

Ferry Tales- *Chapter Two*

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When the well-reasoned report on the Yarmouth Ferry was presented in September, Premier Dexter responded by saying that, “Nova Scotia now has a plan for a successful, profitable and stable ferry service that can carry 130,000 people every year through southwest Nova Scotia. Now the work must begin to turn the vision in this report into reality.”

This sunny characterization had a different tone than the report. Here are some of its key findings:

“It is emphasized that the panel was not asked to make a policy recommendation to the Government of Nova Scotia as to whether a ferry should or should not be re-established. Consequently, this report does not include such a recommendation. Rather, we were asked to undertake a technical assessment of the potential for the business viability of a re-established ferry operation.”

To be viable, the new service would have to attract 135,000 passengers a year, almost double the level in 2009, but:

“We believe, nevertheless, that enough passengers could be attracted to a Yarmouth ferry to bring about un-subsidized viability in the medium term, but only under the following conditions:

- The ferry’s business model needs to be built around the passenger’s on-board experience rather than simply offering another transportation route from the US northeast to Nova Scotia. A ‘cruise ferry’ between Yarmouth and Portland (of which the Scotia Prince was an old example) is the only suitable service model.
- The business strategy must emphasize a sophisticated approach to marketing by the ferry operator, complemented by renewal of substantial in-market promotion of Nova Scotia by the government.

- There has to be greater development of the destination experience in Nova Scotia, and particularly in the southwestern area, to encourage more and longer stays. In other words, the marketing message needs to be validated by the visitor's experience."

"We believe that In order to initiate a service and attract a **suitably experienced operator** (emphasis added), governments (federal and provincial) would have to provide roughly \$30-\$35 million of support:

- to repair and refurbish the federally-owned Yarmouth terminal facilities;
- to provide start-up funds, estimated to be roughly \$5 million—e.g., to assist with baseline market research; support an initial advertising campaign; defray certain costs associated with vessel acquisition and financing; and
- to share/cover the early years of operating losses that are likely to total in the \$20 million range."

The high end of the range of benefits estimated was 300 largely seasonal jobs, of which 63 would be in the Yarmouth and Acadian Shores area.

The province has sought bids from operators willing to run the service with a \$21 million subsidy over seven years. The resulting two responses are instructive.

One is from Quest Navigation, a company formed in 2011 with no meaningful track record in any business. The other is from Maritime Applied Physics, a company whose only

connection with the ocean is as a boat builder, hardly relevant to the running of a hospitality enterprise. Would a home builder, however excellent, be qualified to run a hotel?

Conspicuous in their absence were any of the operators who actually have experience marketing and running a cruise ferry. Minister Belliveau is apparently undeterred by the complete absence of a credible bidder, saying:

"Everyone agrees that we need to find the right fit, I'm cautiously optimistic that these two proposals will capture that."

Neither of the opposition parties has chosen to quarrel with this position.

The cancellation of the previous ferry was a consequence of reductions in American tourism, not the cause. When credible operators turn down the chance for a \$21 million subsidy we can be sure that the business case for a resumption of service is terrible. There must be a more promising way to promote the economy of the southern end of the province.

Why do our political leaders find it so hard to say so?



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