

## **National Economic Infrastructure: Marine Atlantic**

The Marine Atlantic ferry service requires investment to facilitate trade by Canadian companies into and out of the Newfoundland and Labrador market. This service benefits companies and individuals across Canada and is a national economic issue rather than a regional transportation topic.

### **In context – An economic issue**

Marine Atlantic Inc. (MAI) is an economic facilitator for Canadian business as a key market connector between the island portion of Newfoundland and Labrador and the rest of Canada. This is a vital link; on average, the service brings approximately one-half of the goods, including 90 percent of all perishable items, into the province. MAI, as part of the national highway, links Ontario car companies, Quebec wholesalers, PEI farmers, New Brunswick suppliers, Nova Scotia tourism operators, and the Alberta oil patch to Newfoundland's market.

MAI is a \$200 million per year business; collecting \$80 million from users, it requires \$120 million in government investment. That \$120 million investment supports over \$7 Billion in retail sales (2008 Statistics Canada) in Newfoundland and Labrador, and the operations of 4,706 extra-provincial companies in the province (Government of Newfoundland and Labrador figures). To illustrate, two auto parts companies alone import over \$21 million (wholesale) via Marine Atlantic from mainland companies.

### **Lack of Delivery on the Commitment**

The Terms of Union (Term 32.1) state that "Canada will maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles." MAI's mission is "to provide a safe, environmentally responsible, and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner". The mission should conclude 'as a means of supporting economic success in all provinces."

With an average age of over 18 years, MAI vessels require renewal now. Most ocean-going cargo ships have a life expectancy of 20-30 years. BMT Fleet Technology noted that "typically, vessels more than 25-30 years old are unreliable and expensive to maintain. International and Canadian statistics also show that they are more likely to be involved in accidents, and the consequences of such accidents are more likely to be serious."

### **Business Impact**

The primary business issues are cost, reliability, and quality. Currently, grocers for instance pay double fare to be assured crossing; at times, capacity is not adequate to accommodate demand for the movement of Canadian goods into a buyers market, even with this premium. From January 2007 to January 2009, for instance, users saw three rate increases and five fuel surcharge increases, which ranged from 2 percent to 27.7 percent. There is little flexibility or desire to charge users additional fares so government

must consider its investment in the context of the benefit it offers to 4,706 Canadian companies.

Businesses on the island and the mainland are affected by pricing, reliability, scheduling, and overall service of this part of the national highway system. Stakeholders have noted that labour continues to be a troubling issue, with the threat of strike damaging the economy by deterring use of the service. The Canada Industrial Relations Board has already ruled that the service was essential to health and safety. Additionally, a March 2005 report by the federal Advisory Committee on MAI recommended 'an amendment to the 1986 MAI Acquisition and Authorization Act, or other legislative instrument, to recognize the essential nature of MAI's services'. MAI would also benefit from consolidation of its six unions, allowing time for management to address issues other than negotiations; in contrast, the Treasury Board of Canada negotiates with 17 bargaining agents of the entire core public administration.

### **Recommendations**

That the federal government:

1. In 2010, sponsor an independent, comprehensive economic impact study to fully understand MAI's contribution to the Canadian economy, including employment and economic opportunities for other provinces. Further, determine equivalent road and air cost for travel between North Sydney, Argentia and Port aux Basques, and the cost, price and subsidy options for similar services globally.
2. Subject to the economic study, change MAI's mission, and support this with resources, to include the reality that the Crown Corporation is a 'means of supporting economic success in all provinces'.
3. Use the economic study to quantify and specify the immediate actions that must be taken to ensure that the average vessel age does not perpetually serve as a barrier to reliable, cost effective service by embarking on a 10 year strategy to ensure all vessels on the service are less than 25 years old, with an optimal average age of 10-12 years.
4. Designate the Marine Atlantic national highway service an essential service under federal legislation to avoid the threat of, or actual labour disruptions which harm trade and potentially harm public safety.
5. Subject to the economic study, instruct the Canada Industrial Relations Board to take steps to consolidate unions at MAI to enable management to focus efforts on areas aside from labour relations.