

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, March 30, 2016

LEGISLATIVE CHAMBER

**Department of Transportation and Infrastructure Renewal
Tourism Nova Scotia
Yarmouth Ferry**

Public Accounts Committee

Mr. Allan MacMaster, Chairman
Mr. Iain Rankin, Vice-Chairman
Ms. Margaret Miller
Ms. Suzanne Lohnes-Croft
Mr. Brendan Maguire
Mr. Joachim Stroink
Mr. Tim Houston
Hon. David Wilson
Ms. Lenore Zann

[Mr. Terry Farrell replaced Ms. Margaret Miller]
[Mr. Stephen Gough replaced Mr. Brendan Maguire]
[Hon. Sterling Belliveau replaced Hon. David Wilson]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

Mr. Michael Pickup
Auditor General

Mr. Terry Spicer
Deputy Auditor General

WITNESSES

Department of Transportation and Infrastructure Renewal

Mr. Paul LaFleche, Deputy Minister
Mr. Alan Grant, Executive Director, Policy and Planning
Ms. Diane Saurette, Executive Director, Finance & Strategic Capital Planning
Mr. Bruce Fitzner, Chief Engineer

Tourism Nova Scotia

Ms. Martha Stevens, Acting CEO/Director of Marketing



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, MARCH 30, 2016

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone, I call this meeting of the Public Accounts Committee meeting to order. We'll begin with introductions, starting with Mr. Gough.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: So we have the Department of Transportation and Infrastructure Renewal and Tourism Nova Scotia to discuss the Yarmouth ferry. Mr. LaFleche or Ms. Stevens, who would like to give opening remarks?

MR. PAUL LAFLECHE: I will give the opening remarks. We promised Ms. Stevens, as this is her first appearance and she's acting, that members opposite would take it easy on her. To that extent, we have arranged for the replacement of Brendan with Stephen Gough. (Laughter) Brendan was the toughest guy last week at the Economic Development Committee meeting in questioning.

So good morning, thank you for the opportunity to discuss the Yarmouth ferry with you. I brought with me today the people who have just introduced themselves. They have been working very hard on this file in an effort to ensure that there is a long-term, stable ferry service between Yarmouth and New England, a commitment of the government.

We believe that we have achieved what we set out to. You may recall that I was at the Economic Development Committee last September and outlined a certain number of concepts, which we would follow in the upcoming request for service. We believe we've followed those concepts. We have really developed a deal with Bay Ferries that respects the overall instructions that we received from the government and respects really what the people of Nova Scotia - and southwestern Nova Scotia in particular - are expecting in terms of a ferry service.

Government believes very much in this service. I said that last year and we believe it is part of the gateway to the Province of Nova Scotia. We have many gateways. We have the Halifax airport as a gateway. We have the gateway through Marine Atlantic and the Sydney airport in Cape Breton. We have the gateway through Amherst that Mr. Fitzner over here so proudly maintains with a modest toll operation. We have a gateway, in fact, through Digby through the year-round ferry service offered by Bay Ferries. We also have a gateway through Pictou County where Mr. Houston comes from, also maintained by Bay Ferries to P.E.I.

So we have a number of gateways and the view of the government is that this is really the extreme southwest Yarmouth area, Shelburne, and Clare's gateway out of the province. The Yarmouth ferry to New England - a traditional ferry, a traditional service and maintaining a traditional relationship that has existed for hundreds of years.

Last Thursday we signed a 10-year agreement with Bay Ferries to provide for this ferry service and we did announce last year that we would have a long-term stable agreement. That was our objective and whoever bid on the agreement would be eligible to have it up to a 10-year deal. Of course, 10 years is a long time and things will change over 10 years, but we wanted a partner who had the financial stability and the expertise to commit to that type of situation.

The ferry that they have managed to sign on, so to speak - and my staff will go into some details on that - is a fast ferry. It's a five and a half hour crossing. We believe that offers significant benefit. We've had experience with both the fast and the slow crossing in recent years and in many years back on that service to either Portland or Bar Harbor. So the fast ferry is what we settled on as the best service to try at this time.

We believe that Bay Ferries represents a very good operator. They have operated a service in this area before. They operate the Digby service at this time on behalf of the federal government - as well, the Province of New Brunswick is proud to commit some support to that service so that commercial trucking can get to the centre of Canada and to the New England markets.

As I mentioned earlier, they also operate the P.E.I. service. They're an experienced operator. They've been around a long time. They've been through ups and downs, and they've always been very truthful to the public and to the government in terms of past

issues on ferry services. They know what they're taking on in terms of the boat and in terms of operating a ferry. They understand the risks and they're prepared to take the risks.

I'll mention as a point of interest that in the three rounds of solicitation that have happened for ferries - three rounds dating back some four years - there has only been one actual ferry operator that has ever submitted and that was Bay Ferries in this last round. All other operators were people who may have had some experience on a boat, they may have known port from starboard - and I'll just show that in case people don't know the difference, I've got some props here, port and starboard. In fact Alan is wearing these today in case you need some modelling of them later. They are available for purchase - right Alan? In fact, Bay Ferries knows port from starboard. I'm being a bit tongue-in-cheek but at times I worried that the last operator had trouble on that front.

Bay Ferries is an experienced operator and that's what we wanted to see here. The fact that we had no other experienced operators bid on the service in the three rounds of solicitation sort of gives you an indication of how much interest there was in running this operation, this service, under the previous conditions that were put out.

The Yarmouth ferry service is not without its challenges. I came here to the Economic Development Committee of the Legislature last September and said that probably we would be looking at a low double-digit subsidy for the long term for this ferry service. I know that not a lot of people heard me because the charismatic Mr. Amundsen from Nova Star was talking at the same time and he sort of took the wind out of the sails of us dull bureaucrats but we did say that, you can check the record. In fact some reporters, who are now up in the gallery, were astute enough to in fact report that and I congratulate them.

All transportation ferries in Canada require a subsidy. Some are subsidized lightly, most are subsidized extremely heavily, including the Marine Atlantic ones and including many in Newfoundland and on the B.C. coast. This type of ocean-going ferry is usually the benefit of a very large subsidy. Last September we didn't want to hide from it, we wanted to tell people we were not looking for an operator who was going to tell us they were going to have some extreme numbers of passengers, make a profit and it was all going to be great because we knew that was not the story on these ferries. It might have been the story in a different era, a long time ago when the *Scotia Prince* ran, but it has not been the story in a long time.

The type of subsidy we looked at and we've signed for here is very consistent with what we told you last Fall, we hoped it would be less. We all hope that ferries make profits. Mr. Fitzner runs a number of ferries, none of them make a profit, and when he tried to move from 90 per cent to 85 per cent subsidy, I think, last year there was a big uproar in the many communities that have that ferry service. That gives you an indication of how highly subsidized ferries are around the world. It's not apologizing, it's just stating a fact.

To go out and tell you that this ferry is going to make money is setting false expectations. Yarmouth and the southwest of Nova Scotia deserve the same type of transportation features that other areas of the province have that I mentioned, they are all subsidized. Whether you like it or not, the airport is subsidized, all the other ferries are subsidized and even Bruce Fitzner's highway is subsidized, so every way you get out of this province is subsidized. Yarmouth at one time, thanks to Mr. Houston's government, had an airline for two years which was very highly subsidized - nothing new here.

While there is a large government investment up front in the ferry, it's not as large as we spent or the previous government contracted to spend on the *Nova Star*. Because it's a service and operation, the province assumes the majority of the financial risks, although Bay Ferries as an operator is assuming a large amount of other risks, which some of my staff will get into if you want to ask those questions. They have a reputation to maintain; they are a well-known provider.

Back in February I had the opportunity to go to a deputy ministers' meeting. During the dinner I walked into the wrong room in the hotel and lo and behold, I was surrounded by 12 ferry operators from across Canada - one of which was Bay Ferries - and they told me all about the woes of their lives. Shortly after I left, they got to tell the federal minister the same thing as he walked into the room, and you saw the result in the budget. There was a concession on the importation of ferries that resulted from, I think, an appearance by the federal minister and other representations. Ferry operators across Canada are a group that take on considerable risk, even though it's not financial risk, and we should respect that.

We've set what we believe are realistic targets for this ferry. We knew the subsidy would be double digit initially. We knew there would be some start-up costs, and we knew that the passenger counts had to be set realistically. So again, when I appeared last September - and I know only some of the media heard me and some of the other people in the audience - we said 60,000. We didn't say 120,000. We didn't say 150,000.

We had people who actually bid on other numbers even though we told them they had to bid on 60,000 - and of course those bids were disqualified. We went back to them before we disqualified them and insisted to them, can you bid on 60,000? They said, we don't believe in 60,000, we have a big number. We weren't interested in that. At this time, we would like to achieve 60,000 in the next couple of years. If we achieve a much larger number, that's fabulous.

There are other benefits to this run, which will be described by the staff, in terms of benefits to southwestern Nova Scotia; in terms to the Yarmouth area itself, which will compensate for a low number, but we hope we get a very high number. We haven't set the target or any of the budgeting based on any of the numbers you've heard in the past because we haven't seen evidence of those numbers after two years of *Nova Star*. When we see evidence of such numbers, we will adjust the financial targets to reflect that increased income.

We have a number of strategies to maintain and mitigate financial risks. We have a large number of built-in contingencies and I will allow my staff to explain that under questioning.

The Auditor General has looked and - sorry, the internal auditor. Sorry, Mr. Pickup, you should be sitting here where the Premier's desk is. Big guys in big chairs. So internal auditor Ted Doane has in fact, looked at the previous agreement and made several suggestions on the monitoring of the agreement and how we should ensure that things don't get out of hand like they might have - some people say - under Nova Star. We've built that into our agreements and we've worked hard with our internal auditor Ted Doane and his team to ensure that this time we have better protection for the taxpayer. Our goal here is to maximize benefits for Nova Scotians.

Last year when I appeared, people asked about the subsidy, what it would be. I said, the subsidy really depends on the economic benefit. If it costs a little more, but we receive a lot more benefit in terms of tourists and dollars spending in southwestern Nova Scotia - my good buddy Sterling Belliveau there, if his restaurants and hotels in Queens and Shelburne County are more full and those in Yarmouth are more full, that's a great benefit and we can probably endure a little higher subsidy. We would like to see that.

So a lot of this is flexible. What is the economic benefit we are going to get as Nova Scotians? We wanted to maximize that. This agreement has some provisions that are very different than the previous agreement with Nova Star that allows us to build a higher level of economic benefit into southwestern Nova Scotia and, indeed, into the entire province. You've seen that from some of the comments.

I know I've taken up a lot of time here. I usually don't take up a lot of time. Last week at the Economic Development Committee on Cape Breton rail, I did take up a lot of time. I do want to mention that last night I saw that my poor director of policy and legislation was accused of not giving out the ferry regulations for Cape Breton rail. I do have them here. Apparently we couldn't get them out of the Queen's Printer on time, but I've got a copy, so if anybody needs them we do have the regulations for Cape Breton rail ready to go, as we promised last week. I was rather beat up in the media last night over not having these, apparently, the schedule of the filing deadline for certain media outlets. Thank you.

MR. CHAIRMAN: Thank you, Mr. LaFleche. We'll begin with Mr. Houston for 20 minutes.

MR. TIM HOUSTON: Thank you for the opening comments. I have the utmost respect for the deputy and his department but I would like to remind him that I have 20 minutes of questioning this time and Nova Scotians have a lot of concerns and I have a lot of questions about this. I will try to be very concise in my questions, and I would just ask that you try to be equally concise in the responses, where possible.

I want to start off with what month did the department decide to deal exclusively with Bay Ferries? What was the month?

MR. LAFLECHE: I will allow the people who actually participated in that process to answer those questions. Maybe I should start by saying that there has been some insinuation that the minister and myself actually participated in selection - we did not participate. It was done through a mirror of a standard procurement process, even though it was a request for services and not an RFP. I believe that was headed by Mr. Fitzner and I will let him and Mr. Grant, Ms. Saurette and Ms. Stevens answer those questions.

MR. CHAIRMAN: Mr. Fitzner.

MR. BRUCE FITZNER: I believe it was October.

MR. HOUSTON: October, okay. In their initial proposal, did they identify a boat that they would use for the route?

MR. FITZNER: They didn't name a specific boat, but they did describe the type of vessel they were looking for.

MR. HOUSTON: Was it a catamaran?

MR. FITZNER: No, not at that time.

MR. HOUSTON: They didn't identify a specific vessel but there was an undertaking that they would.

I believe the media reported that they were going to have a vessel identified by mid-December. Is that accurate, to your recollection?

MR. FITZNER: I don't recall what the timing was to have the boat identified.

MR. HOUSTON: Okay but it was before March, would that be fair to say?

MR. FITZNER: Yes, I think the language of the RFS was that we would need to strike an agreement within 45 days after they had procured a boat.

MR. HOUSTON: Okay, but was there anything at the time when the department was looking at all the proposals, and some were ferry operators and some were not - we've heard this morning, some were people who were interested to get into the business and presumably some of them had vessels identified.

MR. FITZNER: Yes.

MR. HOUSTON: So some of the people who responded had a vessel identified and they said, we will use this vessel on this route.

MR. FITZNER: That was their proposal.

MR. HOUSTON: Okay, but the department decided to go exclusively with Bay Ferries, under the understanding that they would secure a vessel at some point.

MR. FITZNER: Right. And the other ones, even though they identified a vessel, would still have had to secure it.

MR. HOUSTON: But the vessel that was identified - when was that ultimately signed up, that they actually now could say they had a vessel to use on the route?

MR. FITZNER: Just last week it was finally signed off.

MR. HOUSTON: Just last week, so sometime between October and March there was discussion and some agreement that there would be a vessel, but nobody knew what it was. Did they propose other vessels between October and March?

MR. FITZNER: There were some other vessels that they were considering and they sort of kept us briefed as they went along. At one point they came to talk about the catamaran and whether the province would consider that type of service again. We basically said if you feel that's the best boat for the run, then you go ahead and pursue that.

MR. HOUSTON: Okay, because presumably at that time it's getting into March, it's this boat or nothing. I'm just trying to understand the mindset of the way that negotiations were happening. It must have been some pretty stressful times as November passes, no boat, December passes, no boat, January passes, no boat, February passes, no boat, March - ah ha, we've got a boat, got a good deal there. There must have been some pressure.

MR. FITZNER: Well certainly, I mean the clock is ticking from the end of last season to this season and everybody is anxious to get the boat announced. Just because there was no announcement made didn't mean that we weren't aware of negotiations that were ongoing at the time and took some time to complete.

MR. HOUSTON: Was there any line in the sand that the department put down that said if there's no boat by this date there's no service this year?

MR. FITZNER: No, we didn't.

MR. HOUSTON: So it was always, we're in there with Bay Ferries from October - we're committed to this and whatever boat you come with, we're going to make it work. Was that kind of the mindset?

MR. FITZNER: No, it was more they were continuing to work on the same vessel, and it was just taking some time working with the U.S. Navy. It's a lot of bureaucracy in that thing and a lot of people that have to approve that, including in the Pentagon. It's a bit of a different arrangement in commercial use of a Navy boat. There aren't too many of these so there was a lot of discussion within the Navy to determine what the terms could be.

MR. HOUSTON: Were financial penalties ever contemplated as time was passing? Like, if you don't have a boat by this time, this is the penalty?

MR. FITZNER: We really wouldn't have signed the contract with them until we had a boat.

MR. HOUSTON: But there were no other games in town. From October the department was committed to the extent that if there was a contract, it would be Bay Ferries. That's kind of the environment we're working in, right?

MR. FITZNER: They were the selected one, yes.

MR. LAFLECHE: I just want to provide you with some background. I said the minister and I weren't involved in the selection process, but once Bay Ferries was announced and selected - I don't remember the exact date, but we will get it for you - I was involved in ongoing discussions about the boat, so . . .

MR. HOUSTON: I'm not there yet, but I am getting there. I guess maybe if there is some desire to go there, I would like to talk about that.

Clearly, Bay Ferries is sitting at the table negotiating for Bay Ferries. That's what businesses do - they negotiate for the benefit of their company. You wouldn't be a very good business operator if you weren't negotiating for the benefit of your company, so Bay Ferries was negotiating for Bay Ferries. Who was negotiating for the taxpayer? Who was at that table on behalf of the taxpayer? Was it the minister and yourself as the deputy?

MR. LAFLECHE: No, the minister wasn't at the table, and I was not at the table. What I was trying to say is I was informed of the ongoing situation with negotiations on the boat. So the people you basically see right here - less Ms. Stevens - were at the table and they were the negotiating team, along with probably some legal advice. So we knew basically what the scenario was. We looked at the other people who had submitted proposals and what their proposals for boats were . . .

MR. HOUSTON: Sorry, time is short and I do kind of want to get through what I have. I'm interested in the fact that there was an agreement to go exclusively with Bay Ferries and I'm interested in the ramifications of that, if you will. How that happened that they chose to go with Bay Ferries, we can revisit that at some point.

For right now, was anyone from the Department of Business at the table negotiating with Bay Ferries? Let's not forget that the province was supposed to be negotiating with Bay Ferries. At that point, we're trying to get maximum taxpayer benefit. Was anyone from the Department of Business in those negotiations?

MR. LAFLECHE: Well the Department of Business includes the tourism agency and although they didn't sit in on every meeting, they were certainly our close partners in this process and understood every move we were making. So the answer would be yes, but I want to get to the boat.

We didn't sit around since November and say, gee Bay Ferries, do you have a boat? We actually did searches, we checked out what boats were out there. We had extensive conversations with Mr. MacDonald about boats worldwide. We looked at all the other people who submitted bids and looked at what boats they said they had. Mr. Grant, in fact, did a lot of searches on the international registries to check out all these so-called boats. People wrote in letters telling us they had boats, et cetera. So we did a lot of work on boats.

MR. HOUSTON: I think that actually, I understand that with all that work, the pressure to sign a deal and go with what was put in front of you probably got magnified and I think that point is bearing true, I would say, from all that pressure that must have been there.

In terms of the pressure to get a deal done as time passes and boats are harder to identify - the government wanted a deal, they were going to get one, right? So in that environment, let's look at the deal they got because this is what I think is of most interest to taxpayers - and you refer to taxpayer benefit and stuff.

Under the agreement that was signed with Bay Ferries - I presume the agreement is signed by now by all parties?

MS. DIANE SAURETTE: Yes, it is.

MR. HOUSTON: So under the signed agreement, is it possible for Bay Ferries to lose money on this route?

MR. LAFLECHE: That's kind of a trick question. Is it possible for them to lose money?

MR. HOUSTON: On this route.

MR. LAFLECHE: They could have a catastrophe - something could go very wrong that would exceed their insurance amounts, so it's always theoretically possible. It's like the asteroid hitting the earth, Tim, you know - oh, sorry, Mr. MLA. (Interruption) They have lots of risks.

MR. CHAIRMAN: For the record, Mr. Fitzner, you were making a comment?

MR. FITZNER: I just said that if they had a casualty on board or the safety of a passenger wasn't secured, they could be sued for that so they would have that risk.

MR. HOUSTON: In terms of the day-to-day operations of the ferry, is it possible for them to lose money on this route? My understanding is that 100 per cent of any cash deficiencies are paid by the taxpayers.

MR. FITZNER: That's correct.

MR. HOUSTON: I would believe that to mean that it's not possible for the operation of this route to result in Bay Ferries to lose money?

MR. FITZNER: That's correct.

MR. HOUSTON: So it won't be a money-losing route for Bay Ferries; that won't be the case. The contract has made sure that it won't lose money. In fact, I think there's probably a guaranteed profit element built into this contract for Bay Ferries on an annual basis. Would that be fair to say that they are guaranteed to make a profit each year?

MR. FITZNER: They get a management fee for running the service, yes.

MR. CHAIRMAN: Ms. Saurette.

MS. SAURETTE: Just to add to the management fee, we don't pay salaries of the executives of Bay Ferries. In lieu of that, they get a management fee.

MR. HOUSTON: Right, and then they determine how they disperse it to their management, as a company revenue.

Are there any circumstances where the annual management fee to Bay Ferries could be clawed back, any circumstance where they could get less than what they've . . .

MR. FITZNER: There's a two-stage sort of management fee. The first stage is a base fee and then there's a secondary fee based on performance targets which are reducing the overall subsidy amount. So if they reduced the overall subsidy amounts, they can earn a larger management fee.

MR. HOUSTON: So would you be willing to make those base management fee numbers - could you share those with the committee?

MR. FITZNER: We conferred with the FOIPOP coordinator and under the protection of privacy, we were advised that we shouldn't put those out, that they were

confidential proprietary information that may affect the competitiveness of the operator when they bid on other things.

MR. HOUSTON: I respect that opinion and I'll do a bit of research on that. I mean on a 10-year contract, did somebody make the position that it's a competitive disadvantage to Bay Ferries if people know what the management fee is in year four, five and six? That's all going to be public by the time this contract goes out so I can't really understand why it shouldn't be public now. If the answer is "no" today, maybe we can revisit that, Mr. Chairman, and see if we can get that under a confidential basis.

I would ask, Mr. Fitzner, on that - is that base management fee set for 10 years? Do you know the number for the entire 10 years?

MR. FITZNER: Yes, it's a set amount for the 10 years.

MR. HOUSTON: So the base runs out for 10 years, okay. That's known, that's not . . .

MR. CHAIRMAN: Mr. Houston, Mr. LaFleche wishes to make a comment. Would you wish to hear what he has to say?

MR. LAFLECHE: There's no mystery to the management fee issue. In fact the Honourable Graham Steele has published some very good material in the last week on why you can't have it now. He has also published some opinions on why I could overrule this situation in the future, provided I follow a process, which will take some time.

We are in discussions with Bay Ferries because we do have to go through a process. It's third party privilege and we may be able to put that out, we may not but there is a process which Mr. Steele has outlined and he's quite accurate in what he has outlined.

MR. HOUSTON: Okay, maybe we'll call Mr. Steele before the committee someday, if we can, but right now I'm more interested in what the department is willing to disclose today. That is my main interest today.

MR. LAFLECHE: It has always been interesting when he has appeared.

MR. HOUSTON: In terms of the profit element of the management fee, do I understand correctly that if Bay Ferries says this route is going to lose \$1 million and then it loses only \$750,000, they earn a profit which you would call savings?

MR. FITZNER: They would get a percentage of the savings.

MR. HOUSTON: Okay, and that is a contracted amount that's there over the term of the contract.

MR. FITZNER: Yes.

MR. HOUSTON: Is there any cap on how much it could cost taxpayers in terms of the subsidy that's paid over the life of the 10-year contract? Is there any point in the contract where it says, gee, we've already paid \$100 million, \$200 million in this contract, we just can't pay any more? Is there a cap built into this contract?

MR. FITZNER: The way that the thing works is that we didn't feel it was realistic to try to budget out 10 years because there are so many variables and changes that can happen over 10 years. We started with a two-year subsidy amount and budget. In subsequent years we need to sit down and they will have to submit a budget to us that we will closely scrutinize and we will go through the items.

So if we feel that something is excessive, the amount is excessive, we will challenge it. If we can't resolve it between the two parties, then the agreement allows for it to go to business commercial arbitration, and an arbitrator will decide whether what they're looking for is reasonable. It's controlled in that manner.

MR. HOUSTON: I appreciate that because it has certainly been a curiosity of mine. We have a 10-year contract, we have nobody even willing to take a stab at how much it will cost past year three, we have a boat for a maximum of four years - two years and then two one-year options. So we have short-term information that we've decided to leverage into a long-term contract, a 10 year contract.

I know the deputy refers to this as being stable, but it's not clear to me what part of that equation is stable other than that it's 10 years and it's going to cost taxpayers whatever it cost them with no cap, with no knowledge, with no guess as to what that might be.

Why the 10-year contract in that circumstance?

MR. LAFLECHE: First of all, I want to address the issue of cap. We pay the deficiency. The deficiency right now that we've - or the subsidy that we've outlined last week is based on 60,000 passengers. So the theoretical maximum for the first two years would be if we had no passengers. If you do that calculation, I'll let you - you're an accountant - do it and come back. Mr. Pickup is thinking about it right now in his head. You'll find out that calculation roughly equals the amount we spent on *Nova Star*.

So if we get zero passengers - not 60,000 - we still wouldn't have beat the *Nova Star* record. If you want to add that up over 10 years - I've got a little calculator here - you can figure out what it is. I mean, it's a simple calculation to do that.

What we basically said is, we sort of estimate 60,000 passengers, and we've calculated the subsidy based on that. We feel it's very conservative. Your colleague Alfie really liked that term last week when I kept saying it . . .

MR. HOUSTON: Okay, if it's a simple calculation, please share with this committee that calculation for 10 years. Somebody signing a 10-year contract has an obligation to the taxpayers, I would say, to have an understanding as to what that might be. Has that calculation been done and will you share it with this committee? I would actually expect three calculations - one for best case, one for base case and one for a downside case.

I've heard the deputy, I guess, say that the 60,000 is a base case. It may be a downside case, I don't know. Is the calculation done for 10 years for any of those scenarios?

MR. FITZNER: Basically, again, we didn't feel it was realistic to come up with numbers. The further you go out, the more volatility there will be in the numbers. So you could post a number out there - it might be misleading to do that and have people think it's going to be something. So as we get close to the end of the two-year agreement - and even after each year we'll re-evaluate - those budgets will be made public again. So it won't be that the public won't know.

MR. HOUSTON: I don't understand in that environment how you can sign a 10-year contract when you're saying today that it wouldn't even make sense to try to estimate what it might cost.

I have seconds left, but maybe we can get a quick yes-or-no answer. Was there any number where somebody in the department said, this will be too expensive or was this happening anyway?

MR. FITZNER: I don't think that we - no.

MR. HOUSTON: Then why didn't we build that into the contract, if that was too expensive?

MR. LAFLECHE: We did - that's the theoretical maximum. If you look at the calculation, if you do it, you'll find that the worst we can do is the performance of *Nova Star* if no passenger ever gets on the boat.

MR. HOUSTON: Why was the department unwilling to put a cap in then, if you are so clear in your mind that you have to?

MR. LAFLECHE: Well that is the cap.

MR. CHAIRMAN: Order, time has expired. We'll move to the NDP caucus. Mr. Belliveau.

HON. STERLING BELLIVEAU: Mr. LaFleche, I was making notes on your introduction. One of the terms you used you referred to several other ferries as gateways. You referred to Pictou, Digby, some other ferry departures and arrivals across Nova Scotia and the Atlantic Provinces - you referred to these as gateways. My question to you and

your delegation is, when the Portland-U.S. ferry - the new Cat - leaves Yarmouth and goes to Portland, would you agree that's an international gateway?

MR. LAFLECHE: Well by definition it is because you have customs.

MR. BELLIVEAU: That leads me to the question where I want to go. One of the interesting points in the last several years, in this particular round of the discussions regarding the ferry system between Portland in the United States and Yarmouth, was the commercial traffic. I noticed with great disappointment that they didn't meet the criteria and it wasn't included in this particular option. Some of my questions are going to be related to how that decision was determined.

If I can just quickly give you some stats - over 60 per cent of Canada's landed fish exports are landed west of Halifax, in Nova Scotia; over 60 per cent of Canada's landed export fish value. I want to suggest that the lobster landings in the last two years have again been historical landings.

Now that product has to go to market; 80 per cent of the exports of the lobster industry go directly to the United States so I would conclude that that's why the commercial trucking industry is so interested in having a ferry system that can accommodate their service.

Now with that as a backdrop, was that taken into consideration since last October until this March of the demand of increased fish products landing - the pressure that the truckers wanted to have some commercial space on a vessel like this?

MR. LAFLECHE: Well I'm proud to answer that question. I know the Premier addressed it to some extent yesterday. In fact the member opposite should be given some of the credit along with Minister Colwell and the workers in the industry for working very hard over the last five years to get out of a very poor situation with lobster, in terms of the price. We've got the price back up, we've got the dollar going our way, we've got historically high demand. In fact lobster has passed tires as our top export - or fish has passed tires, including lobster, but the majority of it is lobster at this point. That's all good news.

We worked very hard with the federal government - and I've got to give them credit to ensure that we got a new ferry for Digby. That ferry is the commercial ferry. If you look at any of the reports going back for a long time, that is the ferry that the industry wanted. If you talk to Jean-Marc Picard from the Atlantic Provinces Trucking Association, you will see that that ferry has the arrival times to get into the Boston market, to get into the New York market that they would like. That is what they asked us for, going back several years, that we have a renewal of that service.

Various ministers, including yourself when you were a minister, Mr. Belliveau - and I worked for you - have worked hard to ensure that service was integral and I'm going

to get to Yarmouth in a minute. I know that because of the incredible success that we've had in the lobster business, the record catches and the rise in price, we've had record exports much beyond what you and I would have believed when we were sitting there, minister, four years ago and we were sort of in the doldrums.

The new ferry they purchased for Digby does not have the same truck capacity as the older ferry. Around Christmastime there developed a bit of an issue. You may recall that, and there were some meetings down in Yarmouth and in southwestern Nova Scotia to deal with this. At the time, Minister MacLellan phoned Dr. Garneau and I made representations to the federal minister as well. Dr. Garneau was relatively new in his job as the federal minister at the time. We all worked together with Bay Ferries to put on some extra runs. We looked at prioritization. We got ourselves through that Christmas hump and I think it worked out rather well, but there was a bit of a panic.

Yesterday, Minister MacLellan and I met with Dr. Garneau here in Halifax, and we specifically talked about the issue of having sufficient scheduling and runs in Digby for the lobster season. So we are cognizant of what you said. We're somewhat basking in the success that we've experienced - again due to your work and that of Mr. Colwell, in the lobster business - and we have the embarrassment of plenty, if you will, right now so we're working hard to deal with that.

It would be nice if during the four months that the Yarmouth ferry operated they could help out in that, but I will point out, as you very well know, that during those four months here, on this slide, which I've given to the clerk over here, the lobster season in southwestern Nova Scotia is not open so the live, fresh lobster - not stored in cages - is not even available during the time we have the Yarmouth ferry. There are other fish products with our ferry.

Mr. Grant is going to be meeting with the Fish Packers Association tomorrow to have discussions with them, but as of the present time, I want to repeat the news from Yarmouth and U.S. border control - it does not appear that at the present time we will be having trucks. This is not a new situation, except for a small number on the *Nova Star*, the situation has existed since 2001 and that's why Digby is the chosen route.

We wish it was different, but on the other hand, should we have some incredible tourism success due to Ms. Stevens and the new CEO's marketing acumen, and we get full of tourists, we do not want one large truck to displace a bus full of tourists or maybe 10 cars with 30 tourists in them. So we do have a situation there where in terms of the *Nova Star's* record where things were not going that well with passenger counts and cars and buses - we had space - we do not want to predict immediately that we have space or we will have space until we see how the season goes.

It's unfortunate. It's not a great situation. We want to work with the industry and I know that Minister Colwell is very committed to doing that and we will be doing that.

I want to show you something, too, because in fact, this came from you. This is a little lobster here.

MR. CHAIRMAN: Mr. LaFleche, I can't allow you to have props. I apologize.

MR. LAFLECHE: What I was going to show you is that those Swedish guys have a lobster that looks like this. We have a lobster that looks like this. It's a great lobster. I feel bad for Sweden. There's the prop.

MR. BELLIVEAU: I can actually do a lecture on using props in this House.

I think a point of clarification - you mentioned that the present ferry is not scheduled to go during the present lobster season. I want to point out that many of the holding facilities in southwestern Nova Scotia - in fact, across Nova Scotia - are capable and do have lobsters in stock year-round because of their controlled temperature in their holding facilities so they actually have product year-round going to market. I think that needs to be recognized.

I'm interested, and I didn't hear in your first answer - the discussion about commercial traffic. During the media scrums it was pointed out that the City of Portland owns a terminal, but they were not prepared to have commercial truck traffic in their ferry terminal. I have been to Portland a few times and I visited the Portland fish exchange so I'm having a struggle with the terms of that. I don't have all the geographical areas but there is a large fish exchange in Portland. Now I'm struggling with this, and help me understand why the pillars of that community do not want fish trucks in one part, yet have a fish exchange in the other. How aggressive did this committee pursue commercial traffic in getting on a ferry system?

MR. LAFLECHE: Well I've been to Portland, too. Recently I've been to the new marine terminal. I don't know if you've been there but you can appreciate that that situation is very different from the old terminal where the previous ferries landed.

I'll let Mr. Grant outline how aggressively we pursued this and how aggressively Mr. MacDonald of Bay Ferries has.

MR. CHAIRMAN: Mr. Grant.

MR. ALAN GRANT: Thank you. I want to apologize, I'm feeling a bit under the weather so I'll try to answer the question as best I can.

Bay Ferries has been having discussions with the City of Portland for a while now about the terms of their agreement with the terminal, which includes commercial truck traffic. We've asked recently for some additional information which unfortunately I didn't get before today's meeting, about developments related to Ocean Gateway in Portland.

If the member has been at the new terminal in Portland, you'll appreciate that there has been a lot of development of not only the ferry terminal there but a commercial cruise ship industry in Portland. The city has been struggling, I guess, with an issue of off-loading commercial traffic in an area that is really becoming increasingly more designed to move tourist traffic in and out of the city. We will get more information about the Ocean Gateway initiative and what the specific concerns of the City of Portland are there.

Bay Ferries in their negotiations were aware of this very early on. I think, if I'm not mistaken, when Mark MacDonald was in southwestern Nova Scotia either at the end of the last calendar year or early this calendar year, he had indicated to the commercial trucking industry that there were restrictions on commercial traffic in and out of Portland for any operator, not just them. I think he worked aggressively to address some of those concerns at the time.

Beyond that we know there are concerns with U.S. border security and Homeland Security, in terms of the facilities they have in Portland to inspect inbound and outbound trucks. The footprint that the terminal now occupies has been reduced a little bit so there is an issue with just handling large volume of commercial traffic there.

We will continue the discussion. As we get more information from Portland, we'd be happy to share that, but at this time the negotiations are between Bay Ferries and the City of Portland.

MR. BELLIVEAU: Again the commercial traffic to me has been excluded from this particular service. During the discussions of determining what terminal or port you were going to enter, there's other terminals - I suggest Boston, Bar Harbor - that may be more friendly to commercial traffic. Were those options looked at?

MR. LAFLECHE: Boston is a much longer run. We did have preliminary thoughts about Boston and talked about it but it was not part of the request for service.

Bar Harbor is a different case. In fact Bay Ferries and Marine Atlantic both went into Bar Harbor over the years. Before we put out the request for service I did have a conversation with the federal Transport deputy, with the associate deputy and with Paul Griffin, the CEO and president of Marine Atlantic, which owns the Bar Harbor facility. We did look at Bar Harbor, we assessed the situation there and if you remember, one of the things I said last Fall was that the wish of the government was no annual discontinuance of service.

Bar Harbor is not ready, it is not certified at this point. It is rather derelict, it requires somewhere between \$5 million and \$10 million - who knows if that's a real figure or it's much more than that. It's in the process of being disposed of by Marine Atlantic, and there are potential buyers. I did inquire whether we or an operator for us could get involved in that and they're far down the pike apparently.

You can check for yourself, but my impression after sussing it out - and then we asked Bay Ferries to suss it out - was that we are probably two or more years away from seeing Bar Harbor in any sort of condition to accept a ferry vessel or cruise vessels. So Bar Harbor as a possibility is never off the table, but it was off the table for the next two or more years. That's why Bar Harbor wasn't looked at.

I want to mention that we've received a lot of input from the citizens of Nova Scotia regarding an idea or concept they have called the Halifax to Boston ferry. We have not been tasked to look at the Halifax to Boston ferry; that has not come under any consideration. We were tasked to look at something called the Yarmouth ferry and we've been working very hard on that. I don't know if the members want to get into the Halifax to Boston ferry but given that Halifax does have an international airport, our whole objective was to look at the ferry that would serve as a gateway for southwestern Nova Scotia.

I do appreciate that the citizens of Nova Scotia have come up with this idea. We have it, and if ever we're around when such a concept is of favour, we will pass on all the material they've sent to us to those who are dealing with that issue.

MR. BELLIVEAU: One of the questions I've been eager to get to - I think I can conclude that we all agree that this particular route that we're describing from Yarmouth to Portland is an international gateway. To me, when I describe an international gateway I assume that there are other partners that should be at that table. I noticed with great interest \$51.9 million from the previous federal budget, just announced a few weeks ago, supporting ferry services in Atlantic Canada. The member opposite named a number of them - P.E.I., Newfoundland, Nova Scotia and I think we can come up with pretty well all of them.

That \$51.9 million is a considerable amount of money and it goes to all the ferries in Atlantic Canada, except one. I've raised this question since I've been in this House. It baffles me. We all agree that we have an international gateway. We have a U.S. federal partner, I think should be at the table. We have federal partners all across Atlantic Canada, and we're asking the provincial taxpayers to bear the burden on every penny of subsidy for that Yarmouth ferry.

I'm asking you the question - I saw in the previous election last October federal MPs in southwestern Nova Scotia stand up and determine to go to their Cabinet and demand money for that Yarmouth ferry. We've seen \$51.9 million allotted to Atlantic Canada - not one penny going to Yarmouth ferry. Explain to me what discussions went on - what was involved in trying to get some money allotted to that Yarmouth ferry?

MR. LAFLECHE: Well, you were the political minister for southwestern Nova Scotia when it started so you can do part of the explaining to yourself.

MR. BELLIVEAU: We got zero.

MR. LAFLECHE: Right. You didn't get zero actually. Greg Kerr was the federal MP. He's a friend of mine, as you know, and he's a friend of the Premier's, and he did get what he could get out of the federal system at that time. It was rather disappointing for all of us, but what he got was quite a bit of money put into the terminal, the upgrades, the infrastructure.

So yesterday when we met with Dr. Garneau - I arrived a bit late because I had a bit of a brake failure on my bike coming down a hill, but I was able to - not rollerblades, the bike. I was able to witness Mr. MacLellan asking him about the upgrades that we will be required to do to the Yarmouth terminal, again for this ferry, and whether there would be federal support for that. That conversation has started. We will continue that conversation. That's not a large amount of money but it would be a federal contribution similar to the ones they made when you were a minister. I think the ones they made there were several million, I can't recall - maybe it was \$2 million?

MR. CHAIRMAN: Order, I do apologize, we've run out of time. We'll move to the Liberal caucus. Mr. Rankin.

MR. IAIN RANKIN: I appreciate the opening comments, especially the description of how subsidies work with ferries. I think that's important. Not everybody even in the public realizes that all ferries are subsidized. For that matter, every mode of transportation in the province is subsidized, including the airports. When you hear of the backstop, or deficiency guarantee profit was used, I think the taxpayers want to understand if this is a better deal than Nova Star but, more importantly, is this the best deal we can ask for today?

Having said that, can you describe the distinction between - and you can use numbers that might highlight the difference between the Nova Star deal as it relates to the charter fee agreements and the deal we have today, how does that work?

MR. LAFLECHE: I'll probably pass that over to Ms. Saurette here. What I would like to start by saying is that there has been some idea out there floating around that we didn't do very good negotiating. We negotiate on a lot of things. As you know, we've just finished negotiating with Mr. Ramia who thinks he got done in by us, so I guess we're not necessarily horrible negotiators but I guess there's an opinion that we are.

My predecessor, Simon d'Entremont, negotiated with Nova Star. You know in retrospect that doesn't look like such a great deal now but at the time there were different parameters in play in the public - as Mr. Belliveau knows, he was there - and things have been learned since. They negotiated what they thought was a very good deal at the time, it didn't turn out that way.

We're negotiating here, we negotiated what we think is a very good deal. We think we got the best deal we could. I know a lot of people thought that someone should bid on this to lose money. Those bidders simply in three rounds weren't out there. We didn't see anybody who came to us and said, can we run your ferry and lose money? That just is not

a concept that's out there in the private sector. Government-subsidized ferries - that's the way it is, so we did the best we could.

I got beat up this morning, the kids beat me up when I woke up so I'm feeling very beat up at this point in time. Scott Brison sent me an email and his kids didn't beat him up apparently, they waved him goodbye as he flew to Ottawa. Here I had to come down to Public Accounts Committee, beat up by my own kids. I think . . .

MR. RANKIN: So that's an important point what you're saying, though. If you had pressed for more and said that you wouldn't guarantee the level that you did, that threshold, would they have walked away and would we have no ferry today?

MR. LAFLECHE: We had only one real operator bid in three rounds and it's because we finally said last September this is going to be a subsidized ferry service, like every other. We got rid of that mysterious, magic thing where we're going to make oodles of money and people are going to bid and they are going to submit things like we're going to get 250,000 passengers, blah, blah and we're going to run casinos, et cetera. All that stuff is not of this era, it's of another era, it doesn't work today. We got rid of all that and said we're going to run this like every other ferry because Yarmouth deserves what everybody else has in Nova Scotia and everybody else has in Canada, so that's what we did. We'll let Ms. Saurette explain how we did the negotiations.

MR. CHAIRMAN: Ms. Saurette.

MS. SAURETTE: You asked about the comparison between the previous operator and the operator that we have now. In terms of the money that went out the door for the last two seasons, the original agreement was \$21 million over seven years and we ended up giving \$28.5 million in the first season and then there was another commitment for \$13 million, so we managed the previous operator to the \$13 million.

I think it's important to understand that that only brought us to October. So if we had continued on with *Nova Star*, we would have had to provide more funding and we would probably be looking at the second season at around \$22 million to \$25 million. If you're comparing *Nova Star* to Bay Ferries in terms of the charter, the charter is about \$4.5 million. With the exchange rate it's \$3.2 million U.S. a year. If we paid the charter for *Nova Star* we would be just under \$11 million this year, based on the seven-year contract that we had for the charter agreement.

Also important to note, I think, is that by 2020 - because the way that the charter went, it was low, if you want to consider that low in the first years and it was rising in the out year. So by 2020 the charter would have been over \$16 million a year.

For the charter that we have with the U.S., it's \$4.5 million a year, and if we extend the next two years - so if we go to four, we're still at \$4.5 million a year, so considerably lower than what *Nova Star* was.

MR. CHAIRMAN: Mr. Stroink.

MR. JOACHIM STROINK: Thank you for your presentation. First, let me express I'm disappointed to see that the member for Argyle-Barrington is not here because I'd love to hear what his views are on this topic. He is quoted as saying, ". . . people in southwest Nova Scotia be assured that the 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." Then you have Mr. Houston saying, this is a stupid deal, made by a "desperate, incompetent government."

I guess when you hear that kind of stuff with leaders of this province, within the same Party, you wonder do you really care about the southwest area of Nova Scotia, and the social and economic drives of this contract are so fundamentally important when lighthouses lost 20 per cent of revenue from the cut of the ferry; businesses lost 20 per cent of business; and a lot of businesses closed because of the cut of the ferry.

So I guess when you hear that kind of stuff, you want to be assured that Bay Ferries has some skin in the game. What kind of risk are they taking on this kind of endeavour and maybe that can show to Nova Scotians that they have skin in the game - that they are invested in this and that southwest Nova Scotia will be serviced and taken care of and supported?

MR. FITZNER: I alluded to it earlier on, but basically the financial risk for the thing is largely borne by the Province of Nova Scotia. Just to put that in context, even under a different arrangement, similar to the Nova Star arrangement where there was a negotiated amount of subsidy - as soon as the money was spent, you had two options. You either stopped the service or you paid more money into it.

I can't think of a contract, as the deputy said, that a private contractor is going to sign up for a guaranteed losing run. We've seen for 10-plus years that the run has not been able to make it, but it has value to the province and so that's why the subsidy goes into it.

The operator is largely responsible for the operating risks of the boat. I mentioned making sure that the passengers are safely transported back and forth. There are huge numbers of rules that apply to these types of operations. They're responsible to meet all those things. They're subject to charges and anything if they fail to operate accordingly.

They're responsible for the boat itself that's under charter, and if something were to happen to that boat it would be a large financial hit to them, either through their insurance rates going through the roof or something that would spin off into their other businesses as well. Environmental issues - they'd be responsible for - if there was a spill or anything involved in that, that the province wouldn't be responsible for that.

So that in a nutshell is the difference, but the financial risk is with the province, as it pretty well always has been since the days where it actually made money. But if a ferry

was making money, I would suggest the government wouldn't need to be there. There would be operators vying to do the run.

MR. CHAIRMAN: Mr. Stroink, Mr. Grant wishes to make a comment. Would you like to hear Mr. Grant?

MR. STROINK: Absolutely.

MR. GRANT: At last week's announcement we passed out the contract that the province signed with Bay Ferries so part of the answer to your question would be in Section 4 of that contract which outlines in a fair bit of detail - and I won't read them off because I think the contract has been made fairly widely available - it outlines in detail what the responsibilities of Bay Ferries are under this agreement.

As my colleague has already pointed out, yes, while there's financial responsibility on the province for ensuring the service is there, there are a number of risks to Bay Ferries in terms of operating a ferry service. I think Mr. MacDonald, when asked that question last Thursday, said there are always risks in operating a ferry service where you're transporting people over large stretches of open water. Those would be the risks to Bay Ferries under this particular contract.

MR. STROINK: Great, thank you. I guess my follow-up question is, Bay Ferries was the winner of the RFP, they won this contract, they were not selected. I guess with that in mind, did the government have a gun to their head on the procurement of the boat? There seems to be a time lag on the purchase of the boat but what is intriguing to me, and you mentioned it sort of, the bureaucratic process through the United States and the Pentagon, to be able to get a boat out of the Pentagon in such a finite, quick turnaround time is pretty impressive. I think there would have been a lot of support within the U.S. Senate and in the Pentagon to get this boat to be the ferry. Maybe you can walk us through a bit of that process. I think it's key for Nova Scotians to understand that this was hard work and a lot of effort was put into getting this boat from the Pentagon.

MR. GRANT: Just one point of clarification, you referenced an RFP process. The process we entered into in September was a request for service. I don't profess in any way to be an expert in procurement but we did check with our procurement folks. The document we released is not typical of a normal request for proposals process where you would have very specific criteria outlined and there would be some legally binding contract that was a result from that process.

What the request for service basically outlined was there were certain expectations that the province outlined in its request for service and minimum standards that any operator had to meet. As long as they satisfied those requirements, the process from then on - and I think as already indicated, we started detailed discussions with Bay Ferries somewhere after October 1st. Once that decision was made we essentially sat down and started a back-and-forth conversation with Bay Ferries about the details of what this service

would actually look like. To say that negotiations started on a specific day, I think there were ongoing discussions.

With respect to the vessel, they had proposed, as was already outlined, certain vessels that would meet the criteria for the Yarmouth run, and again there were lots of conversations back and forth about those particular vessels and what that would mean for this particular service. To give you an example of what I mean by that, the current model they're using is a high-speed ferry option which leaves Yarmouth in the morning, touches Portland in the afternoon and comes back to Yarmouth in the evening, there's nothing in the RFS that says you have to leave Yarmouth in the morning and come back in the afternoon. The RFS really said, we want a daily service between Yarmouth and Portland. I forget the last part of your comment.

MR. STROINK: I was just talking about the Pentagon and the procurement process of that because there was a lot of support within the U.S. Government to ensure that this occurred.

MR. GRANT: We were aware very early on that Bay Ferries had entered into discussions with the U.S. Navy over the use of a Navy vessel. To say any of us were privy to any discussions that went on in the Pentagon would be a bit of a stretch, although we might like to think that we were right there. These were really discussions that Bay Ferries and their representatives, more importantly, were having with the U.S. Navy.

We were provided with a contract a few weeks ago that outlined the details of that agreement, but up until that point all of the conversations between the Navy and Bay Ferries were through their broker and representatives in Maine.

MR. LAFLECHE: I think it's important to point out that on the political side in Maine we had great support from Senator King and a female Congresswoman, whose name I unfortunately forget right now. Much of this was due to the connections that Bay Ferries had. Despite the fact that Bay Ferries is Nova Scotian and here, they have had very good connections in other areas of the world, including New England. They were able to lever those to get us the right boat; the first time ever, I'm told, that the U.S. Government has ever leased a boat to a civilian service outside of the United States.

So this was very unique and a lot of that was due to the work of the various senators and Congress people, and the Mayor of Portland and the secretary of Economic Development there - a lot of that was due to the connections that Bay Ferries have. They did show us a number of boats. We have to be cognizant that all of these boats have to meet all the U.S. transportation and all the Canadian transportation requirements, and they have to meet them in a timely fashion.

So despite what some people may say, we can't just show up with any old boat. Any old boat may work, but it may take two years to get certified and get in there. That wasn't the objective. We had a very narrow target. The *Nova Star* didn't work out for us -

the *Nova Star* boat. The Nova Star company didn't seem to have the connections, even though they're from Maine, that Bay Ferries had, surprisingly. In fact, the Nova Star company, as Ms. Saurette outlined - if I wanted to have a meeting with them, I had to buy the coffee. They had no money so they were unlimited in terms of their ability to feed off the Nova Scotia Government.

Bay Ferries is a company that has other assets, has other runs and other connections, and that was very important in terms of getting the right boat for the right run. We're very pleased with the timing we have for the runs. As Mr. Grant said, this timing was not in the original RFS. It is a timing that we could only dream about and we've achieved it so that every night people are in Yarmouth.

Mark MacDonald has come and said to us - and I think you've heard this from Pam Mood - that Yarmouth now has to be ready. Southwest Nova Scotia has to be ready. Mr. Belliveau has to get his places ready there in Woods Harbour because there are going to be a lot of people coming into southwest Nova Scotia who are going to want to stay there overnight, to either take or arrive and stay overnight on the late ferry. We have to be ready for that. That's a good-news story. That's a story we wanted to have, and that's what we're going to be able to achieve because Bay Ferries was able to get us this boat through connections that they have.

MR. STROINK: I guess that's what is going to drive the southwest economy. It's going to help southwest Nova Scotia to succeed.

MR. CHAIRMAN: Mr. Farrell, you have just about a minute remaining.

MR. TERRY FARRELL: I will start and then maybe finish up in the next round. I want to ask about the model and the experience. It appears that when we got into the *Nova Star* situation that we were looking at a particular model that was a longer run and maybe a richer experience and now we're back to something that's going to make the run in a little bit less time. I just want to get your thoughts on why we picked the *Nova Star* model, I'll call it, and why we've now switched back to the high-speed model.

MR. LAFLECHE: Ms. Stevens could probably answer.

MR. FARRELL: I was hoping that we could get her involved.

MR. CHAIRMAN: Ms. Stevens.

MS. MARTHA STEVENS: A couple of things, first of all from a customer experience perspective, if you look at some of the information that Bay Ferries has provided about this vessel there are, in fact, quite a few amenities onboard so for a five and a half hour crossing I suspect our consumers will be well taken care of.

On the other hand, if you look at sort of overall, from a leisure travel perspective, visitors are looking for all kinds of modes of transportation and if they choose to take the ferry, perhaps being . . .

MR. CHAIRMAN: Order, I do apologize. Perhaps you can continue that answer in the next round. We'll move back to the PC caucus and Mr. Houston.

MR. HOUSTON: A question for Ms. Saurette. We've heard the deputy talking about maximizing the economic benefit, we hear lots of kind of anecdotal discussion about the economic impact of this. Does the department have an economic impact model that they can share with this committee?

MS. SAURETTE: No, we don't.

MR. HOUSTON: Does the department have any range of numbers that they would say we believe this is the economic impact we're getting for the cost - a cost benefit analysis? Has any of that been done, to your knowledge?

MS. SAURETTE: Our department has not done that, no.

MR. HOUSTON: Is the deputy aware of any department having done an actual analysis of the economic impact of this on the province?

MR. LAFLECHE: Yes, there have been a lot of studies done over the years and . . .

MR. HOUSTON: Can you share a study with us?

MR. LAFLECHE: The 540 pages of material that we dumped on you has some of that.

MR. HOUSTON: Just in the interest of time, what is the economic impact? Can you give me a range of numbers - how many million is the economic impact on the province for restoration of this ferry?

MR. LAFLECHE: I don't know that anyone can give you that answer.

MR. HOUSTON: Okay, so what we've heard is that there was never a consideration of how much this would cost. There was no line in the sand and nobody can give an answer on what the economic impact might be. Yet we have a 10-year contract.

The words "sustainability" and "stable" I find very interesting in the context of this discussion. We have a boat for four years and a contract for 10 years, we have no cap on how much it could possibly cost taxpayers. The deputy has referred to a theoretical cap, and I take issue with that. In year four, Bay Ferries could come with a new boat that could

cost \$80 million a year, and the department might think that is egregious but they have no contractual mechanism to dispute that, other than arbitration. It's not even in the department's hands at that point.

MR. LAFLECHE: That's not true.

MR. HOUSTON: What is the cap then, the most it could spend each year?

MR. LAFLECHE: There is obviously a cap.

MS. SAURETTE: In terms of the charter, after three years, if Bay Ferries decides not to extend the fourth year and come with a boat that's not acceptable to the province, then we can terminate.

MR. HOUSTON: Under which clause of the contract?

MS. SAURETTE: The termination section of the contract.

MR. HOUSTON: I believe that termination clause called for the province to pay for three years' worth of fees, which are unknown to this committee.

MS. SAURETTE: Up to three years, yes. It's three years of the management fee and then it breaks down. It depreciates over time.

MR. HOUSTON: There's really no cap in this contract. Is it the department's position that there is? Is there a cap on this contract on how much it could cost taxpayers over the 10 years?

MR. FITZNER: There's a cap to the extent that when we look at the annual budget, if they ever get to a point that it seems like there's not enough value for the money that it's going to cost, then there would be a government decision if they want to carry on.

MR. HOUSTON: I don't see where that is in the contract that the province signed. If there's not enough value for the money, which I don't think that has been a consideration so far in this discussion and I heard as much this morning. So there's not enough value and nobody will say what the economic impact is. I'm really struggling with that.

I guess what I want to know, very succinctly - is there a cap in the contract as to how much this could cost taxpayers over 10 years?

MS. SAURETTE: So there is no cap in the contract . . .

MR. HOUSTON: Okay, that's all I was trying to get to.

MS. SAURETTE: But if you'll just let me finish, there's nothing that we have seen over the last two years of experience that we have with Nova Star, as well as the experience that Bay Ferries would have, that what has been provided in terms of the numbers is not realistic. We've based the numbers on a 60,000 passenger count and this is a good step . .

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MR. HOUSTON: But with all due respect, you don't even . . .

MR. CHAIRMAN: Order, please let Ms. Saurette finish the answer.

MR. HOUSTON: I'm satisfied with the answer I received, Mr. Chairman.

MS. SAURETTE: But I think it's also important to note that the contract is based on driving the numbers down. So we've based the numbers that we have put out for the next two years on a good foundation. However, the contract is based on incenting the provider to drive passenger counts up and bring the expenses down.

MR. HOUSTON: All that in the environment of not knowing what the boat might possibly be after year four. It's just a little hard for me to take, but I do want to move on in the interest of time - unless we know what the boat is going to be after year four. Do we know what the boat is going to be after year four?

MR. LAFLECHE: If *The Cat* works out, we hope it's *The Cat*, and we know the performance.

MR. HOUSTON: It's nice to hope.

MR. LAFLECHE: We cannot have a boat after year four if we're not happy. We can do all sorts of things. We know how much we could possibly lose if we have no passengers. In fact, I think Mr. Baillie has done that calculation. Maybe you should talk to him.

MR. HOUSTON: I don't agree that you know how much you can lose because you don't know what boat it is. Different boats will cost different amounts.

MR. LAFLECHE: For the first two years, and probably four, it's this boat.

MR. HOUSTON: I'm talking about 10 years. You're talking about two years. I think that's the disconnect.

MR. LAFLECHE: Yes, but we're going to have a boat. If this boat works out, we'll keep the boat. If it doesn't work out, we'll get a better boat. I don't see what the problem is here. We can actually have the flexibility to do that.

MR. HOUSTON: It's not. You're leasing a boat from the U.S. Navy. They could determine that they don't want to lease it to you anymore. Do you control that?

MR. LAFLECHE: Well, we control it except in the event of an extreme emergency that they need the boat back, but then we'll get another boat. I don't understand what the issue is.

MR. HOUSTON: Well then we have a longer discussion to have. You have a four-year lease on a boat. You have no control over whether that lease is renewed after four years.

I want to move on and talk about winter work.

MR. LAFLECHE: Winter work? It's over for the year, I'm going to Brooklyn . . .

MR. CHAIRMAN: Order, please. We'll ask Mr. Houston to ask the question. Mr. LaFleche, please wait and then Mr. LaFleche you can answer the question. Mr. Houston.

MR. HOUSTON: If this summer run loses \$15 million and Bay Ferries secures winter work for this vessel and gets a route where they make \$20 million, does any of that \$20 million benefit the taxpayers of this province?

MS. SAURETTE: Can you just clarify what you mean when you say "loses \$15 million"?

MR. HOUSTON: If the summer run costs the taxpayers of Nova Scotia \$15 million and then Bay Ferries identifies a winter route and takes the vessel somewhere and has a profitable run - makes \$20 million, I don't know - knowing that the taxpayers have paid \$15 million, is there any possible benefit to the taxpayers of this province from that vessel being used on a winter run that's profitable?

MS. SAURETTE: In terms of winter work, if the work is agreeable by the province and agreeable by the U.S. Navy, then we would allow winter work and it would go against the subsidy. So if there was a benefit, we would definitely reap in the benefit.

MR. HOUSTON: When I read the contract, the ferry service that we're subsidizing, it is very clearly defined as a seasonal service to be operated between Yarmouth and Portland. That's what we're subsidizing. So is it the position of the department that there is another clause that somehow lets us claw back that subsidy should there be winter work? If so, can you point that out to me in the contract?

MR. LAFLECHE: We'll have the lawyer figure it out and get back. There would be a negotiation.

MR. CHAIRMAN: Order, I apologize, but if a person's microphone is not on, our record can't pick up on what's being said. Mr. Fitzner, do you wish to answer?

MR. FITZNER: I will go through this quickly, but I believe the contract stipulates that before they would use it for any other reason than the service for Yarmouth, they would need approval from the province as well as the Navy. So if they found something that they were proposing to do, we would sit down and negotiate under what circumstances we would allow that, and of course we wouldn't allow it in any circumstance where the money that the province has put forward for that service was subsidizing some other run somewhere else. That would be a non-starter.

MR. HOUSTON: Well, that's interesting because as kind as it is for the U.S. Navy to allow the taxpayers of Nova Scotia to fix up their boat for them and get it ready for a route and lease it for a maximum of four years that they have agreed to - if this vessel has any winter work whatsoever, the taxpayers of this province have subsidized it just by the very nature of spending the upfront costs to get it ready.

I don't want to read too much into the comments but it seems like the concept of winter work has not been well thought out at this point. I have a concern that the committee has not been able to alleviate, which is that the taxpayers are paying for the whole summer run. Every single penny that it costs to operate that summer run, the taxpayers of Nova Scotia are paying. No matter how much it costs, we're paying it, and for 10 years. Nobody knows what that is, nobody is willing to take a stab as to how much that might be but we're paying. Not only that, but we're paying to get the boat ready.

If we're paying for the summer route and there is winter work for it, do we get any benefit from that? Or are we just setting the stage with our tax dollars to prepare for that to happen? Waiting for a lawyer's response is one thing - I heard a comment that of course we would get the benefit from that but I'm not so sure. I see the deputy wants to chime in - I'd be interested to hear from him on the subject.

MR. LAFLECHE: We've taken a stab at helping you out on your calculations, your own Leader did that.

MR. HOUSTON: Where did my Leader do the calculations?

MR. LAFLECHE: It was in the paper this morning, he did his own calculations.

MR. HOUSTON: Can you produce that as an exhibit?

MR. LAFLECHE: He went, 10 times 10 equals 100, so he took a stab. I took a stab, we're fairly confident on what . . .

MR. HOUSTON: What stab did you take? What numbers?

MR. LAFLECHE: I told you, if we had no passengers what our loss is.

MR. HOUSTON: How much?

MR. LAFLECHE: They would be \$13 million more than we've subsidized.

MR. HOUSTON: Tell me over 10 years. He said \$100 million, what's your number?

MR. LAFLECHE: Well if we had the same boat, all the same conditions and we actually were crazy enough to run the boat for 10 years with no passengers on it, we would lose \$13 million more than we've subsidized, times 10 years.

But of course, we're not going to do that. Why would we do that? If after two weeks there isn't a single passenger, we would probably look at things and there are provisions in the contract for that.

MR. HOUSTON: And how much would that cost?

MR. LAFLECHE: The next thing I want to address is this issue of the winter work. In the Nova Star situation, they actually proposed to us that we would subsidize ferry runs for other countries. In fact there were people out there who thought we should do that, which was crazy. We were going to lose lots of money subsidizing.

They never found any winter work, it was all hilarious. In fact we phoned the ports, they were supposed to have . . .

MR. CHAIRMAN: Order, I do apologize, we've run out of time there. We'll move to the NDP caucus and Mr. Belliveau.

MR. BELLIVEAU: I find this deeply interesting. Mr. LaFleche you talked in your earlier comments that if this boat is not the right boat, we can get a better boat. I'll use it as kind of a backdrop because if I could take you back to 2009, *The Cat*, the catamaran - the critics at the time described that boat as having some serious flaws - no trucks were allowed, high ticket costs.

The locals actually had a term and they used this to say, they described the catamaran at the time as a Cadillac used to pick up a loaf of bread. To me it basically was trying to capture that what they needed for that particular application was a workhorse and the workhorse I make reference to is the *Princess of Acadia*, which we retired here a couple of years ago. Using that as a backdrop, I could get a number of local politicians - provincially, municipally and federally - that said in 2009 *The Cat* was not the right application.

So here we are fast forward to 2016, and we have a Cat. Can you explain how something can be not suited in 2009 and fast forward, we have a smaller version of the catamaran?

MR. LAFLECHE: Mr. Fitzner is going to take that, but first I want to - you started by saying something like I said that this was the wrong boat. I didn't quite understand what you said.

MR. BELLIVEAU: I had you quoted as saying, if we can't find a boat we can get a better boat.

MR. LAFLECHE: If we can't find a boat we can get a better boat?

MR. BELLIVEAU: Yes, that's what you said.

MR. LAFLECHE: If we can't find a boat we can get a better boat. Is this at the end of the four years that you're talking about?

MR. BELLIVEAU: Yes.

MR. LAFLECHE: I thought you were talking about I was criticizing *The Cat*.

MR. BELLIVEAU: No.

MR. LAFLECHE: Was I criticizing the *Nova Star*? No. That's a different subject. You go ahead, Bruce.

MR. FITZNER: Basically *The Cat*, when it wasn't servicing Yarmouth I believe carried 1.7 million customers over 10 years, which are numbers that we would just dream about now. Although some people may complain that it wasn't the right boat and there was an expert panel that was put together that looked at, after it was discontinued, how they could resurrect it, and they suggested the cruise ferry model, which is the model that we adopted under the *Nova Star*. It didn't seem to be the model in actuality and I think there were a number of reasons for that.

Years ago, the cruise ferry business was not as prolific as it is now. You can get reasonably priced cruises anywhere in the world, just about any time you want. So a boat that's really moving from Yarmouth to Portland would have a hard job competing if they're billing themselves as a cruise ferry.

Our feeling at the Department of Transportation and Infrastructure Renewal was this was more of a significant transportation link, and for that to be working the best and moving the most amount of people, it has to be efficient and it has to be fast. So after having the experience of the past two years with the *Nova Star*, we went back to look at the high-speed ferry. It cuts the time in half. There are people who would tell us that you may as

well drive up around through New Brunswick as get on the *Nova Star* when you were on there for 11 hours, it was quite a long time.

That was some of the reasoning that went into it. We feel that in today's world, people want to get somewhere, they want to get there fast. We want to get them to the province as fast as they can and enjoy their time here.

MR. BELLIVEAU: The previous *Cat*, the criticisms were regarding the high ticket prices. I notice in some of the literature, the media comments - my understanding is that the price of the tickets has not been established, as of today, but maybe by mid-April they will be established. I did see a comment saying that they would be similar to *The Cat* of 2009. Can you elaborate on that particular question?

MR. FITZNER: Our understanding, we had some discussions with Bay Ferries on what their fare structure would look like, and they told us it will probably be slightly less than the pricing on the *Nova Star*. It's hard to compare it exactly because there was a lot of discounted prices and different things that would happen during the year, but it wouldn't include the overnight cabin now that it just runs through the day. So a family that was travelling there in a car would probably see a reduction in the overall fare rate.

MR. BELLIVEAU: Continuing on that same theme, 2009, fast-forward to where we are today, fuel costs have adjusted and, in fact, they are in favour of the consumer. I suggest that the catamaran is an energy hog and she loves the fuel. Is that going to be reflected in establishing the fares of the 2016 season?

MR. FITZNER: The budget for the current year, I think fuel prices are currently around - oil is about \$40 a barrel right now and we have actually built in a bit of a cushion there in case they go up. Our understanding is probably through - and I mean, who knows where fuel prices will go, but in looking at what the experts predict, that maybe by 2020 oil is back up to \$60 a barrel. I think we're pretty comfortable for at least the first two years that the fuel will be less than the amount that we've budgeted.

MR. BELLIVEAU: There are a number of interesting questions that come out that I'm sure the Opposition and media will have. Is there going to be a mechanism in place that the media or the Opposition Parties can look at the books on a semi-annual basis, on an annual basis, to evaluate and see actually what's taking place with Bay Ferries?

MR. FITZNER: As part of the agreement, it requires that they provide audited statements at the end of each season to us. I don't know the answer to the second part of whether those statements could be made publicly available. Again we would have to refer to our FOIPOP person to determine if that was the case.

MR. CHAIRMAN: Ms. Saurette and then Mr. LaFleche.

MS. SAURETTE: As part of the contract, we also have a true-up. In terms of the subsidy that we'd like, \$10.2 million - if it came in at \$9 million, we would pay \$9 million. So there's a quarterly true-up process.

Now in terms of disclosing that information, we would have to talk to the FOIPOP officer just because it would be confidential information related to a private company.

MR. LAFLECHE: I wanted to emphasize that point in the media availability we had last week, one of the reporters was very hung up on the issue of how much we were paying Mr. MacDonald, in terms of his salary. Nova Star had only one entity, this run, it was basically almost a subsidiary of the government, it had no other functionality in life. Bay Ferries has a lot of other things they do in life. The records we will give you will be related to the Yarmouth ferry run, not related to Bay Ferries' operations world-wide.

We have no great knowledge of Mr. MacDonald's salary or any other salary or anything he does with respect to maybe the Digby ferry line or any other ferries that he runs anywhere else. This is a large company that has a lot of other operations. The information we will have will be related to the Yarmouth to Portland run.

MR. BELLIVEAU: Speaking about salaries and being paid, the previous ferry system, Nova Star - there were some outstanding bills left for vendors and I made reference to this. A lot of people find some humour in it, but actually the piper never got paid and I think the piper needs to get paid. I'll leave that with you if you have some information on whether that has been corrected in the last five or six months.

My question is, basically this is a very generous contract or deal. So if Bay Ferries can go out and they want to get musicians in or sports celebrities, circuses or whatever, and I'm making an extreme point here, to attract people for their ferry system, what's stopping them from doing any of the above? What's protecting the local bagpiper for the piper actually getting paid?

MR. LAFLECHE: Well as I stated previously, we're dealing with a very different entity here. First of all, it's a company in Canada, it has other assets which can be seized or attacked if the company doesn't pay the circus performers, et cetera. That is not the case with Nova Star. It is a U.S. company; it essentially disappeared when the bankruptcy occurred. We have to respect those proceedings. We have no further relationship with them - we don't owe them money, they don't owe us money and that's all we can really do. The U.S. courts will now deal with these situations.

In the case of Bay Ferries, it will be done in Canada. You have a company with many other assets, significant assets, so if the circus performer doesn't get paid and it's found to be a legitimate case, he will have access through the bankruptcy procedures of the courts in Canada, which is a much better situation.

MR. BELLIVEAU: Mr. Chairman, I know my time is limited, I will get down to the short snappers here. During this whole contract discussion, were there any discussions with American officials about potentials participating in subsidies on behalf of the United States Government?

MR. CHAIRMAN: Mr. Grant, you have just about 10 seconds.

MR. GRANT: Yes.

MR. CHAIRMAN: There we go. Order, time has expired. We'll move to the Liberal caucus and Mr. Farrell.

MR. FARRELL: Do you want to finish something up there, Mr. Grant? I'd give you the opportunity on our time.

MR. GRANT: Since last summer we've had a number of discussions, both at the state level and with the City of Portland, in terms of how they can participate in the financing of the Yarmouth ferry run. It's very difficult under their system to participate the same way that we might in Canada, but I think as recently as last week we reached out again to officials in the U.S.

We will continue those conversations about how they may be able to partner with us either on infrastructure improvements that need to be made there or any way that they can contribute to the success of the Yarmouth to Portland ferry service - we would be interested in having those discussions. Nothing specific to report on at this particular time though.

MR. FARRELL: Now, I want to quickly go back to Ms. Stevens to allow her to finish the answer - I'll very briefly re-state my question. What led to the *Nova Star* cruise model being chosen in the first place? What were the problems with it? Why do we think that the high-speed Cat model is going to work better for us now?

MS. STEVENS: Thank you for allowing me to finish that train of thought. I think Bruce actually answered a couple of those areas. I think the two things that we have to keep in mind are that consumers all have different needs and when they're looking at leisure travel and their modes of transport, they're looking for various different experiences. I think *The Cat* in itself, the fact that it is a shorter transportation - a five and a half hour crossing - I think will be a significant benefit.

The other fact that Bruce did mention, which is what we're certainly looking forward to from a tourism perspective, is the fact that we'll have more visitors in the province longer and they're getting here quicker. So the opportunity for the arrival early in the evening into the south shore is excellent and that's definitely going to benefit the southern part of the province. More importantly, being able to arrive an evening before to be there for the departure is yet a second opportunity.

So from our perspective, this opportunity is almost a double boost when we look at it from the experiences that the travellers can participate in and the accommodations that it's going to drive. Overall, I think there are pros and cons to both experiences, but at five and a half hours, I think the fact that we're getting our visitors quicker and we have them here longer will ultimately be the key driver.

MR. FARRELL: Do you know what the amenities will be on the new boat and if Nova Scotians will have the opportunity to provide those things - things like entertainment, because I know that's what Mr. Belliveau is referring to when he uses the expression "pay the piper". There were quite a number of people in southwestern Nova Scotia who were quite happy with the volume of work that they received from the Nova Star deal in terms of providing entertainment and those types of things on the boat.

MS. STEVENS: I can speak to a little bit of my previous experience working with Bay Ferries in some of their other operations. That is very much part of their overall marketing plan - to work as closely as possible with local artist providers on board their ship, but not only on board their ship but also visitor servicing and providing a lot of information. So they've got a captive audience for those visitors to make sure that there are those trip planning tools available as well.

Our experience with Bay Ferries, in terms of some of their other ferry routes - that has been a very strong area for them. In addition, they have their packaging area where they're booking in with experienced providers or hotel operators. Those are yet another opportunity when you've got a captive visitor for five and a half hours to share that information.

MR. FARRELL: Thank you. I'll pass on to my colleague, Ms. Lohnes-Croft.

MS. LOHNES-CROFT: The ferry does reach as far as Lunenburg and we are happy that the ferry is back. Thursday the announcement came on March 24th and - may I have permission to read part of an email that I received from a constituent?

It says: It's 6:15 Thursday night and I just saw that the new ferry service has been confirmed with Bay Ferries. It really [buzz word] me off that the minister would sign a contract that would supply U.S. crews.

With that question to me from a constituent, I'd like to ask, can you tell me the employment situation with the new ferry?

MS. SAURETTE: I'll take a stab at that. It's obviously a U.S. military vessel so it's a U.S. flag ship so the crew has to be U.S. citizens. I do know there will be some other forms of employment on the boat that would be Canadian.

We know that, because the boat is going to be docked at port in Yarmouth, the cleaning and the actual stocking of the boat and all that will be done in Yarmouth. We

know that Bay Ferries has also, in terms of accommodations, I think they rented five homes or something like that for the accommodation for the crew. We know that supplies and all that would be done in Nova Scotia.

MS. LOHNES-CROFT: So unlike the previous ferry, there will be employment to Canadians, you are affirming?

MR. LAFLECHE: The answer is yes but if I step back for a minute and look at what we've done here, we had a U.S. management corporation. The president, the vice-president, the other vice-president, the director of marketing were all U.S. citizens. They were all living in Maine and all of the salaries, the large salaries - I know there was an article recently saying that Nova Scotia got only the bad jobs. In fact the Americans are getting those jobs by cleaning the dishes and stuff on the boat. We are getting the president, the vice-president, all those big jobs at Bay Ferries.

In fact we've taken a situation where the Americans got all the high-paying jobs to one where the Canadians will get all the high-paying jobs so that's one distinct benefit that we have.

Also I saw an article where someone was quoted as saying that the vessel will not be serviced by Canadians. That is wrong, it will be serviced overnight in Yarmouth by Canadians. That's another benefit of what Ms. Stevens described. So that's a second huge benefit, that it gets serviced here in Canada, except for the original outfitting which is by a prior arrangement that Mr. MacDonald has. The daily servicing of it, the provisioning of it and all the management will be Canadian - a big advantage.

The only thing we're not getting is the crew, who do most of the low-value jobs, the opposite of the newspaper article that I saw - I'm not blaming the media, someone quoted that to them. We're not getting those jobs, the Americans are getting those jobs. If I had a preference as to our partners in New England getting those jobs, because of the flag concern, or a country in the Far East get those jobs, as it was in the case of *Nova Star*, I would much prefer that our partners the Americans get those jobs because then they are getting a benefit which makes them a lot more interested in this service than they would be.

I did not see any subsidies or any partnership or anything good coming from Indonesia, Malaysia or the Philippines due to the *Nova Star* deal. I believe we've already seen a significant benefit from the United States of America and from New England and the State of Maine. I'm happy that if we can't get the jobs, because of the flag issue, to have Americans get those jobs because that further cements or solidifies the historic relationship that southwestern Nova Scotia has with New England.

MS. LOHNES-CROFT: Thank you very much.

MR. CHAIRMAN: Mr. Gough, did you have questions?

MR. STEPHEN GOUGH: I had just one. I was just wondering, has the State of Maine contributed financially to this ferry service? If not, why?

MR. GRANT: I tried to answer that in a previous question. The State of Maine has not contributed the same way that the Province of Nova Scotia has contributed financially. The State of Maine has made a substantial investment in upgrading the terminal facilities in Portland.

I don't know if you have been there but anybody who was there when the service was operating previously and has returned would notice a big difference in terms of the terminal facilities in Maine. That was all financed by the State of Maine, substantial investment. I can't remember the exact number but it was in excess of \$20 million.

They've also improved the marshalling area where you come off the boat or where you're waiting to get on the boat - all of those improvements were made. Again, I think there was probably \$4 million or \$5 million of contribution put in there.

Whenever we have the discussion with Maine about contributing to the ferry service, both the state and the city have difficulty with the concept of contributing to subsidizing the operations of the ferry - that creates problems for them in their political system. Again, I don't know what the legislative restrictions are, but they're limited to how they can participate.

They have, though - and I'll go back to the deputy's earlier comment - officials in the State of Maine, both at the Senate level and in Congress and with the City of Portland, were instrumental in brokering the deal with the Navy. In fact, I received a letter from a former retired Navy officer who said the whole thing was ridiculous, it would take two years for this thing to be negotiated. We received that letter about three weeks ago and we have the deal that we have today.

It's unprecedented and I think Maine deserves a lot of credit for making that happen. It's a very unique deal in that we only pay for the vessel for the time that we're using it. Diane has outlined the implications for that from a charter point of view. Maine has been an active partner throughout this process and that has had direct financial benefits to the project.

MR. CHAIRMAN: The time has expired. However, Mr. LaFleche you do have an opportunity for closing comments. We just have about two and a half minutes left, so perhaps you could keep it to two minutes, and if the committee is willing we could extend beyond 11:00 a.m. for some committee business that we have afterwards. Do we have agreement on that? We have agreement.

Mr. LaFleche, if you could sum up some closing comments in two minutes.

MR. LAFLECHE: I would like to say that I think it's important that everyone who has had questions reads the contract, and if they need help on some of the legal interpretation, we can provide that type of help.

What we've tried to do here is get the best deal for Nova Scotians. The best deal is not maybe dependent on the subsidy level totally - it might be dependent on the economic activity. We do view this though as a transportation mechanism like other transportation mechanisms. So the amount of due diligence on economic benefits would be of the nature of those other transportation systems.

I do appreciate that at one time under a previous government they were trying to justify this as an economic development-only operation - that is not where we are today. This is also a vital transportation, cultural, social link between southwestern Nova Scotia and New England, so we are justifying it on more than just one ground. The evaluations that we do when we look at renewing this service or continuing it at the various stages that are outlined in the agreement will be looked at in that sort of vein.

I want to thank my colleagues here. They've worked very hard, as I know the previous crew of Simon d'Entremont and David Oxner did to negotiate agreements. This is a very difficult situation because this ferry was stopped. We've got to restart it, we've got to start from zero. There are a number of challenges and I know Mr. Belliveau has mentioned some of them that people would like us to look at. Today is not the day, the early start to look at them. We've got to get off to a good start. We have to have the citizens of southwestern Nova Scotia ready, the businesses ready to receive these ferry passengers and to make this a success. We will be looking at building upon that as we have success, but to start off and make some of the same mistakes we did in the previous attempt would not be wise.

So we're starting conservative, starting small, and we hope to build. We believe this is a good agreement. We have negotiated a lot of agreements. I mentioned the Nova Centre recently. My department negotiates agreements every day. We have a very sophisticated group of negotiators in the background on the legal side. We feel we know what we're doing. We knew what we were doing when Mr. Houston's team was in government, we knew what we were doing when Mr. Belliveau's team was in government and we feel we currently know what we are doing.

We are the people who actually sit down, these types of people, and negotiate the agreements. We're a bit dismayed when we read in the media that we're very poor negotiators and we've been hosed. We'd like to not have those comments out there.

I do want to admit that we have issues with spelling, okay. I'm going to blame this on the guy that the arrow is pointing to so that may cause you to lose a slight amount of confidence in us. In fact that's why my kids rang me out this morning, Daddy, you can't even spell Newfoundland, how are you going to help us? Anyway, despite these small

issues and Petit Chemin des Jacquard Road down in your area, et cetera, we're generally very good at what we do so we'd appreciate that that is respected out there.

Thank you to the committee and all of you. There have been some rough questions today, we take that in stride, not personal. The members have to do their job, they do a good job at it and we appreciate that. I think the tough questions that have been asked by some of you, including some of the Liberals actually, those tough questions are good for the public and the media to hear and allow us to get the answers out, thank you.

MR. CHAIRMAN: Thank you, Mr. LaFleche, and thank you to all our witnesses who have been with us today. We appreciate you being here and answering all our questions. You are free to leave. We have just a couple of minutes of committee business.

If you look, we have correspondence from the Department of Finance and Treasury Board that was requested from our February 24th meeting. Are there any questions on that?

We had correspondence from the Department of Business from the March 2nd meeting. This was an item that we talked about briefly this morning in camera. I'm not going to talk about what we discussed there. That information is from the Department of Internal Services - oh, I'm sorry, I've mixed - thank you to our clerk for setting me straight. I'll raise that one at the end.

We had correspondence from the Department of Business on visitor information centres. That was in response to a request from our March 2nd meeting. Are there any comments or questions on that? Hearing none, okay.

The next item is the annual conference that is typically attended by myself, the vice-chair and the representative of the NDP caucus. This year it's in the Northwest Territories from August 21st to 23rd. There's no rush on this but I find that these sorts of things it's probably best for people to think about it now and perhaps respond soon. They are asking us for topics that we could discuss at the conference - you may have some ideas around that. You are welcome to suggest them at any time during our meeting or by email, to myself or the clerk. We can't promise you that a topic will be discussed because it is up to the CCPAC to decide what kind of agenda they are putting on but it is an opportunity if people wish for us to look at certain aspects of how our committee operates.

I would certainly be glad, and I'm sure the vice-chair would be glad, to bring you a report back from that conference when we return from it. Certainly if one of the topics that you've proposed is discussed, we'll bring you a full report on that. Does anyone have any topics they'd like to bring forward today? I'm going to leave that with you and I don't think we will bring it up again. I recommend that you have a look at that in the next couple of days and if you wish to propose a topic, we're all ears.

There is this other piece of correspondence, we passed over it in our last meeting, from the Department of Internal Services. This is one we discussed this morning about

leased office space. Is there any interest on the part of the committee to further pursue an answer to the question about the amount of unused office space currently being leased by the province? Mr. Houston.

MR. HOUSTON: Absolutely there is. I think the committee should write back to the Department of Internal Services. The Department of Internal Services was very pleased to advise that the province does not lease any unused office space. That's what they advised this committee. Then they qualified that a little bit that they don't have the ability to determine whether a portion of space within a particular lease is unused. That kind of negates the whole first statement that they're not leasing any unused office space.

I think I would go back - I would hope that the committee would go back - with a very specific question about the space in Pictou County that came out in the media just a couple of weeks after this committee was advised that they're not leasing any unused office space. There was a media report in Pictou County that they are leasing a land registry office for a couple hundred thousand dollars a year - actually, it's \$124,000 a year, it looks like from the media.

I would just ask that this committee write back and ask if they can reconcile those two things. Is it true that the province is leasing this unused office space and how was that missed by the deputy in their correspondence to the committee?

MR. CHAIRMAN: In response to that, our clerk has provided a copy of Hansard for that day and Mr. Conrad who was with us as a witness had responded by saying, "We're able to see by lease, not by within a lease. Our database, for example, will show us a lease has been vacated for one reason or another. We can see the end date of the lease, who the occupant is and all that. We can't go in and say within the lease that every single cubicle within that space is fully occupied on a given day; that's not within our ability." He goes on to say, "I don't have that information with me . . ." related to the unused space that the province is currently leasing, ". . . it's pretty small. It seems to me that I saw a report a number of months ago - I think at that point we had perhaps one or two things like visitor information centres that weren't currently being used, but it's relatively small. I can have that provided by Transportation and Infrastructure Renewal, if the committee would like."

So there has been an offer by the deputy to provide some additional information, but when we did follow up with our letter, we of course got the response we did, which is, "I'm pleased to advise that currently the province does not lease any unused space." As noted during my appearance, ". . . we do not have the ability to determine whether a portion of space within a particular lease is unused." - to Mr. Houston's point. Mr. Rankin.

MR. RANKIN: Maybe we can just ask for clarification and ask for any details because he alludes to specific data that he looked at and he did say there was small space not being used, so maybe he can provide the committee with any data that is tracked within the system that's available to the committee.

MR. CHAIRMAN: Is there agreement on that approach? Okay, we will have our clerk draft a letter and we will pursue that information and we'll report back when we receive it.

Our next meeting is on April 6th with the Department of Natural Resources. That's to discuss Chapter 6 of the Auditor General's Report, which is Forest Management and Protection. We have a briefing with the Auditor General immediately following this meeting. Also on April 6th we have a briefing after that meeting with the Auditor General on Chapter 3, which is Business Continuity Management.

With that, seeing nothing further to discuss, unless members have anything they wish to discuss - and seeing nothing - we will take a very short recess and return with the Auditor General. If people can stay close by, that would be appreciated. Thank you.

[The committee adjourned at 11:09 a.m.]