

PROGRESS REPORT

Economic Impact Study of the Yarmouth-Maine Ferry

Prepared for the Department of Public Works
Province of Nova Scotia

October 2024

21FSP Advisory Inc.

21FSP
ADVISORY INC.

Contents

Executive Summary	3
Introduction	9
Context	11
Study Methodology and Approach	15
Early Findings	16
Next Steps	30
Appendix A	32

Executive Summary

Following a competitive request for proposal (RFP) process, [21FSP Advisory](#) was contracted to complete an Economic Impact Study on the Maine-NS Ferry Service (YMF) for the Department of Public Works in September 2023.

This is a progress report outlining project activities and early findings to June 30, 2024. The final, detailed report will be issued as the summary data become available following completion of the 2024 sailing season.

Purpose of the Study

The focus of this study is principally twofold:

1. Because of the disruptions to ferry operations throughout the 2010s, changes to the U.S. port destination and recognizing that tourism is still in recovery from the challenges of the COVID-19 pandemic, the study is being completed over two, full sailing seasons (2023 and 2024); and
2. The focus of the study is on the impact of the ferry service not only on Southwest Nova Scotia but on the province as a whole.

There are other differentiators to this study which distinguishes it as a departure from previous analyses.

Study Scope and Methodology

The study's mandate is broad, encompassing

the ferry's impact on tourism operators and businesses, supply chains, accommodations providers, investment and access to capital, on understanding the perspectives of cultural communities, employment, and government revenues. While broad public engagement is out of scope for this analysis, a mix of quantitative and qualitative methods and multiple lines of inquiry are being used to comprehensively address the study mandate, while bringing clarity to the overall economic impacts of the ferry to the Province of Nova Scotia and its taxpayers.

The final, integrated two-season report will use the provincial economic input output analysis model to determine the direct and spin-off impacts of the YMF's operation.

In this progress report we provide early, high-level findings emerging to date while identifying areas of inquiry and analysis that are presently underway and ongoing until the study's conclusion. The final report will present a full picture of the impact of the ferry to Nova Scotia's economy.

Early Findings

Key Takeaways from the History of the YMF Service and Strategic Considerations

The YMF service has a long and storied history

dating back to the late 1800s, playing a crucial role in connecting Nova Scotia with the U.S. Northeast. Beyond the associated community pride, stakeholders consulted also point to the cultural significance of this long-standing historical connectivity with the U.S. Northeast. This progress report traces the evolution of this service and its more recent operational context within the backdrop of major global and local events that have had a well-documented impact on the YMF's market growth and revenue potential.

The ferry has always been a source of non-Nova Scotia visitors boosting tourism and economic growth and presently accounts for ~29,000 of the estimated ~155,000⁶ annual U.S. visitors to the province (2023). These are high value tourists. Among other positive attributes, on average, these visitors have higher incomes, spend more, stay longer, and have larger party sizes. Industry professionals also report that U.S. visitors in general are less price sensitive than other market segments.

Stakeholders consulted during this study point out that the ferry's impact on the tourism sector could be more significant and broader, and that it has been negatively impacted as a result of uncertainty and disruptions to ferry operations over the recent past. Tour operators typically plan two to three years ahead, a factor that requires certainty that the service is going to be available. The legacy of the 2009 cancellation

6 TNS indicators/enumeration for total (air + road/ferry) for 2023 from the US is 155,358



itself and the ‘on-again / off-again’ discourse surrounding the service creates confusion in the marketplace.

Stakeholders consulted through the engagement process also point to the presence of the Canadian Border Services Agency (CBSA) Office needed to customs-clear YMF passengers at the Yarmouth terminal. This office is also pivotal in meeting customs clearance requirements for communities all along the South Shore of Nova Scotia, including cruise ship traffic, visiting yachts, and commercial shipping. These are all areas presently experiencing positive growth, a factor which amplifies the impact of the ferry and its associated administrative infrastructure.

Considering the Value Proposition of the YMF

Historically, public discourse in respect to the YMF has consistently revolved around a number of key preconceived ideas not based on data and evidence, including:

- The perception that the YMF is more expensive than other ferries, for both passengers and government.
- The view that if this ferry cannot break even or achieve a profit, its value proposition is circumscribed.
- That the rest of the province is subsidizing this ferry while the principal benefits accrue to Southwest Nova Scotia.
- The perception that the province is subsidizing a for-profit business. In fact, the YMF is a provincial service, with an operator engaged to provide the service for the province.
- That the ferry cannot accommodate commercial trucks. The YMF does have the capacity to carry trucks, however, the U.S. Customs and Border Protection International Port of Entry terminals at Portland

and Bar Harbor are not large enough, nor are they constructed to deal with any commercial truck traffic.

An important focus of the research, analysis, and engagement undertaken thus far during this study has been on addressing these perceptions with data and evidence, while also exploring and documenting the value proposition a ferry service offers. Early analysis arising from the exploration of these issues follows:

- On the matter of the relative cost of the YMF, to date, the study has analyzed the cost structures of comparable ferries both internationally and within Canada, including Atlantic Canada ferries. Considering international benchmarking of ferry operations on a cost-per-kilometer basis for ferry routes less than 150 km, the YMF costs passengers an average of U.S. \$2.23 per kilometer which compares well to eight other routes considered (average was U.S. \$2.46 per km). A similar finding was evident in the Canadian / Atlantic Canadian analysis of ferry operations. Considering that most ferry services are publicly owned or operated, that, in many cases the vessels are owned and maintained by governments, and that many carry essential service designation, the research undertaken to date confirms that **virtually all car / passenger ferries are subsidized** – in Canada and globally. While the study is ongoing and will be further updated in the final report, objectively, early analysis of the normalized cost of the service confirms that the YMF **is not more expensive** than other ferries for either the government (it’s within the high-low range of those under the Ferry Services Contribution Program) or the passenger.⁷
- Considering the international context, the conclusion thus far is that the normalized cost of the YMF service **is not more expensive** than other ferries for either the government or the passenger.
- A review of the 2016 10-year contract negotiated by

7 Ferry Services Contribution Program (canada.ca)

the province with the ferry operator indicates that the framers of this contract understood that this ferry operation was not going to be 'profitable' in the typical definition of the term. Rather, its focus was to provide ongoing financial support (estimated at \$10 million annually in 2015) to the ferry to strengthen and enhance the tourism sector and bring high-value, non-Nova Scotia visitors to the province. To minimize the ongoing requirement for potential increased provincial funding, the contract also included provisions designed to incentivize the operator to control and, where possible, reduce costs. The provincial financial assistance to the ferry provider directly benefits tourism operators and associated businesses, while enhancing the province's brand. In this context, much like many other investments that governments may choose to make, the focus of an investment like this is not on a direct, equal return on investment (ROI) to government coffers, but rather on its redistributive impact on sector development; in this case, the tourism sector and economic development broadly.

- Anecdotally, there is a prevailing view that the YMF mostly benefits Southwest Nova Scotia, largely to the exclusion of the rest of the province. Early findings suggest Yarmouth and, indeed, the South Shore of Nova Scotia benefit and derive a high share of their total U.S. visitors via the ferry. Conversely, a smaller share of U.S. travellers who arrive by other methods would visit Southwest Nova Scotia. In fact, through the early research and engagement undertaken thus far, feedback from tourism operators in Cape Breton and other parts of Nova Scotia consider the ferry service highly beneficial to their tourism revenues.

Enhanced Marketing as an Opportunity to Drive Passenger and Revenue Growth

Thus far during this study and throughout the engagement process, the matter of how the YMF is marketed has been a consistent and recurrent theme repeatedly brought forward by stakeholders. It was raised during meetings held with Destination Marketing organizations (DMOs) from across the province, as well as with tourism operators, hoteliers, related business organizations and a broad range of stakeholders. Stakeholders emphasize the importance of marketing as an opportunity to improve ferry traffic and nullify the 'on-again-off-again' confusion in the market place.

Anecdotally, stakeholders express the view that enhanced marketing would be an effective means to drive both overall passenger growth and tourism spending, and to highlight the province's value proposition. Stakeholders generously offered their views on why enhanced marketing is necessary, as well as suggestions for improvement.

Presently, the operating contract between the Province and BFL provides for just under \$2M annually for marketing the ferry service (based on the 2024/2025 operating budget). BFL also collaborates with Tourism Nova Scotia (TNS) on ferry marketing.

As a matter repeatedly brought forward, the consultant team is undertaking a detailed review of ferry marketing. In doing so, we are looking to multiple lines of evidence and data to support this review. BFL's passenger survey data, completed following each season, is an excellent source of information. We have also engaged with DMOs and other stakeholders to collect information they may have related to ferry travellers with the goal of forming a more comprehensive picture of where non-resident travelers are originating and where in Nova Scotia they are vacationing in a effort to better understand the potential for visitor impacts beyond what can be measured today.

As another data point that may provide useful information both for tourism marketing purposes and for tracking passenger dispersion throughout the province, recently, access to U.S.-based mobility data (cellular data) became available. At the time of this writing, it is in an early stage of examination because it was only recently acquired. Although network coverage and other user behaviour dimensions impact the data quality, it may, however, offer useful insights into the distributional impact of ferry passengers as they travel throughout the province, as well as provide information that may support marketing efforts.

As BFL's Bay Ferries The CAT Report becomes available for the 2024 season, and the results of the use of mobility data are analyzed, the final report on the economic impact analysis of the YMF will include a comprehensive examination of current marketing and how it might be enhanced to help amplify the future potential economic impact of the service.

In addition, further analysis is also underway to examine how other ferry operators market their service in the context of an integrated approach with

tourism operators and DMOs to determine leading and best practices in this regard. These findings will also be reflected in the final report, which will also document recent positive changes including the results of more recent collaborative approaches to ferry marketing between TNS and BFL.

The Evidence of Impact of Ferry Cancellation in 2009

Quite aside from the YMF's impact on the rest of the province, it is clear that it has a significant economic impact on Southwest Nova Scotia and the entire South Shore of the province. A broad range of data has been collected on the impact resulting from the cancellation of the ferry in 2009. The effects have been well documented and were found to be pervasive from a socio-economic perspective. Derived from a diversity of sources, these data are being examined and categorized in the context of a 'case study' for inclusion in the final report designed to provide another 'lens' on ferry operations. Major hotel operators in the region have also reported that the presence or absence of the ferry significantly impacts their investment decisions going forward. Considering that the cancellation of the ferry in 2009 was ostensibly to save money, as it happened, the government of the day was called upon to provide funding to offset the economic impact of the cancellation decision, in an effort to support job retention in rural Nova Scotia. Further information is being collected on these unintended consequences and will be reflected, as a case study, in the final report.

Benchmarking Exercise: The Global Impact of Ferries and Trends Related to GHG Emission Reductions

The benchmarking exercise being undertaken as part of this study is examining the economic contribution of ferry operations globally, socio-economic benefits, and environmental innovations and climate change adaptation measures being applied broadly to the industry. Globally, the shipping industry is ripe for disruption. Based on research and analysis to date and trends analysis in respect to the transformation of this sector, the final report will detail how the industry is likely to evolve going forward and any implications for the YMF.

The Engagement Process to Date and Common Themes

The engagement undertaken, which is ongoing, has been province-wide in focus. Focused outreach and engagement with key stakeholder

groups has included economic development organizations, tourism and accommodation providers along with cultural communities including Mi'kmaq, Acadian, and African Nova Scotians, Destination Marketing Organizations, Chambers of Commerce, hoteliers, municipal political leaders and senior officials, trucking interests, the fishing industry, and international property owners. Their observations are instructive and serve to offer unique insights into the key questions the province wants to answer through this study.

Next Steps

A comprehensive analysis of the YMF operation is a complex and multifaceted undertaking. Detailing the results of YMF operations over two full seasons is important in providing a precise picture of the economic impact of the YMF. Emerging from the COVID-19 pandemic, the 2023 season can be considered a transition year as tourism was normalizing following the pandemic. Beyond the legacy impact of COVID-19, the numbers for 2023 were also impacted by wildfires, flooding, and other weather events, which distorted the overall picture. These factors underscore the importance of bringing the full season data for 2024 into the picture.

A foundational value for the province in commissioning this important study has been on securing the data and evidence of the ferry's impact and value to taxpayers. At this stage of the study, the metrics on the performance of the YMF is showing consistent growth in passenger traffic year over year. The 2024 season is shaping up well, with passenger growth significantly ahead of 2023. This is a promising sign that, in the relative calm of the post-pandemic service period, higher passenger levels are achievable with a ferry service that is viewed by the marketplace as stable.

Further, the data being gathered from multiple sources – both quantitative and qualitative – will contribute to a more nuanced understanding of this ferry service in Southwest Nova Scotia and across the province. The team also continues to collaborate with stakeholders to gather and incorporate qualitative data for consideration. The overall results will be reflected in the final report to be prepared when the data from the 2024 season is in.

By the Numbers

Ferry Visitor Habits and Spending

\$20.1M

passenger trip expenditures in Nova Scotia, among non-NS residents

8.2 nights

average nights spent in Nova Scotia out of 14.4
nights total trip length

2.5 person parties

average travel party size

60% earn over \$100K

average passenger annual household income

By the Numbers

Regions where passengers stayed after arriving on the ferry

Yarmouth and Acadian Shores - 71%

South Shore - 39%

Halifax Metro - 38%

Fundy Shore and Annapolis Valley - 30%

Cape Breton Island - 27%

Northumberland Shore - 13%

Eastern Shore - 12%

all regions in which passengers spent nights in NS after arriving on the CAT, among non-NS residents round-trip or one-way to Yarmouth, who spent 1+ nights in NS

Primary visitor nationality

U.S. residents

Introduction

This is a progress report detailing project activities and early findings to June 30, 2024. The final, detailed report will be issued following completion of the 2024 sailing season.

Overall Study Mandate

In 2016, the Province of Nova Scotia entered a ten-year contract with Bay Ferries Limited (BFL) to provide a ferry service from the United States through the State of Maine to Nova Scotia through the Town of Yarmouth – the Yarmouth to Maine Ferry (YMF). This contract expires on March 31st, 2026. The Department of Public Works (DPW) manages the contract for the provincial government.

With the current contract set to expire on March 31, 2026, to assist future planning, in August 2023, the DPW issued a Request for Proposals (RFP) to undertake an economic impact study (EIS) to quantify and clearly describe the economic impact of this ferry service to Nova Scotia. Some of the key questions which the study seeks to answer and which were included in the RFP are noted in Appendix A.

Previous Research

This ferry has been the subject of several previous studies in recent years. This study differs from previous analyses undertaken in several significant ways:

- Because of the disruptions to ferry operations

throughout the 2010s, changes to the U.S. port destination, and recognizing that tourism is still in recovery from the challenges of the COVID-19 pandemic, the study is being completed over two sailing seasons (2023 and 2024). Having this time series data and trend assessment will assist in informing government decision-making in terms of overall ferry operations and its future. In particular, past studies would not have covered such a wide range of economic factors.

- This study includes the development of a visitor expenditure profile to assess the impact on tourism operators in Southwest Nova Scotia and across the province. This detailed profiling was not a focus in previous studies.
- A significant focus of this study is evaluating the impacts on small businesses in the region and across the province, toward providing more granularity than past studies.
- The focus of the study is on the impact of the ferry service on the province as a whole and not only on Southwest Nova Scotia. In particular, the study aims to quantify various impacts such as changes in income, employment, value-added by local suppliers, government revenues, and workforce planning. This broad scope is intended to provide a comprehensive understanding of the ferry service's economic contribution; and

- This study explores and proposes additional opportunities or changes to variables that could grow the ferry service and increase ridership. This forward-looking approach designed to identify potential growth avenues was not generally part of the more retrospective nature of past studies.

Previous studies and analyses have focused more directly on the local economic benefits associated with this ferry service. Most recently, the 2012 review by the Expert Panel on a Yarmouth-US Ferry undertook a technical assessment of the potential for the business viability of a re-established ferry operation. Its objective was to provide government with important input into the policy decision as to whether to make public financial assistance available to support resumption of this ferry service.

Study Scope / RFP Terms

The overall focus of this study has been on securing the evidence to determine the value proposition the YMF offers to stakeholders and to taxpayers. The study casts a broad net by examining a series of questions covering a wide range of topics. An important focus has been on the ferry's distributional economic impact on:

- Tourism and tourism operators in Southwest Nova Scotia and across the province
- Businesses and small-medium enterprises (SMEs)

- Employment and skills development
- Household and government revenues
- Supply chains

In undertaking this analysis, the study team has focused on considering both quantitative and qualitative data and utilizing multiple lines of inquiry. This has included research (local and international), an examination of historical data, a benchmarking exercise, key informant interviews and targeted engagement with industry representatives, design and deployment of an online survey of tourism operators, focus sessions with municipal leaders and elected officials, site visits, and other tools to present as comprehensive a picture of this ferry's operations and impact as possible.

As an international ferry service, another area of tangential focus in this study has been on the strategic considerations related to this service as illustrated in the adjoining text box.

As the data on the results of the 2024 season becomes available, the study will culminate in an evidence-based assessment to quantify and clearly describe the economic impacts of the ferry service to Nova Scotia.

This analysis will use the provincial economic input output analysis model to determine the direct, indirect, and induced impacts of the YMF's operations.

Importantly, the RFP also sought an examination of potential alternate futures considering, among others:

- Visitor and travel trends
- Whether cargo opportunities positively impact the business case

- Whether a different vessel, and perhaps, a different passenger experience, might strengthen the value proposition and enhance economic impact

Broad public engagement was considered out of scope for this research, however, targeted interviews with a larger sample of affected individuals or small business and industry groups has been an ongoing aspect of the study enabling the team to gain a deeper understanding of the economic contributions of the ferry service. Through this process a variety of both qualitative and quantitative findings have emerged to date, opening up new areas of inquiry that will be addressed in the final report. The engagement process is ongoing and will continue to study end.

Strategic Considerations

- Yarmouth is one of 13 designated marine ports for international vessels in Nova Scotia
- Customs and Immigration Clearing capability operated from the Yarmouth Ferry Terminal benefits the entire South Shore, driving increased growth in cruise ship visitation and international yachts
- As a virtual island, there is a value to Nova Scotia security in having international connectivity access and egress through the ferry route. This is particularly important considering climate change impacts



Context

Context is always critically important. That is why the starting point for this study has been to consider the remarkable history of this service and how it has evolved over the years. This is a high-level summary providing an interpretive lens on the longevity and resulting cultural, economic, and social ties between the two regions – a point emphasized by stakeholders within the region but perhaps less obvious to other regions of the province. A detailed history of the YMF is provided on pages 13-14 as an infographic. This infographic provides a timeline, the type of vessel used, and an accompanying summary of milestone events.

The Early Years

The YMF has a long and interesting history. Historically, seaborn travel was the quickest and most reliable form of travel before the invention of the automobile and the development of road and rail networks. Coastal ports communicated better with other coastal ports even cross border than they did with the hinterland.

The first ferry service between the two destinations began in the late 1800s, with steamships making the journey across the Gulf of Maine. At a time when north / south trade was strong and growing, these early ferries were important for connecting communities on both sides of the border and for facilitating trade and travel between the two regions and into the Caribbean. Stakeholders consulted during this study point to the cultural significance of this long-standing historical connectivity with the U.S. Northeast.



Image Source: [Nova Scotia Archives](#), Published by R.A. Supply Co., Boston for the Yarmouth Steamship Co. Limited, 1895.

The Yarmouth Ferry Terminal opened in 1955, with its first passenger sailing in January 1956.

One of the longest and best-known ferry operators on the route was Scotia Prince Cruises (formerly Lion Ferry), which operated a passenger and vehicle ferry service between Portland and Yarmouth for over three decades, between 1970-2004. The service was popular with tourists and provided a convenient and scenic way to travel between the two destinations.

In the late 1990s, Bay Ferries Limited was established as a subsidiary of Northumberland Ferries Limited and subsequently took over Marine Atlantic's Yarmouth-Bar Harbor service.

Into the 21st Century: Global Context

The period between the 1970s-early 00's was stable in terms of the ferry service.

The modern history of the YMF, into this century, has been marked by greater disruption for a wide variety of reasons considering both global, as well as local factors.

Globally, major external events have impacted the service. These include:

- The 9/11 terrorist attacks profoundly and permanently impacted U.S.-Canada travel, with major shifts in policies, procedures, and public perceptions related to border security and travel resulting in a remarkably 'thicker' border. The Western Hemisphere Travel Initiative (2007-2009)

mandated the requirement to show a passport or other acceptable document to enter the U.S., for nationals of certain North American jurisdictions who were previously exempt from this requirement when traveling within the Americas.

- The SARS outbreak (2003) led to widespread health fears and travel advisories, causing a sharp decline in tourism.
- The 2008-2009 global financial crisis caused prolonged disruption, led to reduced disposable income, and higher unemployment rates, resulting in a decline in international travel.
- The H1N1 pandemic in 2009 led to significant health concerns and travel restrictions, temporarily decreasing international travel.
- From 2010 onward there has been significant growth in competitive tourism markets, particularly in Mexico, the Caribbean, and Europe, potentially pulling U.S. visitors away from Canada.
- The 2020 COVID-19 pandemic resulted in closed borders nationally (and provincially within Canada), significantly reducing tourism and travel. In fact, recovery has not, in every case, reached pre-pandemic levels and is still underway; and
- An emerging factor that may positively impact visitor traffic to Nova Scotia is the trend for people in areas that are experiencing prolonged extreme heat waves, particularly from the southern U.S. states as a result of climate change, wanting to travel to cooler and more temperate areas during the summer. This trend, dubbed “coolcationing,” was named by Condé Nast Traveler as one of the [“biggest travel trends to expect in 2024.”](#)

Collectively, these factors have created a paradigm shift in international travel which has had, and arguably continues to have, a disruptive impact on the YMF and travel to NS more broadly.

Within Nova Scotia, events over the past fifteen years have served to further disrupt and complicate YMF operations.

These include:

- The decision by the operator in 2009 to suspend the service following the province’s withdrawal of contract financial support.
- A 2014 replacement service using a cruise ferry – the Nova Star – quickly failed, after one year of operation, resulting in further disruption and likely reputational harm among particular market segments.
- Attempts to reinstate the ferry service through a 2016 Request for Submissions by the province took time to advance. This resulted in further delays and an accompanying lack of predictability for travel organizations whose planning is typically undertaken several years in advance. This continuing uncertainty in respect to ferry operations negatively impacted efforts to increase both passenger and revenue growth.
- In 2018, the elimination of Portland as a primary port for the YMF led to further delays as significant upgrades to the Bar Harbor Ferry Terminal were required to meet the requirements of U.S. Customs and Border Protection Services. This move was the result of the City of Portland’s decision to undertake a harbour redevelopment plan, which did not include allocation of limited real estate to accommodate the ferry operation. With the move to Bar Harbor, even if local authorities were to welcome truck traffic, its ferry terminal does not have the ability to handle freight and screen the trucks. Further, it is unlikely that U.S. Customs and Border services would approve a truck facility at Bar Harbor, considering that there is already appropriate infrastructure already in place to meet this need at the U.S. / Canadian border, and,
- The COVID-19 pandemic precipitated a shutdown of the service in 2020 with a resumption and rebuilding effort only possible in 2022. This rebuilding effort has continued in the 2023 season and into 2024 with passenger traffic continuing to grow over each year.



History of the Yarmouth-Maine Ferry

Yarmouth Steam Ship Company operated steamers between Yarmouth and Portland; Yarmouth and Boston Steamship Company, the Yarmouth Steam Navigation Company, and Eastern Steamship Lines operated additional lines between Yarmouth/New England ports. Early services were sporadic, dependent on seasonal demand/weather conditions

European operator Lion Ferry initiated seasonal Portland-Yarmouth ferry service with M/S Prince of Fundy. M/S Prince of Fundy operated on this route from 1970 until 1976, and was joined by the M/S Bolero from 1973 to 1976. From 1976 to 1981, the M/S Caribe was the sole vessel in operation

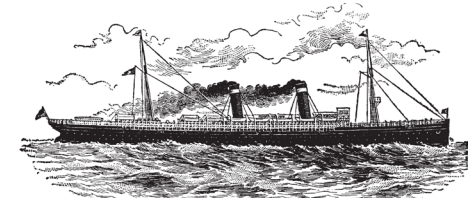
Lion Ferry sold the service to Baron Stig Leuhusen, who established Prince of Fundy Cruises, starting service between Bar Harbor-Yarmouth

Bay Ferries operated Yarmouth-Bar Harbor route, using MV Bluenose for one year; federal Department of Transport transferred operational responsibility to Bay Ferries

Bay Ferries replaced INCAT 046 with HSC The CAT



1885-
1955



1955

The Yarmouth ferry terminal officially opened on December 20, with the MV Bluenose starting service in January 1956. This service was significant for trade and tourism between Nova Scotia and New England

1970

1977

CN Marine, later Marine Atlantic, operated the MV Bluenose service (sharing the Yarmouth terminal with Lion Ferry)

1982



1983

CN Marine began using M/V Bluenose II on its Bar Harbor crossing. Vessel was initially the M/S Stena Jutlandica before being acquired and renamed for the Yarmouth-Bar Harbor route by CN Marine (later Marine Atlantic). Bluenose II replaced the original MV Bluenose

1997

1998

Bay Ferries purchased INCAT 046 for the Bar Harbor route

2002

Scotia Prince Cruises cancelled Yarmouth-Portland service due to discovery of dangerous levels of mould in the City of Portland's terminal

Bay Ferries suspended Yarmouth-Bar Harbor service after provincial subsidy ends

Nova Star Cruises operated the MV NovaStar between Portland and Yarmouth; federal investments were made to support US Customs and Border Protection facilities at Portland terminal; significant provincial investments made (\$39.5M). The service faced financial mismanagement, operational inefficiencies, and unmet expectations



Plans were announced to change the Maine port from Portland to Bar Harbor. Provincial investments were made to upgrade Bar Harbor terminal to comply with US Customs and Border Protection requirements

The CAT resumed service to Bar Harbor. Terminal renovations were supported by Tri-County partnerships between the Town of Yarmouth, the municipalities of Yarmouth and Argyle, and the provincial and federal government

2005

2006

2009

2012

2014

2016

2018

2020

2022

2023

Bay Ferries Limited announced plans to offer high-speed service from Yarmouth-Portland using HSC INCAT 059, in addition to existing Bar Harbor service. Nova Scotia government subsidized the service - \$1.5 million in 2006 and 2007 and \$6 million in 2008

The Province's Department of Economic and Rural Development and Tourism released an RFP for an operator for the Yarmouth Ferry

Bay Ferries announced the charter of a new high-speed catamaran, HST-2, chartered from the US Navy, with a Yarmouth-Portland service, in agreement with the US Maritime Administration and the US Navy, branded as The CAT. Federal investments were made for customs and immigration facilities at the Bar Harbor terminal to process passengers and vehicles; provincial investments made to support operations, marketing, terminal upgrades, and offsetting operational deficits



Service was cancelled due to the COVID-19 pandemic

Climate and weather-related incidents resulted in 17 cancellations during the sailing season; these incidents included forest fires, heavy rainfall and flooding, and tropical storms

Study Methodology and Approach

The central objective of this study is to quantify and clearly describe the economic impacts of the YMF ferry service to Nova Scotia. The overall focus has been on securing the evidence to determine the value proposition the YMF offers to stakeholders and to taxpayers. The study casts a broad net by examining a series of questions covering a wide range of topics, including the ferry's distributional economic impact on:

- Tourism and tourism operators in Southwest Nova Scotia and across the province
- Businesses and small-medium enterprises (SMEs)
- Employment and skills development
- Household and government revenues
- Supply chains

To ensure as robust a picture of operations and results as possible, as noted, it is being completed over two sailing seasons (2023 and 2024).

Further, an important focus of the study is on the impact of the ferry service on the province as a whole and not only on Southwest Nova Scotia.

The study's reference RFP is clear in indicating the importance of data and evidence to support the eventual findings in the final two season report.

In conducting the study, thus far, early in the 2024 sailing season, an extensive mix of primary and secondary data sources have been collected and analyzed. The final two-season report will provide more in-depth detail on the data secured, identified inconsistencies, and its analysis and interpretation. The final report will also include the completed economic input output analysis detailing the direct, indirect, and induced benefits of operating the Yarmouth ferry.

For purposes of this progress report, the adjoining text box provides a high-level overview of primary and secondary data sources accessed to date. Data collection and engagement of key stakeholders is ongoing and will continue to the end of the 2024 season. The focus is on collecting quantitative as well as qualitative data, these two sources complementing each other by considering the hard numbers nuanced by the important stories, anecdotes, experiences, and histories to ensure as complete a picture as possible.

The final report will explore this section in more detail. In particular, the in-process data collection is expected to include additional financial information from both the Province of NS and BFL on operations. As well, recently obtained mobility data is in the early stages of being analyzed to assess the distributional impact of ferry passenger spending throughout Nova Scotia.

Primary Data Sources

- Outreach and engagement
- Online survey
- Bi-lateral interviews/focus sessions
- Netnography/social listening
- Benchmarking – outreach to global ferry operators and ferry builders

Secondary Data Sources

- Statistics Canada
- Destination Canada
- Tourism Nova Scotia
- Destination Marketing Organizations
- Tourism Industry Association of Nova Scotia
- Ferry operational data
- Department of Public Works
- Town of Yarmouth
- Municipal data
- YASTA
- Background studies/reports
- Nova Scotia Open
- Write in campaign correspondence re: earlier cancellation
- International Ferry Partnership
- International Maritime Organizations

Early Findings

In the absence of final results for the 2024 season, the economic impact study is not yet complete. However, based on the results of the 2023 season, the prospective trends for the 2024 season and the extensive research, engagement, and analysis undertaken to date, there are some noteworthy interim findings. These findings are detailed below and are being further tested and refined as part of the forthcoming full report in the context of the two-season focus when the final results of the 2024 season are available.

Key Takeaways from the History of the YMF Service and Strategic Considerations

As noted in the timeline infographic above, Nova Scotia has had almost 150 years of continuous ferry service between Southwest Nova Scotia and Maine. Through that history, deep cultural, economic, and social connections have been built. These endure today. Quite aside from economic considerations, there is remarkable community pride in the YMF and that historic link with the U.S. This was a recurrent theme in the engagement undertaken with business leaders, elected officials, and community organizations.

The ferry has always been a source of non-Nova Scotia visitors boosting tourism and economic growth and, as of 2023, is the source from as many as ~29,000 of the estimated ~155,000⁶ annual U.S. visitors to the province.

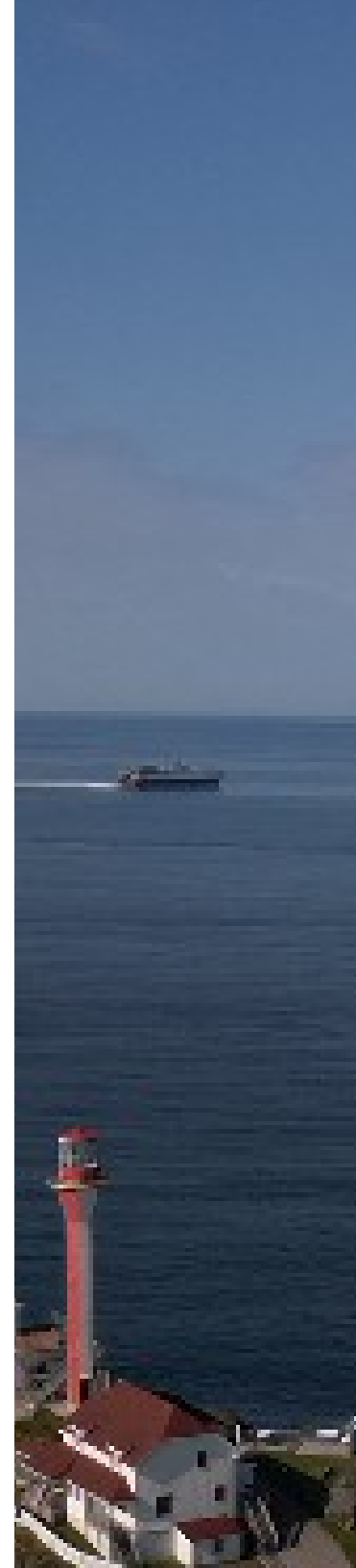
Stakeholders consulted during this study point out that the ferry's impact on the tourism sector could be more significant

and broader, and that it has been negatively impacted as a result of the uncertainty and disruptions to ferry operations over the recent past. Tour operators typically plan two to three years ahead, a factor that requires certainty that the service is going to be available. The legacy of the 2009 cancellation itself, and the 'on-again / off-again' discourse surrounding the service, create confusion in the marketplace.

Stakeholders consulted through the engagement process also point to the presence of the CBSA Office needed to customs-clear YMF passengers. There are 12 designated Cruise Ship Operations (CSO) ports in Canada where cruise ships are cleared for entry without costs. Yarmouth is one of the 12. If a ship calls outside of a CSO there needs to be a Cost Recovery arrangement in place between Border Services and the ship. Notably, the Yarmouth CBSA office has become pivotal in meeting customs clearance requirements for communities all along the South Shore of Nova Scotia including cruise ship traffic, visiting yachts, and commercial shipping, all areas that are presently experiencing positive growth. There is clear evidence that this is contributing to increased cruise ship and yacht visitation along the coast. This service also offers reserve capacity should the Yarmouth Airport resume commercial flights.

Nova Scotia is almost an island. As one of 13 designated marine ports for international vessels managed by CBSA, and in an increasingly complex international geopolitical environment, coupled with potentially disruptive climate change impacts, the Port of Yarmouth is an important asset for the Province's security and this transportation link is additive.

6 TNS indicators/enumeration for total (air + road/ferry) for 2023 from the US is 155,358



Considering the Value Proposition of the YMF

An ongoing feature of the public discourse on the YMF has been its cost to the province and to taxpayers as measured against its overall perceived benefits, rather than the redistributive effects that are typically considered by governments in making such targeted investment decisions aimed at supporting sector growth, in this case, the region's tourism sector. Historically, public discourse in respect to the YMF has consistently revolved around a number of key preconceived ideas not based on data and evidence, including:

- The perception that the YMF is more expensive than other ferries, for both passengers and government.
- The view that if this ferry cannot break even or achieve a profit, its value proposition is circumscribed.
- That the rest of the province is subsidizing this ferry while the principal benefits accrue to Southwest Nova Scotia.
- The perception that the province is subsidizing a for-profit business. In fact, the YMF is a provincial service, with an operator engaged to provide the service for the province.
- That the ferry cannot accommodate commercial trucks. The YMF does have the capacity to carry trucks, however, the U.S. Customs and Border Protection International Port of Entry terminals at Portland and Bar Harbor were not designed or constructed to process commercial truck traffic.

An important focus of the research, data analysis, and engagement undertaken thus far

during this study has been the value proposition the YMF service offers. This has been an important and ongoing area of focus. Defining that value proposition includes consideration of several key areas of inquiry including the following:

1. How the YMF contract and costs compare to other ferries.
2. The relative cost of operational support for the YMF by the Government of Nova Scotia and instead, its actual results.
3. The distributional benefits of the YMF.

Although the study is not yet complete, early indications arising from an analysis of these key areas are examined below.

1. Cost Comparisons Across Ferry Operations Generally

The research undertaken during this study confirms that virtually all ferries are subsidized – in Canada and globally. Ferry operators with multiple routes may have some profitable routes, but these often cross-subsidize other routes that are not profitable.

The analysis undertaken as part of this study thus far, including a benchmarking exercise considered **international, domestic, and Atlantic Region comparators**, the key highlights of which are summarized below.



Cost per KM

The following table provides a 2024 passenger price of a short international crossing (< 150 km) during the peak season, based on the cost for a return trip for one car and two passengers (selected for travel between June 29 to July 6).

Route	Vessel Type	Distance (KM)	Price 2024: Return price for a car & 2 pax June 29 to 6 July	Price USD	Price Per KM Euro	Price Per KM USD
Bar Harbor - Yarmouth NS	HSC	192	€ 792.88	\$858.00	€ 2.06	\$2.23
Helsingor-Helsingborg	HSC	5	€ 54.00	\$58.44	€ 5.40	\$5.84
Puttgarden-Rodby	HSC	19	€ 207.00	\$224.02	€ 5.45	\$5.90
Calais-Dover	HSC	40	€ 170.00	\$183.97	€ 2.13	\$2.30
Hirtshals-Kristiansand	HSC	131	€ 391.00	\$423.14	€ 1.49	\$1.62
Duinkerken-Dover	HSC	61	€ 202.00	\$218.60	€ 1.66	\$1.79
Holyhead-Dublin	HSC	104	€ 512.00	\$554.09	€ 2.46	\$2.66
Fishguard-Rosslare	HSC	98	€ 532.00	\$575.73	€ 2.71	\$2.94
Cairnryan-Larne	HSC	51	€ 386.85	\$418.65	€ 3.79	\$4.10
Port of Spain to Tobago	HSC	163	€ 74.00	\$80.08	€ 0.23	\$0.25
Gran Canaria - Playa Blanca	HSC	175	€ 358.86	\$388.36	€ 1.03	\$1.11
Barcelona - Alcudea	HSC	195	€ 585.00	\$633.09	€ 1.50	\$1.62
Seattle - Victoria	HSC	144		\$338.00		\$1.17
Port Angeles - Victoria	Conv	40		\$214.00		\$2.68
Prince Rupert - Haida Gwai	Conv	200		\$180.65		\$0.45
Totals and average price		102	€ 306.86	\$320.77	€ 3.14	\$2.46

Table 1. Price 2024: Return price for a car & 2 pax June 29 to July 6

As shown, the YMF costs passengers an average of US \$2.23, which compares relatively well to other routes considered (average was US \$2.46 per km).

Ferry Services – Canadian Comparison⁶

The following comparison to Canadian ferry operations provides some context for the YMF.

- **BC Ferries:** BC Ferries, an independently managed, publicly owned company, is the largest passenger ferry line in North America. It provides major passenger and vehicle ferry services for coastal and island communities in BC. The operations are under a long-term agreement with the Province of British Columbia to provide ferry services on specified routes, with renegotiation every four years. BC Ferries receives ferry service fees and federal-provincial subsidies, with annual payments increasing with the Vancouver Consumer Price Index. The following provides a summary of operations for Fiscal Year 2023:
 - Passengers: 21.5 million
 - Subsidy: \$213,317,000 (provincial)
 - Gross Revenue: \$1,042,840,000
 - Public Fare Revenue: \$684,388,000
 - Management Fee: \$33,344,000 (federal-provincial)
 - Safe Restart Funding: \$8,000,000
- **Marine Atlantic:** This is a Federal Crown Corporation connecting Newfoundland and Labrador with mainland Canada and reports annually to the Government of Canada through the Minister of Transport. The service operates two routes: year-round service between Port aux Basques and North Sydney, and a seasonal service between Argentia and North Sydney, using a fleet of four ice-class ferries. The following provides a summary for Fiscal Year 2022/23:
 - Passengers: 360,388
 - Subsidy: \$130,200,000 (federal)
 - Gross Revenue: \$132,319,000
 - Public Fare Revenue: \$109,597,000
 - Cost Recovery: 59.9%

- **Ferry Services Contribution Program:** This provides federal government funding for private operators supporting three inter-provincial ferry services in Eastern Canada, including Saint John, NB / Digby, NS; Wood Islands, PEI / Caribou, NS; Îles-de-la-Madeleine, QC / Souris, PEI. The Subsidies and Management expenses include:
 - **Bay Ferries (Digby/Saint John):**
 - Subsidy: \$14,317,658 (2022/23)
 - Vessels and terminals owned by the federal government
 - **Northumberland Ferries (Caribou/Wood Islands):**
 - Subsidy: \$22,126,650 (2022/23)
 - Vessels and terminals owned by the federal government
 - **CTMA Traversier Ltée (Îles de la Madeleine/Souris):**
 - Subsidy: \$18,420,091 (2022/23)
 - Vessels and terminals owned by the federal government

Public fare revenue, gross revenue, and management fees for these routes are unspecified. Transport Canada is responsible for capital investments in vessels and terminals.

Considering that these ferry services are public services, in most cases, the vessels are commissioned, owned, and maintained by governments. The foregoing numbers appear in Transport Canada’s operating budget, while the asset itself shows up in the department’s capital budget; hence, the associated costs of ownership and ongoing maintenance are not reflected in the above summaries. In essence, the cost of those services is even higher than reflected above.

By way of comparison to those identified under the Ferry Services Contribution Program, the estimated 2024-2025 subsidy for the YMF is on the order of \$21 million.

While the study is ongoing and will be further updated in the final report, objectively, early analysis of the normalized cost of the service confirms that the YMF **is not more expensive** than other ferries for either the government (it’s within the high-low range of those under the Ferry Services

Contribution Program) or the passenger.⁷

Considering the international context, the conclusion thus far is that the normalized cost of the YMF service is **not more expensive** than other ferries for either the government or the passenger.

A retrospective analysis of contracts for ferry services from Yarmouth to Maine since 2000 along with a detailed examination of the current ten-year contract with BFL (2016 and amended in 2018) shows that the current contract shares similar features with most ferry contracts. The contract sets out the financial arrangements between the parties - the Government of Nova Scotia, through the Department of Public Works, and BFL. Through this contract, “the Province agrees to provide payments to BFL in respect to the operation of the ferry service equivalent to the total of:

- a. The cash deficiency for the year, and
- b. The Management Fee, subject too any adjustment provided for in the agreement.”

The framers of this contract understood that this ferry operation was not going to be ‘profitable’ in the typical definition of the term. Rather, much like other ferry operations, its focus was to enhance the tourism sector and bring high-value non-Nova Scotia visitors to the province, thereby benefiting the Province’s tourism operators and associated businesses while enhancing the province’s brand.

To minimize the ongoing requirement for potential increased provincial funding, the contract also included provisions designed to incentivize the operator to control and, where possible, reduce costs. The provincial financial assistance to the ferry provider directly benefits tourism operators and associated businesses while enhancing the province’s brand.

Governments everywhere consistently make investments to support sector development. While these investments often return tax revenue and can boost GDP, the ROI is focused on redistributive impacts toward sector development and, conceptually, that is the

theory that underpins the Government of Nova Scotia’s (GNS’s) support for the YMF.

2. A Deeper Look at the Relative Cost of Operational Support for the YMF by the Government of Nova Scotia and its Actual Results

As earlier noted, the YMF is an important source of as many as 29,000 non-Nova Scotia visitors (2023) with potential to reach 45,000–50,000 visitors in 2024, predominantly from the U.S.

Figure 1 provides a picture of the historical passenger counts and room nights for Yarmouth and Acadian Shores.

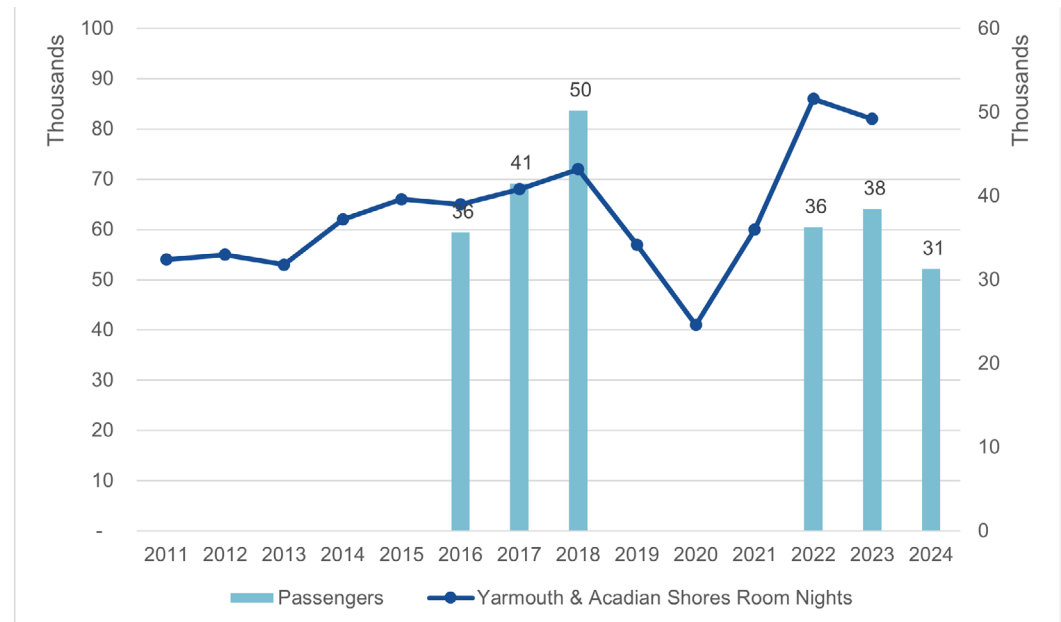


Figure 1. Historical Passenger Counts and Room Nights, Yarmouth and Acadian Shores

7 Ferry Services Contribution Program (canada.ca)

By way of an overview:

- 2009: The ferry service was discontinued after the Nova Scotia government ended its subsidy
- 2010-2013: No ferry service operated between Yarmouth and Maine (~54,000 room nights)
- 2014-2015: The ferry service was reinstated in 2014 but then discontinued again in 2015 due to operational and financial challenges (Nova Star)
- 2016: The service resumed in 2016 with Bay Ferries operating ‘The CAT’ ferry (~64,000 room nights in this time period)
- 2019: The ferry service did not operate due to the lack of a suitable U.S. Customs and Border Protection facility in Bar Harbor, Maine (drop to ~57,000 nights)
- 2020-2021: The service was suspended due to the COVID-19 pandemic and related travel restrictions
- 2023: Increase in PAX over 2022
- 2024: YTD ‘bookings’ reflect an increase of 20% over 2023

There is broad agreement in the data that U.S. visitors to Nova Scotia arriving on the YMF have the following features:

- A larger party size (average party size – 2.5 (2023) from BFL and 2.2 from TNS (2019))
- Delivering higher overall expenditure levels when in the province (\$2,541 per trip based on TNS data) than those non-Nova Scotia visitors who arrive by other means; and
- Staying longer (average 7.6 days- based on TNS data)

Considering these features, 21FSP has conducted an extensive range of initial scenario analyses addressing the question of:

“Through what combination of non-NS passengers, rate of daily spend, and influence of the ferry as a motivator to visit NS does non-NS visitor spending reach or exceed the level of provincial expenditure in supporting the service?”

These analyses are illustrated in the following sample scenarios (Figures

2-5), which also considers differences in data across the two primary sources – TNS and BFL data. In all, 25 scenarios were tested, reflecting the following input permutations:

- Five passenger scenarios, ranging from 35,000 passengers to 55,000 passengers per year
- Two measures of ‘travel influence’ levels where passengers indicated the presence of the ferry service influenced their decision to visit Nova Scotia (80% measure of incrementality from BFL and 41% measure of incrementality from TNS), and
- Two measures of daily spending values (\$99 per person per day from BFL and \$137 per person per day from TNS)

Examining various non-NS passengers counts, daily spend rates, and estimated ‘influence’ of the ferry on the visitor’s decision to travel to NS, the following figures show a preliminary analysis of:

- Incremental non-NS spending
- Estimated operating contribution provided by the province
- Estimated tax revenues, and
- The operating contribution net of taxes

YMF Passenger Levels - Bay Ferries

2022 – 36,000

2023 – 38,000

2024 – projected PAX numbers are 20% higher than 2023 on June 30, 2024

The highest recorded number of passengers under the Bay Ferries contract was 50,000 in 2018, when the service operated between Yarmouth-Portland.

21FSP Research

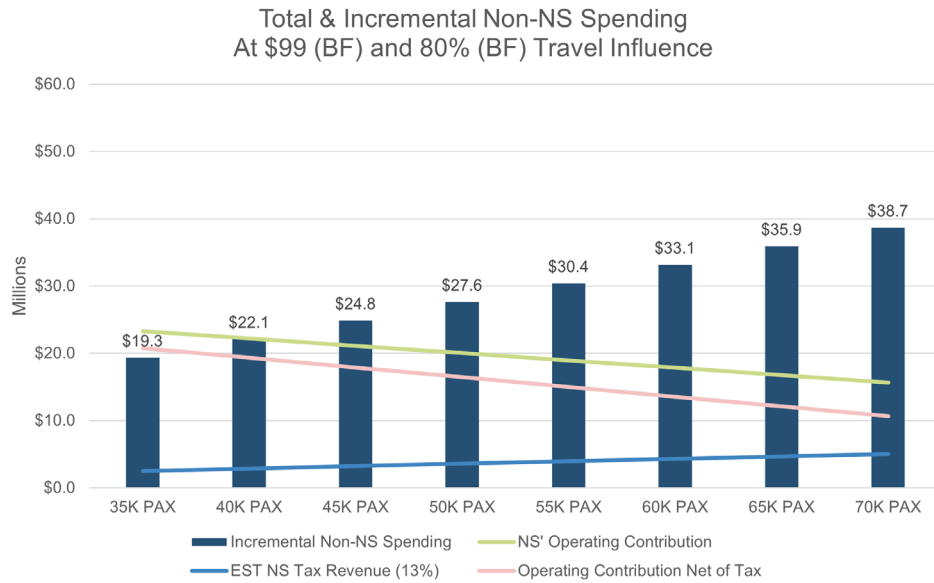


Figure 2. Total and Incremental Non-NS Spending at \$99 (BF) and 80% (BF) Travel Influence

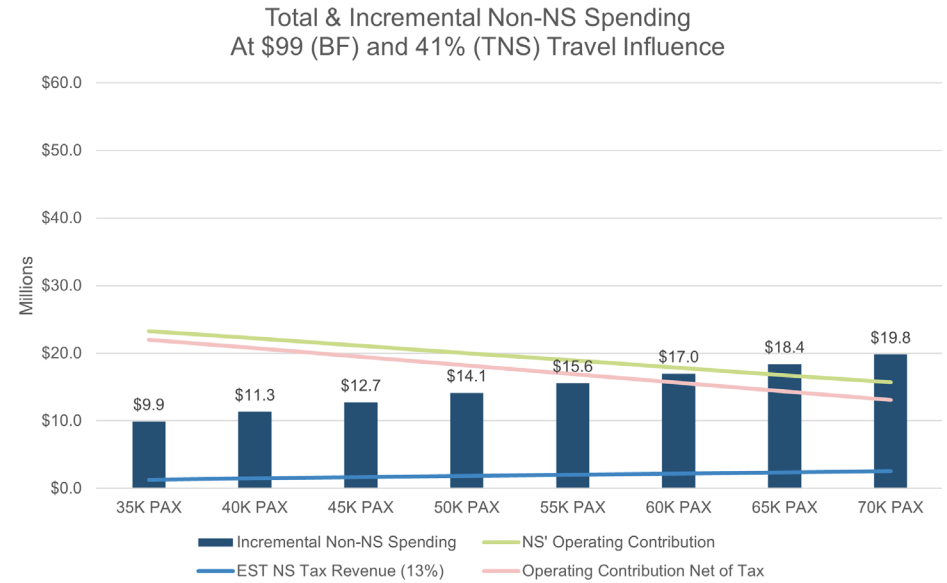


Figure 3. Total and Incremental Non-NS Spending at \$99 (BF) and 41% (TNS) Travel Influence

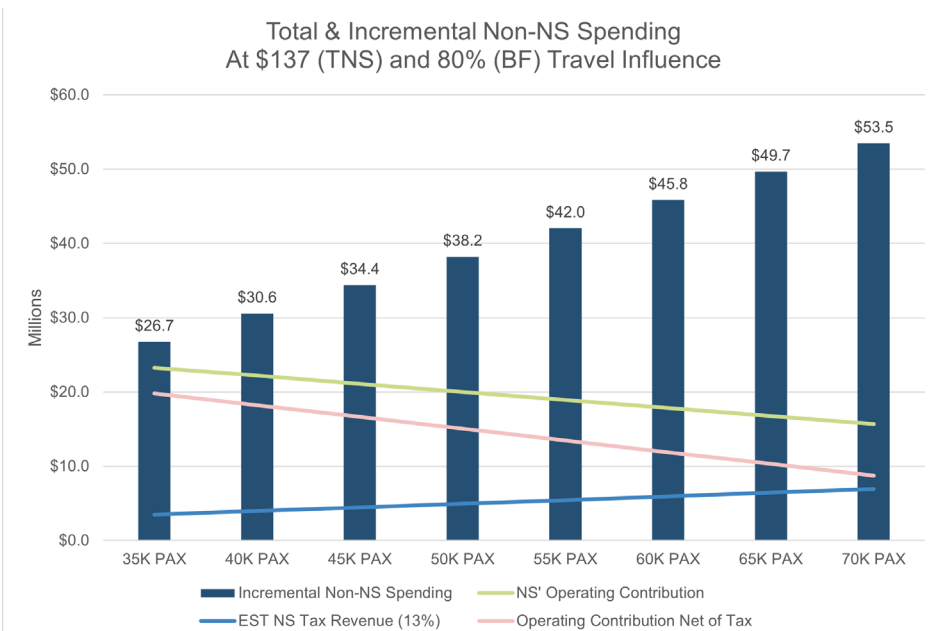


Figure 4. Total and Incremental Non-NS Spending at \$137 (TNS) and 80% (BF) Travel Influence

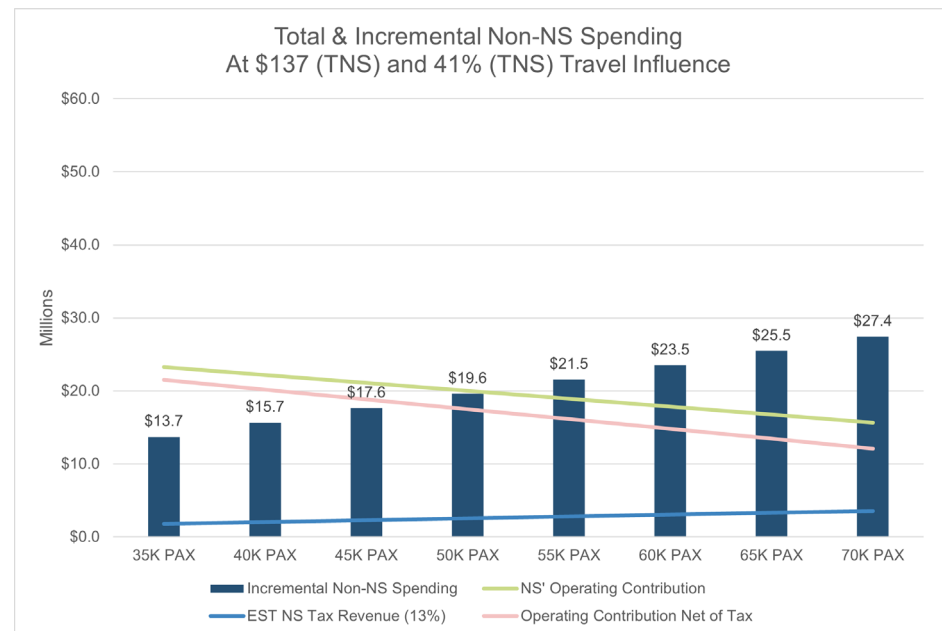


Figure 5. Total and Incremental Non-NS Spending at \$137 (TNS) and 41% (TNS) Travel Influence

To be expected, scenarios with higher spending and / or higher trip influence show greater spending impacts for Nova Scotia. For example, at 80% incrementality, daily per passenger spending of \$99 and a passenger count of 40,000 per year and higher achieves levels of incremental non-NS spending that are equivalent to the estimated provincial investment in the services.

Under the least generous scenario of 41% incrementality and an average daily spend per passenger of \$99, it would take 60,000 passengers to achieve levels of incremental non-NS spending that are equivalent to the estimated provincial investment in the services.

Several scenarios also show the possibility where the net operating subsidy, net of taxes, fall within the range of a CPI adjusted \$10 million operating subsidy contemplated in earlier provincial planning documents related to the service (Source: PowerPoint Presentation titled: Yarmouth-USA Ferry Service Request for Submissions, March 23, 2015).

This analysis is ongoing and will be updated for the final report following completion of the 2024 ferry season and the compilation of additional historical data. However, notwithstanding the negative impact of the **uncertainty around the future of the ferry** over the past decade, the analysis suggests that several scenarios show the potential for visitor spending (accruing to a spectrum of tourism operators and related businesses) equivalent to the redistributive value the province expends on the supporting service (~\$21 million).

While this is not direct revenue to the province to offset its operational support, it is positively impacting a variety of tourism operators in Southwest Nova Scotia, all along the South Shore of the province and elsewhere.

3. The Distributional Benefits of the YMF

Another prevalent perception of the YMF has been that its benefits are limited, and its impact is concentrated in the Town of Yarmouth and Tri-County area of Southwest Nova Scotia. This also does not take into account the additive value of the purchase of supplies and services to operate the value during its operating season.

Anecdotally, there is a prevailing view that the YMF mostly benefits Southwest Nova Scotia, largely to the exclusion of the rest of the province.

To address the RFP requirement to examine the impact of the YMF on a province-wide basis, extensive analysis has been undertaken and is ongoing on the distributional impact of the ferry on the rest of the province. Early findings suggest Yarmouth and, indeed, Southwest Nova Scotia benefit and derive a high share of their total U.S. visitors via the ferry. Conversely, a smaller share of U.S. travellers who arrive by other methods would arrive in Southwest Nova Scotia. The use of newly acquired U.S.-based mobility data which is presently in an early stage of analysis, coupled with other data points, may enable a deeper analysis of the distributional impact to be included in the final report.

In summary on the matter of operational costs, though not reflected in this progress report, there are other areas of assessment relative to the overall cost structure of the ferry that are underway, and which will be included in the final report. These include:

- Stakeholders consistently raise the question of why the federal government is not participating in the funding required to address the cost of operating this ferry service, though there is recognition of the federal government's ongoing support for the CBSA office for customs clearance at the ferry terminal. They comment that the provincial and municipal governments contribute significantly to support the operation of the service and it does not make sense to stakeholders that the federal government does not provide direct financial support, particularly as it is an international ferry service. Many suggest that its absence has been part of the uncertainty that has impacted the ferry over the past decade.
- There is also debate on the optimal type of vessel to be used in this service and the infrastructure requirements that might be needed if a different type of vessel were to be used.
- The need for ongoing infrastructure upgrades at the Yarmouth Ferry Terminal has also been raised by a number of those consulted. Estimates in the range of ~\$20M have been mentioned. These potential

requirements will be further outlined in the final report.

- Retrospective operational data for the YMF is presently being reviewed and data on the trend in direct benefits to the tourism industry arising from the YMF ferry operations are being identified and analyzed in detail. This also includes employment for Nova Scotians in ferry operations, supply chain participants and an analysis of the services being provided to the YMF by NS providers, accommodations for ferry crews during the sailing season, and other contracted opportunities such as security and cleaning services.
- Another important source of impacts is the ‘compression’ effect of the service, particularly during the months between July and October. This effect refers to the impact of the surge in traffic that allows hotel operators to optimize rates in response to the supply demand pressures caused at this time of year. This affords operators across the region a chance to grow their net revenues even if they are not necessarily catering to ferry passengers directly. This is particularly important when it comes to U.S. travellers who are generally less price sensitive than Canadian markets because of the boost afforded by the favourable exchange rate they encounter travelling in Canada.

Enhanced Marketing as an Opportunity to Drive Passenger and Revenue Growth

The issue of ferry marketing has been an important area of focus for the study team.

Considering the fact that the YMF operates from Bar Harbor in Maine, it might be logical to conclude that the majority of YMF users would come from the U.S. North East. In fact, a recent sample of source data

of U.S. states from which ferry passengers originate shows a deep penetration of ferry passengers being derived from within a much broader geography within continental USA – virtually right across the continent. This has obvious implications for marketing the ferry service.

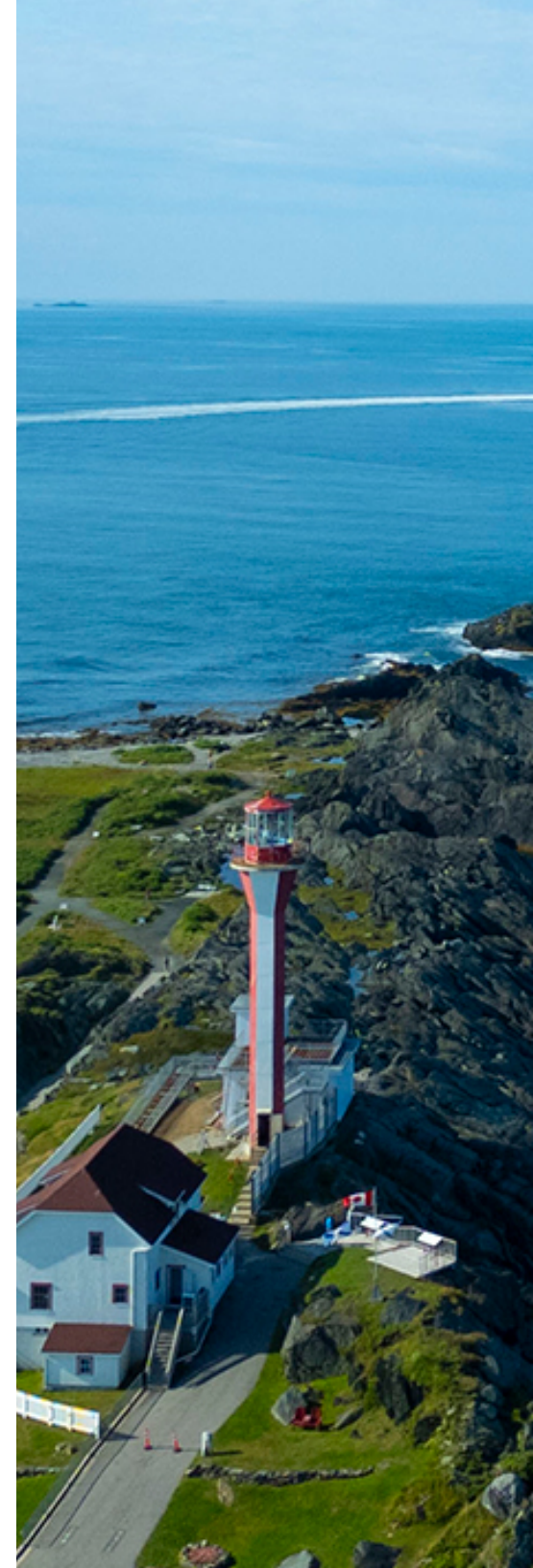
During this study, meetings held with Destination Marketing Organizations (DMOs) throughout the province of Nova Scotia and feedback from other stakeholders consulted thus far consistently suggests that marketing of the ferry service could be improved to the benefit of both overall passenger and revenue growth.

To this end, there are early positive developments underway. These include:

- Closer collaboration on marketing the YMF between TNS and BFL. Ferry marketing is currently led by BFL, and they also participate in TNS programming, while TNS invests in advertising the destination.
- In the interest of the potential to secure more precise data on U.S. passengers and where they go in Nova Scotia, the aforementioned mobility data from 2023 and 2024 is being analyzed. This may provide another data point and greater precision on visitor tracking, though it is at an early stage of analysis as of this writing.

Notwithstanding some gaps in broadband and cellular service in parts of the province, there will be a detailed summary of the results of the value of this data, and its implications as a future source, in the final report.

Further analysis is also being undertaken to examine how other ferry operators market their service in the context of an integrated approach with tourism operators and Destination Marketing Organizations to determine leading and best practices in this regard. The findings will be reflected in the final report.



The Evidence of Impact of Ferry Cancellation in 2009

Quite aside from the YMF’s impact on the rest of the province, it is clear that it has a significant economic impact on Southwest Nova Scotia.

Through the research and engagement related to this study, the team has been able to explore these impacts in considerable detail.

A significant amount of data have been collected on the impact that resulted from the cancellation of the ferry in 2009. This includes data compiled by the International Ferry Partnership, established in 2011 to inform industry stakeholders, government, and the public about the essential need for an international ferry linkage between Nova Scotia and the United States. It also includes data compiled and maintained by the Town of Yarmouth and Tri-County municipalities which was made available for this study.

The effects have been well documented and were found to be pervasive from a socio-economic perspective. Derived from several sources, the data is being examined and categorized in the context of a ‘case study’ for the final report. For purposes of the progress report, identified impacts that will be part of the case study analysis have included:

- An immediate decline in property values with a resulting decline in municipal revenues from taxation.
- Decline in the volume of real-estate transactions and increased time from listing to closing.
- Population decline.
- Hoteliers and business organizations report that access to capital for investment purposes was constrained and investment decisions were suspended in response to the uncertainty created by the cancellation of the ferry.
- The number of room nights sold during periods when the ferry wasn’t operational as compared to the periods when it was operational (a high of 66,000 in 2015 to 82,000 in 2023); underscoring that tourism is just now showing signs of recovery.
- From a social perspective, reportedly, issues such as mental health and domestic violence increased.

Considering that the cancellation of the ferry in 2009 was ostensibly to save money, as things unfolded at the time, the government of the day was

called upon to provide additional funding to offset the economic impact of the cancellation decision, in an effort to support job retention in rural Nova Scotia. Further information is being collected on these unintended consequences and these will also be reflected in the final report.

Several of these reported impacts are qualitative and for others, causation may be difficult to establish, however, the constellation of these impacts and their concurrence with the ending of the ferry service provide a strong indicator of causality.

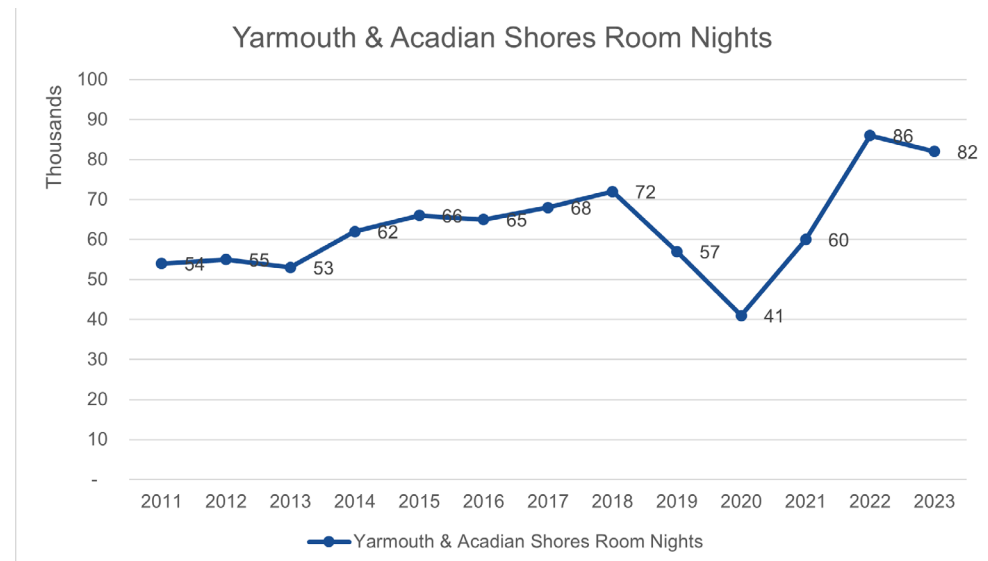


Figure 6. Yarmouth and Acadian Shores Room Nights, 2011-2023

Benchmarking Exercise: The Global Impact of Ferries and Trends Related to GHG Emission Reductions

The benchmarking exercise being undertaken as part of this study is examining the following:

- **The economic contribution of ferry operations:** Globally, ferry operations support 1.1 million jobs and contributed \$60 billion to global GDP in 2019.⁶
- **The socioeconomic benefits:** These benefits focus on enhancing transport options (accessibility), boosting local jobs (employment), mitigating social exclusion, and increased property values and regional identity (community impacts).
- **Environmental innovations and climate change adaptation:** In answering the question related to the optimal type of vessel for a YMF service, the study team has been undertaking an analysis of contemporary trends in the shipping industry particularly as related to greenhouse gas emissions (GHG). Globally, the shipping industry is ripe for disruption and is undergoing transformational change. The 2023 International Maritime Organization (IMO) Strategy on GHG Emissions from Ships⁷ (the 2023 IMO GHG Strategy) embodies a vision and outlines efforts to address greenhouse gas (GHG) emissions from international shipping. The International Transport Forum recognizes that decarbonization of shipping can be accelerated by using alternative fuels (such

as sustainable biofuels, hydrogen, and ammonia), electrifying ships, and using wind power. These efforts are expected to accelerate and to enhance the value proposition of shipping as a sustainable source of movement for goods and people,

The world shipping industry is under increasing international and regional pressure to reduce greenhouse gas emissions. This includes regulations from the International Maritime Organisation (IMO) related to reducing sulfur oxide (SOx), nitrogen oxide (NOx), and carbon dioxide (CO2) emissions and measuring a ship's energy performance via the Carbon Intensity Indicator. Regions such as the European Union are now taxing a ship's well to wake (life-cycle analysis) emissions through the Emissions Trading Scheme (EU ETS).

Based on research and analysis to date, trends analysis in respect to the transformation of shipping industry consistently points to contemporary key initiatives underway - electrification, dual fuel – LNG / diesel, green hydrogen, use of wind for propulsion, among others. Buquebus in Argentina brought a 2100 passenger, 225 car all-electric fast ferry into service for the 145 nautical mile route on the Rio de la Plata in 2023.⁸ In Norway, Fjord1 have introduced a fleet of a all electric RoPax ferries for crossing the fjords in Norway.

Notwithstanding that high speed craft (SPC)

burn more fuel than conventional vessels, research has shown that slower vessels emit less exhaust gas compared to high-speed ones.⁹ According to [OCEANA](#), even a 20% reduction in ferry speed can lead to a 50% reduction in air pollutants. Reduction in CO2 emissions is one of the main challenges for the shipping industry and for vessels. In this study, BFL reports that its ferry typically runs at 50% of its engine's capacity, a factor that positively impacts emissions intensity. The future of fast ferries is likely to see continued advancements in technology and design to improve speed, efficiency, and sustainability. Improved hull designs, means of propulsion, automation and hull coatings will all help to improve efficiency through the water and thus reduce the energy needed to reach a desired speed. Improvements in terminal design and vehicle loading systems may also be developed to improve the turn around time in port and thus reduce the vessel speed required to achieve the desired itinerary timetable. Additionally, the integration of digital technologies such as smart ticketing systems and real-time tracking will likely become more prevalent to enhance the passenger experience. Overall, the future of fast ferries is expected to focus on sustainability, efficiency, and passenger comfort.

The application of many of these new innovations may be constrained by route length, environmental characteristics of the route or the

6 [Economic impact of the global ferry industry | Oxford Economics](#)

7 [2023 IMO Strategy on Reduction of GHG Emissions from Ships](#)

8 [Maritime Executive](#)

9 [Why Ferry Travel is Eco-friendly | Ferryhopper](#)

availability of fuels. Shorter, inshore services align themselves to electrification and hybridisation. Ships operating in higher traffic volume areas can opt for alternative fuels as the incentive for developing the supply chain exists. The Nova Scotia to Maine route requires a vessel capable of operating in a high sea state on a seasonal basis which limits both design and the desirability of developing an alternative fuel supply chain.

The Engagement Process and Common Themes

Broad public engagement is out of scope for this study. However, engagement with key strategic stakeholders is an ongoing part of the study.

The engagement undertaken was province-wide in focus. Methodologically, it included:

- Bi-lateral key informant interviews
- Focus group sessions
- The design and deployment of an online survey to tourism operators and related businesses

A key area of ongoing focus in the engagement process has been on understanding the perspectives of cultural communities including Mi'kmaq, Acadian, and African Nova Scotian perspectives which will be detailed in the forthcoming final report. Coincidentally, the Congrès mondial acadien (Acadian World Congress) took place in Southwest Nova Scotia in August 2024, an event that was expected to boost ferry traffic to the region. Marketing efforts for the Congrès specifically highlighted the ferry service as one means of travelling to the international event. The event [anticipated 30,000](#) people to

attend.

Focused outreach and engagement with key stakeholder groups included cultural and economic development organizations, tourism and accommodation operators, Destination Marketing Organizations, Chambers of Commerce, hoteliers, municipal political leaders and senior officials, trucking interests, the fishing industry, and international property owners.

A summary of those targeted during the engagement process is highlighted in **Figure 7**.

The consultant team used a standard methodology throughout the engagement strategy, exploring a broad range of thematic areas to gain stakeholder perspectives on:

- The **benefits of the ferry** to Southwest Nova Scotia as well as the balance of the Province, including on local businesses and local employment opportunities.
- The **impact of the ferry on tourism** both in particular areas and throughout the Province.
- Stakeholder perspectives on the impact experienced during **periods when the ferry has not been operational**.
- Perspectives on **type of vessel** and the concerns related to the ability to transport **cargo**.
- Perspectives on **any infrastructure challenges** and how these might be addressed.
- As an international ferry, **perspectives on the role of government** – federal, provincial, municipal; and
- To ensure that stakeholders were not constrained in bringing forward matters of

unique concern and focus for them, there was always an invitation to advance **any other issues** which key stakeholders might want to bring forward.

What We Heard: Highlights

- The cost of the YMF ferry has become a polarizing issue and is seen as a highly political issue by many stakeholders, particularly those in Southwest Nova Scotia.
- There is strong support for the ferry in Southwest Nova Scotia across all municipalities (financial support / cost sharing on infrastructure), and focused political leadership in recognition of its high value to Nova Scotia's tourism sector.
- Tourism operators consistently comment on the importance of more effective marketing. They also point to the importance of 'stability.' It is well known that tourism operators plan two to three years ahead and the ongoing uncertainty in relation to YMF operations means that this service is not considered, thereby negatively impacting passenger and revenue growth.
- As one of a handful of designated 'ports of entry' in NS, having CSBA customs clearance in Yarmouth benefits Southwest Nova Scotia, as well as the entire South Shore.
- The strong economic impact of the ferry is demonstrable throughout Southwest Nova Scotia (through employment, investment, business confidence, etc.)
- Stakeholders do not always understand that the Bar Harbor Ferry Terminal is not able to accept or process truck traffic. The fishing

industry in Southwest Nova Scotia has a settled pattern of using the Digby-Saint John Ferry for purposes of moving product into the U.S. Northeast and beyond, though some stakeholders, including truckers and others in the goods movement segment, would like to see a year-round ferry operation in Yarmouth that could also be used to move fishery related products into the U.S. Northeast.

- Two daily ferry trips aggregates impact and is favoured by hoteliers / accommodation providers.
- There are supply chain (fuel, concessions) impacts and crew accommodation impacts, owing to Bay Ferries local procurement of these services. These impacts will be fully captured in the economic input output analysis within the final report.
- Not everyone likes the fast ferry; some would like to see a cruise ferry.
- Some environmental concerns were raised related to fuel consumption of the fast ferry.
- Some informants expressed that the economic impact of U.S. property owners who use the ferry has been overlooked, though securing quantitative data on this cohort is very difficult.
- Informants rated the vessel and crew highly: ease of loading vehicles, getting from the car deck, employee service, cleanliness.

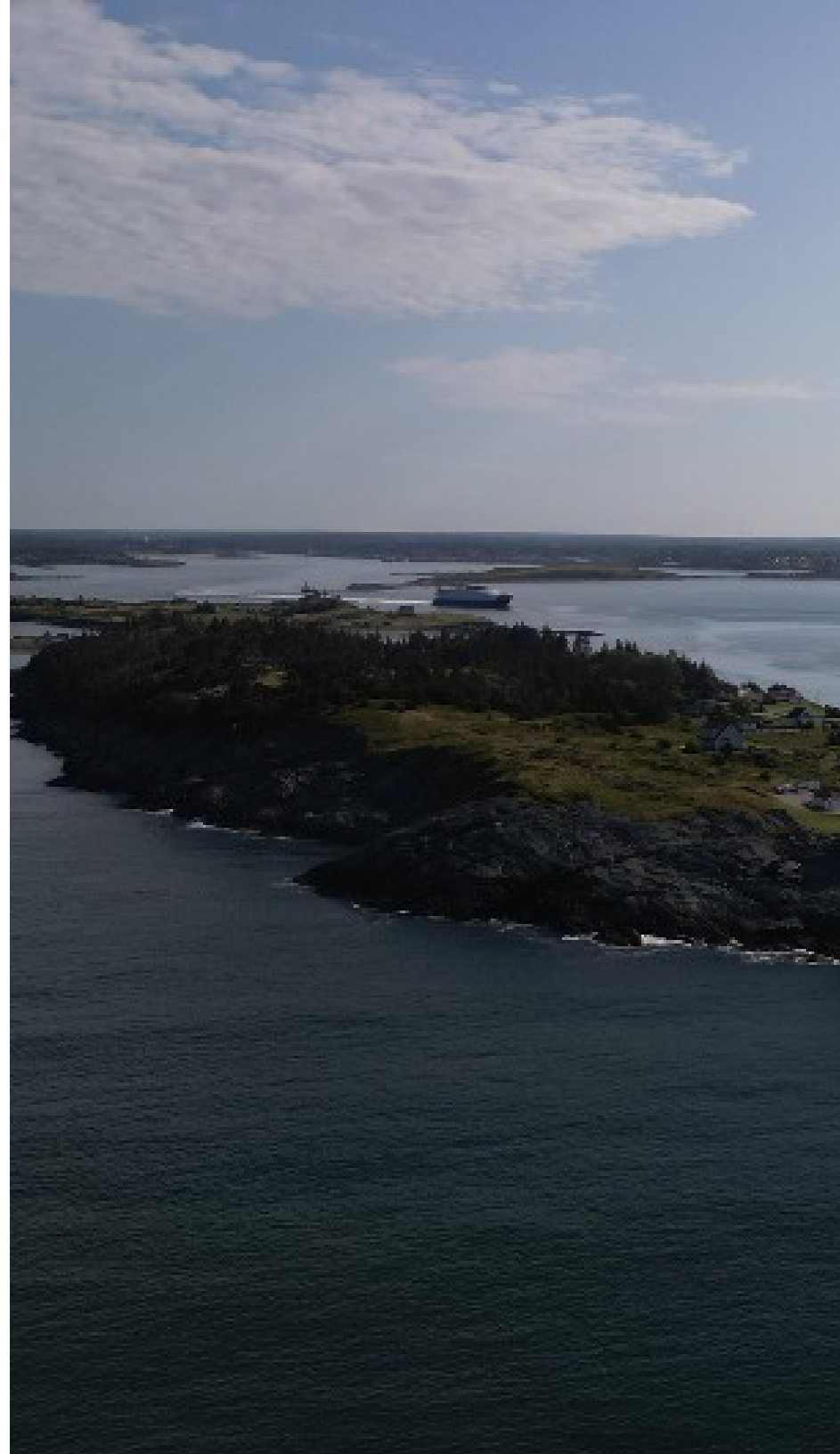
In addition to key informant interviews, an online survey developed by 21FSP was distributed throughout the province. Designed to gather perspectives from tourism businesses and operators, all DMOs were provided with a link to the survey to distribute through their networks.

Between April and June 2024, 144 responses were received, with 81% of respondents owning a business in Nova Scotia.

Feedback through the online survey continues to be analyzed. Early findings include the following:

- 43% would reduce their workforce if the ferry were discontinued.
- 68% reported that the ferry is important (combined moderately, very, and extremely important) for the demand for / sales of their product and service.
- 38% report that uncertainty in ferry operations impacted their approach to business investment.

The engagement process is ongoing.



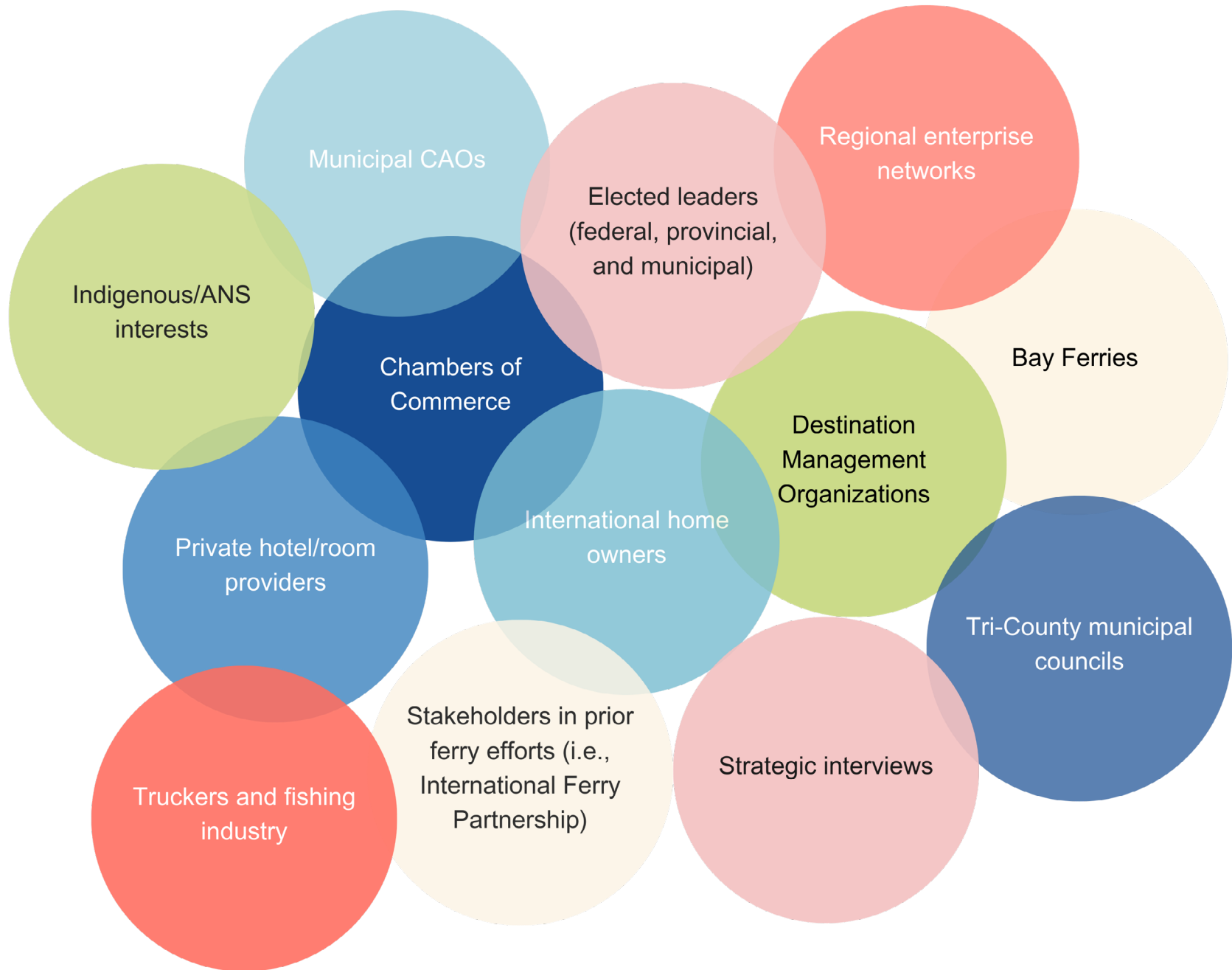


Figure 7. Study Engagement Targets

Next Steps

A great deal has been accomplished to date in conducting the economic impact study and more information has been uncovered that, with an additional season of data, will enrich the study findings.

As a primary observation at this time, combined quantitative and qualitative findings suggest that the ferry value proposition in supporting Nova Scotia's tourism sector is strong and growing. This progress report details early findings and observations based on an extensive data analysis, an accompanying stakeholder engagement process, and an examination of global benchmarks and trends analysis.

This early analysis has resulted in identifying new areas of exploration and unearthed other factors to consider. Compilation of data has been a challenge; however, this quest continues in support of the province's ultimate objective of being able to provide evidence of impact on a province-wide basis.

Among the key data findings underscoring the importance of analyzing the results of the full 2024 season:

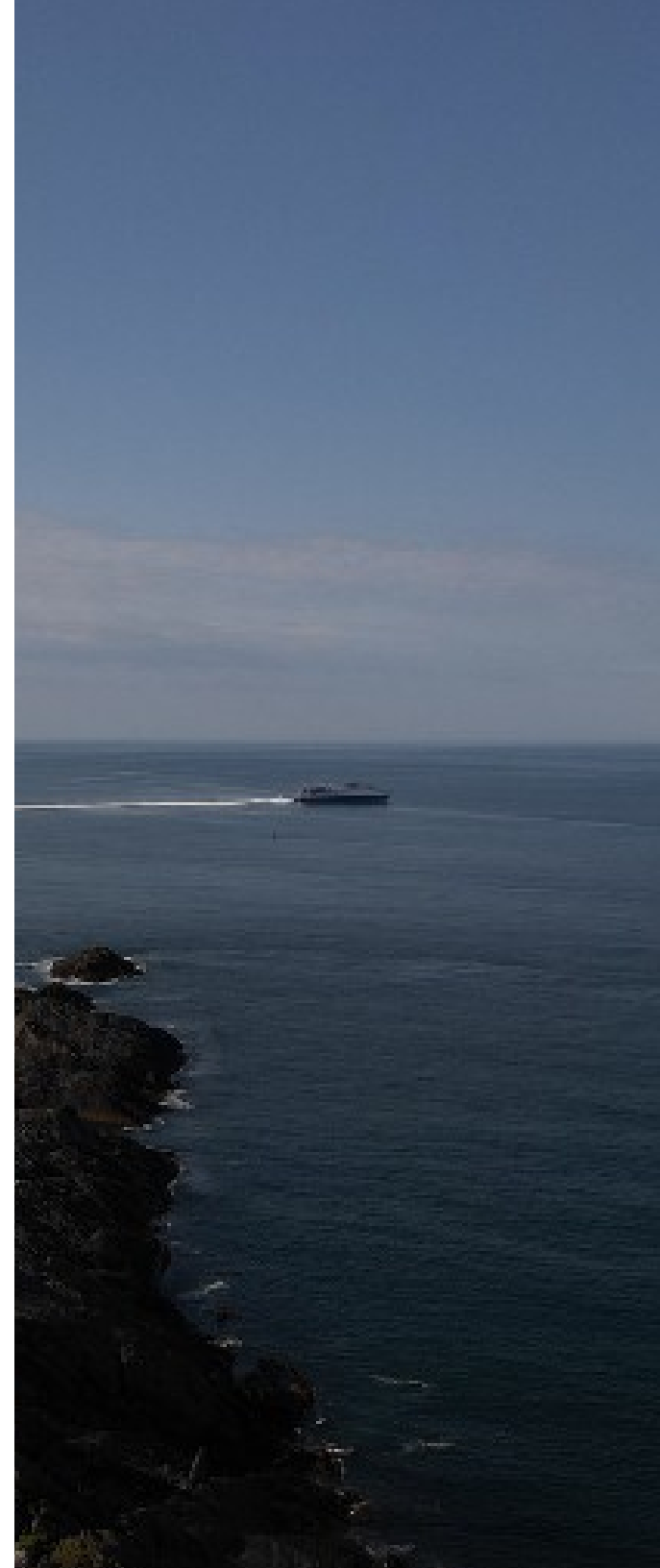
- **Legacy impact of COVID-19 pandemic:** The tourism industry continues to feel the residual effects of COVID-19. For example, air access to Nova Scotia, particularly via Halifax Stanfield International Airport, has not yet fully returned to pre-pandemic levels.
- **Positive outlook for 2024:** The 2024 season is shaping up well, with passenger growth

significantly ahead of 2023. Last year's numbers were impacted by wildfires, flooding, and other weather events, which distorted the overall results.

- **Marketing efforts and passenger growth:** The current increase in passenger volumes aligns with renewed marketing efforts in collaboration with the province. This positive trend is expected to continue as part of a broader, multi-season marketing campaign.
- **Stakeholder engagement:** The team continues to collaborate with stakeholders to gather and incorporate qualitative data for consideration.
- **Enhanced data analysis:** The team's thorough approach to sourcing information has uncovered new mobility data that may enrich the distributional analysis of impact benefits, further clarifying the ferry service's value proposition.

Remaining work includes completing and submitting the final report after the 2024 season ends and the summary data is available. Having the complete data set of results over the two seasons will be crucial in meeting the requirements of the study's mandate and will provide valuable information to support future decision making.

A central element of this next stage effort and foundational to the province's requirements in the original RFP is completion of the economic input output analysis (using the model maintained



by the Nova Scotia Department of Finance) to determine the direct, indirect and induced impacts of the YMF's operation.

As a quantitative economic technique that models the interactions between different sectors of an economy, input output (IO) analysis is important in assessing how changes in one part of the economy (in this case, the presence of the YMF service) affects other parts of the economy. By providing a detailed picture of how different parts of the economy are interconnected, input output analysis is a powerful tool for understanding the broader economic impacts of changes in demand, policy interventions, or external shocks.

Because access to the mobility data came later in this phase of the study, further in-depth analysis is being undertaken in collaboration with TNS with the objective of determining its value in providing greater insight into the YMF's impact both on Southwest Nova Scotia and throughout the province. This analysis will be reflected in the final report.

Beyond its economic impact, the final report will include observations on the YMF service, the ferry's value proposition, and marketing opportunities that may serve to drive increased passenger and revenue growth.

Ongoing activities include the following:

- **Data collection:** We are continuing to collect outstanding data (on the supply side), confirming data availability, and conducting data analysis. This will include the analysis of the mobility data as noted above.
- **Outreach and engagement:** Stakeholder engagement is ongoing and will be updated in the final report. There has been strong interest by tourism operators, related businesses, and

organizations in offering perspectives and insights to the study. This continues unabated.

- **Case study analysis of the results of the decision to cancel the ferry in 2009:** This is presently under development and will document what happened provincially with the cancellation decision.
- **Financial analysis:** The input output analysis will be completed when the final data on the 2024 operating season is available. This is a central element of the study and is key to supporting future decision making.
- **Communications:** We will continue to monitor and strategically address matters related to communications, including social listening.



Appendix A

Questions from the RFP for the Economic Impact Study

What is the net benefit to the Province as a result of the ferry service?

What expectations for this type of ferry service are reasonable for the current year as well as years forward to 2026?

Are there other comparable ferry operations that could serve as benchmarks and provide insight into relative cost factors, usage patterns, or type of vessels linked to specific operational value propositions?

What does the ferry contribute to the labour market for the local area and for the Province, such as individual/ household income and employment?

Quantify how small businesses across the province are affected by the operation of the ferry.

What does the ferry contribute to tax revenues for the Province and local municipalities?

Describe in specific terms, with data, how the ferry does or does not support tourism beyond Southwest Nova into the rest of the Province?

What are the typical planning horizons for tour operators / destination marketers and how has the ferry services history impacted their use and promotion of the service?

Are there other visitor / travel trends that have impacted (positively or negatively) people's use of the ferry service?

How would cargo opportunities augment the business case for the ferry service and what infrastructure would be needed to accommodate cargo?

Are there other opportunities or changes to variables that could be considered to grow the ferry service, increase ridership and positively impact tourism to the southwestern area and around the Province?

Quantify the effect of ferry operations on direct and indirect job creation (including vessel operations and inputs such as fuel, food & beverage), ferry terminal services including Canada Border Services, and crew management and expenditures for both the region and the Province as a whole.

What are the indirect and induced effects (additional jobs or financial output) beyond the economic impact directly attributable to having a Yarmouth-Maine ferry service?

Speak to the broad economic impacts on the immediate and surrounding businesses and communities as well as the Province overall when the ferry service has not been in service

including changes in employment, tourism, household wealth, municipal tax base.

Is the Maine-NS ferry service, as currently constituted, a viable operation and worthy of continued government investment at its current level of investment?

Are there options or complements to achieve or deepen the economic impact that government could consider?

Are there other tangible benefits derived from the ferry service that have economic value?

Are there added benefits to having a variety of ways to travel to the province?

Under what specific circumstances or conditions could this ferry service be viable without government subsidization?

An aerial photograph of a coastal area. In the foreground, there is a road winding through green fields and some small buildings. In the middle ground, a large body of water (likely a bay or inlet) is visible, with a white boat moving across it, leaving a white wake. The background shows a distant shoreline with some buildings under a clear blue sky.

21FSP
ADVISORY INC.