want to do and I save them for when I want to go next time.

I've heard it's a little better this time. Is that an option that you guys do? It's how I operate and I know other people do that, looking for things to go to Nova Scotia for - or anywhere.

MR. JOHN: I think you covered probably about four separate things, as we see them in our minds. First off, I'd hazard a guess that it was relatively early in the season that you travelled last year.

MS. TREEN: It was the end of August.

MR. JOHN: Okay. We distribute Starboard magazine in all the cabins. This year we're doing Doers & Dreamers in all the cabins as well. We were distributing Doers & Dreamers at the terminal in Portland and on the ship, in terms of the public display racks. That was last year, and it was certainly better at the end of the season than it was at the beginning. This year it's better still.

In terms of getting provincial literature out there, there's a lot of it to be taken on board the ship or accessed in either of the terminals, including Maine Invites You at the Yarmouth terminals.

However, what we didn't want to get into was operating our own little VIC and tasking our crew to actually manage the stock, pick it up and sweep up whatever ends up on the floor after the end of the sailing, and we still abide by that. We offer the regional tourism guides but at the same time, in terms of having wall-to-wall rack cards on board the ship, we don't think it's the best option for us.

MS. TREEN: I don't agree. The Doers & Dreamers . . .

MR. CHAIRMAN: Thank you, we're on to Mr. Lohr.

MR. LOHR: Thank you, Mr. Amundsen. Earlier this summer we heard some very strong remarks from the Minister of Transportation and Infrastructure Renewal about the possibility of getting another ferry supplier for next year. I've heard you, Mr. Morton, talk about bookings for 2016-17. I have two different questions about those comments. In the immediate or short term, did those comments - that sort of negative press, maybe - have any impact on your operations this summer?

Secondly, the overall concept of putting another ferry operator in place, I'm just wondering what you would think about the timelines of that. It seems to me that there's a very big lead time that would be required, and I wonder if you could comment on that or how realistic that option is.

MR. AMUNDSEN: I think there are a couple of variables that everyone needs to be aware of. Number one, we have a two-year investment into the ferry service in the Province of Nova Scotia - a two-year investment in the ferry service. Our start-up costs were \$10.5 million, and to bring another operator in, you're going to have that cost and more. I can assure you of that.

We are completely set up. We have the best ship you could possibly have on this route. When I talked about fuel earlier, it's important to get a handle on the fuel because if you're going to operate 100 per cent of the time in the North America emission-controlled area, the type of fuel is going to dictate the price and the cost. We have a long-term plan.

If someone thinks they're going to bring a 30-year-old vessel in, they're going to have a really difficult time with the fuel costs because we have an efficient hull, we have the highest efficient engines that are built today. That is critical for the long-term viability of the service - we have to get those elements under control.

The minister made his comments and we respect those. We understand the need for transparency and we respect those. For the timeline to start this, last year we got a very late start with the change of government and the start of the service, and it definitely affected us the first year.

This is not an easy endeavour that we're doing; it is very difficult. The inconvenient truth is that the ridership hasn't been up. Our costs have been right as predicted. We have to build collectively and collaboratively with the Nova Scotia Tourism Agency to get the ridership up. We have a first-class product and we believe in it 100 per cent, and the operator isn't going to change the numbers. We have to collaboratively increase the ridership; that's where the solution is.

MR. CHAIRMAN: Thank you. Ms. MacDonald.

MS. MACDONALD: I'm looking at the original letter of offer and the amending letters. With all due respect, this service has burned through way more money than what is in that original letter of offer, which was to be \$21 million over a seven-year period. We're now at, what, close to \$35 million?

In your presentation you indicated that this can be viable. I think what the taxpaying public in Nova Scotia would really like to know is, how much more and how long? You just indicated that you do have a long-term plan so I would assume that you have looked at what we're looking at on a go-forward basis for I don't know how many years.

MR. AMUNDSEN: We have to get to that 80,000-passenger threshold for us to be commercially viable. That is not a difficult - in time we can see us getting to that in a number of years. We did not expect to start where we did last year at 59,000 passengers - we did not expect that. The last year The Cat ran, it had 76,000 passengers.

We offer a product which we believe once we re-establish the route equity, we can get to 80,000-plus passengers. But this isn't 2004 anymore. Travel patterns have changed, it's very expensive to get the marketing. To reach, for instance, into New York is extremely expensive. We try to be smart with our money, we're trying to spend it in the right areas, which we are. The number-one market we're going after is Massachusetts, Maine, New Hampshire, Rhode Island, and Connecticut. We have to get in there. We have to bring those people up to Nova Scotia. It's going to take time.

MS. MACDONALD: How long and how much?

MR. AMUNDSEN: I would say it's probably going to take three years to get there.

MS. MACDONALD: And how much more subsidy?

MR. AMUNDSEN: Each year we're going to draw less and less. It depends on a number of variables and . . .

MS. MACDONALD: How much less have you factored?

MR. AMUNDSEN: We have not factored for 2016, but it will be less.

MR. CHAIRMAN: Thank you very much. Ms. Lohnes-Croft.

MS. LOHNES-CROFT: I'd like to go back to Mr. Muise. So you gave us the reasons for the delays - going forward, how are you going to change that?

MR. MUISE: We've made those changes, everything is going to be on time all the time. In fact, we provide the province with updated cash flow projections every single week. Twice a week we send our updated passenger numbers and every week the

government - their monitors, KPMG - are sent copies of all of our invoices and check registers. They're getting information all the time.

MS. LOHNES-CROFT: Okay, great, thank you.

MR. CHAIRMAN: Mr. Amundson, you have about four minutes left. Do you want to have any closing remarks?

MR. AMUNDSEN: Yes, first of all we'd like to thank . . .

MR. CHAIRMAN: Hang on a second.

MR. BELLIVEAU: I thought we were going longer in having some questions.

MR. D'ENTREMONT: What was the half-hour for, then?

MR. CHAIRMAN: Fine, we can go until 10:20 a.m. I was thinking that if we started five minutes early, then we're going to go five minutes just to get . . .

MR. D'ENTREMONT: At least five or 10 minutes for this one and then we can do five or 10 minutes on the next one.

MR. CHAIRMAN: The idea was that we wouldn't have to go longer because we were trying to keep it before 12:00 noon. I was trying to be respectful of time. Cutting it five minutes early on the presentation, to make sure that we don't go beyond 12:00 noon, I was just being respectful to all the time around this table. Ms. MacDonald.

MS. MACDONALD: I'm not on the list but I was just going to say, why don't we just complete the people who are on the list and want to ask questions?

MR. CHAIRMAN: Oh, the list goes on until 1:00 p.m. if we wanted to. I'll just throw it to you guys for closing comments - go for it.

MR. AMUNDSEN: First of all I'd like to thank you very much for the opportunity to meet with you. I think it's important because sometimes it's important for you to hear our perspective, our side. Re-establishing the ferry service is a very complicated - there are so many variables in here that it's a very complicated issue. It's important that you understand a lot of our variables.

We very much appreciate the support from the Province of Nova Scotia and from the people in Nova Scotia. This is a very important aspect for Nova Scotia, we get that. We're improving, and we intend to have a viable ferry service in the future. Thank you very much.

MR. CHAIRMAN: Thank you. We'll just recess so you guys can get sorted out and TIR can come in.

MR. D'ENTREMONT: Really, really - could I have your . . .

MR. CHAIRMAN: You have one minute - go.

MR. D'ENTREMONT: This is supposed to go until 10:20 a.m. We're not even at 10:20 a.m., we're five minutes early. There are a few more questions to be asked. Why can't we ask . . .

MR. CHAIRMAN: We started five minutes early in respect that everybody was here and now we're trying to . . .

MR. D'ENTREMONT: We gave you an extra half-hour on this to ask some questions. Why can't we at least get our questions?

MR. CHAIRMAN: Mr. d'Entremont, I understand your position, I respect that, but at this point we've already ended the meeting.

MR. D'ENTREMONT: We haven't ended the meeting.

MR. CHAIRMAN: Mr. d'Entremont, may I please speak? Will you at least respect that? Thank you. We started five minutes early, because everybody was here, to get the meeting going. Now we're at the point of - they had their hour to speak and now the next group is coming in. We're trying to keep this meeting on time, efficient, and respectful to everybody's allocated time in the question periods that we have allocated.

Saying that, now it's TIR's turn to come in. Thank you. Mr. Belliveau.

MR. BELLIVEAU: Could I have 30 seconds? I think everybody in this room had the impression with your leadership that they had more time and we did not get through the list. I think it is simply again that you are stamping on the rights of people who are on this list. Everybody in this room knew that there would be extra time to have some questions. I can look at the clock and we have not achieved it and we're being shut down again.

MR. CHAIRMAN: Sure thing. Mr. d'Entremont, you have exactly four minutes to ask a question and I will be stopping this meeting exactly at 10:20 a.m. I apologize to the guests for this. Go ahead, Mr. d'Entremont.

MR. D'ENTREMONT: Going back to a question that my colleagues from the NDP asked - the original funding level established by the NDP in 2012 was \$21 million. The Liberal Government at the time didn't amend it. Minister Samson had said at the time that it became blatantly obvious that the deal was unrealistic from day one. So my question to

you, Mr. Amundsen is, did you believe, your company, upon signing your deal that the \$21 million over seven years would work or did it actually go back to the expert panel report that it would cost somewhere close to \$35 million to get a service up and running?

MR. AMUNDSEN: It's clear that the expert panel report had a different number or higher number than the package that was started in the summer of 2013. The numbers and where we are today has everything to do with where the ridership is - the people coming up here. Our expenses were spot-on and have been spot-on from day one, but the revenue side is driven by the number of passengers and until we get that built up - and we have done great strides this year into cutting our expenses down and trying to increase the ridership. That's the key. We've got to get the ridership up to here or it's not going to be viable. That's the key.

MR. CHAIRMAN: Mr. Belliveau, you have three minutes.

MR. BELLIVEAU: Mr. Chairman, through you to the president, you made reference to fuel several times and you alluded to the fact that you were going to move towards natural gas, which was cheaper. My question is, everybody would like to move towards a cheaper fuel supply - is the infrastructure in place for that to happen with this particular boat in southwest Nova Scotia?

MR. AMUNDSEN: Yes, it is. Not in southwest Nova Scotia - in Maine. That's where the natural gas pipeline is. It's much cheaper; LNG is much cheaper in the U.S. We have a company that we are working with that is working with us for the capital expense of equipment that will be needed. The infrastructure will be via mobile trailers. We won't need an LNG fuelling facility.

We're right now one year into the planning cycle of this, and now we're going to get into year two and we're going to start doing the capital expense of purchasing the equipment. It's complicated but natural gas gives us that solid base for pricing going forward. We can't have the volatility going up and down.

MR. CHAIRMAN: Ms. Lohnes-Croft, you have two minutes.

MS. LOHNES-CROFT: You've almost completed two seasons of the ferry run and I'm thinking about bringing tourists here to Nova Scotia, which is a goal of the provincial government. You've mentioned some long-term planning and I want to know - most people planning vacations don't do it on the spot. A few do, but people have to accommodate their vacation time when their children are free from school and whatnot. What are you putting into long-range planning for vacation packages? Many people plan a year, two years in advance to a vacation. What are you putting in your marketing strategy for that?

MR. JOHN: I think when it comes to the ferry, a considerable number of people are booking within two to three weeks of travelling one, in terms of not doing the long-

term annual planning early in the season - some do that but more and more are taking shorter vacations with less planning or notice, if you will.

I think regarding the Discovery program, we'll be the first to say that it has been a challenge to get it up and running. We implemented a new reservation system and Danny has had fantastic packages planned and ready to go from February. But getting those into the system when there are other challenges that were associated with being mission-critical and sailing on June 1st, meant that actually implementing them through the reservation system got postponed. Now we're at the point where we have the first tranche of packages set up, ready to go, and we're going to continue to just build out more and more and do other packages on the Maine side - or New England for Canadians going over too.

MR. MORTON: Yes, and there's no reason somebody can't book one for next year as soon as we've got the go. There's lots of opportunity for preplanning as well, for those who do like to plan in advance for sure. Everything is in place.

MR. CHAIRMAN: You've got seven seconds.

MR. LOHR: Can you tell us about bookings for next year, where they're at? I assume you're taking them right now; what level of bookings do we have for next year?

MR. CHAIRMAN: Thank you very much for your time. We greatly appreciate you guys coming to the meeting and doing this presentation. Thank you, and sorry for the little debacle at the end.

[10:21 a.m. The committee recessed.]

[10:24 a.m. The committee reconvened.]

MR. CHAIRMAN: A quick turnaround. We're now a little behind, but that's okay I guess.

Just a little piece of information for you gentlemen and the colleagues around the table. Just to be clear, April 9, 2015, was when TIR took control of this file, so that was Budget Day. So questions prior to that - that had been ERDT - they might not have the expertise or the knowledge to get those questions. I'm just putting it out there in this discussion to keep in mind when you're asking questions.

I will now put it over to Mr. LaFleche and we'll start round two.

MR. PAUL LAFLECHE: Okay, thank you very much. I'm very pleased to be here today. I have only a few short opening remarks, and we have no time constraints so it's really up to the Chair and the committee what our time constraints will be. Our dance card is not exactly full after this meeting. Member Belliveau is thinking about my hockey career but it won't start for another month or so.

Good morning and thank you for the opportunity. We appreciate that you could have delayed this meeting but we thought it was important to come here anyway at this time and meet with you. The first thing I want to do is congratulate - we have two new members here today, Mr. Mombourquette and Mr. Wilton. Congratulations, I hope you are going to have a lot of fun in these jobs.

I have a whole team of people with me today and I'll introduce them during my talk here. I think it's always good to start with a bit of definitions because there's one confusing thing that gets mixed up a lot out there: that's the Nova Star word. There are, in effect, two Nova Stars and just so we know what we're talking about, one is Nova Star the company that manages, the operator of the vessel. I believe they are still sitting behind me, they just testified. Still there, you're okay? The other is *Nova Star* the vessel, the boat. They are owned by ST Marine out of Singapore. So when you talk about Nova Star, when you ask your questions and we give our answers, we're going to try to be careful to differentiate the two because they are two very different things with the same name, and that gets people confused in the public. They are not the same legal entity.

Okay, so I've done that. The next thing I'd like to do is say that on behalf of the government, the government is committed to a long-term ferry service between Yarmouth and New England. We have several points of entry for transportation into this province: we have the Halifax airport; we have a Sydney airport; we have the road gateway that Mr. Fitzner here maintains through Cumberland County, from New Brunswick; we have the Marine Atlantic ferries; and we have the Digby ferry. For most of southwest Nova Scotia the Yarmouth ferry is their gateway to New England and New England's gateway to us - in fact, in many cases even Ontario and Quebec's gateway through New England to us. It's an important gateway, the government has a long-term commitment to this gateway and it is very realistic that this will require some level of subsidization.

We currently subsidize virtually every one of those other gateways that I've mentioned, to some extent. We have an existing ferry system internal to the province, which we subsidize, so we're under no illusions that we won't be subsidizing that. So I think that's a bit of a change from where the governments were in a previous era where a lot of this was looked to be self-supporting.

We've been only in this file, as the chairman kindly mentioned, since early April. There was a previous department - Economic and Rural Development and Tourism. There have been a few ministers there but there has been one constant deputy, Simon d'Entremont, who comes from the Yarmouth area. I know he was very, very involved in this ferry and very concerned that it succeed. He worked very hard on it with his staff - David Oxner and Chris Brown. I know he wishes, now that we've taken over the file, every bit of good luck we can to make this ferry successful on the part of his home community.

One of the things he understood and I think many of you, such as Mr. d'Entremont and Mr. Belliveau who come from the area and understand, is the important long-term cultural significance, as well as economic, of the ferry to New England. For over 300 years

the people of southwest Nova Scotia have connected with the people of New England via water, be it fishing boats, ferries, cargo vessels, previous types of vessels that traversed those waters, and it is the intent of the government to maintain that type of cultural as well as economic connection going on to the future. They realize it will cost some amount of money.

I have a small team of people with me here today and I'd like to introduce them one by one and tell you what they're going to talk about. To my far left is Diane Saurette, who is our Executive Director of Finance for the department, and Diane can answer questions - there were several questions earlier about finances and fiscal reporting. That is Diane's area of expertise, she deals personally with Mark Muise at Nova Star on that and with KPMG.

Alan Grant on my immediate right is our Executive Director of Policy, so if you have questions about where we've been under this contract that we inherited from Economic and Rural Development and Tourism or where we're going forward, what the process is to select a new operator or even select the same operator - we might select the same operator. They're still under contract and we might use them next year, no one said we wouldn't. But we did commit - the previous minister, Minister Samson, committed to a process of looking at other options. Alan is running that process and he can talk about it.

To my immediate left is Martha Stevens, who is the Director of Marketing for the Nova Scotia Tourism Agency. We are a transportation department, we're not economic development and we're not tourism and marketing, so we cannot go into this without the co-operation of the Tourism Agency - their chairman, Ben Cowan-Dewar, and their current CEO, Michele McKenzie. She unfortunately cannot be here today for personal reasons but has been with us through many, many meetings and has met the officials from Maine. Martha is an expert in marketing, she actually came from the private sector within the last year and she has a good take on where we're going in terms of what we need to do to make this service achieve - to deliver this service at the least cost, with the most economic benefit to Nova Scotians. So she'll be pleased to answer those questions.

Mr. Chairman, I'm almost finished speaking, you don't have to cut me off yet. Just listening to you before, I can't afford to lose an arm if I want to keep that hockey career going.

The last person I'm going to introduce is Bruce Fitzner, our chief highway engineer. Some of you may be asking why Bruce is here. He was last seen selling a used asphalt plant. (Laughter) Unfortunately that career came to a rapid end - very successfully, he got his price for it - and we don't have any more to sell it seems. He has a couple of things, and I'll explain technically in a minute why he's here, but he's also our sponsor here today so those in the back there who are taking care of coffee and water, Bruce has sponsored that. It's on behalf of his new gravel road program, high-quality gravel roads - he's into that now. He would like to replace any MLA's beat-up, 30-year-old, chip sealed, sand sealed

or potholed asphalt, with a brand-new, high-quality gravel road - not a lousy gravel road like you're thinking of, but a high-quality one.

Bruce is available later for you to talk to - he is also the lead singer for the TRAK band appearing at Big Leagues in Dartmouth on September 12th, but substantially why he's here is to answer a few questions. Bruce runs the ferry service that we have and it's one of the reasons why this file was transferred to us, it reports to Bruce. If you have questions - and I don't think there were many earlier, but there may be - about vessels, about the law of the sea, about navigation, about marine engineering, things like that about captains on boats. Bruce probably doesn't have the answer at his fingertips, but he's here to collect the questions and talk to the experts on his staff who may be able to bring back those answers.

With that, without any further ado, I'll shoot it over.

MR. CHAIRMAN: All right, we'll start with Mr. d'Entremont.

MR. D'ENTREMONT: Mr. LaFleche and the team, good to see you all once again. This issue has probably been the most difficult political issue I have ever had to deal with in my career in this Legislature. On one side I want a service for the long term for the people of southwestern Nova Scotia. On the other side I have taxpayers who are interested in making sure we make the right decisions and keep it in a transparent way.

I have been painted by some, mostly the previous minister, of being negative and against the ferry and that was very apparent during the announcement back in - when did we make that announcement in Yarmouth? I think that was back in March. It has been about the concern to make sure that we have a long-term ferry service in southwestern Nova Scotia. If anyone knows an Acadian in southwestern Nova Scotia, they all know that we're worrywarts. We worry about everything. We worry about the weather. We worry about what the roads look like. We worry about everything, and that's what the concern is about this ferry service - it's the concern about the long term of it.

My question does revolve around the contract. We've got this year and we've got last year under our belt. We're not quite making our target this year. The minister has been talking about a possible new contract with either this company or with another company. When is that decision going to be made so that people can book for next year and that people in southwest Nova Scotia can be assured that that ferry service will continue? If it doesn't, I don't know if I can go back to my community and put up with that negativity that we did during the first four years that we didn't have that service.

MR. LAFLECHE: I'm going to let Alan Grant answer that question, but first I'll say the government is committed to no discontinuation of the ferry service. We have an experience with Nova Star. People can say what they want about that experience, but it's a start-up experience. They're only two years in and we were committed to looking for someone who might be a better operator with a better boat and better this and better that.

On the other hand, that may not exist. They may be the best operator, the best boat and everything.

They are under contract and they will be the service next year if we can't find a better service. We are not worried about not having a service for next year in that way. We would be worried if we didn't have a service. We need the continuity of service. You heard that earlier, I believe, from Nova Star. You've seen that with some of the expert comments that we've had in the media. We need a continuity of service to build a market in the product. Martha can talk about that.

We're also cognizant of the time required to make a decision and maybe Alan can speak to that.

MR. ALAN GRANT: Thanks very much. Shortly after TIR took over this file, we started to have conversations with both the current operator and other people who were interested in this particular service.

There was a process set up under ERDT to go out and look for an alternative service. Those conversations occurred throughout the summer and recently we issued an expression of interest to four companies who we felt were in the position to offer the service.

I do want to reiterate, our position all along has been - we do have an operator currently servicing the Yarmouth ferry and we've been working very closely with those folks to ensure that it's not only successful for them, but successful for us as well.

We are in the process of finalizing what we view to be the important elements of a proposal going forward, and as the deputy already pointed out, there has been a lot of discussion about whether this is the right boat or the wrong boat. It is a boat. It is capable of servicing the run and we're not aware at this point of whether there is a better boat out there or a better operator. So that's the process that we're in now and we will evaluate that. We have been quite objective in that evaluation, and we'll work with those individuals going forward in terms of evaluating any proposal coming forward to provide long-term certainty to the government and the province.

MR. LAFLECHE: Martha, maybe you can answer - why is a discontinuance of service or a gap not good? (Laughter)

MS. MARTHA STEVENS: I think what's important here is that from a Tourism Nova Scotia perspective we entered - re-entered - the New England market in 2014 after an absence from the last ferry provider and we've seen some really positive growth in 2014. Again, we're right in the middle of our season. We're seeing a very strong recognition of Nova Scotia as a destination, but to earlier comments, it does take time.

I feel quite confident after two years of being back into the New England market, there is demand for Nova Scotia as a travel destination. Having a gap, again, would put us back to a negative starting point, I suspect. So that momentum is - we're just at the early stages of regaining that momentum.

MR. CHAIRMAN: Mr. Belliveau.

MR. BELLIVEAU: Thank you very much. Paul, you alluded to the fact that you didn't want to talk about your hockey career, but I think it's a very good lead-in because I don't know of any hockey team that does not have the agenda or their players set for this coming season. What we're talking about here is creating a gap and we talked about the minister in August was going to have a date set when they would announce who would be the ferry service or the company that will complete the service for next year. Now the can has been kicked down to October.

I guess my question is, there are a lot of people - tour bus operators and all those businesses like that - need to have that set in stone so they can conduct their advertisement. I see this gap being created by a minister who hasn't made a decision so to me, I think that's crucial now to kind of flush that out so my question is around that. Do you see that as a potential problem for the next coming season, and what advice are you giving to the minister as he pushes this decision further down the road?

MR. GRANT: The deputy is nodding to me. I want to reiterate again, we do have an operator for next season so we do have that continuity. The question we were asked is, is there a better operator and is there a better vessel out there for this particular service? We don't know the answer to that question. We've had several conversations with different people. We are not aware at this point that there is somebody else who has a fundamentally different vessel with fundamentally different attributes with a totally different plan that is going to offer better value for Nova Scotia, so we continue to work with the current operator. We have a contract with them and we are continuing to work with them to make sure that this is successful.

Any break in the service would be completely unacceptable for everybody, we understand that.

MR. LAFLECHE: I think it's important to say too, though, although we changed the process somewhat in terms of instead of going at it with a public RFP, we did a request for service with four specific groups - three plus Nova Star. The end point of the process is the same as it was advertised last February: it is still mid to late October that we will have a decision.

People were expecting in April maybe to see an RFP in the newspaper because that type of process, a world-wide search, would take six months. We went with a very different service approach because we've already done two of those before - sorry - your government, the previous government, did two of them and we sort of know what came

out of there. We sort of know what's available in the world, a lot of work has been done so we felt it best to look at what came out of those previous approaches two, three years ago, who is out there, who could we deal with, who is interested.

We went to the request for service mechanism, which is a very different procurement mechanism, which meant we could deal a lot longer, we could see how this season went and we could make the right choice on behalf of Nova Scotians but still end up with the same decision date.

MR. CHAIRMAN: Thank you. Ms. Treen.

MS. TREEN: Thank you for your presentation. My question is back to tourism again. I believe that tourism, I mean the boat is an experience on its own but the key to all this is tourism, right? I mean people, it's what you're going to get at the end. I do believe those little brochures that end up on the floor are very important to tourism beyond the Doers & Dreamers and if you have to pick them up, you've got to pick them up.

I'm asking you, what is your plan for marketing Nova Scotia, tourism? What do you guys have in the works?

MS. STEVENS: As a bit of context, we're just re-entering the New England market as a primary market for Tourism Nova Scotia. We re-entered in 2014 with a fairly significant campaign because we had to rebuild that awareness. We had several different tactics, from event marketing through to direct to the consumer and so on in 2014 and we saw some really good growth coming from New England into Nova Scotia, about 18 per cent over the previous year.

Then in 2015 we took a bunch of those learnings and we've re-entered the market. Just as a bit of context, our campaign typically starts in about the March time frame, because as was alluded to before, the travel planning does start - from our research we know it starts in and around the March/April time frame so it's very important to get out to seed the market with some of those awareness bullets around destinations like Nova Scotia. So in 2015 we are just wrapping up our campaign. About the middle of August it came to an end. Our August numbers aren't final yet, but with our year-to-date July numbers, we're seeing yet again double-digit growth coming out of New England so that's two years of strong performance, but as alluded to earlier, we feel that there is still a lot more opportunity.

Having been absent does take its toll and it does take its time to rebuild. So as we go into our 2016 planning - and quite frankly, we will not start the official planning process for another four to six weeks because we have to get through this season and take all of those learnings, understand what worked well and what didn't work well. Then we will re-enter with a significant investment, both in resources and budget in the March time frame in 2016.

Now from a ferry provider, we worked quite closely with our colleagues with Nova Star to help with messaging because it does take quite a bit of energy. So the Tourism Nova Scotia messaging, in addition to the Nova Star messaging, really helps to plant that overall awareness of Nova Scotia as a destination. So the ferry message will continue to be a key call to action.

I must also allude to the ferry's method of getting to Nova Scotia, we also will promote other options. A road is still a very viable option for many visitors and we're actually seeing a little bit - our numbers so far this year would say that we've seen a really significant rebound in road traffic. So that family destination - getting into the car and doing a 10-day trip seems to be a bit back on the radar. Then, air access is going to be a very important call to action.

So from a Tourism Nova Scotia perspective, we're looking at all modes of transportation and that ease of access of getting to Nova Scotia. So in a nutshell, 2016 will be a culmination of a couple years of learning, but we're very optimistic that Nova Scotia is back on the radar from a destination perspective.

MR. CHAIRMAN: Mr. Lohr.

MR. LOHR: My question is for Minister LaFleche. Previously with ERDT, there was some controversy over the timing of the forgivable loan and the transparency with that. I'm just wondering, if I think about going forward, possibly if there's not winter work found for the boat, maybe more money will need to be advanced to Nova Star. I'm just wondering if you could tell us about the process in your department of how that decision is made to advance more money in the form of a forgivable loan.

MR. LAFLECHE: Diane Saurette is probably the best person to answer that.

MS. DIANE SAURETTE: For this season, which would end December 31st, the province has committed up to \$13 million so we have committed to date, out of that \$13 million, \$9.6 million. That \$13 million is based on cash flow projections that actually have been updated by Nova Star. We received that recently.

We are on projection to meet that \$13 million. So there would be - when the decision is made for 2016, we would need to see the proposal and understand what level of subsidy would be for that sailing season.

MR. CHAIRMAN: Ms. MacDonald.

MS. MACDONALD: Deputy, I think what I've heard you say today is that we're in this for the long term. The government has made the decision that this is something that they're committed to in perpetuity or indefinitely.

We've heard from our previous witnesses with respect to the requirements for ongoing support. So my question is about how much the ongoing support will be. I'm assuming that your department has looked at that. The subsidy this year has been in the range of \$13 million.

I have two questions. My question is about what is the range of subsidy that will be required on a go-forward basis that you've calculated or you're looking at - the range of subsidy? Also, what is the operator in for in terms of the financial part of the arrangement? I notice in the original letter of agreement that the company would inject at least \$3 million into the ongoing operational costs. So I'm wondering, has that occurred and what is the ongoing set of requirements for the operator in terms of the skin that they have in the game?

MR. LAFLECHE: I'd like to answer the first part of the question, but I need to clear up the second part because I'm not sure if you're talking about the operator or ST Marine, the owner of the boat, in the second part. Do you know, Diane, what she's talking about?

MS. MACDONALD: I guess it is the owner of - confirmation that ST Marine will inject at least \$3 million in the JV Company, if needed, to cover operating losses and the terms thereof. That was in the original . . .

MR. LAFLECHE: So this is where I'm glad I had that little lexicon lecture at the front end because, in fact, that is not the group behind us, but that is ST Marine out of Singapore. I don't have the agreement in front of me, but as I recall, the agreement was based on - provided that the government committed to the seven years with the boat and there were various other - we can get the details for you. But as you know at this stage back in February, we made a decision to go out and look potentially at whether there was a better situation. We have not yet committed to seven years with the *Nova Star* boat.

Minister Samson and Deputy Minister d'Entremont and myself did have a discussion with the president of ST Marine back in the Spring and an arrangement has been made around that, but that arrangement has not been triggered and finalized because we have not yet committed to the boat. The president - Mr. Sing Chan, I believe his name is - is looking forward to completing that at some point, but we're not there yet. So that is not off the table, but it's not on the table because we have not completed the requirements which were in the original arrangement and negotiated probably about two and a half years ago.

MS. MACDONALD: So just for clarification, does that mean there's the potential for the province to realize \$3 million that we haven't realized yet?

MR. LAFLECHE: The potential is there if we meet certain conditions.

MR. CHAIRMAN: Thank you. Mr. Mombourquette.

MS. MACDONALD: There was another part to my question that the deputy hasn't answered.

MR. CHAIRMAN: All right, go ahead.

MR. LAFLECHE: Oh, what is a reasonable subsidy?

MS. MACDONALD: Yes.

MR. LAFLECHE: Right now we're at \$13 million. We don't have an exact subsidy - and it's not an excuse - because we understand there's a balance between subsidy and economic development. If we have a proposal and it is a proposal that is achievable, where someone can bring in a lot more economic benefit in terms of numbers of passengers or how much they spend, et cetera, we may be willing to have a slightly higher subsidy than someone who's just running a minimal transportation link, which brings in a minimal number of passengers who don't spend a lot and, in fact, don't spend time in southwestern Nova Scotia. So we're looking at the proposals to really determine that.

When Alan and his team in procurement actually look at the various proposals that come in, we will not be totally focused on the one that tells us they have the lowest subsidy, because as you can appreciate, there may even be somebody who tells us they have no subsidy. In fact, we will probably not look favourably upon that because we don't believe that's realistic. We want to hear a realistic story about subsidy, benefit, and passenger numbers - not sort of a dream.

MR. CHAIRMAN: Thank you. Mr. Mombourquette . . .

MS. MACDONALD: So are you saying it could be higher than \$13 million?

MR. LAFLECHE: No, I'm saying \$13 million is where we are now and we're going to want to go downward and we'd like to get into the single-digit level. If someone requires a subsidy - I'll just give a hypothetical example, which is always dangerous to do with my colleagues in the media at the back there.

Let's say that someone came in and said, I can deliver you 80,000 passengers and I need \$10 million and we found out that's true, essentially they had a plan to do that and it was a realistic plan, it was looked at by many others in the world and everybody agreed that it was a good plan, and they delivered on it, well, that may be better than someone who comes in and says, I'll run a straight transportation link and it will only cost you \$9 million but you'll only ever get 52,000 passengers - and, by the way, they will all be cheap and they won't spend anything on the boat, it will be bare bones; in fact, as soon as they get to Yarmouth they're going to hit the accelerator and get out of there and go to Halifax.

Those are two very different types of target markets. If you look back at what the expert panel - I think Martha can speak to this better than I can - what they talked about

was a cruise ferry where there would be a transportation component to it. There might even be a small cargo component, but those aren't what you're focusing on. You're focusing on that cruise ferry experience and the high-value passengers.

A high-value passenger operation, which brings in a lot more money for Nova Scotia, is probably worth a bit better subsidy than someone who is running a bare-bones transportation operation. So not a great answer to your question because there is no single answer. Anyone who comes to you and tells you an answer, we won't believe them. We're a bit skeptical, but we've learned a lot.

MR. CHAIRMAN: Thank you. Mr. Mombourquette.

MR. MOMBOURQUETTE: Mr. Chairman, a question for the deputy minister, and thank you all for being here today. I'm just looking for some information and an update to the committee on the discussions and how they went in Maine, and are there any future discussions and any commitment on the ferry service at this point?

MR. LAFLECHE: Well, we've been to Maine - we went to Maine once. By the way, in my 12 years as deputy, that was my big international trip, so when you FOIPOP my expenses, you'll see that big trip to Maine. It was exciting to get that international trip that is always talked about - my buddy Kevin Lacey likes to talk about all my trips. (Laughter) It was a good experience. I think Alan was with me, as well as Minister Churchill and Minister MacLellan. A citizen of Nova Scotia came with us also, paid for by themselves.

We had an unbelievable reception from the governor, the mayor, and their economic development and tourism officials. My eyes were opened at how much Maine is actually putting into this. They're a very different jurisdiction with a different way of supporting things. They put their money into things in different ways. They're not putting it into an operational subsidy, they are putting it into the port facility, they're putting it into the access to the port facility, and they're putting it into fuel savings which were mentioned earlier by Mr. Amundsen. They're putting it into tourism and marketing of the vessel and bringing people, in fact, to Maine to take the vessel from other jurisdictions. So they're doing a lot of that, and Martha can probably explain that better than us.

More than that, a delegation from the state then came to Yarmouth and visited with the two ministers and us down in Yarmouth. There's another delegation from the City of Portland coming up shortly to visit with us. The actual amount of co-operation with Maine has been a lot more significant than has been reported or that people are aware of. Alan, do you want to comment on that at all?

MR. GRANT: I think the conversations were very positive. I think the thing that we came away from the meeting with is there's a high degree of support for the ferry in Maine and the City of Portland in recognition for how that fits into their overall

development plans. As the deputy has pointed out, we continue to have ongoing discussions both on the ferry operation itself as well as some joint marketing initiatives.

MS. STEVENS: Just to add to that, in fact, some very meaningful conversations will be coming up for us on the tourism side with our main counterparts in September because we do feel that there is quite a bit of learning that we can share. I think it was alluded to earlier from Owen, if you think about Maine tourism, one of their primary target markets would be to bring more southern New Englanders up into Maine. Well, guess what? That's my target market, as well, so there are some synergies there that we can share.

Furthermore, although it's not my primary goal to send Nova Scotians out of the province, we have quite a bit of learning that we can share with Maine to help fill up that boat because they're going to be going anyway, so we can share some of that. I'm looking forward to some meaningful collaboration.

MR. CHAIRMAN: Thank you. Mr. d'Entremont.

MR. D'ENTREMONT: Thank you. I'm still worrying here. (Laughter) Going back to my original question about when the decision is going to be made, we were late in the first season because of an election and a new government learning the ropes and renegotiating the contracts. We were late last year - I can't remember why but we were late last year once again. By the time we were able to get the reservation system up and running again, thankfully Nova Star - the company - was able to salvage the bus tours that were already supposedly booked, and thankfully for that. Here we are in August - sorry, we're already into September, and we really don't know for sure who the operator is going to be. We're sort of assuming from what we're hearing that it's probably going to be Nova Star, the company, using *Nova Star*, the boat, but we're not sure.

When is that decision supposed to be made? We don't want the third year to be late again, so that everybody can make their own decisions accordingly, in the right kind of time frame, whether they're going to Salon Vacances, whether they're going to the right trade shows and doing all the work that they've been almost unable to do because of these late signings and late situations.

MR. LAFLECHE: Okay, I think Alan can probably address that but I'm getting worried here about your worrywart nature. I do have a bottle of wart remover in my office, not that I need it but I can have Heather get it if you need it. Alan, can you answer that question?

MR. GRANT: Originally what was proposed was to go out with a more traditional request for service proposal where you would advertise, you would get submissions, they would come in, and you do some evaluation. I can't remember exactly what the timeline was proposed on that process but we have continued on throughout the summer to have conversations with potential service providers. We're using a slightly different process in

that what we will do, what we have done, is identify what the important attributes are that we want to have addressed.

It will not be a very prescriptive approach but there will be certain conditions. We continue to work with all potential interested parties on a service provider with full intent of having a service provider in place for the 2016 season. That could be the current service provider with the current vessel, it could be the current service provider with a different vessel, or it could be a different service provider with a different vessel.

MR. D'ENTREMONT: With all due respect, is that November? Is that October? Is that next March? There are some big considerations on that timing piece.

MR. GRANT: The current season I think is scheduled to go through until mid-October. We have been told that we need to have that process in place soon after that season ends.

MR. CHAIRMAN: Mr. Belliveau.

MR. BELLIVEAU: I'm going back to one of my questions, I'm going to use it as a backdrop. We have fuel at the world's lowest price in a number of years, we have Nova Scotia in general the best tourism season in history and in the earlier presentation by Nova Star, the company, made a presentation here, we have U.S. ridership up by 7 per cent from the previous year on *Nova Star*, the vessel, yet Canadians are 40 per cent less than the previous year. I find that under the present circumstances, with the lower cost of fuel and the best tourism season ever across Nova Scotia, can you explain why those numbers are happening that way and yet it does not seem like it is accommodating *Nova Star*, the vessel?

MS. STEVENS: I can take a stab at that. So if I understand the question, why aren't Canadians travelling and filling up and why is the year-over-year passenger service down - is that it?

MR. BELLIVEAU: Well, if I could, the two highlights were that the fuel is at the lowest time ever in a number of years, and we're actually affected by one of the highest historical tourism seasons ever in general in Nova Scotia. So why is that having an effect on Nova Scotia?

MS. STEVENS: Just a bit of context; Nova Scotia is experiencing a very strong season and that's bringing in visitors from New England, other parts of Canada, and international traffic as well. So our efforts are very much specific in bringing those tourism visitors into the province.

If you think about some of the efforts of the Nova Star marketing campaign - not Tourism Nova Scotia's, but Nova Star's campaign - they have quite a large market. My colleagues can speak to their own plans, but they had quite a large market to tackle, so the New England market and also looking at the Canadian market as well. If I can put a lens

on their marketing efforts, it's going to take some time to build up awareness of that ferry service for Canadians as a viable route to get to New England. For instance, Tourism Nova Scotia is seeing some nice growth from Quebec and Ontario coming to Nova Scotia. It's a very logical progression to then take the ferry into New England. That message is going to take some time to build up that awareness. In terms of Nova Star's marketing program, it has been a broad program and it's difficult to get that awareness created over a broad series of markets in two short seasons.

I think the short answer is that it's going to take some time, and the more difficult answer is that the overall traveller has many choices, so to be able to get Nova Scotia and then the ferry as a destination is going to just take some time, effort, and re-understanding of that learning that we have after these two seasons.

MR. LAFLECHE: I think when we had the expert panel, it was pretty clear that this was a long-term initiative. The previous government set up the contract in that way, this government is committed to that. People book long in advance and just because the gas price fell a lot this winter, you can't expect everybody to suddenly wake up to that and say, oh my God, 20,000 of us are going to change our plans and come to Nova Scotia, when we've already booked our trip to South Carolina or whatever. These things take time, and consistency in the market is what we're trying to achieve here.

MR. CHAIRMAN: Ms. Lohnes-Croft.

MS. LOHNES-CROFT: Deputy, I was glad to hear you talk about the cultural component here with the relationship between not just Maine - we call it the Boston States on the South Shore where I come from. Many of my family, and I'm sure Mr. d'Entremont's and Mr. Belliveau's, went to the Boston States during the Depression era for jobs and whatnot, and those family connections are still there. With the loss of the ferry a lot of us lost those family connections; people sold their family homes because taking two days to get to Nova Scotia and two days to get back to work was very difficult, and some people were aging and that long trip wasn't any longer viable for them.

Besides the culture of dory racing which we have a great relationship with Gloucester, Massachusetts - and I must thank Nova Star for making it such a welcoming visit for international dory rowers, of which Ms. Kinley's father-in-law is a former international dory champ. I'm wondering with the tourism piece, are we going to build on this cultural relationship that Nova Scotia has with the New England States - come home to Nova Scotia, revisit your roots? Also, is there a two-way reduction in the cost of the fees? I know a lot of people get on the ferry on one side, but drive around on the return visit. Is there a package where taking the ferry twice is a reduced fee or an enhancement for people to ride the ferry the second time?

MS. STEVENS: So a two-part question - first, maybe I can address the cultural component and I think that you've honed in on a very important factor. In terms of our overall messaging and our positioning as part of our advertising campaign into New

England, it talks about a variety of things, but what's sort of centre to all of our different messaging is the authentic seacoast experience. So we really try to position Nova Scotia as a unique destination.

As Owen had alluded to earlier, we are quite similar in many respects from an overall perspective with Maine and New Hampshire and other seacoast States. So being able to position what Nova Scotia does uniquely and those cultural and family ties is an important part of our message. Yes, I think we continue to tweak that and it is an important part. Again, those ties will take some time yet again to rebuild, but we're seeing some of those nice connections come through this season.

Now with respect to the second part of the question, reduced pricing, I can't speak to that but my colleagues here in Nova Star can. From an overall marketing perspective, having attractive pricing and packaging, and again they can speak to it specifically, that's a real competitive driver because at the end of the day it's access. Why would a consumer want to take the ferry, versus driving around, versus perhaps a direct flight from Boston into Halifax? It's got to be that packaging, that experience that is layered on top to make it worthwhile. As alluded to from our colleagues at Nova Star, I think that is part of the learnings and that we continue and they need to continue to promote.

Our focus from a Tourism Nova Scotia perspective, though, is really to address the first issues that you brought up, the cultural connections, the differentiations that Nova Scotia has to offer versus our New England counterparts.

MR. CHAIRMAN: Thank you. We've come to the allotted time. I'll allow a few minutes to Mr. LaFleche to (Interruption) Go ahead, Mr. Belliveau.

MR. BELLIVEAU: If I could quickly, we talked earlier about adding 30 minutes extra to this meeting, that's my point, what was that exercise all about?

MR. CHAIRMAN: We have a lot of committee business to address during that time. I was just trying to make sure that we would have time to deal with the committee business. That was my whole objective there, to have a transparency of that and that was the idea.

Now we've come to the agenda of 10 minutes; 11:10 a.m. is the end of the allotted time for TIR. That's all I was trying to do, give everybody a heads-up that this meeting might go further and that's all. It had no . . .

MR. BELLIVEAU: With all due respect, I think the 30 minutes was allotted for the presenters, for the committee members to have extra time for Q & A's. I think that was the intent of the room and I just leave it at that.

MR. CHAIRMAN: You can leave it at that, thank you for your comments.

I'll say it again, I put that motion forward to allow for extra time to deal with committee business. That was the whole objective of it. When we get to 11:30 a.m. that was the idea, so that everybody was aware that we would have the meeting, we might go over. Ms. MacDonald.

MS. MACDONALD: I don't think we all had the same understanding of what was happening. I'd like to make a motion that we continue with the witnesses for an additional 20 minutes or 25 minutes. I think we can do our committee business in 15 minutes.

MR. LOHR: I'll second that motion.

MR. CHAIRMAN: Okay, we're going to put the motion forward, we're going to be okay with that?

Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

We will give him another 20 minutes. You're very welcome, remember that. Mr. Lohr was next.

MR. LOHR: Thank you, Mr. Chairman, I appreciate the extra time. I think it's sort of well-known that when The Cat was cancelled there were cancellation fees associated with that. I know we've talked about the fact - or you guys talked about the fact that the decision to keep going or who the operator will be will be made in mid-October. I'm just wondering if you can enlighten us if there will be any cancellation fees if you do go to another operator, whether those cancellation fees would be with *Nova Star* the boat or *Nova Star* the operator.

MR. LAFLECHE: Well I'm going to let - Diane, are you going to take that one? I want to first point out that the Chair was very nice about extending the meeting and he is going to be swimming the harbour for United Way with us on September 10th and he needs sponsorship so I'll just let the committee members remember that. Diane.

MS. SAURETTE: Can you ask that - I'm not clear on what you're asking about cancellation fees.

MR. LOHR: Sometimes in contracts there are penalties in the contract if the contract is cancelled early or doesn't go in the way that it is expected to go so I'm just wondering if any of those things are built into either the contract with the joint venture or with the Singapore company.

MS. SAURETTE: We have a funding agreement with Nova Star and our funding agreement for this year, the government has committed up to \$13 million, that's what our commitment is.

MR. LOHR: I'm asking a question about the details in the contract because I believe in our package we saw the contract with Nova Star, the joint venture, but we didn't see the contract with the Singapore company. I know there's a suggestion that possibly there will be another service provider and I'm asking, if that does happen, are there penalties that will be incurred by the province for switching to another vessel?

MS. SAURETTE: That would have to be answered by Nova Star officials.

MR. LOHR: Well, presumably the provincial government entered into a contract - you would know what was in the details of the contract you signed.

MS. SAURETTE: We have a funding agreement with Nova Star, so we abide by the funding agreement which is a commitment up to \$13 million.

MR. LAFLECHE: I think what he's asking for is, does Nova Star have to pay penalties, not the government, but does Nova Star have to pay them?

MR. LOHR: No, I'm asking, does the government have to pay any penalties if we switch to another company?

MS. SAURETTE: Our agreement is with Nova Star and it's a funding agreement which is up to \$13 million. A contract between Nova Star and ST Marine, that is between Nova Star, the company, and ST Marine. Our agreement is a funding agreement with Nova Star.

MR. LAFLECHE: I thought those agreements were out in the media, are they not? If not, we can get you a copy of that agreement. Our agreement with Nova Star is not with ST Marine. Nova Star might have some agreement with ST Marine that we don't know about, I don't know.

MR. CHAIRMAN: Ms. MacDonald.

MS. MACDONALD: Deputy, earlier you made a remark about kind of a balance between subsidy and economic development. As we know, economic development is really important to Nova Scotia. We recently saw the government gut the Film Tax Credit subsidy, even though there was an economic development benefit in the hundreds of millions of dollars from that industry.

My question is, is your department, or any other department that you're aware of, looking at quantifying the economic benefit? Is there a study underway that will help us quantify and establish the economic development benefit of this particular service to the

province and particularly to the southwestern portion of the province? Is that study being done? Has it been done? Will it be done?

MR. LAFLECHE: I'll let the economist answer that question.

MR. GRANT: The Department of Transportation and Infrastructure Renewal is not looking at that. I think there have been some estimates of economic benefit done by some private consulting firms. I think those may have been in some of the material that was circulated for this meeting.

One of the things that we are doing though - and I think the fact that our tourism colleague is with us at the table today - we recognize that while we don't necessarily have the capacity or the expertise within the Department of Transportation and Infrastructure Renewal to do that, we need to reach out to other folks to help answer that particular question.

MS. MACDONALD: My question is really quite specific, it's about in the present. I'm aware of the Gardner Pinfold study for example, but that's a bit out of date now, I would suggest. It might be a platform on which you could do some cost-benefit analysis or economic analysis. But right now, is there anything underway to link and look at the existing climate and the economic benefit that is accruing to the province or is there a plan to do that?

MR. GRANT: Within TIR, the answer to your question is no. I'm not aware - I don't know if the deputy is aware - of any other work that's going on outside of TIR. In our discussions with potential service providers we are looking at the information requirements that would go into future studies to answer that question.

MS. MACDONALD: Is Tourism Nova Scotia looking at this?

MS. STEVENS: I was just going to say if you didn't ask the question, I can add to that. From a Tourism Nova Scotia perspective it's part of our planning and our review of our key season. We will do a revenue impact of the non-Nova Scotia visitor impact to Nova Scotia so we'll do an overall tourism revenue generation analysis on our overall visitors and how that has broken down by key market.

So yes, it's part of our planning tool and that can be an input into the overall economic assumption but as part of a specific planning tool for Tourism Nova Scotia, that will be part of our analysis as we go through it.

MS. MACDONALD: For this specific service?

MS. STEVENS: Absolutely. But for this specific service and then overall visitation.

MR. CHAIRMAN: Thank you. Ms. Lohnes-Croft, go ahead.

MS. LOHNES-CROFT: We were talking about subsidies and how much the Nova Scotia Government is subsidizing, so I'm just curious, this is an international gateway, what are the supports from the federal government? I understand there aren't any, but are we looking into approaching the federal government for some subsidy help?

MR. LAFLECHE: Some of you may appreciate that the federal government actually ran a ferry between Yarmouth and Bar Harbor, Maine, for a long, long time. It was part of CN Marine, the Marine Atlantic system at one time. Unfortunately that ferry ceased service in, I think it was the late 1990s - 1996, yes. I was on that ferry many times.

Then there was a private ferry, the *Scotia Prince*, between Yarmouth and Portland, which actually broke even or made money. It was a private ferry for many years and it ceased around 2005 or 2006, I believe, and I took that ferry many times. So the federal government was in this market, just as it was in the Digby market, and then it got out of it. It retained the terminal in Yarmouth and in 2013 it transferred the terminal, as well as some amount of money - \$2.5 million - to the Port of Yarmouth. That was their contribution to this project, so to speak, which was made when we restarted the ferry service, so they have put something into it.

We are very interested in talking to the federal government about what they will put into ferries, period. We've just negotiated an agreement on the Digby ferry service with them and this would be one of our main ferries we would be looking to talk to them about.

Again, as in the case of Maine, it may not be operational subsidies, despite the fact they once ran it - that's 20 years ago, that's old history and it seems to be ours now - but there may be other avenues they can contribute. Once the federal election is over and we have identified a Minister of Transportation, new or current, we will be going to Ottawa and dealing with it.

Our annual meeting with the Transportation Ministers is scheduled for the end of September; unfortunately, it will not be happening this year. It's not only the federal problem, there are some other provinces. We've deferred that meeting, so it will probably happen in the winter. Once we have a federal minister, if the minister does change, Minister MacLellan will probably be meeting with that minister in Ottawa or here, to have discussions on many different fronts - such as the *MV Miner*, such as the Yarmouth ferry, such as highway funding, et cetera. So that topic will be there and we will pursue it.

MR. CHAIRMAN: Thank you. Mr. d'Entremont.

MR. D'ENTREMONT: So going back to the presentation by Mr. Amundsen, we were talking about the viability of a ferry service and what passenger levels are required to make it viable/sustainable. It's kind of two different terms but I want to stick to viable

because I don't think anything can survive without a little bit of support somewhere, in this particular case.

My question is around the expert panel saying 130,000 to 135,000 passengers to make it sustainable/viable, versus what Mr. Amundsen said about 80,000 passengers will make it viable. I'm just wondering, how does the department view those numbers? Are they acceptable? Are they real? Is it something we can work on?

MR. LAFLECHE: The only numbers we have now are the approximately 60,000 that we had last year and the approximately 60,000 we seem to be on target for this year. That's basically what we are looking at going forward until we see something different. Now, we hope it's going to be different, but we're going to do our planning based on that number.

MR. D'ENTREMONT: I understand people are judging the service on what the expert panel has said. So if the company doesn't meet that target of 135,000 somewhere along the way, people will look at it as being a failure. How do we change the mindset of Nova Scotians that the real number is something other than that 135,000? I'm just wondering if that's a departmental issue to try to deal with or is it for the company to deal with, and is the real number 80,000?

MR. LAFLECHE: I hope that you and I just did it with our friends at the back of the room, so thank you for the question. One of the things I did want to accomplish today was - it would be great to get 130,000, but let's not go out talking about that and then making the thing a failure because we didn't get it. So we're at 60,000 and we're going to probably be at 60,000 next year. We would like to move up in some sort of increments and that will probably be a slow climb.

Ms. Stevens and her colleagues work very hard on the tourism and the marketing and we build up things to see; we've been doing a lot of that. If you look at what we've been doing in southwestern Nova Scotia, the efforts that governments have placed in White Point, in Ross Farm, the stuff we've been doing here in the museums like the Lunenburg museum - the Fisheries Museum of the Atlantic - rebuilding those and making those real attractions that people will come to.

The money that has gone into Upper Clements Park - as you know, I was involved in that 20 years ago. It has been a major success. It has gotten a lot of cash, it has expanded and it is becoming a good tourist attraction. Those things are things we probably didn't have to the same degree in the past. The Digby Pines is an opportunity before us right now. The whole Acadian community - the area of Yarmouth is slowly building up its product.

I think we will be able to go up, but it's going to take time and I think - as you very well said - we need to acclimatize the people of Nova Scotia to the fact that 60,000 is a decent number and we're going to start with a base of 60,000 and we'll move up as quickly as we can. The expert panel's target - that's a long-term target.

MR. CHAIRMAN: Thank you. Mr. Belliveau.

MR. BELLIVEAU: Getting back to this gap - there's no decision by the minister until possibly October now, and in your words, Minister LaFleche, you talked about people tend to - and I quote you - book long in advance. My question is, can I book now or can the public in general book now for the ferry service from Yarmouth to New England for next year, or do we have to wait for the minister to make this decision on who is going to be the company to supply this?

MR. GRANT: I haven't tested this, Mr. Belliveau, but I think if you go on Nova Star's site they would gladly sell you a ticket for 2016. I think the answer to that question is yes.

MR. BELLIVEAU: So they're going to be the carrier?

MR. GRANT: I'm not sure what the answer to that question is. I think what we are looking at is - we are evaluating all proposals and whether or not there's a change will depend on a number of factors, the biggest of which is whether somebody has a different proposal that provides a substantially better result than the one that we currently have with Nova Star.

MR. LAFLECHE: The ability to book a year or two in advance, particularly in tours and packages and things like that, is very important. I think Martha can speak to that. That's where we've got to get to. We haven't been there even in the current situation so we're not there this Fall, but we will get there and that's the target. So it's a good question and we definitely have to be there, and in order to reach the 130,000 that was mentioned by the expert panel, we have to be there.

I want to point out that twice this meeting I've been called "minister" and I'm a deputy minister. I was recently on a conference call with the Premier where I kept getting called "minister" and I finally said I'm not a minister and I don't want to be a minister, and the Premier said not only that, you can't afford to be a minister with the pay cut you'd get. (Laughter) I feel bad for that because I know you guys are underpaid.

MR. CHAIRMAN: We've got two minutes left so I would like to throw you to closing comments and fire away.

MR. LAFLECHE: In closing, I'd like to say this is a very difficult file, it's not easy for any of us. I know that all the MLAs, Opposition or not, are pulling for this to be a success. We need this historical connection to New England, it was very tragic not to have it. The government is committed to it and we are doing our best to deliver it with as little cost to Nova Scotians and as great economic benefit as possible. I know all of you are with us in trying to achieve this and I know most of the citizens of Nova Scotia are with us in trying to achieve this, just as we're trying to achieve things in other areas of the province.

I do find it lamentable that in the time we've had here there was not one question to Mr. Fitzner about his gravel road program, but other than that I'm very pleased to have the opportunity, and as soon as possible we will have news for you; Alan Grant will have some news through the minister on where we are in terms of a service operator for next year. The minister has worked very hard on this file, he is very committed to it. You saw in his recently released FOIPOP, Canadian Taxpayer Expenses - I assume they were the ones who did the FOIPOP because they printed it all - that he spent a lot of money driving to Yarmouth in terms of his mileage allowance. So he has been to Yarmouth many times and he is as far as you can get from Yarmouth, so he has been there several times to deal with this problem. Thank you.

MR. CHAIRMAN: Thank you. That ends this part of the committee business. We will have a five-minute recess to get everybody out, to sort out where everybody wants to be, and then we have committee business to deal with.

[11:32 a.m. The committee recessed.]

[11:37 a.m. The committee reconvened.]

MR. CHAIRMAN: I will now call this part of the meeting to order. We're now into committee business. I would ask if everybody has received the correspondence from the previous meetings, one from Irving Shipbuilding that was requested from the June 4th meeting, a response provided to Amy Hall's email from the Minister of Business and then the Department of Business information requested from the February 19th meeting. Did everybody receive those documents? We're okay with that, excellent.

The next course of business is the agenda setting. All topics have been submitted to the Committees Office. We have a motion that we'd like to present and I'll ask Mr. Mombourquette to please take the floor.

MR. LOHR: Mr. Chairman, could we rank ours? We have a certain rank, we had four topics proposed, but we'd like to put them in a ranking, if that is possible.

MR. CHAIRMAN: Mr. Lohr, would you be so kind as to wait for our motion and then go from there, does that sound fair?

MR. LOHR: Fair.

MR. CHAIRMAN: Thank you.

MR. MOMBOURQUETTE: Before I make the motion, just for the benefit of committee members I would like to make a few comments before we move forward. Of course, we're interested in accepting all suggested witnesses on the list that was prepared by the clerk. You will note a number of proposed topics in ocean technology. This is a sector which has high potential for our province and we feel that it is important that the

committee take a focused and in-depth study into issues and potential around this sector. We are well positioned to explore this sector in a systemic, reasoned, and focused approach, and because there's always a risk of confusion later on with a list of this size, I want to read into the record the following motion so that the will of the committee is clear and recorded by Hansard for future reference.

I will read off the witnesses in the order that they are presented in the document provided by the clerk, but I do want to ensure members of the committee that this is simply because it is a long list and I believe the motion makes it clear that the intention is not that the witnesses appear before the committee in that exact order.

I move that the committee approve the following witnesses to be invited to appear before the committee at a future date in accordance with a schedule established by the clerk after consultation with the Chair. I'll read all these off in the order that they're presented.

Jim Hanlon, CEO, Institute for Ocean Research Enterprise; Stephen Hartlen, Executive Director, and Martha Crago, VP Research, Dalhousie, Office of Industry Liaison and Innovation; Colin MacLean, President and CEO, Waterfront Development Corporation; Rear Admiral John Newton, Commander Maritime Forces Atlantic and Commander Joint Task Force Atlantic, of Canadian Forces and Maritime Forces Atlantic; Don Bureaux, President of the Nova Scotia Community College; the suggested witness to be determined for the Centre for Ocean Model Development for Applicants; Bedford Institute of Oceanography, the suggested witness is not indicated here, but that would be determined; Paul Evans, CEO, and the management team of CarteNav Solutions; Paul Yeatman, Chairman, OTCNS, and Glen Copeland, President of ADIANS, Ocean Technology Council of Nova Scotia; the suggested witness to be determined for Defence Research and Development Canada; Tony Goode, CFN Consultants Inc.; the Annapolis Valley Chamber of Commerce, witness to be determined; the Department of Business, witness to be determined; the Department of Environment, witness to be determined; the Department of Transportation and Infrastructure Renewal, witness to be determined; and NSBI, witness to be determined. I so move.

MR. CHAIRMAN: Mr. d'Entremont.

MR. D'ENTREMONT: I just want some clarification on when you talked about the Department of Business to be determined as well as - I'm not too sure if you had NSBI in there.

MR. CHAIRMAN: Yes.

MR. D'ENTREMONT: Were those the topics of rural Internet service and the topics of Nova Scotia Film Industry Tax Credit?

MR. CHAIRMAN: Yes.

MR. LOHR: I didn't hear we had a seconder.

MR. CHAIRMAN: Do we have a seconder for that motion? Seconded by Ms. Treen.

MR. LOHR: I'm just trying to get the objective of the motion in my mind. Are you saying that we're going to go through - you listed nine or 10 ocean research so are we saying that the committee's business for the next two years is going to be that topic and then two and a half years from now we're going to get to the next one? Are we saying that's the sequence we're going to follow through?

MR. CHAIRMAN: No. I think it was very clear that they will not be in the order that was read.

MS. MACDONALD: Mr. Chairman, may we have a copy of what was read?

MR. CHAIRMAN: Yes. Ms. Lohnes-Croft.

MS. LOHNES-CROFT: When we call someone to the committee, can they refuse to come?

MR. CHAIRMAN: No. We can actually subpoena them. Mr. Lohr.

MR. LOHR: Normally it has been the practice of the committee that we would choose a topic from the Liberal side and then the following meeting would maybe be our topic and the following would be the NDP in some sort of three-way cycle, whichever is first, second, or third. Will that continue to be the practice of the committee?

MR. CHAIRMAN: I'm going to work with the counsel and we will put an agenda forward that I'll send out to everybody so they're clear of where everything sits.

MR. LOHR: But that is more or less the intention?

MR. CHAIRMAN: The idea is to get everybody through.

MS. MACDONALD: I think I have the same question. My question is, is the procedure for setting the agenda changing from what it has been in the past? My understanding is that each of the caucuses bring forward topics and then topics are selected from the list from each of the caucuses and are scheduled. Is there now a change in that?

MR. CHAIRMAN: Not really because the last I read in the newspaper, Mr. Orrell was very upset that we weren't accepting all topics. He was very upset that we weren't accepting all topics so we're addressing that by accepting all topics.

MS. MACDONALD: That's not my question. My question is, there was a procedure, has that procedure changed? It's a really simple question; there was a procedure, has the procedure changed?

MR. CHAIRMAN: The procedure was that we would vote on it - correct? Then we would vote some yea or nay and all that kind of stuff. The complaint from the committee is . . .

MS. MACDONALD: So the answer is yes, it has changed?

MR. CHAIRMAN: It has changed, so that we're accepting all topics because that was a concern from this side of the table, that you wanted all topics to be accepted, that even were against . . .

MS. MACDONALD: No, that wasn't the . . .

MR. CHAIRMAN: That was very clear in the paper but anyway.

MS. MACDONALD: I have no idea what you're talking about "in the paper." What I'm saying is there was a procedure, has it changed? You are saying that yes, it has changed. Where was the decision taken to change the procedure? It was taken by you because you read something in the paper?

MR. CHAIRMAN: No, there was a complaint on a continuous basis that we were not listening to your concerns of conflicted topics that make government look bad so we're accepting all topics.

MS. MACDONALD: The complaint wasn't that all topics weren't accepted, the complaint is that each caucus would get to have one topic pursued, scheduled for witnesses, that it was kind of a shared process, in terms of witnesses coming.

MR. CHAIRMAN: Mr. d'Entremont.

MR. D'ENTREMONT: Thank you very much. I apologize for not being a regular member of this committee. I have been sort of watching from afar of what goes on in our committees. The think the intention from Mr. Orrell when he complained about it was an inconsistency in how things were being done in this committee, and in other committees, for example.

It was sort of a challenge on the Chairs to try to get it together, trying to organize as best they can and be able to listen to the Opposition here and there. What I see here is a response to that request but going overboard the other way. This is overboard by a whole bunch, as far as Liberal topics, so there's no clarity. I meant that's great, so the next two years we've got our list done.

My question before we vote on it is, will it go in sequence? Will we all take our turns, what is this overboard motion going to do for us?

MR. CHAIRMAN: So the idea is that I will work with the clerk, put a calendar together with the clerk, and we'll send it out to everybody so that they are clear on where everything sits. A lot of this will depend on availability of people.

The other aspect of this is that ocean tech is probably one of Nova Scotia's biggest industries at \$3 billion. That's the responsibility of this committee, to really dive down into that if we're going to be spending all this money, into an industry that we're doing. Economic Development Committee meeting is why we're doing it.

MR. D'ENTREMONT: I'm not disputing the fact that ocean tech is on here. I think rural Internet service is important, too, because ocean tech can't do its work if it can't get on the Internet, so it sort of all goes hand in hand on this one.

MR. CHAIRMAN: Absolutely and that's why we're accepting your topic of Internet. Mr. Lohr.

MR. LOHR: Mr. Chairman, I know ocean tech is important, too, and I believe we have talked about it and this committee has heard presentations on it in the past too.

The normal practice was that each caucus selected one or two topics and that we would take them in turn, so that one meeting would be the topic chosen by the Liberals, one meeting would be ours, and whether it was our first or second choice would depend on scheduling and availability, sure, and the NDP would have similar.

So I would like to speak in favour of just maintaining the normal practice, and I think that practice best serves the people of Nova Scotia and the needs of this committee. To have so many different topics on ocean technology all at once is - while that topic is very interesting, I think the potential is that the next year and a half will be mostly taken up with this one topic. I think that in order to be more timely, what I would like to suggest is that we continue the normal practice of planning out the next three, four, or five meetings and not going any further than that, because things change. Maybe in the Spring there will be another topic of interest to your Party or to us, and meanwhile we have already set the agenda.

While the topics are all interesting, I'm not sure I like the process. I think the process should be simply that we just go for the next three or four meetings each time.

MR. CHAIRMAN: I hear you. Again, I'm trying to accept everything and everybody's topics that were put forward, that's what we're trying to do here. We're putting the motion forward to accept all topics so that we can move forward and put a plan in place.

MR. LOHR: Can I just clarify then that the next meeting would be a Liberal topic, the meeting after that would be one of our four topics . . .

MR. CHAIRMAN: The intention is that I will be working with the Committee's Office and put a calendar together that will be circulated. A lot of this will have to depend on the availability of people. Ms. MacDonald.

MS. MACDONALD: I share my colleague's point of view in terms of varying the witnesses and not tying the committee up on one topic for a year and a half. I think that would be inappropriate.

I think it's fabulous that we're going to look at ocean sciences and ocean technology. It is fundamentally a sector that we have a lot of strength in and advantages in. There are other ways we could look at this sector, without splitting it up into two-hour sessions over a long period of time. We could actually agree across Party lines to take a day or a half-day at some point when the House isn't sitting and really make it a day where we focus and we learn about all of the different initiatives and how these pieces all fit together. I think that would be a very interesting way and we could get to do this. But I think we do a disservice to other sectors and other issues if we don't bring forward other topics.

With all due respect, the process that you're bringing forward here is one where the chairman ultimately gets to decide the topics rather than the committee getting to decide what ultimately is scheduled. That's a real change and a real . . .

MR. CHAIRMAN: I think that's kind of . . .

MS. MACDONALD: Excuse me, can I finish my comments?

MR. CHAIRMAN: Go ahead.

MS. MACDONALD: It's a real change and it's particularly a change in the power of the Chair for a standing committee. If that's the intention of members, to allow the Chair of the standing committee to determine what topics are going to be scheduled, then just say that. But this is not the practice of any of the standing committees in my experience, and we're seeing this kind of erosion of a more collaborative approach to witnesses being scheduled under your government with all of our standing committees I would say.

MR. CHAIRMAN: Thank you. For the last comment, Mr. d'Entremont, and then we're going to vote.

MR. D'ENTREMONT: Thank you very much, Mr. Chairman. We have written as a caucus on a couple of occasions to the Speaker about rules in standing committees, to be put on the agenda of the Committee on Assembly Matters, so that we can try to organize this a little bit better. It seems like each committee has sort of a little different way of doing

things, each Chair has a little different way of doing things. I think we need to just try to haul ourselves in a little bit, make this work for the best for Nova Scotians, which means a voice for all members of this committee . . .

MR. CHAIRMAN: Mr. d'Entremont, on that note I think that's a very, very good thing and I hope that you guys work together in finding a solution . . .

MR. D'ENTREMONT: I'm not done yet.

MR. CHAIRMAN: I know, I just needed to add that. I think it's a great thing and I'm commending you on that.

MR. D'ENTREMONT: Okay, thank you. As much as I've laughed here today in the proceedings - I'm mostly laughing at you, Mr. Chairman. You've got to roll with the punches just a little bit with what goes on in this committee. Dude, you've got to work a little better on this one, that's all.

MR. CHAIRMAN: Thank you. I'm quite comfortable with my role here . . .

MR. D'ENTREMONT: We haven't been . . .

MR. CHAIRMAN: That's okay, so now we're going to go to a vote. Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

I call this meeting to an end and I greatly appreciate your time. Thank you.

[The committee adjourned at 11:55 a.m.]