# Market Sounding for Joint Solutions in the Provision of Newfoundland and Labrador Ferry Services

Department of
Transportation and Infrastructure

Government of
Newfoundland and Labrador

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## 1 MARKET SOUNDING PURPOSE

The purpose of this market sounding is to gather insights into the delivery of intraprovincial ferry services (the "Services") in Newfoundland and Labrador and gauge interest in identifying alternative approaches for the delivery of the Services. This market sounding is not considered a procurement exercise. The overall goal is to inform the Government of Newfoundland and Labrador ("Government" or "GNL") of the market potential for identifying new and innovative approaches to the delivery of ferry services to a number of Newfoundland and Labrador communities through a better balance of costs and service, while supporting local industry and communities. A detailed overview of the Services is provided in Appendicies A, B and C.

Government is committed to working collaboratively with communities that rely on intraprovincial ferry services, businesses, social enterprises, public sector unions and other organizations to find joint solutions to inform the future for ferry service delivery in the province. Government also recognizes and values the knowledge and expertise available within the marine transportation sector including employees within the Department of Transportation and Infrastructure (the "Department"). We welcome the ideas and creativity that groups might provide in helping solve the persistent challenge of high cost services that are not efficiently meeting the needs of communities.

The Department is inviting interested market sounding participants to respond to the questions in Appendix E. The questions are designed to obtain relevant information and insights based on the extensive experience and knowledge of the respondents. In particular, the Department is interested in learning what respondents consider innovative approaches to delivery of the Services.

The Department is seeking input on the delivery of the Services only on routes that service the island portion of the province. Long-term industry contracts are currently in place for the two routes servicing Labrador and the Department is not considering changes related to these routes for the duration of those contracts.

## 2 TIMELINE AND DATES

| Event | Date |
|---|---|
| Introductory Information Session (Registration Required) | February 8, 2022 |
| Meetings with Respondents | Week of February 21, 2022 |
| Written Submission Due | March 18, 2022 |

## 3 RESPONSE FORMAT AND DEADLINE

All communication related to this market sounding must be directed to FerryMS@gov.nl.ca

Introductory Information Session: The Department will host a virtual introductory information session on February 8, 2022 to provide participants with an overview of the market sounding process and answer any questions about it.

Meetings with Respondents: The Department will request individual virtual meetings with respondents, at a mutually agreeable time. These meetings will allow for open and confidential discussion based on the questions included in this market sounding, as well as any other relevant information identified by the respondent. The Department anticpates scheduling meetings during the week of February 21, 2022

Written Submission: Following these meetings, and based on the questions outlined in Appendix E, the Department may request a written response from respondents to assist it in analyzing and reporting on the information discussed in the meetings. Responses will be subject to access to information legislation as noted in the next section. The Department would benefit from all respondents providing written responses by March 18, 2022.

## 4 CONFIDENTIALITY

The Department is subject to the Newfoundland and Labrador **Access to Information and Protection of Privacy Act, 2015** ("ATIPPA"), which gives indiviudals a right of access to records in the custody or control of the Department, with certain exceptions. Once a respondent's written response is submitted to the Department, it is subject to ATIPPA.

All discussions with respondents during the meetings will be treated in confidence. Unattributed input and information provided in the meetings, as well as the corporate name of the respondents, may be included in a market sounding report prepared by the Department. Such a report will not attribute the input or information, arising solely from the individual meetings, to individual respondents.

## 5 CONTACT

To indicate your interest in participating in the market sounding, please email FerryMS@gov.nl.ca by February 7, 2022 in order to be sent login information for the Introductory Information Session on February 8, 2022.

Any questions related to the market sounding may also be directed to this address.

## 6 DISCLAIMER

The information contained in this package is preliminary and for the purposes of the market sounding only. The market sounding is intended for the sole purpose of information gathering, and in no way commits Government or the Department to any particular course of action or future approach to procurement of the Services.

## APPENDIX A – BACKGROUND, CURRENT ROUTES, VESSELS AND OWNERSHIP

Government, as represented by the Department, is responsible for the delivery of Newfoundland and Labrador's intraprovincial ferry system. This system provides transportation for 21 isolated communities and between Labrador and the island portion of the province. The system is comprised of 12 distinct ferry routes, five of which are serviced by the Department, with the remaining seven contracted to the private sector. The current ferry service delivery model requires extensive Government subsidization to sustain the intraprovincial ferry service.

**Table 1: Current Routes**

| Route | Vessel(s) | Contracted | Government | Passenger | Automobile | Freight |
|---|---|---|---|---|---|---|
| Bell Island - Portugal Cove | MV Flanders<br>MV Legionnaire | | ✓ | ✓ | ✓ | |
| Fogo Island - Change Islands - Farewell | MV Veteran | | ✓ | ✓ | ✓ | |
| St. Brendan's - Burnside | MV Grace Sparkes | | ✓ | ✓ | ✓ | |
| Long Island - Pilley's Island | MV Hazel McIsaac | | ✓ | ✓ | ✓ | |
| Ramea - Grey River - Burgeo | MV Gallipoli | | ✓ | ✓ | ✓ | |
| Francois - Grey River - Burgeo | MV Marine Voyager | ✓ | | ✓ | | ✓ |
| Gaultois - McCallum - Hermitage | MV Marine Eagle | ✓ | | ✓ | | ✓ |
| Rencontre East - Bay L'Argent - Pool's Cove | MV Marine Trader | ✓ | | ✓ | | ✓ |
| South East Bight - Petite Forte | MV Marine Coaster III | ✓ | | ✓ | | ✓ |
| La Poile - Rose Blanche | MV Challenge One | ✓ | | ✓ | | ✓ |
| Labrador Straits* | MV Qajaq W | ✓ | | ✓ | ✓ | |
| Labrador North Coast* | MV Kamutik W | ✓ | | ✓ | ✓ | ✓ |

## APPENDIX B – PASSENGER AND VEHICLE SERVICE OVERVIEW 2019-21

The Department is providing the information in this appendix to give respondents information about passenger utilization of the existing intraprovincial ferry services for 2019-20 and 2020-21. Respondents should note that passenger utilization of ferry services was less than typical during 2020-21 due to the COVID-19 pandemic and the associated reduction in resident travel. The data for 2019-20 is more reflective of typical passenger utilization.

### 2019-20

| Marine Services Operations Overview 2019-20 (April 1, 2019 - March 31, 2020) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Service Summary | | | | | | Cost Information | | | |
| Service | Vessel | Service/Vessel Ownership | # of Residents Served** | Total Annual Passengers | Total Annual Vehicles | Operating Cost* | Revenue | % Subsidization | Operating Cost per Resident |
| Avalon | | | | | | | | | |
| Bell Island – Portugal Cove | Beaumont Hamel (swing vessel) | GNL Owned/Operated | 2,553 | 411,800 | 216,200 | $5,714,776 | N/A | 95.6% | $7,530 |
| Bell Island – Portugal Cove | Legionnaire | GNL Owned/Operated | | | | $6,845,535 | $493,602 | | |
| Bell Island – Portugal Cove | Flanders | GNL Owned/Operated | | | | $6,664,529 | $348,096 | | |
| North East Coast | | | | | | | | | |
| Fogo Island – Change Islands – Farewell | Veteran | GNL Owned/Operated | 2,452 | 179,800 | 93,800 | $9,157,813 | $1,017,214 | 88.9% | $3,735 |
| St. Brendan's – Burnside | Grace Sparkes | GNL Owned/Operated | 145 | 13,400 | 7,500 | $4,098,527 | $87,175 | 97.9% | $28,266 |
| Little Bay Islands – Long Island – Pilley's Island | Hazel McIsaac | GNL Owned/Operated | 239 | 39,400 | 23,000 | $4,510,669 | $142,014 | 96.9% | $18,873 |
| South Coast | | | | | | | | | |
| Ramea – Grey River – Burgeo | Gallipoli | GNL Owned/Operated | 447 | 17,300 | 6,800 | $3,465,864 | $198,510 | 94.3% | $7,754 |
| La Poile – Rose Blanche | Challenge One | Contractor Owned/Operated | 87 | 4,200 | N/A | $1,418,512 | $41,396 | 97.1% | $16,305 |
| Francois – Grey River – Burgeo | Marine Voyager | Contractor Owned/Operated | 193 | 4,200 | N/A | $1,785,104 | $72,786 | 95.9% | $9,249 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Gaultois – McCallum – Hermitage | Marine Eagle | Contractor Owned/Operated | 209 | 8,200 | N/A | $1,602,977 | $71,373 | 95.5% | $7,670 |
| **Service** | **Vessel** | **Service/Vessel Ownership** | **# of Residents Served**** | **Total Annual Passengers** | **Total Annual Vehicles** | **Operating Cost*** | **Revenue** | **% Subsidization** | **Operating Cost per Resident** |
| Rencontre East – Bay L'Argent – Pool's Cove | Terra Nova | Contractor Owned/Operated | 139 | 7,100 | N/A | $1,684,098 | $50,972 | 97.0% | $12,116 |
| South East Bight – Petite Forte | Marine Coaster | Contractor Owned/Operated | 92 | 6,100 | N/A | $1,307,784 | $35,332 | 97.3% | $14,215 |
| **Labrador** | | | | | | | | | |
| Charlottetown – Norman's Bay | Helicopter Service | Contractor Owned/Operated | 25 | N/A | N/A | $259,304 | N/A | N/A | $10,372 |
| St. Barbe – Blanc Sablon | Qajaq | Contractor Owned/Operated | N/A | 94,100 | 45,200 | $15,180,573 | $3,336,501 | 78.0% | N/A |
| Black Tickle – Cartwright – Rigolet – Goose Bay – Makkovik – Postville – Hopedale – Natuashish - Nain | Kamutik | Contractor Owned/Operated | 4,071 | 3,900 | 350 | $14,689,776 | $1,388,427 | 90.5% | $3,608 |
| **Swing Vessels** | | | | | | | | | |
| Swing Vessel | Sound of Islay | GNL Owned/Operated | N/A | N/A | N/A | $3,316,073 | N/A | N/A | N/A |
| Total | N/A | | 10,652 | 789,500 | 392,500 | $81,701,913 | $7,283,398 | 91.09% | $7,670 |

* Operating costs Include: vessel operations (crew, fuel, supplies), vessel refits, vessel insurance, emergency air service. Wharf and terminal upgrades, vessel acquisitions, and administration costs are not included.
** 2016 Census Population

## 2020-21

| Marine Services Operations Overview 2020-21 (April 1, 2020 - March 31, 2021) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Service Summary | | | | | | Cost Information | | | |
| Service | Vessel | Service/Vessel Ownership | # of Residents Served** | Total Annual Passengers | Total Annual Vehicles | Operating Cost* | Revenue | % Subsidization | Operating Cost per Resident |
| **Avalon** | | | | | | | | | |
| Bell Island – Portugal Cove | Beaumont Hamel (swing vessel) | GNL Owned/Operated | 2,553 | 281,800 | 171,500 | $5,467,496 | N/A | 98.0% | $9,114 |
| Bell Island – Portugal Cove | Legionnaire | GNL Owned/Operated | | | | $6,427,559 | $280,567 | | |
| Bell Island – Portugal Cove | Flanders | GNL Owned/Operated | | | | $11,372,912 | $179,090 | | |
| **North East Coast** | | | | | | | | | |
| Fogo Island – Change Islands – Farewell | Veteran | GNL Owned/Operated | 2,452 | 119,900 | 66,000 | $7,096,886 | $654,768 | 90.8% | $2,894 |
| St. Brendan's – Burnside | Grace Sparkes | GNL Owned/Operated | 145 | 11,800 | 7,100 | $2,664,527 | $43,240 | 98.4% | $18,376 |

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| Service | Vessel | Service/Vessel Ownership | # of Residents Served** | Total Annual Passengers | Total Annual Vehicles | Operating Cost* | Revenue | % Subsidization | Operating Cost per Resident |
|---|---|---|---|---|---|---|---|---|---|
| **North East Coast** | | | | | | | | | |
| Ramea – Grey River – Burgeo | Gallipoli | GNL Owned/Operated | 447 | 11,700 | 5,800 | $3,424,982 | $112,057 | 96.7% | $7,662 |
| **South Coast** | | | | | | | | | |
| Francois – Grey River – Burgeo | Marine Voyager | Contractor Owned/Operated | 193 | 2,800 | N/A | $1,696,692 | $40,156 | 97.6% | $8,791 |
| Gaultois – McCallum – Hermitage | Marine Eagle | Contractor Owned/Operated | 209 | 5,800 | N/A | $1,573,687 | $28,050 | 98.2% | $7,530 |
| Rencontre East – Bay L'Argent – Pool's Cove | Terra Nova | Contractor Owned/Operated | 139 | 4,900 | N/A | $1,627,483 | $25,795 | 98.4% | $11,709 |
| South East Bight – Petite Forte | Marine Coaster III | Contractor Owned/Operated | 92 | 5,100 | N/A | $1,288,605 | $20,727 | 98.4% | $14,007 |

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| Service | Vessel | Service/Vessel Ownership | # of Residents Served** | Total Annual Passengers | Total Annual Vehicles | Operating Cost* | Revenue | % Subsidization | Operating Cost per Resident |
|---|---|---|---|---|---|---|---|---|---|
| **Labrador** | | | | | | | | | |
| Charlottetown – Norman's Bay | Helicopter Service | Contractor Owned/Operated | 25 | N/A | N/A | $284,940 | N/A | N/A | $11,398 |
| St. Barbe – Blanc Sablon | Qajaq | Contractor Owned/Operated | N/A | 63,800 | 36,200 | $14,730,215 | $2,105,457 | 85.7% | N/A |
| Black Tickle – Cartwright – Rigolet – Goose Bay – Makkovik – Postville – Hopedale – Natuashish - Nain | Kamutik | Contractor Owned/Operated | 4,071 | 3,300 | 450 | $15,569,539 | $1,342,259 | 91.4% | $3,824 |
| **Swing Vessels** | | | | | | | | | |
| Swing Vessel | Sound of Islay | GNL Owned/Operated | N/A | N/A | N/A | $1,669,572 | N/A | N/A | N/A |
| Total | N/A | | 10,652 | 537,100 | 301,400 | $79,049,037 | $4,924,176 | 93.77% | $7,421 |

* Operating costs Include: vessel operations (crew, fuel, supplies), vessel refits, vessel insurance, emergency air service. Wharf and terminal upgrades, vessel acquisitions, and administration costs are not included.
** 2016 Census Population

## APPENDIX C – CURRENT SERVICE DETAILS

Details on current routes, vessels, and rates are available on the Department’s Marine Services website:

https://www.gov.nl.ca/ti/ferryservices/

## APPENDIX D – COLLECTIVE AGREEMENTS

Collective Agreements for Marine Services captains and crew are available at the links below:

Canadian Merchant Service Guild Agreement:
https://www.gov.nl.ca/exec/tbs/files/Ferry-Captains-Agreement-2020.pdf

Marine Services Division Collective Agreement and Extension:

https://www.gov.nl.ca/exec/tbs/files/MS-Agreement-2016-2020.pdf

https://www.gov.nl.ca/exec/tbs/files/Marine-Services-NAPE-Extension-to-Contract-2022.pdf

## APPENDIX E – QUESTIONS

The Department is providing participants in the market sounding exercise with questions to assist with preparation for the meetings and, potentially, a written response. These questions are intended as a guide to have meaningful input and are not intended to constrain participants in providing any additional ideas or opinions.

**Overall Approach**

1. What do you think is the optimal way to operate the Services (e.g., what balance of service by government and by other community or industry participants?)
2. What type of procurement approach would you prefer (an approach that specifies vessel, schedule and service requirements or, alternatively, an approach focused on outcomes/service standards)?
3. If using an outcomes based procurement approach, what are the most relevant service standards or metrics?
4. How could GNL best attract interested parties to participate in the delivery of the Services in the Province?
5. How best could the Services be structured to more cost effectively serve remote locations? What are some of the challenges and solutions for providing the Services to such locations?

**Contract Approach**

6. What do you feel would be the best contracting strategy to use (route specific or bundling)? What do you feel would be the optimal bundling?
7. What would be the optimal length of contract that would provide the best blend of pricing and vendor/service stability?
8. Marine services vendors are not currently responsible for fuel costs in accordance with contract provisions. Could fuel costs and efficiency be incorporated into a contract approach?
9. What innovative ways could market participants help with cost control for government?
10. What cost risks, or control, could reasonably be transferred to other interested participants to reduce and stabilize GNL expenditure?
11. What role could other participants have in impacting the subsidization rate and the cost paid by users?

**Pricing**

12. GNL marine service contracts are currently based on annual rates (and calculated per diem rates). What are the benefits and shortcomings of this structure?
13. What information about existing facilities (wharf infrastructure, shore based services) and/or current operations would you need to provide the most efficient proposal?
14. What role could the provider have in better managing runs that have low ridership?

**Vessels**

15. What are your views on the suitability of the current vessel fleet for the services required?
16. Would you have an interest in buying or leasing GNL-owned vessels (8 vessels in the fleet) in a contract for the Services? If so, what approaches to pricing vessels, maintenance, and/or capital could be used?

**Workforce**

17. What options could be considered in utilizing GNL’s trained captains and crew in providing the Services in the future? What resourcing options should we be considering?

**Procurement Timing**

18. What are the key procurement timing considerations for the Services?
19. How long a mobilization period would you need between contract award and the commencement of service?

**Other**

20. What other factors would make this opportunity more cost efficient, practical or attractive to the industry to respond to?
21. Are there any other ideas that you would like us to consider?