

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, December 14, 2016

Legislative Chamber

**Department of Transportation and Infrastructure Renewal
&
Tourism Nova Scotia**

Re: Yarmouth ferry

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Public Accounts Committee

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

[Mr. Brendan Maguire was replaced by Mr. Bill Horne.]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

WITNESSES

Department of Transportation and Infrastructure Renewal

Mr. Paul LaFleche,
Deputy Minister

Ms. Diane Saurette,
Executive Director - Finance and Strategic Capital Planning

Mr. Bruce Fitzner,
Executive Director - Infrastructure Programs

Tourism Nova Scotia

Ms. Michele Saran,
CEO

Ms. Anna Moran,
Manager - Research, Planning and Decision Support



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, DECEMBER 14, 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 to order. We have with us this morning the Department of Transportation and Infrastructure Renewal and also Tourism Nova Scotia - I almost called it the Department of Tourism, but it's Tourism Nova Scotia.

I'd like to remind everyone to place their phones on silent and we'll begin with introductions, starting with Mr. Horne.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: Thank you. Our topic this morning is the Yarmouth ferry. I'm not sure which office would like to go first. (Interruption) Okay, we'll let Mr. LaFleche proceed with opening comments.

MR. PAUL LAFLECHE: Good morning, thank you for the opportunity to come back to this committee and discuss the Yarmouth ferry. You'll note we're also going to the Economic Development Committee of the Legislature on January 10th.

I brought some opening remarks here and in case anybody wants to waste time writing them down, I've already given them to the media so you can get them or I can give copies to the committee members, so don't worry about that.

Our goal since the file came to Transportation and Infrastructure Renewal has been fairly straightforward - we wanted to re-establish a stable transportation gateway for Yarmouth and the French Shore which was sustainable. Similar to other transportation links that also serve the public good - the airports in Sydney and Halifax, Highway No. 104 through Amherst, and the ferries in Pictou and Digby - for years the New England, U.S. service to Yarmouth has served as a reliable link into and out of our province.

It has no doubt been a challenge to re-establish this link after it was completely severed for four seasons. We believe the best way to do this is to put the right operator in place, to focus less on season-to-season and more in creating a long-term plan that will create the conditions for economic growth and investment around the service.

Last Fall, the government decided that the operator and vessel we had were not providing the sustainable, reliable service that was necessary to re-establish this link for the long term. We selected a new operator through a well-publicized selection process. Through that process and subsequent initial dealings with Bay Ferries and Mark MacDonald, we were confident that we had the right operator in place.

Within six months and under intense scrutiny, Mark MacDonald and Bay Ferries used their contacts from years in the industry to negotiate an unprecedented deal with the U.S. Navy that got us a better boat, at a better price and, at the same time, eliminated much of the uncertainty that came with the previous vessel - specifically, the charter fee and the need for winter work. Bay Ferries then got the service in place, dealing around the clock with Portland to establish a new schedule which puts the lion's share of economic benefits on the Nova Scotia side of the operation, all in time for the start of this year's season.

The last time we were here, there was still some uncertainty on this file. We had yet to have a sailing season with Bay Ferries managing the run. They found a new boat that changed the schedule, there were questions about whether they could meet budgets that were set out. Now I am pleased we have this opportunity to come back to this committee after the first season with these doubts removed.

The service came in on budget and the service itself is a wonderful experience and showcase for our province. Food and beverage on board were represented by over 50 local producers and suppliers. Their gift shop offered Nova Scotia products from over 40 local producers and suppliers, including wineries, breweries, and distilleries, as well as local artisans and craftspersons. Entertainment was provided by a local artist on board, and based on the surveys, the passenger experience received rave reviews.

In terms of the impact for tourism operators here in Nova Scotia, we're joined today here by our colleagues from Tourism Nova Scotia, and I know that there are members of TIANS - the Tourism Industry Association of Nova Scotia - who will be willing to speak later to the media. They can speak to the real transformation that occurred this summer in Yarmouth and on the French Shore and how that region experienced the best season it has

in a decade. Now that we have the right operator in place and the first season under our belt, we're excited to see what Bay Ferries can do with a full off season to focus solely on marketing and outreach in partnership with Tourism Nova Scotia.

I'll now pass it over to my colleague from Tourism Nova Scotia for a few opening remarks, after which we will be pleased to answer questions.

I will point out that I would not have read this speech - first time I've ever read a speech exactly - if it wasn't for Jean Laroche bugging me about not reading it. Thank you, Jean.

MR. CHAIRMAN: Thank you, Mr. LaFleche. Ms. Saran.

MS. MICHELE SARAN: Good morning. I'm pleased to be here with the Department of Transportation and Infrastructure Renewal to discuss the Yarmouth ferry. I would like to acknowledge the chair of the Tourism Industry Association of Nova Scotia, Glenn Squires, and CEO Darlene Grant Fiander, who have joined us in the gallery today. I would also like to welcome Mayor Pam Mood of Yarmouth and Neil Mackenzie, general manager of the Yarmouth and Acadian Shores Tourism Association.

Tourism Nova Scotia is working with industry, community, and government stakeholders to achieve the goal set out for Nova Scotia's tourism industry in the Ivany report, which is to reach \$4 billion in annual tourism revenues by 2024. As the organization responsible for marketing Nova Scotia as a vacation destination, we're strategically focused on the following four areas: investing in markets of highest return; focusing on world-class experiences; attracting first-time visitors; and building tourism confidence.

Mr. Chairman, 2016 has been an outstanding year for Nova Scotia's tourism industry. Over 2,220,000 non-resident overnight visitors will have travelled to the province by the end of December, and tourism revenues are expected to reach \$2.6 billion. That's an increase of \$100 million over 2015. I would like to thank Bay Ferries, Marine Atlantic, Northumberland Ferries, our airports, and VIA Rail, who provide travellers with safe and reliable ways to get here. Access and transportation options are essential for tourism growth.

Tourism is important to almost every community in this province, and I can tell you there's a great deal of optimism and excitement amongst our industry. In the Yarmouth and Acadian Shores region, the international ferry link has been a catalyst for economic development and tourism, creating business and job opportunities for residents in the region. Since the ferry was reintroduced in 2014, we've seen year-over-year growth in room nights sold. As of the end of September of this year, room nights sold are up 34 per cent compared with 2013, when there was no ferry.

Yarmouth ferry passengers are high-value visitors. They spend more, a lot more. Visitor parties that used the Yarmouth ferry spent \$2,100 in the province. This compared to just \$1,000 for the average visitor-party spend. We also know that ferry visitors stay longer. They spend an average of eight nights in Nova Scotia, compared with just five nights for the average visitor party.

Now that the CAT ferry service has been in place for a year, we look forward to continuing to work with Bay Ferries and to aligning marketing efforts and attracting more first-time visitors to Nova Scotia.

MR. CHAIRMAN: Mr. Houston, of the PC caucus, you have 20 minutes.

MR. TIM HOUSTON: Thank you for the opening comments. The last time this topic was before the Public Accounts Committee, I asked if there was any kind of economic impact study that had been done. Here we are now - we have a season, and we have all kinds of anecdotal information that's been provided. Has anyone actually done an economic impact study to determine the value to taxpayers of this investment?

MR. CHAIRMAN: Mr. Houston, do you wish to direct your question to Transportation and Infrastructure Renewal?

MR. HOUSTON: Sorry, to Mr. LaFleche.

MR. LAFLECHE: Our focus has been to return a stable, reliable service in place after many years of uncertainty for four solid years. We know the effects of the lack of . . .

MR. HOUSTON: Sorry Mr. LaFleche, it was a very specific question. In the interests of time, has an economic impact study been done to determine the value to the taxpayers of the investment in the ferry?

MR. LAFLECHE: Yes, I'm going to get to that, this is the first part of the answer.

MR. HOUSTON: Okay, I only want one part. So, an economic impact study has been done, how much was invested in the ferry this season? What was the cost of the ferry for 2016?

MR. CHAIRMAN: Ms. Saurette.

MS. DIANE SAURETTE: The budget for this year is \$10,200,000.

MR. HOUSTON: Okay, that's the subsidy but I'm just wondering, what was the full cost of the ferry this year? We had a subsidy, we had start-up costs of \$4 million, we had a \$9 million retrofit, we had a management fee. Was the management fee included in the \$10 million - the management fee to Bay Ferries?

MS. SAURETTE: Yes, the management fee is in the \$10 million.

MR. HOUSTON: So would it be fair to say that the cost to taxpayers for this year for the ferry was \$23 million? I get that by \$10 million, plus the \$9 million retrofit, plus \$4 million in other start-up costs, so \$23 million. Would that be fair to say was the cost for the ferry for this year, that was what taxpayers spent this year?

MS. SAURETTE: This year we spent \$10,200,000. We spent \$13,100,000 in 2015-16.

MR. HOUSTON: Okay, \$23 million so far. Based on the economic impact study that you have, Deputy LaFleche, what's the economic impact to the province that that \$23 million generated?

MR. LAFLECHE: The economic impact to the province? Well can I finish answering the question I started to answer or are we going to get cut off?

MR. HOUSTON: The original question was, have you done an economic impact study, and that was kind of a yes or no. So if you have . . .

MR. LAFLECHE: Well no, my answer is not yes or no. There have been lots of economic impact studies, I've got a pile of them right here . . .

MR. HOUSTON: Maybe I can ask . . .

MR. LAFLECHE: . . . and if you want me to list them . . .

MR. CHAIRMAN: Order, order. I must ask both the witness and the person asking questions, we do have to have some order and I don't want to see this meeting turn into a shouting match. Mr. Houston has a question - perhaps you could ask it specifically - and Mr. LaFleche, please do your best to answer it specifically.

MR. LAFLECHE: We've got a number of economic impact studies here and I'll name them: From June 30, 2011, the Yarmouth-Maine Ferry traffic projection and viability analysis, by Gardner Pinfold, so that's one of them. I think we've already given that to the clerk but if not, who do I hand that to? Re-establishing a Yarmouth-U.S. Ferry . . .

MR. HOUSTON: Mr. Chairman, if I may . . .

MR. CHAIRMAN: Mr. Houston.

MR. HOUSTON: The 2011 economic impact study - what type of vessel would that have been based on?

MR. LAFLECHE: That was based on basically looking at the economic impact of a ferry service in general.

MR. HOUSTON: I don't want to go around in circles here, so I want to ask you a very specific question. We have \$23 million of taxpayers' money invested in the Yarmouth ferry - what's the economic impact of that \$23 million in today's terms? Not 2011, not 2012, not anything before. We are where we are now with a vessel, a route, and a very significant investment. I'd just like to ask you, do you know how much economic impact was generated in Nova Scotia, based on the \$23 million?

MR. LAFLECHE: I'll answer that question by saying we're running a transportation service, the economic impact of that service is very similar to the economic impact of other ferry services and other transportation services. For instance, we have a service between Digby and Saint John which we cost share with the Province of New Brunswick and the federal government. The federal government is specifically the contractor and Bay Ferries operates that service. We contribute about \$1 million a year.

Our impact would be in the range of that, as well as our cost. We have a service between Pictou, Pictou County and P.E.I., Caribou and Wood Islands - I have been on that service recently. That service has a subsidy, too, which is in the range of the subsidy on this service and it has an economic impact like this. It's a public good, it's part of the transportation system.

MR. HOUSTON: Okay, so I've asked the question about the economic impact study and I don't want to put words in your mouth but I want to paraphrase - the economic impact doesn't matter because you are running a transportation service. Is that the gist of your statement?

MR. LAFLECHE: The gist of my statement is that we're operating a public good. About 14 or 15 months ago, we appeared before the Economic Development Committee of the Legislature and at that time we stated we were changing the model, a model of a cruise-type model which was felt to be possibly cost recovery, to return it to the model which has existed since 1956. That model is a subsidized transportation link between southwest Nova Scotia and New England.

I am happy to say we successfully returned to that model and we've done it at a level of subsidy which is comparable to other types of ferries of that nature in Nova Scotia and around Canada, including Newfoundland and Labrador, and British Columbia which operates lots of ferries. We've returned to the traditional subsidized model.

Mr. Chairman, if I can go over a history of . . .

MR. HOUSTON: Actually sorry, Mr. Chairman, history is always interesting but I'm more interested in the future today.

Now what I'm hearing you say is, you've established a transportation link and there has been a cost to that, but the cost doesn't matter to you because you've succeeded in your goal of establishing a transportation link. That's what I'm hearing from you right now.

I'd like to ask you, would a normal transportation link like the ones you've referenced in so many places around this great country, most of which are subsidized by the federal government, would those transportation links generally allow you to transport goods which . . .

MR. LAFLECHE: You're actually incorrect. The vast majority of the ferry transportation links are provincially subsidized. There are a few which are federally subsidized but the vast majority . . .

MR. HOUSTON: Am I correct in that there's no transport trucks on this particular link but there are on most others?

MR. LAFLECHE: We would be pleased to have transportation trucks on this link. However, when we met in 2012 to review the future of the Digby ferry, what we heard from the Atlantic Provinces Trucking Association - from Jean-Marc Picard, the executive director - and other representatives was that their focus was on the Digby ferry. On this ferry . . .

MR. HOUSTON: The transportation industry doesn't want trucks on the Yarmouth ferry?

MR. LAFLECHE: No, what I said is that their focus is on the Digby ferry. What we clearly heard was, that was a critical transportation link and we were being implored to work with the federal government to ensure that that was maintained.

MR. HOUSTON: Can I ask when those meetings would have taken place, roughly? Would they have taken place this summer?

MR. LAFLECHE: Those meetings would have taken place when the end-of-life of the Digby ferry was within the reasonable horizon, so I'm going to say between 2009 and 2012.

MR. HOUSTON: The reason I ask is the department put out an RFS on August 25th. I'm going to ask why this vessel is on this route, particularly in the context of your assertion that this is all about transportation and the effort to establish a transportation link. Economic impact, not so much a big deal; transportation link, a big deal in your mind.

With that in mind and thinking about the effectiveness of the transportation link that you now have absolutely established, at a cost which I am interested in even though you might not be - in August 25, 2015, an RFS went out and it called for a certain type of

vessel. It actually said, the proponent will offer onboard service and amenities including onboard entertainment, dining and food and overnight passenger cabins and recliners. It was calling for a cruise-style ship.

This is consistent with what Mark MacDonald said back in 2012 when he said that a high-speed CAT vessel will never work on this route. It's consistent with what the expert panel said when they said a high-speed CAT-style vessel - not what you need on this route. They're all saying cruise, cruise, cruise.

You actually were saying cruise, cruise, cruise, too, on August 25th. On September 8th, you actually released the final RFS, so something in those 13 days happened in the department which was very significant because the September 8th final one removed the requirement for onboard cabins or recliners. Despite what Mark MacDonald said that a cruise-style was necessary, despite what the expert panel said that a cruise-style was necessary, despite what your own RFS said 13 days earlier - cruise-style necessary - somebody in the department said, you know what, we don't need a cruise-style.

I want to ask you why that change was made and who made it.

MR. LAFLECHE: Let's say I made it, we didn't need a cruise-style. The passenger service has changed over the years. Traditionally, when the *Scotia Prince* ran - that's why I wanted to go through the history, Mr. Chairman, so if you'll allow me to do that, I think it will be very illuminating. In 1956, the federal government started a service . . .

MR. HOUSTON: Sorry. Mr. Chairman, with all due respect . . .

MR. LAFLECHE: This is very relevant to the question.

MR. CHAIRMAN: Order. There is limited time for each member's questions. Mr. LaFleche, I'll allow you to provide some history, but I ask that you try to do it as quickly as you can. (Interruption)

I think we should let Mr. LaFleche answer the question, but please be prompt in your answer.

MR. LAFLECHE: I think some of the confusion here is, there has been a subsidized passenger ferry - federally and provincially subsidized - for all but four years since 1956 on this route, on a route between Yarmouth and New England. There has also been a cruise-style ferry for a period of time between 1970 and 2004, and that's what's being mixed up here. The cruise-style ferry was operated out of the U.S. by foreign operators, and it served a completely different market, a market which has been replaced by Boston and New York to Halifax and Sydney; 170 large cruise vessels docked out here.

That market is no longer productive or relevant in the Yarmouth-to-New England route. What is relevant is the traditional subsidized ferry route which has existed for over 50 years. That's the route that we are trying to replicate here and keep going.

Unfortunately, it was stopped for four years and unfortunately, in restarting that route, an error was made by people who were trying to do the best thing, which was to try to institute a cruise-style ship, a very slow ship. It had fine dining. It had gambling. It had shows. That sort of ship is not the ship that we need on this route.

MR. HOUSTON: Mr. LaFleche, you have determined that that style of vessel is no longer relevant - I'll use your word, "relevant." You made that determination in the face of Mark MacDonald saying that a CAT-style wouldn't work on this. You made it in the face of an expert panel saying that a cruise-style was what was necessary. You made it in the face of your own department issuing a draft saying it's relevant.

Something happened in that two-week period where you determined that all those people were wrong, and you knew what was relevant for this market. Can I ask you what qualifications you have, personally, to determine what is relevant to that type of a link and to do that in a two-week period in the face of expert analysis?

MR. LAFLECHE: We had two years of the *Nova Star*. We had many years, including many professional operators, operating the *Scotia Prince* privately. They terminated that service in 2004. There were reasons they did that; we investigated that. We carefully waited out the *Nova Star* experience to see if the cruise model would work. It didn't work. We had a two-year experience which was a failure.

After that two years - yes, at the end of the day, the minister and I make the decision. But there was a large number of people who are very qualified who looked at this - including one of them you named - who agreed that the cruise-style model was out of date. Mark MacDonald will be here on January 10th, and you can ask him those questions, because I think you're probably misquoting him.

MR. HOUSTON: But I wonder why all that wouldn't have been done before the draft was issued. Why in the span of two weeks after a draft RFS was issued, did somebody say, you know what? For these two years - all this analysis and all this stuff - we were wrong. Let's fix this right now in this two-week period. Why would that analysis not be done before a draft was issued to the market?

MR. LAFLECHE: We did come to the Economic Development Committee, and it's unfortunate that nobody really listened to us; they spent their time talking to Mark MacDonald. We were here for one hour testifying, and we did explain all of this.

We did explain we were going to a subsidized model - not an unlimited subsidy but a subsidy within the range of the Pictou ferry, within the range of the Digby ferry,

consistent with other similar ferries - and we were going to put in place a model with a private operator that ensured that the subsidy to Nova Scotians was as small as possible, and the economic benefit as large as possible.

That is why the ferry stops every night in Yarmouth. That is why it doesn't stop in the United States. That is why we went to a high-speed CAT-style ferry, so that we could actually maximize the impact. That is why we switched to an Atlantic operator, a Maritime operator who is local, who has an office up here on Spring Garden Road, who operates two other ferry systems in this province, who previously operated this route and knew what was wrong with it and knew what was right with it. That is why we did all of that and we explained a lot of that to the Economic Development Committee when we came. It's unfortunate that it seems you have not read that material.

MR. HOUSTON: Well, I'll tell you what's unfortunate, Mr. LaFleche. We're in a situation where you're striving for sustainability and I question whether or not you will be able to achieve it. This year, 2016, was a bumper year for tourism, an incredible opportunity for tourism - low dollar, low fuel, awesome weather. Everything was set up for a great tourism year. That's not always going to be the case. In fact, oil is going back up, the dollar is going back up.

Have you done any sensitivity analysis on what that might do to the cost of this run in the coming year, because the costs will most certainly be higher. Have you done any sensitivity analysis on that, or do you care about that?

MR. LAFLECHE: We've had discussions prior to this year, with Mark MacDonald, and we've had discussions this year. We've had discussions very recently about things like that. I find it disappointing that you would think we would not discuss these things all the time. We're always looking at ways to cut costs for Nova Scotians but we're always looking at ways to maximize the economic benefit.

If you go down to Yarmouth this summer and I think Ms. Saran recently described that, you'll see a huge difference in the southwest area. We go down quite often. I don't know how often you go but we go a lot to Yarmouth. We visit there a lot - we've seen your partner Chris d'Entremont there a lot in fact - and we've seen a huge difference in occupancy rates. The occupancy rates are way up.

We are cognizant of all of that but we're also cognizant of the fact that there is a long, 200-year tradition - more than 200 years - of sailing between Yarmouth and New England. In fact there's been over 50 years of ferry service subsidized by the taxpayers of Canada. This service was taken away for a short time. My mandate and the mandate of my team here was to reintroduce this subsidized service as it was.

MR. HOUSTON: Thank you, Mr. LaFleche. Have you asked the federal government to put a subsidy on this route to help you out?

MR. LAFLECHE: We ask them all the time.

MR. HOUSTON: Okay, what do they say?

MR. LAFLECHE: They say no.

MR. HOUSTON: Why would they say no?

MR. LAFLECHE: Because they're out of it, because someone let them out of it and you'll have to ask who that was to some of your colleagues.

MR. HOUSTON: What I would like to talk about is . . .

MR. LAFLECHE: I just want to point out I was there and I negotiated the original Digby subsidy and we advised that it was a mistake. So, Mr. Houston, you'll have to talk to some other people about that . . .

MR. HOUSTON: Well no, I've suggested . . .

MR. LAFLECHE: . . . because once you let the federal government slide out of a subsidy you are never going to get them back in, so why did you let them slide out?

MR. HOUSTON: Well we have a new government that has lots of infrastructure money and transportation link money so maybe it will be a sunnier day, Mr. LaFleche, when you go and ask this time.

MR. LAFLECHE: Accountants should know the difference between capital and operating.

MR. HOUSTON: I know you are getting through your speeches and I'm pretty proud of you for doing that but I do want to talk about where we're going . . .

MR. LAFLECHE: So is Jean, the first time ever.

MR. HOUSTON: Can I ask you a very direct question? What is the management fee that was paid to Bay Ferries?

MR. LAFLECHE: The management fee - well I thought you were an accountant and I keep saying that and . . .

MR. CHAIRMAN: Order, we can't have that kind of tone at this meeting. (Interruption) Mr. LaFleche, your microphone is going to come on in a second, I'll let you answer the question.

MR. LAFLECHE: You know we can't tell you that because we went through - and Graham Steele even advised us on how to get around the FOIPOP and give out the management fee. (Interruption) We can't get around the privacy aspects here and give out the management fee because Bay Ferries doesn't want us to give this out. You can ask Mark MacDonald on January 10th to give it to you.

The management fee is incorporated in the overall sums that Ms. Saurette mentioned. It is a very modest management fee and in fact one of the reasons Mark doesn't want to give it out is because he doesn't want the federal government to know what a good deal Nova Scotia is getting versus them.

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

HON. DAVID WILSON: I want to spend some time on an area that I think, and Deputy LaFleche just mentioned it, around subsidies and the federal government. Throughout the process this has been a very hot topic over the last number of years. Being in politics over the last 13 years, I've come to realize how important a ferry service is for a community and for a province.

One of the frustrating things I've seen, and I haven't had any direct relationship in my past positions as minister in the former government on the ferry stuff, was the fact that the federal government and the Government of Maine or the federal government of the U.S. are not partners in this. You talked about it being a transportation link and that has been an area of frustration for me. I know many people I speak to who say, this is an international crossing, why in the world is our federal government not a partner in this?

You just mentioned a few minutes ago, I believe, that it was a number of years ago when the federal government pulled out of supporting that ferry. I don't recall exactly when it was and I don't know if you are able to tell us - when did the federal government pull out of subsidizing the New England-Nova Scotia ferry?

MR. LAFLECHE: It's a different question when they stopped operating and when they stopped subsidizing it. They stopped operating it when Bay Ferries took over the Bar Harbor route in 1997 - when they stopped subsidizing it is a different question and I think you will have to ask the federal government that but it was some time on.

In terms of operating subsidy, I want to point out - and this was my comment to Mr. Houston earlier about infrastructure versus operating - that the federal government has provided many infrastructure investments all along to the Yarmouth terminal, et cetera and they've been very good on the infrastructure side. We tried to get an infrastructure investment but unfortunately the federal program was announced just after the infrastructure we needed last winter. Otherwise, had we been about two months earlier in

the federal budget, we would have been able to get another federal investment in infrastructure, so they've been good at that.

When they exactly got out of an operating subsidy, I don't know but they certainly got out by the time of the 2010 cessation of operating.

MR. DAVID WILSON: Has there been any discussion in the recent year with the federal government? When was the last time Nova Scotia asked - and I think we need to continue to ask - will they be a partner in this? Will they help subsidize the operation of this vessel? Have you met with your counterpart? Has the minister met with his counterpart? When is the last time the provincial government here in Nova Scotia requested the federal government to get on board.

I think if this is going to be a transportation route then I think they need to be at the table with us, right? If it's not something that we're looking at trying to recoup the money from economic spinoff and advantages of having the ferry, then it's a sustainable transportation link, to me the federal government needs to be part of that.

Are you aware of the last time any discussion with the federal government took place on supporting an operational subsidy for the Yarmouth ferry?

MR. LAFLECHE: I would have had the discussions with the federal deputy and associate deputy in the late Spring, regarding investments in it. In fact, they are currently eligible for any infrastructure investments that we want to make under Building Canada. So if we need further infrastructure investments, we will be discussing with the federal government.

Ferries were made eligible in the April change to the new Building Canada program. That has got us fairly excited because as you know, in addition to this we have seven other ferry routes which have large capital requirements but that's different from operating subsidy. The federal government has been very firm in refusing to engage in any real discussions on operating subsidy. Basically, years ago we allowed them to get out of the operating subsidy on this line, as a province, so that's where we are today. It's hard to get people back in when you let them get out.

MR. DAVID WILSON: It's discouraging to hear that. I know the former federal Conservative Government was very reluctant to get involved in that or would not get involved in it. The new federal Liberal Government now, I assume or I can attest that they are taking the same kind of approach to this.

What about the Maine Government? I know initially there was talk about them being involved in providing - I believe it might have been access to a \$5 million fund to support getting the ferry up and going, but I know that that hasn't happened. Has there been

any discussion with Maine lately? When was the last discussion with them to say, there's a benefit to Maine and New England, will you assist us in an operating subsidy?

MR. LAFLECHE: That's a good question. I'll get to Maine in one second, but I just want to make an addendum to a comment you made on the federal government.

The current federal government did make a change from the Conservative Government in that they added ferry eligibility to New Building Canada, which was last April. That is a new, important thing for us. I don't want to say they did nothing. I don't want it on the record that they didn't do anything. Okay? They did something very significant which will help us in the future, maybe, on this line and will help us to a great extent on our other intraprovincial ferries.

MR. DAVID WILSON: Is that just for infrastructure?

MR. LAFLECHE: That's just for infrastructure, not operating subsidies.

MR. DAVID WILSON: Understood. Our infrastructure is there for the Yarmouth ferry now.

MR. LAFLECHE: Yes, but I think we just can't leave the record saying that they didn't do anything. They did something.

MR. DAVID WILSON: Well, they didn't do anything for operating.

MR. LAFLECHE: No, nothing for operating, but they're not doing anything for anybody in operating.

In terms of Maine, we feel that Maine made a significant contribution. Bay Ferries, through their connections, was able to get Senator King to negotiate from the United States Navy the ability to lease this very valuable vessel at a very, very good rate, a preferential rate. That has resulted in significant cost savings for Nova Scotians and also allowed us to have the type of vessel - a unique vessel, much different from the last CAT high-speed vessel - that is able to make this route in a comfortable journey, in a short amount of time of five hours, and therefore allow us to move away from the hoteling concept on the boat. Senator King basically negotiated that agreement for Bay Ferries with the U.S. Navy. Had he not been there - Senator King of Maine, an independent senator - we would not have gotten this deal. So we feel they came to the table.

I've visited Maine the last two seasons. I've been on both ferries, the *Nova Star* and the CAT. When I went over on the *Nova Star*, Mr. Grant was with me - he's not here today - as were Minister Churchill and Minister MacLellan. We visited the Governor of Maine, and we talked to them. Frankly, the Governor of Maine really did not know much about

Mark Amundsen, the *Nova Star* operator. He didn't seem to have any connections there, and I would say he was not helpful to the file.

I don't know where the \$5 million came from, but that was to do with that deal, and the previous operator, Mark Amundsen, in the two years that he ran the business, we never saw sight of this \$5 million line of credit he talked about. That leads me to think that there was really never much there.

We did not engage in this type of conversation this time. We let Mark MacDonald do the best deal he could. Just like the federal government is willing to invest in infrastructure but not operating, the State of Maine and the U.S. Government have areas where they will invest. Where they invested here was in the port facility itself and in getting us a very good boat.

MR. DAVID WILSON: Will that boat be renewable? What's the term of that contract now? My fear is that down the road they'll have us over a barrel and then whatever agreement was made to get a low-cost vessel, we're going to be stuck because they know that as a government, as a province, we're the sole supporter of this ultimately. I know there's possible infrastructure money. So how long is that contract, and do you foresee it being renewable so that this good deal, as you call it, will continue on down the road?

MR. LAFLECHE: It's initially a two-plus-two contract, so four years in total. But Mark MacDonald and ourselves, we are aware of those issues. We're always planning contingencies. We're now only one season into that contract, so it's a bit early to get worried about that.

There's no sign that the Navy is needing the vessel back. In fact, they're building similar vessels but military grade for troop transport, so they probably will not need this one or its sister ship back. We're comforted by that. It's a good question - we always have to plan for contingencies - but right now, we're satisfied with the situation.

I want to point out that the difference between this vessel and the previous *Nova Star* vessel, the cruise-type vessel - in the previous vessel the whole point was to have all of the spending done on the boat through hotel rooms, through white table dining, through shows, through casinos. This boat is about getting you in five hours between Portland and Yarmouth and back. It's about spending in southwestern Nova Scotia. It's about your hotel room and your dining experience and your gift shopping and your entertainment being in southwest Nova Scotia, not on the boat. That's the big difference in benefit we see with this boat.

MR. DAVID WILSON: I'd have to say that anything can happen after January. Maybe Donald Trump will need some kind of vessel to ferry him from Washington to New York, I mean anything - who knows what's going to happen there?

One of the other concerns we hear is around the truck traffic, especially down in that area the connections between New England with product, especially seafood, has been a long-standing relationship as far back as the ferry has been there. That definitely is an area that I think has been impacted in a negative way because they're not able to use that infrastructure transportation highway to New England. Are you concerned with the inability of this vessel to support businesses down in that area that could really benefit from that quick access to the New England market?

MR. LAFLECHE: We're not concerned about that because the truckers haven't been concerned about that. There is concern that the Digby ferry can actually take enough trucks at a critical time of year; in fact, that's this time.

Our Yarmouth ferry, in fact, does not operate during the lobster season in southwestern Nova Scotia so that's not a big issue. There may be other fish being shipped in the summer season but they can be adequately shipped in Digby. The timing, the leaving of the Digby ferry is much better.

As you know, there have been a lot of issues if you try to get out of the U.S. between Canada and the U.S. In the last few years, you've seen a lot of tightening of security. That has necessitated a very different type of border control. That type of border control is not available in Portland. It is available in Calais, Maine. The Canadian and U.S. Governments have done a lot to upgrade that for quick trucking through that border. Unfortunately, despite the fact that we have a vessel that can take trucks and can take buses, we cannot get them off the ferry in Portland because there are no U.S. border control services which will accept commercial shipping at that Portland terminal.

That's the problem there. It's not about the ferry; it's about Portland. Also, there is no place to store and dock the trucks. Since 2009 when the ferry was discontinued, Portland shifted the ferry terminal to a new cruise-style-plus ferry terminal in a different area - in the central downtown, from the industrial region - and there is not the space in the central downtown to dock trucks, just as you wouldn't if you put one right out here at Murphy's pier there where Murphy's Restaurant is. It's sort of that type of atmosphere.

Despite the fact that the ferry can take trucks and the ferry can take buses - they will take buses and they are interested in buses, so anybody out there with a bus who wants to get on next summer, call Mark MacDonald - the trucks cannot decamp there, nor can they board there, nor can they go through U.S. border controls there. Although it would be interesting and good to have a second option besides Digby, unfortunately we cannot at this time, whether we like it or not.

MR. DAVID WILSON: I know that the City of Portland put in place some of the restrictions. I know last year there were blackout dates of certain periods because of this cruise line - I believe it was cruise lines that were going into Portland. Have you been given

a list of blackout dates for next years so you could prepare for possibly having a disruption of service?

That's very difficult to work around, I would assume, if you're trying to build a ridership and making sure that especially the U.S. residents come this way, that if someone is taking a vacation, they find out there's a blackout period because there's a cruise ship. Have you been given any blackout dates for next year?

MR. LAFLECHE: Bruce Fitzner is going to answer that question.

MR. BRUCE FITZNER: Yes, we were down there this summer. We went over with the minister to meet the Mayor of Portland and port officials. At that time there were still a number of these blackout dates that were on the books. Through a bit of negotiation, the minister and the mayor and the port were able to reduce a number of those.

Mark MacDonald feels that both the cruise ships and the ferry can both successfully use that port, with a little bit of higher-level co-operation, so his focus right now is to try to find a way that there will be no blackout dates, if possible.

MR. DAVID WILSON: So far you haven't been given any?

MR. FITZNER: I'm not aware that they have at this stage.

MR. DAVID WILSON: Are we anticipating some, or do you think . . .

MR. FITZNER: We expect that there would be, based on the parameters they used last year when they needed to use certain berths, that there will be some forthcoming again. I think that Mark is working on a way that he thinks they both can use that port at the same time.

MR. DAVID WILSON: I know the last time I was on the ferry I had to purchase a ticket in U.S. dollars - is that still the case now? Or can you purchase it in Canadian dollars? I found it very strange that I would have to purchase the ticket in U.S. funds.

MS. SAURETTE: Yes, it is in U.S. funds and that's mainly the result that most of the passengers and the revenue is on the U.S. side. The majority of the passengers who ride the ferry are U.S. citizens coming in to Nova Scotia, so the ticket sales are in that currency.

MR. DAVID WILSON: I do want to go back to operating subsidies. To me this is something we need to continue to hammer both the federal government here in Canada and the Government of Maine about. Have there been any recent asks? I know, Deputy LaFleche, you talked about going down and meeting with the governor, I believe, but he was unaware of the previous agreement. Has there been an official ask from the Province of Nova Scotia to both the Maine Government and the federal government asking for an

operational subsidy to help Nova Scotia with the costs - to try to reduce them, really, I think would be a benefit to Nova Scotia taxpayers.

MR. FITZNER: When we were down there, again we were looking at any possibilities how the City of Portland or the State of Maine could participate in a larger way in the ferry. We didn't specifically ask for operational funding.

The other party you mentioned, the federal government - when the new parameters came out that included the ferries in them, we at that time had to make some modifications to the ramp system at Yarmouth to accommodate the new ferry. Unfortunately some of that work had already started and, if work has already started on something, the federal government won't cost-share on it. That could have been an eligible expense that we would have been able to do, so if future work is needed on the ferry terminal at Yarmouth we may be able to tap into some of that federal money.

MR. DAVID WILSON: Am I correct to say that we had to do some upgrading to the Portland ferry terminal also, that Nova Scotia had to cover that cost? Am I correct in saying that?

MR. FITZNER: I was referring to the Yarmouth one. At Portland itself . . .

MR. CHAIRMAN: Ms. Saurette.

MS. SAURETTE: There were some modifications. I don't have the final dollar number but it was approximately around \$1 million. It would have been part of the \$4.1 million in the start-up costs. So we had Yarmouth in there and there was some marketing. There were a few other things that were in that \$4 million and the renovations to accommodate the ferry would have been considered in that number.

MR. DAVID WILSON: Could we maybe get that tabled - not today but down the road - on what was actually done on the U.S. side. Would the new money that the federal government says we're going to be able to gain access to, would that have been able to have been used in another country?

MR. CHAIRMAN: Order. I'm sorry, the time has expired. We'll move to the Liberal caucus and Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: I'm going to give Mr. LaFleche a little break and I'm going to ask a few tourism questions, if you don't mind. What has been the economic impact of the Nova Scotia ferry to all of Nova Scotia? I see benefits where I live and no offence to Mayor Mood who is here, it has been wonderful for Yarmouth and southwestern Nova Scotia, but how has all of Nova Scotia fared with the ferry service?

MR. CHAIRMAN: Ms. Saran.

MS. SARAN: The ferry has had a great impact on Nova Scotia because the ferry passengers inject about \$17.5 million on average every year into the economy and they don't just stay in the Yarmouth and Acadian Shores area. They get out and explore most of the province: 66 per cent go along the South Shore, 63 per cent go up to the Bay of Fundy, 51 per cent go to Halifax, 22 per cent Northumberland shores, 31 per cent Cape Breton, and 84 per cent stay in the Yarmouth region, so they do get out, they do explore. We're talking 14,100 passengers this summer alone.

In terms of impact beyond that, the occupancy rate was over 70 per cent for the summer in the Yarmouth area. These were the best figures we've seen in a decade. It has been just outstanding for the region so we're very pleased to report this type of thing. That's a 57 per cent increase over 2013 when we had no ferry, so this is a direct result of having that service reinstated into the area.

MS. LOHNES-CROFT: Through the season, in particular at the start of the season, there seemed to be a lot of negativity about the Yarmouth ferry by members of the Opposition. Did that have any impact on the numbers of people taking the ferry?

MS. SARAN: Any negative press gets to the ears of our customers and it's not a good thing, particularly when we're talking about tour operators. Tour operators book between 12 and 18 months out and if they have any sense that the service isn't going to be stable or consistent, they're not going to book business. This is significant business, this is group business. We're talking about groups between 10 and 50 on a motor coach, so we have to be very careful what we say in the media, it has a very detrimental impact.

MS. LOHNES-CROFT: Were any other ferry services targeted in Nova Scotia with negativity?

MS. SARAN: Not to my knowledge.

MS. LOHNES-CROFT: So there just was focus on the service in Yarmouth. Okay, that's very interesting.

Can you talk a little bit about - you have a \$4 billion strategy in place, a goal for 2024, I understand. How is this whole ferry service placed in that scheme? I'm sort of wondering, it's quite an undertaking to progress that quickly with such a goal.

MS. SARAN: Oh, absolutely. It's a big goal, it's an audacious goal but I can tell you that I never would have taken this job if I didn't think it was achievable. I'm excited about it and I think we have a very strong strategy, four pillars that will help us get there. Everybody has a role to play in the strategy. This is an industry goal, not just a Tourism Nova Scotia goal. Government plays a role, communities play a role, tourism operators play a role.

What we do is follow a four-pronged approach. We target first-time visitors because they're the ones who are most likely influenced by marketing. We go after high-yield visitors, people who are going to stay longer and spend more in our destination. We encourage the creation of world-class experiences so people will have a compelling reason to get on that plane or get on that ferry now, to explore a destination. We want to build tourism confidence with the operators all throughout Nova Scotia and the ferry aligns beautifully with every single one of these pillars of our strategy. We know 50 per cent of all the riders of the ferry are first-time visitors and we know they are going to have a great experience when they come here and they're going to be repeat visitors going forward. They're very high-yield visitors.

As I said in my opening comments, they're worth \$2,100 per visitor party, the people coming on the ferry, versus only \$1,000 for visitors coming not through the ferry. World-class experiences are created when there is confidence in a given area. When Yarmouth and Acadian Shores see that this is a stable and consistent service, they're going to be investing in their businesses, they're going to be building new hotels, they're going to be upgrading their products but they're also going to be creating new experiences. They're going to be the catalysts for further tourism.

We can talk about the new stargazing experiences that they have in the South Shore region. Sometimes I think we take for granted what is great about Nova Scotia because we live it every day. We have ocean all around us. We can see the stars at night. A lot of people in our markets don't have that. I love Yarmouth & Acadian Shores' new tagline, "Where the Stars Align," because that's exactly what happened this summer. We had everything in our favour. As the gentlemen mentioned, we had great gas prices, a good exchange rate, and all of that. I like to think we had some pretty darned good marketing too. We had some of our best results ever. It led to 40 per cent more click throughs to operators. That's what made the cash registers ring, and that's what made it a great tourism season.

MS. LOHNES-CROFT: I would like to talk about the historic significance of having this crossing. I have family members who went over to what we call the Boston States. Many of us have relatives there. Many are homeowners in Nova Scotia. That service provides two extra days in Nova Scotia spending money. If they had to drive around, it would shorten their vacation time. To me, this service is very valuable.

We have great relationships just in Lunenburg County. We have the Christmas Tree Growers Association, which started that tradition of the tree to Boston. That has been significant. We have a great relationship with the folks at Gloucester with the international dory races. The ferry service provides a great means of transportation for participation both back and forth because we go to Gloucester, and Gloucester comes to us.

I feel that that service is so important. It's been there since the 1800s in one way or another. I'm sort of glad to see that there is an effort on the part of the providers to keep this service going.

Mr. LaFleche, you talked quite a bit about how Bay Ferries went to great lengths to secure a boat and the professionalism of the operator. Can you explain what the advantages are of having Bay Ferries as our provider?

MR. LAFLECHE: Bay Ferries is a professional operator in that it has operated ferries for many years in many locations. It has operated this exact run before with a CAT boat. It operates the Digby-Saint John run. It operates the Caribou-Wood Islands run to P.E.I. It has operated runs on Lake Ontario, in the Caribbean, and in Europe. It's a sophisticated ferry operator. It knows where the boats are in the world and what's available at all times. They're constantly out there connecting. They're members of international ferry consortiums. They're on the board of directors of the Canadian Ferry Association.

They have a financial capacity where we don't have to worry about a phone call every day. I don't have to pay for Mark MacDonald's business class airline ticket to come meet with us and discuss problems. He shows up from his office, like he did recently, on Spring Garden Road. We don't get a bill for that. It's part of the service.

In the previous service, those things were very, very painful for us because we didn't have a professional operator. We didn't have someone with experience. We didn't have someone who operated other routes. In fact, we went out three times to solicit operators for this route, once under my capacity and twice in a different department and with different governments.

In those three times, the only real operator interested in operating this route that we've ever had make a submission was Bay Ferries, and we're very thankful for that because they are exactly the perfect operator we would want for this route. Their ability, their connections, their history of dealing with New England was very important. Their personal knowledge and connections with very high-place people in the U.S. Government and in the State of Maine was also important in securing the vessel and securing the docking schedule that we did get, so this was the big difference between this operator and the last operator. I can't speak to previous ones as I was not around, but I was around for the last year of the *Nova Star*.

I want to just talk for a second about the history. Earlier we heard that maybe history isn't that important but history is important to people. The people of that area have had this historic connection, as you indicated. I did not fully understand that I must say until a few years ago when the deputies were invited to go down to Yarmouth and meet with the board of trade and hear about the importance of the ferry. Being here in Halifax - I mean I did live in the Digby area for several years, but being here in Halifax I didn't have that appreciation.

I think it behooves us all to understand that when you take away a couple of hundred years of history of a transportation link from a people and then you try to restore it with some business case thing which nobody else - Pictou isn't being asked that, Digby isn't

being asked that, other areas that have roads that we service aren't being asked that, you take away something that is very dear to the people, you have a problem. I think that's what the people of Nova Scotia were faced with when they really supported the restoration, I mean I heard that loud and clear. I'm not a politician, but I heard it loud and clear in that 2013 election that this service was important to Nova Scotians.

History is important and the fact that this service did exist - it's not a new service, we didn't think up something new that wasn't there before. We're restoring what has historically been part of the culture of southwestern Nova Scotia. That's very key, I think, to all Nova Scotians and to the people.

We have a lot of letters, and I think Michele has them, from different tourism operators and different people who are very pleased that this service is back and can talk about the economic impact of not having the service and the economic impact of the restoration of the service. Michele, do you - okay, right here. I won't read them out but I will table them with my friend over here, Ms. Langille, who has made sure that I don't bring any props today, by the way. I think you can read them later. They speak to the economic impact.

But more, I encourage all the members of the House, including Mr. Houston, to go down and visit the area. I know Mr. d'Entremont is an MLA there, as well as Mr. Gordon Wilson and Mr. Belliveau - unfortunately Mr. Belliveau is retiring. He was my minister for a long time and he did a great job, and he lives in that area too. They can all attest to the significant economic impact that the ferry has on that region, but also the history and culture.

MS. LOHNES-CROFT: My office, I share the space with an information centre and there were weeks when we couldn't find a hotel for anyone in the area, so that's just confirmation of how busy it has been, because our bed and breakfasts and our hotels had a lot of rooms available in the previous years so this is all good news for us. I know local artists will tell you that their buyers come on the ferry. They come in their cars so they can take large pieces of artwork back home. To have that ferry service gone really impacted their livelihoods, and many of them laid off staff, some closed their shops, so business is booming.

MR. LAFLECHE: The ferry service there is a loop, like the Confederation Bridge and the Pictou ferry are a loop. It's a transportation tourism loop and maybe Ms. Saran can speak a little more about that. A lot of people will drive one way up from the U.S. and go back the other way or vice versa. Not having that loop creates a significant difference in terms of spending impact. That spending will be done elsewhere.

Some people say those people will come anyway. I don't know that that's true, Ms. Saran can speak to that, but even if they are coming, we're maximizing the spending in southwestern Nova Scotia, an area that desperately needs this spending. That was the goal

when Transportation and Infrastructure Renewal was given this file from Economic and Rural Development. Our role was to put back a transportation link. The Premier spoke about that just after the 2013 election, when he was elected. He talked about this being a traditional transportation link.

I think a lot of the disconnect here and why some of the members are confused or some of the general public is because they're still focused on the cruise-ship model, a model which was relevant for many years and a great model. But with changes in gambling laws, with availability of large cruise ships out of Boston and New York, it is really no longer relevant. What we need is the historic transportation link, the one that has always been government-subsidized in Canada, not the cruise-ship model, which was a private model.

MS. LOHNES-CROFT: You spoke a bit about the *Nova Star* à la carte services, I'll call them, where we paid for flights in by the owners and operators. To me one of the big reliefs about Bay Ferries is that there aren't random infusions of cash to the operator, particularly in winter. Can you talk about how that's changed? We're in the winter layover season. What are we paying out?

MR. LAFLECHE: I think one of the things that we didn't experience last winter, because we didn't have them, was the incredible operational burn rate of *Nova Star* Ferries, which Ms. Saurette will describe.

MS. SAURETTE: One of the things with the contract is that we only pay for the boat when we actually use it. With the *Nova Star*, the charter fee alone was close to \$600,000 U.S. a month. That was just in the first two years. As you had gotten up to the sixth year, it was almost \$16 million a year in terms of the charter fee. One of the reasons why we've been able to reduce the subsidy and the impact to Nova Scotians is because Mark MacDonald was able to negotiate with the U.S. Navy only paying for the boat when we actually use it. It amounts to a charter fee per year, if we did it on an annual basis, of \$3.2 million as opposed to almost \$10 million each year in the first two years for the *Nova Star*. That's a significant difference.

One of the other things with the *Nova Star* - because of the charter being so expensive, in the last year of the *Nova Star*, the funding was \$13 million, but that only brought us to October. If we continued with *Nova Star*, we would have required more funding from November right up until the end of the year. That was on average about \$1.5 million a month. We knew that to be true when *Nova Star* went bankrupt. They were over \$15 million in debt.

MS. LOHNES-CROFT: Wow, that's significant. Ms. Saran, I'm just wondering, do you have a relationship with Bay Ferries, your tourism department?

MS. SARAN: Yes, we do. We have a close working relationship with Bay Ferries. We align our marketing together. We create the overarching marketing that sells *Nova*

Scotia. We sell the experiences that you can have when you come here, and they dovetail with us to showcase how you get here, what the transportation options are. Everything we do leads the visitor back to novascotia.com, where Bay Ferries would have their offers online.

Almost everything we do is digital now. We sort of follow the global customer. Based on their browsing history, we can serve up content that is created and curated just for them. If they indicate that they're interested in surfing, for example, we would serve up surfing content that's relevant for Nova Scotia. It would take them back to where they could purchase it at novascotia.com, and then they would see the offers for Bay Ferries, so they would see how to get there based on where they're geographically located. We plan our marketing in tandem with Bay Ferries so they know when we're in the market when we're in the U.S., and they do their offers at the same time. It's a sort of simultaneous sell.

MR. CHAIRMAN: Order. The time is just expiring. We'll move to Mr. Houston, of the PC caucus for 14 minutes.

MR. HOUSTON: I do want to go back to the management fee. Deputy LaFleche said that I should know that, I should know the management fee. That was kind of your insinuation and I tell you, we tried to find out. We tried to find out numerous times. We did a FOIPOP of the responsibilities and payments and stuff - it was pages and complete pages of redacted information. I'll table that, Mr. Chairman.

I'm going to ask you one more time - do Nova Scotians have a right to know what the management fee is? Is it capped? Does it go for 10 years? Do we have a right to know that, as taxpayers, or not? It's just a simple question: do we have that right? Should we expect to know what somebody who is doing business with the province for 10 years is being paid for doing that? Should we know that or not?

MR. CHAIRMAN: Order. Just to make sure that it goes on the record, please wait until the mike comes on. Mr. LaFleche, begin again.

MR. LAFLECHE: You do know the overall fee, what payments we're making and what they're about. The management fee itself is subject to privacy. We have asked Mr. MacDonald and Bay Ferries whether they wish to . . .

MR. HOUSTON: Thank you for that. I would . . .

MR. LAFLECHE: No, no, I think this is important to understand where we are.

MR. HOUSTON: I asked about the management fees. You said no.

Deputy LaFleche, with all due respect, the amounts that are paid under this agreement are variable. The operator has the opportunity to come back. In fact, the operator

said they were not claiming an additional amount at the moment - I can't find it at the moment - but they have the right to, obviously. They said they don't know if they need anything. It doesn't look like they do, but their statements won't be done until March 2017. I don't know what unforeseen costs might come up.

So the whole business that we should know or we should do research, to be quite frank, is nonsense. I'm asking a specific question about the management fee. I've FOIPOP-ed it, and I got pages and pages of redacted information. You clearly don't want me to know. I asked you this morning and you said, it's not my right to know, so I'll take that as your response on that.

Now in terms of the subsidy, that \$10.2 million a year is meant to cover everything - the operating costs, the management fee, the advertising. That's what the subsidy is meant to cover. We don't know if it will be enough, in fact it doesn't even have to be enough. The operator can come back and ask for more, under certain circumstances which are unbeknownst to us.

I would like to ask Ms. Saran, what has the involvement from Tourism Nova Scotia been in terms of marketing? Has there been any budget from Tourism Nova Scotia spent directly towards marketing for the ferry?

MS. SARAN: In 2016, we spent about \$3.7 million marketing in the U.S. to our visitors. When it comes to marketing in tandem with Bay Ferries, we spent about \$70,000 with them. As I explained earlier, that was really a re-targeting campaign. When people who lived in the northeastern U.S. indicated an interest in coming to Nova Scotia, based on their browsing history, we would serve up Bay Ferries' offer. The \$70,000 was for working with Bay Ferries on that campaign.

MR. HOUSTON: Okay, the \$70,000 - is that just an arbitrary number, or is there some agreement?

MS. SARAN: That was what we spent with Bay Ferries on a marketing campaign.

MR. HOUSTON: Okay, so going forward - to me, the \$10.2 million subsidy was meant to cover marketing. It sounds like it's meant to cover most of the marketing, but they can come to Tourism Nova Scotia and say, hey, can you do some marketing for us, too? They've done \$70,000 this year. Do you have any expectation of what that might be next year?

MS. SARAN: There won't be any direct partnership next year. Our involvement is that we plan on spending \$3.5 million in the U.S. in marketing. That will be, as I said, the overarching messaging: come to Nova Scotia and experience our world-class experiences. We will work in tandem. It will be about a timing issue with Bay Ferries, and they can go into market with their own.

We'll also be working with them to direct tour operators to their business, by going together at trade shows and whatnot. But we will not be funding their marketing efforts.

MR. HOUSTON: Okay, thank you for that. I think the issue here is that everyone wants a sustainable ferry, and we hear anecdotal information that what we have, I would submit to you, is very expensive. Particularly when we start making alterations on ports in foreign countries and stuff, it becomes a very expensive deal.

The issue is, I worry that this deal is not sustainable because of the upfront cost and because of the way it was poorly negotiated. That's my concern. We're looking at this file over three years now under this government. They have invested \$65 million into this route - one failed attempt and another one now that's a live attempt - \$65 million.

What's the budget, the total budget for Tourism Nova Scotia for the year? What's your budget for the coming year?

MS. SARAN: It's \$22 million.

MR. HOUSTON: So effectively let's assume that would happen over three years as well, roughly. Probably your budget has been \$65 million for Tourism Nova Scotia - you are new to the role, I appreciate that - spent on tourism. An equal amount has been spent from another hand. Which ones are those pots of money? Looking at the declining passengers year after year, would you hazard a guess as to which pot of money got more bang for the buck, in terms of tourism? Which \$65 million - from Tourism Nova Scotia or from the ferry - has generated more economic return? There would be more hotel rooms under which scenario?

MS. SARAN: I would need to sit down and do some analysis on it, I couldn't offer up figures. Perhaps my colleague Anna, who is my numbers expert, could comment better.

MR. HOUSTON: Okay, would you think that would be a worthwhile exercise to do?

MS. SARAN: I think the investment in the ferry was something more than tourism-oriented. The economic impact was for a region as a whole, beyond tourism - we are a beneficiary of it. We embrace any and all access for our visitors so that they have options to come to the province. To us this is a gift. I know if you speak to our people in the Yarmouth and Acadian Shores region, there is no better investment in tourism than that ferry was for the region.

MR. HOUSTON: I can understand that sentiment because it happens to be in front of them, but there are other alternatives for economic development. There are other alternatives for tourism generation.

MS. SARAN: To bring tourism to the South Shore? Not in as convenient a manner.

MR. HOUSTON: Okay, so that's interesting then. Your assessment is that the only way . . .

MS. SARAN: It's the best way. They're getting off right in the back yard in Yarmouth. If they had to fly in it's a significant drive to go from Halifax. If they flew in to Sydney, again another significant drive. Would they still go to Yarmouth to experience it? I'm not sure but I do know that when the ferry is there, 84 per cent of those non-resident overnight visitors are experiencing the Yarmouth and South Shore region and it has been fantastic for that region.

MR. HOUSTON: Okay. I was going to ask if you've looked at other alternatives but I guess you feel like really the only way to do it is actually funnel people right there so they step off that ferry. There are other alternatives, but they're not of interest to Tourism Nova Scotia?

MS. SARAN: We market any and all forms of access into the province. Whether people are coming by air, by road, by sea, we want them to come any way that best fits their needs.

MR. HOUSTON: So in terms of the alterations to Portland, my colleague was asking for a list of things done at that port. If we can get a list tabled of everything that was done in Portland, from the painting of the lines to the off-ramp and stuff, if we can just get that in time, before I forget.

Now in terms of the Yarmouth to Portland route - I'll go back to Deputy LaFleche - have you looked at any other terminals for the next nine years of this route or is it always Portland at this stage?

MR. LAFLECHE: We describe this as a Yarmouth to New England route. The only available terminal at this time is Portland. There has been a lot of talk about Bar Harbor. In fact there was some talk recently about investing in a foreign country. The Bar Harbor terminal is actually owned by the federal Government of Canada and it's owned by Marine Atlantic. We've had discussions with them. The Bar Harbor terminal is probably at least two years - if work started today, at least two years from being operational. If it is out of service from the point of view of being certified, you cannot dock a cruise vessel there.

There are various arrangements that are being looked at - you'll have to ask Marine Atlantic and the federal Transportation Minister what those might be. If that terminal ever came back, that would be a second terminal that we could possibly go to. Right now, we have only Portland so the only thing we're considering is Portland because we want to have a continuous service to New England.

MR. HOUSTON: Thank you. So, Mr. Fitzner, for the sailing season coming up, how many blackout dates will there be?

MR. FITZNER: I don't have that information with me today.

MR. HOUSTON: Is it information that's known?

MR. FITZNER: I don't even know that. I know that Mark has been having discussions with the board.

MR. HOUSTON: So here's the thing. Everything I've read in the Portland media suggests they're scheduling a bumper year for cruise ships and more cruise ships means more blackout dates for us. I see a problem in that if I'm a vacation operator and I'm doing some bus tours next summer, I'm looking at my schedule right now and I don't even know which days that ferry might run because there will be blackouts and it's my concern that there will be more. Doesn't that make it a little difficult to schedule my upcoming tourism season when I don't even know if this ferry would be available on the days I want it to be? Do you see a problem with that?

MR. FITZNER: Yes, basically, I mean from the initial time that we were told by Portland there were certain days that they couldn't use the terminal, it has been a problem that we recognize and that Mark MacDonald is working to rectify. What they tell us is because of the uncertainty around the ferry there for the four years it was cancelled and the bankruptcy of Nova Star in their own self-interest, they started pursuing the cruise ship business because they didn't have certainty around the Nova Scotia ferry.

MR. HOUSTON: But no certainty has been provided by this - we don't even know which days are available. That's kind of the crux of the whole issue: there is no long-term plan, other than just do it. That's my concern.

I just want to confirm a couple of things quick in my last couple of minutes. Ms. Saran, you mentioned \$17.5 million and I think the context in which you used that number was that that was the economic impact on . . .

MS. SARAN: The \$17.5 million was the non-resident overnight visitor spend on average per year since 2013.

MR. HOUSTON: Okay, per year since 2013, so any reason to believe that last year was higher or lower than the average?

MS. SARAN: It was lower than the average because it was only in service for 100 days, which was less than the previous operator had.

MR. HOUSTON: Okay, so right now we have a deal in front of us that, from the only year we have to look at, is generating less than average economic impact than the deals prior to it.

MS. SARAN: It was a brand new service, right out of the gate. They didn't have a significant amount of ramp-up time to plan for the season. They didn't have enough time to work with the tour operators who are booking 12 to 18 months out . . .

MR. HOUSTON: I agree and that's why it was a rushed thing that we paid a price for. There was no plan, no real getting together, no preparation. It was just do it and look at the result.

I ask you just in the interests of time, 14,100 passengers, is that . . .

MS. SARAN: Non-resident overnight visitors. That's not Nova Scotians on the boat, that's just the visitors.

MR. HOUSTON: Exactly. I would suggest that out of 35,000 passengers in total, 14,000 came here, and 21,000 were resident passengers who left the province and used that ferry - which we're paying a big price for - to leave and spend their dollars in a tourism market elsewhere. So we actually generated more economic impact in Portland than we did in Nova Scotia.

I know Deputy LaFleche doesn't seem too concerned with economic impact, but I don't think Nova Scotians signed up to establish a transportation link that sent more Nova Scotians out of province than it brought into the province.

MS. SARAN: Let me defer this to Anna Moran because she can speak to that.

MR. CHAIRMAN: Order, I'm sorry we have run out of time for that round of questioning. We'll move to the NDP and Ms. Zann.

MS. LENORE ZANN: Well, actually in defence of the deputy minister, I wouldn't say he wasn't interested in economic numbers and how much money is coming into the province. I didn't hear that in his responses.

I'd like to start with the fact that by all accounts this was a strong year for tourism here in Nova Scotia. I do remember when the first CAT was cancelled and I remember because ridership was down 72 per cent, the American dollar had risen and the Canadian dollar was not only at par with it but above the American dollar, gas prices were high, and neither the Americans nor the feds wanted to help pay for the ferry. It seemed like Nova Scotians were just left holding the bag. I know that a lot of money had already gone into it, around \$20 million or \$21 million, from the Progressive Conservative Government

before we got in. So a decision was made to cut the ferry in order to save money for Nova Scotians.

Was that the right decision? Personally, I didn't feel that doing it that way was the right thing to do. I thought that perhaps people should be consulted in the area and people should be part of the answer to say, this ferry doesn't seem to be working right now, do we have any other types of ferries that we could look at? In two years' time, we're going to be working towards a new type of ferry - please help us. I think something like that would have been a lot better than just cutting it the way that it was.

But I do know the thinking behind it, and in fact, time has told us that it's been a difficult thing to try to make a go of financially for the province. Yet people in that area certainly feel that that area is a valuable part of the world that needs a connection to the outside world. I think ferries in general are like highways. It's just a highway made out of water as opposed to pavement.

First of all, I would like to say good for you for trying your best to get something going there for the people of that part of the province. I know that the general public is still concerned about the overall cost and how much they're getting, like a bang for their buck. But saying all of that, the current government has had about three years now and spent quite a number of millions of dollars trying to get it right.

What changes are being considered for next year as a result of this year's ridership? Can you tell me what the numbers are for this year's ridership? I know they were lower than what you had hoped that they might be.

MR. LAFLECHE: This year's ridership was about 37,000. Our original target was about a \$10 million operational subsidy and about 60,000 passengers once we fully re-established the service as a transportation link. We feel we're on our way there.

We would be very concerned as civil servants with the amount of subsidy. We operate a lot of transportation infrastructure in Nova Scotia. We're always concerned about subsidy, and we try to minimize it. It's a hard thing to say, but the public has to have the confidence that that's what we do.

We just spent \$125 million on the Antigonish bypass. We spent many tens of millions on the Port Mouton and Port Jolie bypass. Those are critical transportation links that I know people enjoy now that they're open. We tried to ensure that we got the best bang for the buck, we got the best price we could from contractors, and we got the lowest management fee from the contractors who did those jobs. I can't say much more than that, but there has to be a level of trust that we do that because of some of the things we have to do. We have to put out tenders, and we have to put them out in such a way that we don't give away the game and get a higher price. We have to do all we can to get the best deal.

But we have to get good quality asphalt, just like we have to get a good quality transportation link between Yarmouth and New England. That's what we try to work on.

The figures I have for the last year of subsidy that was authorized in the Spring budget of the Progressive Conservative Government of 2009 is \$8.9 million. We're within the range of that. There's no inflation there, so counting inflation, it's a very similar subsidy. Our target subsidy is consistent with what historically has been the sort of level on these types of routes. You would have to ask the federal government what the subsidy is on Pictou, but it's a little more than that, they'll tell you, and a little less than that on Digby. All these important transportation links have a subsidy. We would like the subsidy to be as low as possible.

I thank you for your comments on economic development. We would like the economic development to be as great as possible. That's why we feel the CAT stopping every night in Yarmouth is very important to that economic development. As I said previously, the previous operator focused on the spend on his boat. We want the focus on the spend to be in Nova Scotia.

Ms. Saurette talked earlier about the overwintering fees of the previous operator, the charter. We also had very high administration fees over the winter we were paying to a company based out of Maine. In this case we're not paying such high fees at all and the company is based here in Nova Scotia. So we're doing everything we can to reduce subsidies, not only in the route but all routes. We want to operate all of our ferries as efficiently as possible, whether it be the LaHave ferry or the Digby Island ferries, et cetera. At any time invite members to quiz us on the cost of those ferries and we have a little bit of revenue on some of them and how that all works out but they're all highly subsidized, so we do the best we can.

MS. ZANN: I'd have to say there, I mean that's the whole thing when it comes to public ridership, a lot of ferries are subsidized and they don't necessarily make money. The point isn't necessarily to make money, it's just to break even, I would say.

My question, too, is, does the federal government put money towards all the other ferries, except for this one?

MR. LAFLECHE: The federal government only puts money towards the constitutional ferry in Newfoundland and Labrador - there is a second ferry, non-constitutional, in Newfoundland - and they put some level of subsidy towards the Pictou-P.E.I. ferry and the Digby-Saint John ferry. Those are the only ones they do here. I don't believe they do any anymore in Newfoundland - I could stand to be corrected - or B.C. - there was an overall ferry deal there - and Quebec of course I think a similar situation.

You know, in talking about subsidies, we consider the ferry and the transportation system a public good. If you've been to MPA School - Master of Public Administration

School - as opposed to MBA School - Master of Business School - you understand the difference. We weren't trying to make a business case. I know that in the past, people were trying to make a business case because they were trying to repeat the *Scotia Prince* experience which we don't think is repeatable today. We're trying to repeat the federal government operation here which we and the feds ran for many years, until 2009, so we're trying to repeat that experience.

It's part of the transportation system. Public transit is subsidized, it's all subsidized. We all want the subsidy to be as low as possible, we all want the best operator and we have the very best people looking to ensure that the public gets its best bang for the buck, for its tax dollar. That's the way it is, it has to be that way when you are operating a public good, as opposed to a money-making, for-profit business.

Mark MacDonald operates two of the federal ferries I mentioned earlier. He does it in a great manner, they are very happy with him. He operates them as best he can and he has had some successful runs of it and that's why he's a good operator for us.

MS. ZANN: Yes, actually Les Holloway speaks very highly of him. He was in charge of the union that was dealing for the gentlemen and women who were working in the different ferry regions, and he has spoken very highly to me about Mark MacDonald and has his faith in him, which makes me feel pretty good.

I do have a question about the fee for the CAT. There are those who feel that the cost of riding the CAT is simply too high. Two people with their vehicle from Yarmouth would cost about \$1,031 Canadian dollars, so is there any concern that people are just simply being priced out of the option for travelling between Nova Scotia and Maine?

MR. LAFLECHE: Fees are very sensitive. As you know, we had an experience on our intra-Nova Scotia ferries a couple of years ago on that. Metro Transit here in Halifax has experiences as well as Kings Transit. There's always a tipping point with fees. We don't know what that is, but Mark MacDonald has a lot more experience with that, as well as the tourism agency, than we would have. We have to have confidence that he set the best fees possible for the American market, which is really our target market.

I will point out that reducing the fee by subsidizing more would be us subsidizing Americans to a great extent. Just as on the Cobequid Pass, if we reduced the fee on the Cobequid highway, 50 per cent of the revenue is out of province, that 50 per cent we'd be subsidizing other people not from Nova Scotia. Subsidizing locals is totally a different question but if you reduce the general fees you end up subsidizing people you may not want to subsidize. Again, if you have the fee too high, you may deter people from taking the route.

Mark MacDonald has a lot of experience on many runs, including this one previously. We've got to have confidence that he's adjusting those fees as best as possible.

He has an incentive in the management fee, which I don't mind releasing but which he does not want released. Earlier it was mentioned that I don't want it released - he does not want it released, and I am not able legally to release it. That fee has an incentive built in so that if he reduces costs to Nova Scotians, he gets a small share of the reduced costs, and we get the majority. He's got an incentive to make that fee as well-targeted as he can to maximize the market.

I do appreciate that some Nova Scotians may feel it's a high price. Remembering our target market is American tourists - we have to consider that that's what we're really aiming at. Bay Ferries has to adjust their fees for that market.

MS. ZANN: I would like to put in a caveat there, too, that a lot of these tourists who do come here want to see our historical nature. They don't come to see Twisted Sisters and high-rise buildings - they want to see our heritage. For instance, down in Shelburne and Birchtown, the fact that the Book of Negroes was shot there and has been seen all around the world is now bringing in people who would like to travel in the footsteps of the Black Loyalists and see what their heritage and their story was, see the museum that our government actually put money into to help create a new beautiful state-of-the-art museum there. That's part of the creative economy.

When you go over to Europe, for instance, there are a lot of different ways of travelling by water to enjoy the experience. When I went over to Croatia, where my ancestors are from, you could take four-masted ships. You could travel for seven, eight, or nine days on a high-masted ship going from island to island or from, say, Halifax to Yarmouth or somewhere like that. They were very, very popular.

I went to Marco Polo's island, which is in Croatia, from the island where my ancestors came from, for instance. You felt like you were an adventurer, and you felt like Marco Polo would when you left on a ship the first time. You could see it, and you can see how it would have been for your own ancestors when they left by ship because many people travelled by ship at that time.

Personally, as someone who thinks in terms of the arts and creativity, and experiences that people are going to be looking for, I think we need more types of activity that are by water - and something between Nova Scotia and Boston, I'm sure, if you could work out a price and a time how long it takes to get there and back. Halifax-Boston would be a very interesting trip for a lot of people, I'm sure, especially if you had the entertainment on board and things like this.

MR. CHAIRMAN: Order. Time has expired. We'll move to the Liberal caucus. Mr. Stroink.

MR. JOACHIM STROINK: I just have one question, and then I'll pass it over to my colleague. My question has to do with - we touched on it briefly - the tweets that come

out from the Opposition member for Pictou East and the impact that that has on the businesses down there every time that individual attacks a tourist who comes in or is just constantly bantering that region.

How does that affect the businesses? I know if I was a business owner, I would be very upset. That kind of conversation (Interruption) It's funny, he needs to chirp at me during these questions when I was respectful to him, so it's very appearing that he's not able to handle these kinds of questions.

That's what I would like to ask you - how does that one individual impact all those people?

MR. CHAIRMAN: Sorry, Mr. Stroink. You're directing to Ms. Saran?

MR. STROINK: Yes.

MR. CHAIRMAN: Ms. Saran.

MS. SARAN: As I said earlier, any negative media erodes the confidence of the travel industry, tour operators, travel trade, and travel agents. If there's any sense that the service isn't going to be stable or consistent, they're not going to book within their window of 12 to 18 months in advance. They want to know that this is a stable service. Any negativity in any form of media is detrimental to success in tourism.

MR. STROINK: Thank you.

MR. CHAIRMAN: Mr. Porter.

MR. CHUCK PORTER: Thanks for being with us today. I have a few questions. I know we don't have a lot of time, but I want to touch on a couple of things here, just kind of picking up where my colleague asked that question to the other side.

That honourable member is quoted at times very positively towards the ferry, and I'll table them. I want to read a couple of statements that were made:

“‘The ferry met all the tests of common sense. It returned far more to the provincial treasury than it cost,’ the Conservative leader said. ‘Keltic Lodge (in Cape Breton) can count roomnight losses because of the loss of the Yarmouth ferry.’”

We talked a lot about southwestern Nova Scotia this morning, but this really has an impact to the province as a whole, not just one area or the other. I think, Ms. Saran, you quoted some figures, percentages of areas which are quite important obviously. The majority of our province as we know, and it has been for a long time, is made up of the

small business community. So we get mixed messages here on what this is really about from an Opposition perspective.

I have another, and I'll quote this as well, from Mr. d'Entremont:

“Friday’s announcement to restore ferry service from Yarmouth to Maine is a positive step, but proves the Dexter government was wrong from the start when they abruptly cancelled it three years ago

‘Our region has been suffering since the loss of the ferry service,’ said d’Entremont. ‘It will take hard work to get tourism numbers back where they were before the NDP cancelled the ferry but I think businesses, residents and all levels of government want this and will work together to make it happen.’”

I’ve got to be honest with you, there are bits and pieces of this that are working together. We’ve seen that over the last couple of years as we try to put a sustainable service, a transportation link, back in place. I think the deputy has referred to it, and maybe Mr. Fitzner as well, using that language. It has obviously been very important to this province for a lot of years, again not just to southwestern Nova Scotia but indeed to the entire province.

Mr. LaFleche, I’m going to go to you first. We touched on a number of areas this morning. We talked a bit about the management fee; you didn’t quite have a chance to finish it. I’m going to give you some time to finish that - not a lot of time because I know you can talk at length. I’ll allow you to finish answering the question, but I’ve got a few more I want to get to.

How does this management fee work? Is it an uncommon practice or a common practice with regard to other ferry contracts that this operator and other operators have and/or use?

MR. LAFLECHE: It’s a common practice. Do you want to take that, Ms. Saurette? In all of our contracts, we have fees which are not fully disclosed because they’re part of commercial privacy. Does anyone want to take that?

MR. CHAIRMAN: Mr. Fitzner.

MR. FITZNER: For instance, on a highway contract, there will be bids made. The profit that the company takes is not shown as a line item in the actual bids. They bid unit item prices. They keep the amount of money that they make on a particular contract confidential because they are in a competitive market.

I think in this case, we've seen from the history over the last 10 years that the Yarmouth ferry is going to be more of a subsidized transportation model. As such, it doesn't make money on its own merit. While it may improve the economy, the boat itself doesn't make money. If that's the case, then the operator needs to have some remuneration for the efforts they put into running that operation. It's a slightly different model, but it's not unusual that operators would conceal the profits they make on different things from any competitors they may have.

MR. CHAIRMAN: Mr. LaFleche.

MR. LAFLECHE: There's an incentive for him to reduce costs overall. That's how the management fee is structured. It's a very modest fee compared to the size of the subsidy, very small. You could almost do a calculation if you got some of the other figures yourself. He can also increase his management fee by a modest amount if he reduces costs to the citizens of Nova Scotia.

There's no big mystery about it. It's something we have standardly in contracts. Due to privacy reasons, I am legally not able to give out the fee unless Mark MacDonald waives his right to privacy, just as I am not allowed to give out the fee for Dexter Construction on highway jobs unless they waive their right. But it is buried in those contracts.

MR. PORTER: Just on the subsidy, we've talked about other boats that we have in this province, Digby and Pictou. Across the country, actually, there are numerous ferry boats. Are all of these boats subsidized?

MR. LAFLECHE: Pictou is highly subsidized, as I mentioned earlier. It has a slightly larger - I can't reveal that but you can certainly ATIP the federal government and they'll give you the data or you can even call them up and they'll tell you what the last year's subsidy was to the Pictou ferry and the Digby ferry.

The Digby one is slightly lower because they had a very good season and their operator was Bay Ferries. Digby had a good year with the new boat. They've got the sailing time down to two hours and so they've done well. P.E.I. has slightly higher subsidies than what we're talking about here. Both serve a similar purpose to Yarmouth in that they're part of the transportation system. They're historic. They've been there a long time and they serve, in the case of both of them, they serve part of what we would consider a tourism loop.

MR. PORTER: Are they different? You've kind of talked about how they're the same. Is Pictou looked at?

MR. LAFLECHE: It shouldn't be looked at differently from Yarmouth. The only difference that really happened is that Yarmouth had a four-year gap so people think of it

as being brought back. It was brought back with what we feel was the wrong model initially, but I think we've got it back on track now.

MR. PORTER: You've been around here a long time . . .

MR. LAFLECHE: Yes, you were commenting on the colour of my hair earlier.
(Laughter)

MR. PORTER: Can you tell us why we had the four-year gap?

MR. LAFLECHE: I wasn't in the departments that were involved in that, but there was a subsidy. I said it was roughly \$8.9 million the last year and it was decided, I guess, that subsidy or the future version of that subsidy was not tenable, but you'd have to ask someone else that question because I was not involved in that decision. I was not even involved in the decision to bring back the initial *Nova Star*. We were involved only since April 2015 and we had to run out the last *Nova Star* season - watch how it went - and we were involved in really re-establishing this route that you have now.

MR. PORTER: This transportation link that we continue to refer to it as - which I believe is correct - how does that differ than a mile of twinned highway? Are we not subsidizing every day every cent that government spends and more on highways whether they're twinned or otherwise?

MR. LAFLECHE: That's where I was talking about the difference between MPA school and MBA school. Some of us have been to MBA school. I went to MPA school because all my family went to MBA school and they were all hardcore accountants who liked to sharpen their pencils and I decided I needed to learn a bit about the softer side and the bit about public good - why we're here as a government. We're here because there are some things that cannot be provided by the private sector, and ferries is one of them.

This type of ferry is a public good. It's part of the transportation system. It needs to be subsidized, to a modest amount like others are. Costs can't run out of control. You can't do ridiculous subsidies, but it needs to have a modest subsidy like everybody else. It's an historic ferry. We're not talking about a new ferry. We've done our best to ensure that ferry is back as a public good, a part of the subsidized transportation system. Would we like that subsidy as we would like the subsidy on all our other ferries . . .

Excuse me, there's a lot of talking here in the background.

MR. CHAIRMAN: We can hear you fine, Mr. LaFleche and the microphones won't pick up that talking, but I would ask for members to refrain from speaking too much.

MR. LAFLECHE: We of course would like subsidies to go down anywhere we can. We would like to deliver more services efficiently to the taxpayer. One of the reasons we engaged Bay Ferries was we felt they could do the best job at that at this time.

MR. PORTER: I don't have a lot of time left, but I do want to pick up where my colleague Suzanne left off. Ms. Saran, she had asked you a question and you referred to Ms. Moran for some further information on tourism. Given the importance of how relative and important tourism is to this province, I would like to take an opportunity to touch on that a bit if she would carry on with where you got cut off.

MS. ANNA MORAN: Are we talking about the assumption that most of the outbound passengers on the Yarmouth ferry would have been Nova Scotians?

MR. PORTER: Yes.

MS. MORAN: I'm not going to talk at great length about how Tourism Nova Scotia conducts our visitor enumeration because I can go hours on that, as Michele can attest. However, what we're looking at are visitors who are coming into the province so that we don't do double counting. When we say there were 14,100 non-resident overnight visitors coming into the province via Yarmouth, those would have been the in-bound passengers who were identified as being non-resident overnight visitors.

There were also a whole bunch of outbound passengers, which are not included at all in our non-resident overnight visitation numbers because that would have been a double counting process. However, it is very safe to assume that a significant portion of those passengers would also have been non-resident visitors to the province - that is to say, non-Nova Scotians - however, Bay Ferries would be best able to provide of the 35,000 passengers what proportion of those were non-resident passengers.

MR. PORTER: Thank you, I have about one minute left. I want to go back to the deputy and/or whoever would like to answer this question. If there wasn't a ferry in operation right now between Yarmouth and New England, what would the status of southwestern Nova Scotia be from an economic perspective?

MR. LAFLECHE: We can only tell you anecdotally. There are others who might be able to give you economic stats, and I believe they're in the audience here from that region. We experienced a lot of restaurant closures. There were hotel closures, there were vacant rooms. Basically, things weren't looking good when the ferry wasn't operating.

The big difference we found this year in particular was that as mentioned previously you couldn't get a room in the area. Hotels are looking at expanding. People are looking at reopening hotels which were closed. Restaurants have reopened. The waterfront in Yarmouth was literally packed when we were there. There has been a huge difference in the mood.

I had a chance to meet with the counsellors of the three communities down there - Argyle, Yarmouth, and the Town of Yarmouth - just within the last month, and the representatives of the board of trade were there. The change of mood is substantial and easily recognizable. There's a spirit in the air that's sort of like a spring in their walk. They're now optimistic about the future. They've seen somewhat of a turnaround, but they're hopeful for the long-term turnaround. They now feel they're part of Nova Scotia.

MR. CHAIRMAN: Order, the time has expired. That concludes our time for questions today. Ms. Saran and Mr. Lafleche, I'll allow you to provide some closing comments. Ms. Saran, would you like to go first this time?

MS. SARAN: Sure. The ferry has been of great importance to the Yarmouth and Acadian Shores. They've had their best season in a decade. Occupancy was over 70 per cent this summer and we've had over 30,000 rooms sold. That's a 57 per cent increase over the same time period last summer.

This is great. This is incremental business. These are high-value visitors that are coming in - \$2,100 versus \$1,000. They're staying longer and they're much more likely to stay in paid accommodations than our regular visitors, so we can see they are spending more. The economic impact is better. This has been a great thing for tourism, so thank you.

MR. CHAIRMAN: Mr. Lafleche.

MR. LAFLECHE: Thank you. I'd like to say that as civil servants here, we're working as hard as we can on behalf of all Nova Scotians to ensure this is a great ferry service. I know there are people who are doubting us and don't feel we're competent. That's unfortunate. We're not used to such statements in the media, but we're trying to do our best. We're open to talk with anybody who wants to talk.

We feel we've established a good service. We've re-established a service that was there before and it's working well. We have confidence in the future. I think the people of southwest Nova Scotia have a greater degree of confidence now.

I would like to point out, in terms of civil servants and the hard work they did on this job - and Alan Grant is not here with us today. Mr. Alan Grant is retiring next week and he was given a pass on this particular experience. I do want to thank him for taking over the service since April 2015 - really spearheading this file and doing a great job. His father was a public servant and a deputy, and he for 35 years has been a great public servant. He put his heart into this file for every Nova Scotian to ensure that we have a great service, the best we can, and we won't apologize for that. Thank you.

MR. CHAIRMAN: Thank you for answering all the questions today. We have a couple of pieces of correspondence - one from the Department of Community Services from the November 16th meeting, and we just received correspondence from the

Department of Energy related to the November 9th meeting. Are there any questions on that correspondence?

Hearing none, and if there's no further business before the committee, our next meeting is on January 18th, where we will discuss economic development funding with Nova Scotia Business Inc.

The meeting is now adjourned.

[The committee adjourned at 10:55 a.m.]