

EVALUATION

**SUBSIDIZED FERRY SERVICES
IN ATLANTIC CANADA**

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EXECUTIVE SUMMARY

The purpose of evaluating the federal subsidies to two ferry operators in Atlantic Canada, Northumberland Ferries Ltd. (NFL) and CTMA Traversier Ltée was to assess the continuing relevance, success, and cost-effectiveness of the subsidy program.

The focus of the evaluation was only on the operating subsidies provided to two private east coast ferry services to cover operating and maintenance costs associated with the provision of the services. In addition to the operating subsidies, three vessels that are owned by the federal government are provided under bare-boat charter to these private operators. Transport Canada (TC) also owns and maintains the ferry terminals that are used by the ferry operators. These programs are governed by multi-year operating contracts between TC and the operators.

Key Findings

CTMA Traversier Ltée.:

1. The program remains relevant as evidenced by the following:
 - It supports and advances the mandate and strategic objectives of Transport Canada, as: (a) it serves a remote community where there is no other alternative form of equally affordable transportation; and (b) the service contributes significantly to the success of the local economy.
 - There exists a financial need to maintain the current fare structure and level of service.

2. The success and positive impact of the program is indicated by the fact that:
 - The service contributes to the local economy through its impact on the tourism industry, which directly relies on the service for its livelihood and continued growth.
 - CTMA provides a quality, efficient and affordable service, responding to user needs.
 - The subsidy program has no direct attribution in maintaining or improving safety or environmental standards. However, the subsidy program does support the ferry operator's capacity to meet and maintain the required safety and environmental standards.

3. The CTMA subsidy program is currently the most cost-effective program, as demonstrated by the following:

- CTMA would not be able to maintain the current level of service and fare structure without the federal subsidy.
- No equally affordable means of transportation exist or are planned.

CTMA Recommendations

- It is recommended that Transport Canada continue the operating subsidy program for the CTMA ferry service on the basis that it is relevant, successful and cost-effective.
- Given that subsidy reimbursements to the government have been steadily increasing since 1999, the program should re-examine the assumptions upon which the subsidy is calculated, and the total subsidy necessary to maintain the service under the current operating agreement conditions.
- Given that one of Transport Canada's strategic objectives is to protect the physical environment, and considering that the crown holds ownership of the vessel, Marine Policy along with TC's Environmental Affairs Directorate should work with the ferry operators to implement technological environmental initiatives on board the ferries to help reduce fuel consumption and GHG emissions. In addition, Transport Canada should consider paying for an on-shore power connection for the M.V. Madeleine in the region of Cap-aux-Meules to reduce fuel consumption and GHG emissions.

Northumberland Ferries Ltd.:

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2. The program has had some success and positive impact as indicated by:

- NFL contributes to PEI's highly developed tourism industry, as more than three-quarters of its passengers are tourists. In addition, the service brings tourists directly to the eastern region of PEI.
- The subsidy program has no direct attribution in maintaining or improving safety or environmental standards. However, the subsidy program does support the ferry operator's capacity to meet and maintain the required safety and environmental standards.
- The NFL service is responsive to user needs as it is of quality, affordable and efficient.

NFL Recommendations

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INTRODUCTION

This report provides a summary of the results from the evaluation of the ferry services provided by two private sector operators located in Atlantic Canada; CTMA Traversier Ltée (CTMA) and Northumberland Ferries Ltd (NFL).

The federal government subsidizes both routes. The focus of the evaluation was on the operating subsidies provided by Transport Canada (TC) to cover the operating and maintenance costs associated with the provision of the services. The study was limited to an examination of the relevance, success and cost-effectiveness of these direct operating subsidies.

In addition to the operating subsidies, these companies receive additional financial benefits from the government. These include below market-rate leases on three vessels that are owned by the federal government, and the usage of ferry terminals owned and financially supported by the government. All of these programs are governed by multi-year operating agreements between TC and the operators.

Since Confederation, the federal government has supported certain ferry routes in Atlantic Canada. In 1976, all federal subsidies provided to ferry services in Atlantic Canada were consolidated under the *Water Transportation Assistance Policy* (WTAP). Under the WTAP, Transport Canada would provide operating subsidies to:

- Constitutionally guaranteed services;
- Alternatives to constitutional services;
- Newfoundland Coastal service;
- Services which offered special economic developmental opportunities, and where affected provincial governments share support; or
- Services to remote communities in order to relieve the social hardships of remoteness.

The 1995 National Marine Policy (NMP) expressed the government's intention to continue to support constitutionally required and remote services, while exploring cost reductions for other subsidized ferry services. In particular, TC committed to an extension of the contract with Northumberland Ferries Ltd. for an additional four years, on the understanding that there would be significant reductions in subsidy levels. As well, TC undertook to review the other private ferry operating arrangements for possible cost savings.

OPERATOR PROFILES

CTMA Traversier Ltée.

CTMA operates the ferry service between Cap-aux-Meules, Iles-de-la-Madeleine, Quebec and Souris, PEI between the months of April and January. CTMA has operated this service since its inception in 1971. Under the WTAP, the stated purpose of the subsidy to CTMA was to relieve the social consequences of remoteness. The National Marine Policy (1995) states that ferry services to remote communities would continue to be supported by the Government of Canada.

Iles-de-la-Madeleine is comprised of nine small islands, which have a total population of 12,824. Tourism is the second largest industry in the islands after commercial fishing, and the seasonal employment rate is quite high at approximately 59%. Basic medical services are available on the islands, however there are no medical specialists, and residents have to leave the islands for most services, such as radiation treatments, major surgeries, etc. The Quebec government pays for the airfare cost of patients and escorts as required.

CTMA's ferry service operates once daily between Souris, PEI and Cap-aux-Meules, QC in each direction; each run taking approximately 5 to 6 hours. During the peak summer season CTMA offers an additional overnight service three days a week. In the off-season (April, May, early June and October to January), the service is offered three to four times per week. The vessel that is used to provide this service is the *M.V. Madeleine*, which is owned by Transport Canada and chartered to CTMA at an annual cost of \$1.

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CTMA offers lower fares during the off-season to help accommodate the local population. However, during the peak season, fares are the same for tourists and locals.

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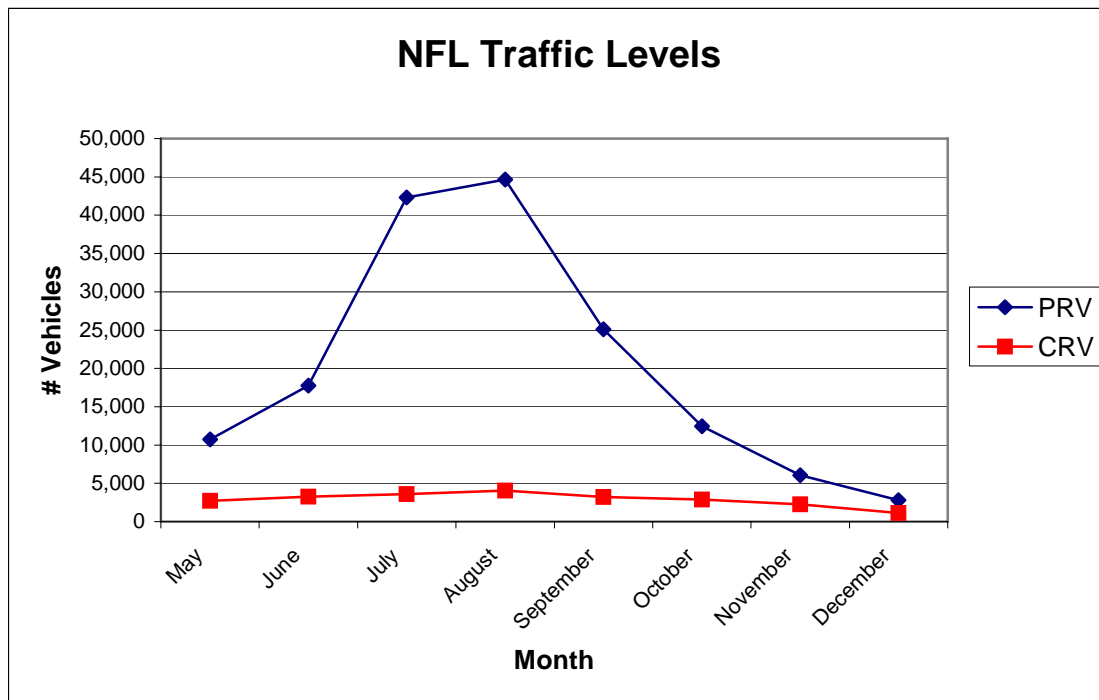
Northumberland Ferries Ltd.

NFL has operated the Wood Islands, PEI to Caribou, NS service since its inception in 1941. The operating subsidy was categorized under the WTAP as an alternative to the constitutional requirement for a link between PEI and the mainland. The constitutional requirement had historically been met by the ferry service that operated between Borden, PEI and Cape Tormentine, NB. Today the Confederation Bridge, a federal asset, has replaced the Borden service as the constitutional 'fixed link'.

Two TC owned vessels, the *M.V. Confederation* and *M.V. Holiday Island*, are used by NFL to provide this service. Each vessel is leased to the operator at an annual cost of \$1.

As each trip takes approximately 90 minutes, both vessels make several trips a day, with more trips occurring daily during the peak summer season. On an annual basis NFL makes a total of about 3,448 trips. The *M.V. Confederation* normally runs from May to December, and the *M.V. Holiday Island* normally operates from the beginning of June to the end of October. If weather conditions permit, NFL may begin service earlier than May 1st.

Traffic levels for NFL peak during the summer period as approximately 44,000 PRV's use the service during the months of July and August. June and September also see higher levels of traffic with approximately 17,500 and 25,700 PRV's respectively. Traffic levels decrease throughout the fall to around 3000 PRV's in the month of December. Commercial related vehicles (CRV's) traffic levels are relatively more stable, although there is slightly more traffic during the summer months.



PROGRAM SCOPE

Financial assistance is provided to both operators under the terms and conditions of multi-year operating agreements. Annual approval by the Minister of Transport is required in order to amend the agreements to reflect changes in operating costs, change in the level of service, and to cover abnormal vessel and terminal repair or replacement costs. Rates for the ferry service are approved separately by the Minister of Transport, and are generally adjusted annually to increase revenues in order to cover inflationary factors in the region.

The annual subsidies are established in advance and are based on the difference between the anticipated revenues and the forecasted expenditures. Each operator is allowed a Treasury Board approved management allowance of \$120K to be added to the operating subsidy. It is tied to a profit recapture calculation that returns excess profit to the federal government based on an approved formula.

The subsidy agreements with both ferry operators require the recipients to provide: controlled ferry rates, an operating plan, schedule of sailing and budget (itemized costs of operating plan) for TC approval, a minimum annual number of round trips, a schedule of trips in both official languages, a report of damages to vessels to TC within 24 hours of occurrence, all financial statements and records for TC monitoring, daily and summarized traffic reports, recapture of subsidy if net revenue exceeds \$180 K, public display of federal support, focused asset management and maintenance, qualified human resources to operate and maintain services, and insurance.

TC has the above requirements in place to contribute to ferry services that are reliable, efficient, affordable, financially viable, that contribute to local/regional economic development, and are safe and environmentally friendly. However, as the operating subsidy is a general subsidy and is used at the discretion of the ferry operators, it is difficult to determine a direct attribution of TC's contribution to these results.

PURPOSE AND APPROACH

This study was conducted as an input to future decision-making regarding the subsidized ferry services. The evaluation considered whether the public interest was being served by the expenditure of public funds in support of the two ferry services under study. More specifically, the evaluation study focused on three main issues:

1. Relevance;
2. Success; and
3. Cost-effectiveness.

- 1) To assess the relevance of each ferry service operating subsidy the following questions were asked:
 - a. How successful has the program been in supporting and advancing the mandate and strategic objectives of Transport Canada?
 - b. Is there a public policy justification for the subsidy?
 - c. What is the future need for subsidized ferry services?
- 2) Regarding success, the following questions were addressed:
 - a. To what extent has the program contributed to local/regional economic development?
 - b. How effective has the program been in assisting the ferry operators in maintaining and enhancing their capacity to maintain safety standards?
 - c. To what degree has the program enhanced the operator's ability in meeting environmental needs?
 - d. Have the services been responsive to user needs – for quality, affordability, and efficiency?
- 3) To determine the cost-effectiveness of the operating subsidies, the following questions were asked:
 - a. What impact has the subsidy had on meeting the operating agreement conditions?
 - b. Are there any other cost-effective alternatives that should be considered?

DATA AND METHODS

The following summarizes the main methods chosen for collecting the data needed to address the above evaluation questions, as well as the data sources used.

File and document reviews:

- 1976 Water Transportation Assistance Policy (WTAP) and related policy documents
- Operating agreements and amendments between Transport Canada and Operators
- National Marine Policy, December 1995.
- Memorandum of Agreement between the Government of Canada and the Government of the Province of New Brunswick and the Government of the Province of Prince Edward Island, December, 1992.
- Operators' budgets
- Operators' financial reports
- Ferry Vessel Evaluation. Fleetway Inc. March, 2002.
- TSM Marine Occurrence Database, 1995-2002
- Fleetway reports
- Geoplan Consultants Inc., *Wood Islands to Caribou Ferry Service, Traffic Forecast: 2000-2009*, February 2000
- PEI Department of Tourism, *Economic Impact: Tourism 2002*
- Traffic level data, 1996-2002
- HRDC Municipal profiles
- Magdalen Islands Chamber of Commerce and Tourism Association data and reports
- Prince Edward Island Tourism, *Economic Impact Tourism 2001*

Interviews:

- Transport Canada's Ferry Policy & Programs Staff
- Ferry operators (i.e. representatives of CTMA & NFL)
- PEI Department of Tourism officials
- Magdalen Islands Chamber of Commerce and Tourism Association officials
- Pictou County, NS local Chamber of Commerce representative

Field Visits:

- Ferry operations (CTMA & NFL)

User Survey:

A passenger survey took place over two weekends in late August and early September, 2002.

The surveys included the following types of information:

- a profile of passengers
- overall user satisfaction with the ferry service
- users' views on the importance of and satisfaction with various service attributes
- passenger interest in increased services at an increased cost

Users were asked about their overall satisfaction with the ferry services and about their views on the importance of, and their satisfaction with, 18 attributes of the service. More detailed information on the calculation of user ratings can be found in Appendix A. The survey also included questions regarding overall value-for-money of the services, and the type of improvements that would merit an increased cost.

Service	Completed Interviews	Margin of Error (%) – 95 % confidence level
NFL	283	+/- 5.8
CTMA	265	+/- 6.0

Details on data and methods are available from Transport Canada's Program Evaluation Branch upon request.

N.B. There will be no public release of financial data or competitive information, such as the survey results, without the prior written consent of the ferry operators.

EVALUATION FINDINGS

CTMA TRAVERSIER LTÉE.

Program Relevance

1) How successful has the program been in supporting and advancing the mandate and strategic objectives of Transport Canada?

Finding: The program has directly supported and advanced the mandate and strategic objectives of Transport Canada.

One of Transport Canada's three strategic objectives is to contribute to Canada's economic growth and social development. The Souris, PEI to the Iles-de-la-Madeleine, QC ferry service subsidy program directly supports and advances this departmental strategic objective as the service makes a significant contribution to local economic development, particularly through its crucial role in the Islands' tourism industry. As well, the service is necessary to relieving the social consequences of the Islands' remoteness.

The subsidy program also indirectly contributes to a second departmental objective, which is to ensure a safe and secure transportation system. Although the monies CTMA receives from TC are not explicitly targeted to safety, the subsidy agreement includes safety-related requirements, such as focussed asset management and maintenance, and qualified human resources to operate and maintain the service. As such, an inference can be made that TC's contribution to the operating budget allows the operator to fulfil basic safety requirements.

2) Is there a public policy justification for the subsidy?

Finding: The CTMA ferry service serves a remote community.

The CTMA service was subsidized under the WTAP (1976) category of 'services that offer special economic development opportunities'. However, the provision of this subsidy has been also understood to apply to a second WTAP category, 'service to a remote community'. The National Marine Policy (1995) states that ferry services to remote communities would continue to be supported by the Government of Canada.

The WTAP policy provides for subsidized services to remote communities in the case where there are no other means of access for the community. Air access to the Islands does exist, as does a cruise service between Montreal and Cap-aux-Meules. In addition, there is a freight service to Montreal that can accommodate about a dozen passengers per trip. However, these services do not represent viable substitutes for the Souris- Cap-aux-Meules ferry.

Since 2002, CTMA has offered a weekly cruise from Montreal (via Quebec City and Matane) that leaves on Friday afternoon and arrives at Iles-de-la-Madeleine on Sunday morning, at a cost of \$550 one way. The ferry has a capacity of 500 passengers, and transports cargo and merchandise twelve months of the year.

Air access (a minimum cost of \$1,000 to Montreal) is considerably more expensive than the ferry service. Following the Air Canada-Canadian Airlines merger in 1999, Air Canada was only required to serve remote communities previously served by either airline until January 1, 2003. There is, therefore, no longer any guaranteed regular air service for this region. At a cost of \$71.50 per car and \$38 per adult in the high season, the ferry service is by far the most affordable mode of access to the island.

Finding: *There is a financial need for the operating subsidy to maintain current fare structure and level of service.*

As Table 1 shows, the subsidy level has been quite consistent from 1996/97 to 2002/03. In addition to the operating subsidy, CTMA also received capital subsidies for the fiscal years of 1997/1998 and in 1998/1999 for ship repair.

Table 1 – CTMA Subsidy Levels (1996/97 – 2002/03)

	1996 / 97	1997 / 98	1998 / 99	1999 / 00	2000 / 01	2001 / 02	2002 / 03
Operating	\$2,453,562	\$2,388,653	\$2,828,660	\$2,755,482	\$2,845,210	\$3,150,745	\$2,955,440
Capital		\$2,580,770	\$1,169,230				

As indicated in Table 2 below, an examination of CTMA’s operating revenues (excluding the subsidy) and expenses indicates that the operator, without the federal subsidy, would not have been able to recoup its expenses while maintaining the current fare structure, season length, and level of service. More detailed monthly financial information is not available at this time to conduct more in-depth financial analysis.

Table 2 – CTMA Annual Financial Information

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3) What is the future need for subsidized ferry services?

Finding: *An alternate mode of equally affordable transportation is not available.*

As discussed above, there are no equally affordable alternative modes of transportation. The ferry service provides the least expensive regularly scheduled mode of transportation to the islands.

Finding: *There is a financial need to maintain service.*

As discussed in the above analysis for question 2, there appears to be a financial need to maintain the current level of service within the existing fare structure.

Finding: *The service contributes to the local economy.*

As discussed below, the service has contributed greatly to the local economy. The CTMA service brings over 80% of the tourists to the islands, and the tourism industry generates more than \$25 million annually to the community.

Conclusion

The CTMA subsidy program remains relevant as the service:

- supports and advances the mandate and strategic objectives of the department;
- serves a remote community for which there is no other alternate form of equally affordable transportation; and
- contributes significantly to the local economy.

Program Success and Impacts

1) To what extent has the program contributed to local/regional economic development?

Finding: *The service has had a major impact on the local tourism industry.*

The tourism industry in the islands generates more than \$25 million annually, with over 100 small businesses directly depending upon it. It is the second largest industry in the islands and, according to local authorities, in the coming years it will surpass in size the traditional primary industry of fishing. From June 15 to September 15, around 30,000 tourists visit the islands, staying on average seven days and spending approximately \$100 per day.

Over 80% of all tourists enter the islands via the Souris, PEI to Cap-aux-Meules, QC ferry. In fact, the size of the tourism industry increased when the larger *M.V. Madeleine* was put into service in 1998, as Table 3 below demonstrates.

Table 3 – CTMA Summer Tourist Levels (June-September)

	1995	1996	1997	1998	1999	2000	2001
# Tourists	30,000	29,514	28,758	36,250	38,104	36,957	41,674
% change	+6%	-2%	-3%	+26%	+5%	-3%	+13%

Finding: *Users are accessing the ferry service primarily for tourism and other*

recreational activities.

The user survey indicated that almost two-thirds of ferry users reside in Quebec (63%), while another one in six (14%) live in Iles-de-la-Madeleine. The remainder of visitors are from the Atlantic provinces (13%), Ontario (4%), Western Canada (2%) or outside Canada (3%).

Over three-quarters (76%) of passengers were using the ferry during their vacation. Some reported other recreational purposes such as visiting family or friends (14%), sporting activities (4%), or for pleasure (2%). A minority of users reported travelling for business (4%), university/school (2%), or family responsibilities (1%).

The ferry service also transports commodities such as food and produce to local businesses on the islands.

Finding: *The service contributes directly and indirectly to local employment.*

CTMA directly employs over 100 people to run the subsidized service. Over 50% of the workers are seasonal and all are residents of the islands.

Indirectly, the CTMA service also contributes greatly to residential employment, particularly in the tourism industry, and for such related services as grocery stores and gas stations.

2) How effective has the program been in assisting the ferry operator to maintain and enhance the capacity to maintain safety standards?

Finding: *Vessels and staff are certified and trained at levels that meet all legal requirements.*

The evaluation found that the subsidy program indirectly assists the ferry operator in meeting the required safety standards. The design of the subsidy program assigns the ferry operator the responsibility to allocate funds to areas of necessary importance. The program was not designed solely for the purpose of ensuring safety standards, although the operating agreement between the operator and TC includes safety related conditions, such as focused asset management and maintenance, and qualified human resources to operate and maintain the services.

The *M.V. Madeleine* is operated by CTMA, and is owned by the federal government. The vessel has, to date, maintained and complied with all basic operational requirements. These requirements are to meet all inspections, certifications, survey requirements and standards set by Transport Canada to ensure the vessel's safe operation. In addition, the operator has demonstrated its commitment to safety by voluntarily complying with the standards instituted by Lloyds Register of Shipping in London and the International Safety Management code (ISM). These voluntary actions have helped to foster a stronger safety culture on board the vessel.

The Canadian Coast Guard has certified all crewmembers, deckhands and captains, ensuring that all staff members have the necessary qualifications, certifications and training to operate the vessel at a recommended safety level. During the off-season CTMA funds and recommends that its staff attend training sessions at Rimouski Naval College in Quebec in order to upgrade their skills and receive additional training.

Finding: *The M.V. Madeleine has a sound safety record.*

There have been no reported safety occurrences or accidents at sea or on board the *M.V. Madeleine*. Between 1997 and 2002, all 2,388 of vessel transits to and from Souris, PEI and Cap-aux-Meules, QC were without occurrence.

Finding: *All required maintenance activities are conducted.*

Since its transfer to Canadian registry in 1997, the *M.V. Madeleine* has received considerable upgrades and modifications to its mechanical, electrical, and health and safety systems to comply with the appropriate regulations and standards established by various regulatory bodies. Several modifications concern health and safety on board, including a life-saving Marine Evacuation System (MES), a public announcement system throughout the vessel, and emergency lighting in required locations.

The operator has performed all necessary and required maintenance activities on a daily, monthly and yearly basis in accordance with the required standards set by the regulatory bodies (International Maritime Organization (IMO), Transport Canada Marine Services Standards, Canadian Shipping Act (CSA), and Lloyd's Register of Shipping.¹)

A complete preventative maintenance program can aid in prolonging the vessel's operational life and can play a key role in the prevention and identification of vessel and passenger health and safety problems. While there is no specific preventative maintenance program on the *M.V. Madeleine*, there are currently some activities of a preventative maintenance nature that are carried out on the vessel. These activities include annual refits, dry-docking programs, fire control and lifesaving appliance plans, and vessel survey programs.²

Finding: *Users are satisfied with the safety conditions.*

The survey findings suggest that while all service attributes³ considered were deemed important, users felt that safety on board was the most important, and that safety while boarding was the second most important.

¹ Details concerning all policies, regulations and classification standards are obtainable in the [Ferry Vessel Evaluation Final Report](#), March 8, 2002.

² Details concerning all policies, regulations and classification standards are obtainable in the [Ferry Vessel Evaluation Final Report](#), March 8, 2002.

³ Service attributes: bilingual services, price, reservation system, terminal amenities, on-board food, number of crossings, frequency of scheduled crossings, washroom facilities, staff knowledge, departing on-schedule, availability of information, cleanliness, ease of boarding, staff courtesy, safety on board, safety while boarding.

The survey results revealed that user satisfaction with safety on board was ranked second after departing on schedule. Safety while boarding was ranked third in satisfaction out of all 18-service attributes considered.

A March 2002 evaluation of Transport Canada's ferry vessels recommended that the implementation of a complete preventative maintenance program on the *M.V. Madeleine* would make a contribution to improve the vessel's operational performance and health and safety systems. By this is meant the implementation of new and better methods of preventative maintenance. While not considered a necessity to ensure the safety of the vessels, a preventative maintenance program such as a Computerized Maintenance Management System (CMMS) would assist in recording, monitoring and reporting on maintenance activities, thereby improving the overall economic feasibility of the vessel.

3) *To what degree has the program enhanced the operator's ability to meet environmental needs?*

Finding: *The operator has met minimum environmental standards.*

The operator has, to date, maintained and complied with all basic environmental requirements and standards set by the IMO, a specialized agency of the United Nations, which is responsible for certifying and improving maritime safety and preventing pollution from ships. The operator carries out regular inspections and maintenance of the machinery and equipment of the vessel. These activities all combine to help reduce the risk of potential environmental damage from the vessels.

The evaluation findings suggest that the subsidy program has no direct link in assisting the operator in meeting environmental standards. According to the Transportation Emissions Reduction Potential Analytical Report released on September 30th, 2000, there are no technical or managerial environmental initiatives on board the *M.V. Madeleine* to help reduce fuel consumption and Green House Gas (GHG) emissions. Such initiatives could include fuel monitoring, fuel management, auxiliary power management, and/or slower running speeds.

There is no shore power connection for the *M.V. Madeleine* in Cap-aux-Meules. Therefore, the generator runs for the full time the vessel is stationed in the port. The implications of running the generator are greater fuel consumption and the release of GHG emissions. If a shore power connection were available, it would be considerably more fuel-efficient and environmentally more responsible.

4) Have the services been responsive to user needs – for quality, affordability, and efficiency?

Finding: CTMA provides a quality service.

The survey findings suggest that almost all of the CTMA users are satisfied with all of the 18 service attributes that were considered. More than nine in ten users were either very satisfied (53%) or satisfied (42%) with the CTMA service, with only a few neutral (2%) or very dissatisfied (2%). Overall satisfaction with the CTMA service was high regardless of the user's place of residence.

All staff members have received necessary training and have met all certifications in order to provide quality service on board the vessel. These certifications include language requirements, qualification records, and staff training courses. Furthermore, site visit observations revealed bilingual, courteous and well-trained staff on board the vessel.

Finding: An efficient service is offered by CTMA.

The service provided by CTMA has been reliable in terms of meeting and adhering to schedules and timelines. Survey findings suggest that while all service features were deemed important, users ranked satisfaction highest for departing and arriving on schedule. Local residents identified the number of crossings per day, price and terminal amenities as more important services than casual users did, and they indicated that improvements should be made in these areas.

There have been no reported occurrences that have hindered or restricted the efficiency of the CTMA service. Under the regulations set by TC and the Lloyd's Register of Shipping, the *M.V. Madeleine* has complied and received all necessary certificates and records to date.

Finding: CTMA provides an affordable service.

CTMA has maintained the cost of the ferry service in accordance with the operating agreements and conditions set by Transport Canada. A majority of CTMA passengers (80%) considered the ferry service to be excellent value (25%) or good (55%) for what they paid. However, according to the results of the survey, about one-third of the users from the Iles-de-la-Madeleine felt that the value of price was only "fair."

Cost-Effectiveness

1) What impact has the subsidy had on meeting the operating agreement conditions?

Finding: The subsidy contributes to the operators' ability to meet operating conditions.

As discussed above, the subsidy is provided to CTMA without spending being earmarked to any particular operation. The operator is required through the operating agreement to maintain a certain level of service, budget, and fare structure. Therefore, it is difficult to assess the direct impact that the subsidy has had on enhancing the operators ability to meet the operating conditions.

Transport Canada's monitoring of CTMA's budget indicates that CTMA has been able to stay within the agreed upon budget. However, as previously discussed, CTMA would not be able to maintain the current level of service and fare structure without the federal subsidy.

The subsidy level has been quite consistent since 1993/1994, and subsidy reimbursements to the Government of Canada have been steadily increasing since 1999

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2) Are there any other cost-effective alternatives that should be considered?

Finding: One-third of users considered an alternate form of transportation.

The survey findings revealed that one third of the ferry users considered an alternative form of transportation (34%) but chose the ferry service. Residents of Iles-de-la-Madeleine were considerably more likely to look at alternatives (61%), compared to other Quebec residents (36%) and visitors from other areas (9%). The main alternative considered by ferry users was air travel (88%). Other possibilities considered were other marine travel (8%) or another ferry (4%).

Finding: No equally affordable means of transportation are available or planned.

As previously discussed, there are no equally affordable alternative modes of transportation. The ferry service provides the least expensive regularly scheduled mode of transportation to the Iles-de-la-Madeleine (compared to the air service cost of approximately \$1,000 from Montreal, and the summer cruise ship which charges \$550 each way to Montreal). No future plans for equally affordable alternative means of transportation currently exist.

CTMA Conclusions

- The CTMA subsidy program is relevant as it is consistent with the department's economic development and social growth objectives through its important contribution to a remote region.
- The program is successful as evidenced by:
 - ⇒ The tourism industry, which is the second largest industry and employer in the Iles-de-la-Madeleine, is directly dependent on the ferry service.
 - ⇒ The program provides affordable transportation for local residents.
 - ⇒ The program enhances, to some degree, safety and environmental protection.
 - ⇒ The service is of quality, is efficient and is affordable.
- The program is cost-effective as the current subsidy levels have been more than adequate to maintain the level of service and fare structure as required in the operating agreement.
- No alternative means of transportation exist, nor are any planned in the foreseeable future, at the same cost level.

CTMA Recommendations

- It is recommended that Transport Canada continue the subsidy program for the CTMA ferry service on the basis that it is relevant, successful and cost-effective.
- Given that subsidy reimbursements to the government have been steadily increasing since 1999, the program should re-examine the assumptions upon which the subsidy is calculated, and the total subsidy necessary to maintain the service under the current operating agreement conditions.
- Given that one of Transport Canada's strategic objectives is to protect the physical environment, and considering that the Crown holds ownership of the vessel, Marine Policy along with TC's Environmental Affairs Directorate should work with the ferry operators to implement technological environmental initiatives on board the ferries to help reduce fuel consumption and GHG emissions. In addition, Transport Canada should consider paying for an on-shore power connection for the *M.V. Madeleine* in the region of Cap-aux-Meules to reduce fuel consumption and GHG emissions.

NORTHUMBERLAND FERRIES LTD. (NFL)

Program Relevance

1) How successful has the program been in supporting and advancing the mandate and strategic objectives of Transport Canada?

***Finding:** The program does not directly support or advance the mandate and strategic objectives of Transport Canada.*

Transport Canada's mandate and strategic objectives focus on ensuring and enhancing the safety and security of the transportation system, and contributing to Canada's economic growth and social development. The operating subsidy to NFL is a general subsidy and is used at the discretion of the ferry operator for allocation to where it determines a need exists. The operating agreement between Transport Canada and NFL does have safety-related requirements, such as focussed asset management and maintenance, and qualified human resources to operate and maintain service. Similar to CTMA, as NFL has maintained the required safety levels, it may be inferred that the subsidy indirectly enhances the company's ability to meet basic safety standards.

With respect to economic growth and social development, the program makes some contribution to the economy of Prince Edward Island. Tourism is the second largest industry in the province, and the NFL service brings tourists to the eastern part of the island (during the survey period, 78% of NFL users were using the ferry primarily for pleasure). However, no information is available to ascertain if these tourists stay in the eastern region, or the economic impact they have on the local economy. (During the 2002 reporting period, 1.149 million people visited PEI, spending about \$353 million. The NFL service transports approximately 15% of the total traffic to the island.) Since the construction of the Confederation Bridge, the tourism industry has become less dependent on the NFL ferry service. The bridge, which is open year-round, provides an equivalent-priced alternative to the ferry service.

The ferry service is also used to transport about four trucks of gravel a day to PEI from plants in the Caribou, Nova Scotia area. The ferry operator was unable to supply statistics on the value of this service to the Nova Scotia local economy or to the companies involved. The requirement to use the bridge instead of the ferry to transport this gravel would result in increased costs to the purchasers in PEI. Various other commercial trucks also use the ferry service.

While there is certainly some economic impact generated by the ferry service, its importance to the local economies is unclear. The ferry service provides employment directly to over 180 people, 117 of whom reside in PEI. However, there is no direct evidence that there is a social or economic dependence on the service by the local communities.

2) Is there a public policy justification for the subsidy?

Finding: *The service is not guaranteed under the Constitution.*

There is some disagreement concerning the extent of the federal government's legal obligation to support the NFL service.

The 1873 Terms of Union by which Prince Edward Island entered Confederation, provides:

That the Dominion Government shall assume and defray all the charges for the following services, viz:

Efficient steam service for the conveyance of mails and passengers, to be established and maintained between the Island and the mainland of the Dominion, Winter and Summer, thus placing the Island in continuous communication with the Intercolonial Railway and the railway system of the Dominion.

The ferry service between Borden, PEI and Cape Tormentine, NB originally fulfilled this constitutional obligation. A review of documents supporting the WTAP (1976) indicates that the rationale for the NFL service from Caribou, NS to Wood Islands, PEI was as an historical alternative to the Constitutional service. However, neither the Terms of Union nor other legal instruments indicate that there is a requirement for an alternative ferry service to PEI.

In the 1992 Memorandum of Agreement between the Governments of Canada, New Brunswick and PEI concerning the planned construction of the new Confederation Bridge, the parties agreed that the fixed bridge would replace the Borden-Cape Tormentine ferry service, and acknowledged that Canada was undertaking the fixed link with the intention that its responsibilities under the Terms of Union were met. The Memorandum Of Understanding also specifically addressed the Wood Islands-Caribou ferry service, referring to it as a 'distinct and important alternative on its own merit', and stated further that 'Canada acknowledges the distinct and important role (the service) provides and recognizes that the construction and operation of the fixed crossing in no way diminishes the importance of this ferry service.'

Upon construction of the Confederation Bridge in 1997, the Terms of Union, 1873 were amended so that the 'fixed link' would take the place of the water transportation link. There were no amendments made to include the Wood Islands – Caribou service in the Constitution. Today, the existence of the federally supported Confederation Bridge calls into question the federal government's obligation to provide funding for an alternative service. There does not appear to be any legal requirement to continue to fund the service.

Finding: *There is a financial need for the subsidy in order to maintain service at the required level and the existing fare structure*

Although the NFL service received special recognition in the 1992 agreement as an important service, in the 1995 National Marine Policy, the federal government indicated its intention to reduce future funding of the service. The policy states that:

Transport Canada will extend the contract with Northumberland Ferries Ltd. for another four years, on the understanding that there will be significant reductions in subsidy levels. Monitoring of traffic and services will continue in light of the opening of the Fixed Link in 1997. The department will also review other private ferry operating arrangements for possible cost savings.⁴

There was a cut to the total subsidy to the ferry service of \$2.5 million in 1998/1999 at the time of the opening of the Confederation bridge. The operating subsidy portion was reduced by approximately \$320,000. Since this period, the operating subsidy has steadily risen to \$3,948,592 in 2002/2003, a 38% increase over 1998/1999. The demand for an increase in the operating subsidy was driven largely by the increase in fuel prices, and to a lesser extent, by increasing employee salaries and other operating expenses. At the same time, it was difficult for the ferry operator to increase user rates, as they were in direct competition with the Confederation Bridge.

Table 4 details the subsidy levels, annual traffic figures and number of trips per year. These figures indicate that in 2001/2002, NFL was offering 1,444 (30%) fewer trips per year than in 1996/1997, before the bridge opening. There has been a 16% decline in passenger related vehicles (PRVs) traffic and a 26% decline in commercial related vehicles (CRVs) traffic over the same period.

Table 4 - NFL Subsidy and Traffic Levels (1996/97 – 2002/03)

Year	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
Operating Subsidy	\$3,192,247	\$3,192,247	\$2,870,000	\$3,175,000	\$3,685,074	\$3,787,022	\$3,948,592
Capital Maintenance Equipment	\$776,613	\$688,300	\$1,002,000	\$830,000	\$929,100	\$857,800	\$1,131,968
Emergency Repairs / Modifications		\$3,000,000		\$248,852			
Total Subsidy	\$4,438,860	\$6,880,547	\$3,872,000	\$4,253,852	\$4,614,174	\$4,644,822	\$5,080,560
PRVs	199,218	164,315	150,099	158,211	165,830	168,293	166,400
CRVs	29,424	22,844	21,228	30,491	22,115	21,787	20,172
# Trips	4,892	3,447	2,754	3,448	3,448	3,448	3,448

In addition to the operating subsidy that NFL receives from the federal government, the two ships, the *MV Holiday Island* and *MV Confederation*, are owned by Transport Canada and are chartered to NFL for \$1 each per year. The terminals are owned by TC and terminal development funding has been provided when required (\$2,458,603 in 1997/1998 and \$541,397 in 1996/1997). NFL also receives approximately \$1 million per year from TC for vessel overhaul.

⁴ National Marine Policy, 1995, p. 25.

As indicated in Table 5 below, an examination of NFL’s operating revenues (excluding subsidy) and expenses indicates that the operator has not been able to cover its expenses while maintaining the current fare structure and season length as required in the operating agreement. With the subsidy, the operator has been able to cover all operating expenses.

Table 5 – NFL Annual Financial Information

	1996 / 97	1997 / 98	1998 / 99	1999 / 2000	2000 / 01	2001 / 02
Revenues	\$6,992,718	\$5,251,760	\$5,211,024	\$5,521,751	\$5,759,779	\$5,902,200
Expenses	\$9,525,376	\$7,899,292	\$7,758,516	\$7,990,329	\$8,594,546	\$8,669,404
Total	-\$2,532,658	-\$2,647,532	-\$2,547,492	-\$2,468,578	-\$2,834,767	-\$2,767,204
Operating Margin	0.73	0.66	0.67	0.69	0.67	0.68
Subsidy	\$3,192,247	\$3,192,247	\$2,870,000	\$3,175,000	\$3,685,074	\$3,787,022
Operating margin (with subsidy)	1.07	1.07	1.04	1.09	1.10	1.12

NFL’s President & CEO indicated that the ferry service would be financially self-sufficient if it were to operate solely during the peak summer traffic period. As Transport Canada does not have access to the monthly financial figures, it was not possible to validate this claim at this time.

3) What is the future need for subsidized ferry services?

Finding: *An alternate mode of equally affordable transportation is available.*

The federal government has made a significant investment in the construction of the Confederation Bridge, a permanent facility that is available year-round, unlike the ferry service, which is shut down during the winter months.

A comparison between the ferry service and the Confederation Bridge indicates that the fixed link is less expensive for travellers than the NFL ferry service. Approximately 80% of traffic to PEI uses the Confederation Bridge, while approximately 15% uses the ferry service. The remaining 5% of people to the island use air travel.

For those travellers who find that accessing PEI from NS by ferry is a more convenient route, (e.g. those driving from the United States and Nova Scotia), an extra 2-3 hours of driving time would be required to access the island via the bridge.

Finding: *Financial analysis suggests there is a financial need for the subsidy to operate at the required level.*

As discussed in the above analysis for question 2, there is a financial need to maintain the current levels of service and fare structure as required by Transport Canada in the existing operating agreement. However, the subsidy level has been increasing, contrary

to the directive of the National Marine Policy, 1995, as the government has been required to make the ferry a competitive option to the bridge.

Program Success and Impacts

1) To what extent has the program contributed to local/regional economic development?

Finding: The subsidy has made some contribution to the local economy.

Prince Edward Island has a highly developed tourism industry that it continues to develop and market aggressively. As such, tourism related activities dominate passenger travel during the summer months. The user survey results indicate that more than three-quarters of NFL passengers during the interviewing period reported using the ferry for recreational purposes. Two-thirds of non-PEI residents stated that they were spending between one and three days in PEI. However, PEI residents reported using the service for non-leisure activities, such as business and family responsibilities.

Prior to the opening of the Confederation Bridge, NFL brought a lot of commercial traffic to the island. A 2000 traffic forecast study by Geoplan Consultants stated that freight traffic was mostly using the bridge. NFL's traffic figures also demonstrate that in 2001 NFL saw a 26% decrease in its commercial traffic since 1996. The Pictou, NS Chamber of Commerce claims that a number of local gravel companies depend on the NFL service to ship gravel to PEI.

Tourism is the second largest industry in PEI. During the 2002 reporting period, a total of 1.149 million pleasure and business visitors spent a total of \$352.9 million in PEI. The NFL service brings tourists directly to the Eastern part of the Island. This suggests that it has had an impact on tourism in the Eastern region, however, visitors using the service may not necessarily stay in the region. Table 6 demonstrates the tourist figures for the two Eastern island tourist regions.⁵

Table 6 – PEI Eastern Region Tourists

Region	% of total PEI pleasure visitors	Increase/decrease over previous 4 year average	Daily average expenditures 2001	Daily average expenditures 2002	Total expenditures 2002
Eastern Kings	6.4%	+18%	\$1018	\$878	\$20.1 million
Southern Kings	5.6%	-21.5%	\$896	\$861	\$18.1 million

Tourism PEI officials stated that the NFL service brings visitors directly to the door of the surrounding community. However, there is no data to ascertain whether those visitors to the Eastern part of PEI arrived by NFL or if they drove from the Confederation Bridge

⁵ Data obtained from the Prince Edward Island Tourism Policy, Planning and Research, *Economic Impact Tourism 2002*.

arrival point in Borden. A visitor centre and liquor commission have been built at the ferry terminal to welcome visitors to the region.

NFL has become increasingly involved in the marketing of the eastern PEI tourism industry by participating in the Northumberland Strait Marketing Group. NFL has also made efforts to make the NFL service become more tourist oriented, with a tourism booth on-board and by showcasing local talent, such as musicians.

180 people are directly employed by NFL; 117 reside in PEI while the remaining 59 live in Nova Scotia. The employees receive salaries that exceed the minimum wage and are given training opportunities during the winter months, with the aid of the ferry operator.

2) How effective has the program been in assisting the ferry operators to maintain and enhance their capacity to maintain safety standards?

***Finding:** Vessels and staff are certified and trained at levels that meet all legal requirements.*

The evaluation results indicate that the subsidy program has no direct attribution in maintaining or improving safety standards. However, the subsidy program does support the ferry operator's capacity to meet and maintain the required safety standards.

The subsidy provided is used at the discretion of the ferry operator and is distributed to the areas where the operator feels it is most needed. However, the operating agreement between Transport Canada and NFL does include some safety related conditions, such as focused asset management and maintenance and qualified human resources to operate and maintain services.

NFL operates two vessels, the *M.V. Confederation* and the *M.V. Holiday Island* that are owned by the federal government. The vessel evaluation report conducted by Fleetway Incorporated in March 2002, as well as NFL and TC records, indicate that both vessels have, to date, maintained and complied with all inspections, certifications, survey requirements and standards established in order to ensure their safe operation. In addition, NFL has enhanced its safety standards by voluntarily complying with the standards instituted by Lloyds Register of Shipping in London,⁶ and the International Safety Management code (ISM).

This voluntary compliance demonstrates the operator's intention to maintain a higher degree of safety on board the vessels. This in turn helps to foster a stronger on-board safety culture.

⁶ Details concerning all policies, regulations and classification standards are obtainable in the [Ferry Vessel Evaluation Final Report](#), March 8, 2002.

To ensure the safe operation of the vessels, all crewmembers, deckhands and captains have been certified by the Canadian Coast Guard. All staff have received the necessary qualifications, certifications and training in order to operate the vessels at the recommended safety level. NFL funds and recommends that its staff members attend Holland College, PEI during the off-season to upgrade and receive their required qualifications and training. NFL staff members return to work in March (operating season begins in May) for additional training.

Finding: Sound safety record.

Between 1994 and 2002, 99.9 % of vessel transits to and from Wood Islands and Caribou were without occurrence⁷ (14 occurrences; 28, 454 vessel transits). The *M.V. Confederation* reported four minor occurrences, and the *M.V. Holiday Island* reported ten. The Transportation Safety Board (TSB) database indicates that the last reported occurrences on-board the *M.V. Confederation* and *M.V. Holiday Island*, occurred in June 2001 and July 2002 respectively. For these situations, the data suggests that the incidents were minor and that no damage to the vessels, the environment or individuals had occurred.

Finding: All required maintenance activities are conducted.

The operator has performed all necessary and required maintenance activities on a daily, monthly and yearly basis in accordance with the standards set by the regulatory bodies. These include: International Maritime Organization (IMO), Transport Canada Marine Services Standards, Canadian Shipping Act (CSA), and Lloyd's Register of Shipping.

A complete preventative maintenance program can aid in prolonging the vessel's operational life and can play a key role in the prevention and identification of vessel and passenger health and safety problems. While there is no specific preventative maintenance program on either the *M.V. Confederation* or the *M.V. Holiday Island*, there are currently some activities of a preventative maintenance nature carried out on the vessels. These activities include: annual refits, dry-docking programs, fire control and lifesaving appliance plans and vessel survey programs.⁸

Finding: Users are satisfied with the safety conditions.

The survey findings indicate that the survey respondents felt that safety both on board and while boarding are of high importance, as they were ranked first and second in

⁷ Occurrences include both accidents and incidents. Accidents involve serious injuries or significant damage to the ship. Incidents are the avoidance of serious accidents, for example, when the ship is involved in a risk of a collision or is intentionally grounded or beached to avoid an accident.

⁸ Details concerning all policies, regulations and classification standards are obtainable in the [Ferry Vessel Evaluation Final Report, March 8, 2002.](#)

importance of all 18 service attributes⁹ considered. The survey results revealed that user satisfaction for the safety while boarding process and safety on board were ranked the two highest of all attributes.

The implementation of a complete preventative maintenance program would make a contribution to improve the vessel's operational performance and health and safety systems. By this is meant the implementation of new and better methods of preventative maintenance. While not considered a necessity to ensure the safety of the vessels, a preventative maintenance program such as a Computerized Maintenance Management System (CMMS) would assist in recording, monitoring and reporting on maintenance activities, thereby improving the overall economic feasibility of the vessel.

3) To what degree has the program enhanced the operator's ability in meeting environmental needs?

Finding: The operator has met minimum environmental standards.

The subsidy does not directly contribute to enhancing the operator's ability to meet environmental standards. The operator has to date maintained and complied with all basic environmental requirements and standards set by the International Maritime Organization (IMO), a specialized agency of the United Nations, which is responsible for certifying and improving maritime safety and preventing pollution from ships.

The operator carries out regular inspections of machinery, equipment and all necessary maintenance activities of the vessels. These activities all combine to help reduce the risk of potential environmental damage from the vessels.

TC has no official data regarding whether or not the *M.V. Confederation* and the *M.V. Holiday Island* have implemented environmental initiatives to help reduce fuel consumption and GHG emissions. However, TC Environmental Programs staff noted that there are no technical or managerial environmental initiatives on board the vessels that help reduce fuel consumption and Green House Gas (GHG) emissions.

4) Have the services been responsive to user needs – for quality, affordability, and efficiency?

Finding: The NFL service is of good quality.

Users expressed high satisfaction with the service regardless of their place of residence, purpose of trip or frequency of ferry use. The survey findings revealed that more than nine in ten users were either very satisfied (52%) or satisfied (42%) with the NFL service.

⁹ Service attributes considered: safety while boarding, safety on board, efficiency of boarding, ease of boarding, staff courtesy, cleanliness, availability of information, staff knowledge, departing on-schedule, arriving on-schedule, washroom facilities, frequency of scheduled crossings, terminal amenities, on-board food, price, reservation system, bilingual services.

The remainder of responses were neutral (6%) and no dissatisfaction was expressed. All staff members have received necessary training and have met all certifications in order to provide quality service on board the vessel. These include: language requirements, qualification records and staff training courses. Furthermore, site visit observations revealed bilingual, courteous and well-trained staff on board the vessel.

Finding: *An affordable service is offered by NFL.*

NFL has maintained the cost of the ferry service in accordance with the operating agreements and conditions set by Transport Canada. Users were asked about the overall value-for-money of the NFL service and about what improvements would merit an increase in cost. Almost eight in ten respondents were satisfied with the current cost of the ferry service. Most passengers (79%) considered the ferry service to be excellent (25%) or good value (54%) for the price. Local residents from PEI and Nova Scotia were more likely to rate the value for price as only “fair” as compared to visitors. The survey findings revealed that these local residents from PEI and Nova Scotia were more frequent users, while visitors from other areas tended to be first time users of the ferry service. Furthermore, PEI residents identified ‘frequency of service’ and ‘times when service is offered’ as two areas that would be most worth a price increase.

Finding: *The service is efficient.*

The survey results revealed that users were highly satisfied with the efficiency and ease of boarding procedures of the vessels. Out of the 18 attributes considered, users rated efficiency of boarding and the ease of boarding as the third and fourth most satisfactory attributes respectively.

There have been no reported occurrences that have hindered or restricted the efficiency of the NFL service. By following the standards and regulations set by TC and Lloyd’s Register of Shipping, the vessels have complied and received all necessary certificates and records.

Cost-Effectiveness

1) What impact has the subsidy had on meeting the operating agreement conditions?

Finding: *The subsidy contributes to the operators’ ability to meet operating conditions.*

As previously discussed, the subsidy is provided to NFL from Transport Canada without being earmarked for particular use. Through the operating agreement NFL is required to maintain a minimum level of service, budget, and fare structure. Therefore, it is difficult to assess the direct impact the subsidy has had on enhancing NFL’s ability to meet the operating conditions.

In examining whether the subsidy has been adequate to maintain the required level of service, subsidy trends indicate that the subsidy has been rising, reaching \$3,948,592 in 2002/2003. This increase has been constant since an operating subsidy cut at the time of the opening of the Confederation Bridge in 1997.

During this period, NFL's revenues would not have been able to recover all expenses at the required level of service and fare structure. Furthermore, from 1996/1997 to 2002/2003, Transport Canada did not recapture any of the subsidy provided to NFL. This indicates that the subsidy was necessary for operational purposes, and has been at an adequate level to retain the required level of service.

2) Are there any other cost-effective alternatives that should be considered?

Finding: *One-third of passengers considered another form of transportation.*

The survey findings revealed that about one third of passengers considered using the bridge as an alternative to the ferry, but most found the ferry service to be more convenient. Surveyed users stated that they chose the ferry service as they found it to be more conveniently located (58%), faster (13%), or having a convenient schedule (6%). Other users found the ferry to be a more comfortable (9%) and relaxed (4%) choice, while (9%) said it involved less driving.

Finding: *An equally affordable means of transportation for passengers does exist.*

The Confederation Bridge is a less expensive means of access to Prince Edward Island than the NFL ferry service. If the ferry service were unavailable, travellers who use the Nova Scotia access route to Prince Edward Island would have to drive an additional 2-3 hours to access the bridge. Approximately 80% of travellers use the bridge, while 15% use the ferry service.

There are no other known future plans for an equally affordable alternative means of transportation.

NFL Conclusions

ATIP REMOVED

- The program has been successful, as it:
 - ⇒ Contributes to some degree to the PEI tourism industry;
 - ⇒ Enhances safety and environmental conditions; and
 - ⇒ Is of quality, is efficient, and is affordable.
- Subsidy levels have been increasing despite the *National Marine Policy, 1995* recommendations to seek out other more cost-effective alternatives. The subsidy

levels were adequate to continue the operating agreement requirements for level of service, season-length and fare structure.

NFL Recommendations

ATIP REMOVED

APPENDIX A – CALCULATION OF USER RATINGS

Users' were asked about their overall satisfaction with the ferry services and then about their views on the importance of, and satisfaction with, 18 attributes of the service. In order to establish a common basis for evaluation and to facilitate comparisons between features, users importance ratings of each feature or service were calculated into a single 'mean' score. This was done by weighing each data point according to its value on the response scale (i.e. the strongest value was given the highest value, the weakest value the lowest value).¹⁰ The resulting values provide an intuitively clear measure of importance on a scale from 0 to 100. The satisfaction ratings were also standardized using the same procedure. Following this, a gap analysis was performed on these data to integrate the importance and satisfaction measures to identify service gaps, those areas that are considered to be important but are not fully meeting the user's expectations.

¹⁰ The means were calculated by recoding the responses so that very important =3, important =2, neutral =1, and unimportant/very unimportant =0. The mean score on the attribute was calculated and then adjusted to a range of 0 to 100 (as follows: $\text{mean} \times 100/3$).