



## **MEDIA RELEASE**

*For Immediate release*

**Thursday, November 19, 2009**

# **Board welcomes federal AG attention on Marine Atlantic; calls on government to act now**

The St. John's Board of Trade welcomes the recommendations of the Auditor General in drawing the Government of Canada's attention to significant challenges to the Marine Atlantic ferry service that connects mainland Canada with the strong economy of the island of Newfoundland. The Board hopes that the federal government will move swiftly and definitively to address a \$200 million operation that connects Canadian companies to a multi-billion economy.

"Our hope is that the federal government pays very serious attention to this report, particularly the statement that the Auditor General made about Marine Atlantic is at risk of being unable to deliver the services for which it is responsible," said Board Chair Bruce Templeton. "It is very difficult for businesses and residents in Newfoundland and Labrador to accept. Billions of dollars of goods would have come into this province from other parts of Canada in the past five years and it is difficult to imagine the federal government ignoring another trade corridor of this size for this long. We need to avoid having this situation continue by action being taken now."

The Special Examination Report states that "Marine Atlantic does not have the reasonable assurance required by section 131 of the *Financial Administration Act* that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively." The report also states that "Marine Atlantic's current fleet is aging and unreliable."

Mr. Templeton noted that "the same would never be allowed to be said, for example, of the bridges connecting Ottawa and Gatineau because those roads would not be allowed to deteriorate to that extent. This is a road we are talking about, in the form of a ferry. But it is still a road connecting two provinces of Canada and no other road would be treated this way."

On the topic of costs, the Board is eager to know the federal government's response to the following: "Marine Atlantic was expected to develop revenue and cost containment strategies to achieve a cost recovery target of between 60 and 65 percent. In response to these expectations, the Corporation implemented a fuel surcharge and increased rates, based on the Consumer Price Index, on the constitutional route." Mr. Templeton expressed concern with this issue: "this cannot be taken by the federal government as an opening to increase user costs. We would like to know what other road connection has users directly paying between 60 and 65 per cent of costs."

“Perhaps most troubling is the Government’s reluctance to get serious about fleet and infrastructure renewal,” said Mr. Templeton. “Government rejected previous fleet renewal strategies and asked for more study. The Newfoundland and Labrador retail and wholesale market is worth about \$10 billion a year, and Canadian companies get access to this market through Marine Atlantic. The \$0.8-1.4 billion that Marine Atlantic will need in capital funding for vessels over the next 25 years is probably the best investment the federal government could make in national stimulus spending.”

The Board welcomes the fact that Marine Atlantic’s agrees with the Auditor General’s recommendations. Further, beyond accepting each of the 13 recommendations, Marine Atlantic has outlined actions plans on each point, which is encouraging to the local business community.

On strategic issues, the Board fully supports Marine Atlantic’s work to finalize a comprehensive revitalization proposal that will propose long-term solutions, including a funding proposal for recapitalization of the fleet and shore-based assets. The Board offers its help by pushing the federal government to determine the economic benefits to the mainland companies that use the service and ensure that a national issue gets national solutions.

The Board also recognizes that the Auditor General made a number of operational recommendations and is pleased that the corporation has commented on and accepted each recommendation as an area for improvement. The Board is supportive of this and hopes that the federal government allocates resources to ensure that the commentary of the next Special Examination Report in five years is complimentary.

The St. John’s Board of Trade will be writing the Prime Minister on this issue to further elaborate on arguments it has presented to the Minister of Transport, Infrastructure and Communities via correspondence and the Minister of State (Transport) in person.

The St. John’s Board of Trade is a non-partisan, business advocacy organization that is the principal voice of business for over 700 members in the St. John’s area. Its mission is to improve the local business climate, enhancing its members’ ability to do business through advocacy and member services.