

**LABRADOR COASTAL MARINE SERVICE CHANGES  
IMPACTS ASSESSMENT REPORT  
(*FINAL*)**

**Submitted to the Department of Industry, Trade  
and Rural Development**

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## Executive Summary

The Government of Newfoundland and Labrador determined that an assessment of the impacts on the communities most affected as well as on the province in general from the planned reconfiguration of the Labrador coastal marine service was required. This impact assessment was to address the benefits and costs, or opportunities and risks, to arise from these changes in relation to the current service provided.

In undertaking this assessment, the consultant was required to carry out a review of all previous studies and to take into account the overall strategic objectives related to the redevelopment of the Labrador transportation system. Information was collected from provincial officials, representatives of the communities most affected (i.e. Lewisporte and the North Coast, South Coast, Labrador Straits, Happy Valley-Goose Bay and Labrador West areas of Labrador). A mix of wholesalers, distributors, manufacturers, transport companies and others were also consulted and preliminary freight costing data was collected from various sources.

A qualitative impact assessment has been prepared for each of these affected areas of the province. The main conclusion to be drawn is that, on balance, the planned changes in the coastal service favour the '*opportunities*' over the '*risks*'; however, these impacts are disproportionate in their effects. Cartwright and the rest of southern Labrador, along with the provincial treasury, are the primary beneficiaries; the North Coast of Labrador and Lewisporte area, along with the Island business community, could incur all the risks though these will be limited in their impact. These are not new findings but the realization of the impacts becomes more acute with the coastal service changes going into effect next shipping season.

## Introduction

The Government of Newfoundland and Labrador (the Government) is preparing to make changes in the Labrador Coastal Marine Service to take effect in the Spring, 2003. These changes result from the completion of Phase II of the Trans Labrador Highway from Red Bay to Cartwright on the South Coast of Labrador. The changes contemplated will see a reduction in the number of vessels employed in the service and the southern freight and passenger terminals being moved from Lewisporte (and St. Anthony) on the Island to Cartwright.

Under the planned changes, freight and passengers bound to Happy Valley-Goose Bay or north of Cartwright will travel by road to Cartwright to connect with one of two vessels in the Labrador coastal service. The two vessels will be a ferry and a joint passenger/freight vessel. Passengers departing from Happy Valley-Goose Bay will travel by ferry to Rigolet or Cartwright. Passengers from the North Coast will travel on a joint passenger/freight vessel to Rigolet and continue to Happy Valley-Goose Bay; or they could stopover in Rigolet and switch to a ferry to travel to Cartwright. Freight from the North Coast will be shipped on the joint passenger/freight vessel via Rigolet to Happy Valley-Goose Bay. Any south bound freight will then be shipped to Cartwright. A third vessel will serve the communities on the South Coast of Labrador that are not connected by road.

At this juncture, the Government is interested in knowing of the full impacts of these changes, particularly on the communities most dependent on the current service arrangements, namely, the North Coast communities of Labrador and Lewisporte and area on the Island.

In order to get an objective assessment of the impacts, the Government contracted with an external consultant to gather data and consult with various community representatives and other interested parties to ascertain their views on the service changes and the potential impacts for them.

For purposes of this study, these impacts are defined as '*opportunities*' and '*risks*'. The Government is interested in getting a balanced assessment of both the overall provincial impact as well as some of the specific local/ regional impacts. The study is not designed or

intended to provide an quantitative economic analysis of the planned changes in the coastal service arrangements.

Finally, the consultant was expected to draw conclusions from the study's findings but not to offer recommendations.

### **Addressing the Terms of Reference for the Study**

The terms of reference outlined the purpose of the study as to provide a review of the impact on residents of the North Coast of Labrador, the Town of Lewisporte and surrounding area, and the province in general, with respect to the planned reconfiguration of the Labrador Coastal Marine Service. These parameters were developed by the Department of Industry, Trade and Rural Development in conjunction with the Departments of Labrador and Aboriginal Affairs and Works, Services and Transportation and the Town of Lewisporte.

The consultant was required to:

- carry-out a review of all previous studies/reviews that have been undertaken with respect to this issue;
- provide a review and evaluation of the benefits and costs (impacts) of the reconfigured service on the residents of the North Coast of Labrador, the Town of Lewisporte and surrounding area, and the province in general;
- address the potential benefits and costs from the perspectives of
  - economic opportunities and risks,
  - business opportunities and risks,
  - community opportunities and risks,
  - tourism opportunities and risks,
  - transportation opportunities and risks, and
  - provincial treasury opportunities and risks;
- take into account the overall strategic objectives related to the redevelopment/reconfiguration of the Labrador transportation system;

- consult with a named list of stakeholders; and
- submit a preliminary report by October 11 and a final report by October 18, 2002.

The consultant undertook a wide variety of consultations, meetings and telephone calls over a three-week period in order to develop the initial *Preliminary Report* (dated October 17<sup>th</sup>, 2002). This was followed by circulation of the report to various identified stakeholders who had an opportunity to provide comments on the report before the consultant completed the final report.

Various key reports, documents and Government press releases were reviewed. A scan of events since the Labrador Transportation Initiative was announced in 1997 was undertaken. Finally, a mix of qualitative and limited quantitative data was collected and analyzed in the time period available to the consultant.

The final report provides an identification and explanation of the potential ‘opportunities’ and ‘risks’, as well as an overall assessment of their impact on the province as required by the *Terms of Reference* for the study.

### **Determining the Government’s Overall Strategic Objectives related to the Redevelopment/ Reconfiguration of the Labrador Transportation System**

In assessing the impacts of the planned changes in the Labrador coastal service, the consultant had to consider the Government’s strategic objectives in support of the Labrador transportation system. These objectives are understood to be:

- that Labrador should have an efficient and effective inter-modal marine, air and highway transportation system to support the region’s economic and social development;
- that completion of the three phases of the Trans Labrador Highway (TLH) is a priority;
- that, with completion of the TLH, the North Coast will continue to be served by a subsidized marine service, along with air services, to allow the North Coast to be connected to the rest of the province; and

- that, with the construction of Phase II of the TLH, communities on the South Coast that are connected to the TLH will no longer be served by a subsidized marine service and that air services (airport) will be regionalized.

The consultant conducted the assessment of the impacts of the planned changes to the Labrador coastal service in the context of these objectives.

### **The Fiander-Good Report**

This report, completed in 1993, provided a social and economic feasibility analysis of the three options being considered at that time to construct the Trans Labrador Highway (TLH). Though the report's analysis related to the completion of the three phases of the TLH, the findings, analysis and conclusions pertaining to the 'Coastal Option' (the option on which construction of the TLH is based) can be extracted and applied to the current situation.

Some of the report's significant findings are presented below.

1. There would be highway user benefits, cost-savings from shifting between transportation modes, and economic benefits to Labrador from the TLH.
2. The new business development and business improvements benefits would constitute about half of the benefits to be derived in Labrador.
3. There would be additional benefits to the Island part of the province through the attraction of tourist traffic (dependent on completion of Phase III) and there will be 'disbenefits' to the Island in activity related to marine transportation, reductions in wholesaling margins, and diversion of some tourist traffic.
4. The shift in transportation modes would result in down-sizing of Island and Labrador marine infrastructure, services, and employment levels, along with losses to the Island-based marine terminals and distribution centres; much of this would be offset by increased trucking activity and expanded truck terminal infrastructure.
5. Overall, the benefits to the province would greatly exceed the net loss to the Island.

6. Quebec would also benefit from the TLH.
7. The social impacts associated with the development of the TLH would be primarily positive; these relate to:
  - increased freedom and flexibility of movement at will and generally at lower cost;
  - improved inter-community interaction opportunities and increased mobility with resulting enhancements to lifestyles;
  - improved educational opportunities (at lower costs and with less disruption and dislocation from families and friends);
  - increased job opportunities;
  - improved mechanisms for delivery of social programs and emergency services;
  - enhanced opportunities for tourism, forestry and other business developments;
  - improvements to product and service quality for a broad range of goods and services acquired by Labradorians; and
  - a major increase in accessibility for several communities along the South Coast of Labrador.
8. The positive impacts would be counter-balanced in part by negative impacts on the area's fish and game resources and on the ongoing provision of air and marine modes of transportation (and rail service to Labrador West).

The report was used as a basis to support the concept of a TLH and to plan its development in the early 1990's.

For this current impact study, the **Fiander-Good** report is relevant in that it recognized that by building the TLH there would be an overall benefit to the province, Labrador in particular, as well as a shift in economic activity from the Island to Labrador (and possibly Quebec). The degree to which this is happening and will happen in the future as the TLH is developed further and the marine services are re-configured is not being measured today. There is no new empirical data that has been collected to measure these impacts.

However, there has been qualitative evidence available to demonstrate the positive benefits achieved to date from Phases I and II of the TLH in the Happy Valley-Goose Bay, South Coast of Labrador and Labrador Straits areas.



The negative impacts on the Island have yet to be felt in any significant way. Most persons suggest that these impacts, if any, will be felt once the terminal at Lewisporte is closed and, secondly, when Phase III of the TLH (from Cartwright to Happy Valley-Goose Bay) is constructed. This phase will allow greater access to Cartwright and routes north and south by businesses in Happy Valley-Goose Bay as well as by Quebec firms.

### **The Government's Vision for the Labrador Transportation Initiative**

During November, 1996, the Ministers of Works, Services and Transportation and Government Services and Lands met with community representatives and others in Labrador to explain the basis for the Labrador Transportation Initiative. This initiative was defined as an all-weather transportation system for Labrador that would integrate it to the country's highway system. The Ministers explained that the Government had begun negotiations with the Federal Government with a view to taking over operational responsibility for the Labrador marine services and associated infrastructure. The need for federal financial assistance to achieve this vision was viewed as vital.

At the same time, the Ministers and the Labrador West Member of the House of Assembly identified the benefits of eliminating isolation and the potential for job opportunities by building the TLH, in addition to it being a major economic stimulus for Labrador.

In its proposal to the federal government on the Labrador Transportation Initiative, the Government sought a buy-out of the federal subsidies for the marine services generally equivalent to an amount to build and pave all three phases of the TLH, maintain the northern coastal service, and fund a community adjustment initiative to assist those communities that would be adversely affected by any changes in the marine services.

The implication for this impact study is that the provincial proposal implied that there would

have to be a trade-off of marine services, its attendant infrastructure, and foregone business activity and jobs for federal funding of the TLH. In this regard, the Government sought federal funding to offset these adverse impacts on communities that would no longer be involved in the Labrador coastal marine service, such as Lewisporte. The final arrangement did not provide sufficient federal funding to meet the Government's overall financial objectives for the Labrador Transportation Initiative.

### **April, 1997 Announcement to Construct the TLH and the Government's take-over of Marine Atlantic's Labrador Coastal Service**

On April 3, 1997, the former Premier (Tobin) announced in Happy Valley-Goose Bay that construction of the TLH would commence that year and responsibility for the Labrador coastal service would be transferred from the federal government to the Government. Sufficient funding would be made available to complete Phases I and II of the TLH (to a class A gravel standard); the Government would have to provide additional funds to undertake Phase III. The expected date for completion of Phases I and II was within 6 years (i.e. 2003).

In addition to this announcement, the Minister of Works, Services and Transportation stated in a press release that there would be no changes in the marine service for 1997 and that future changes would be decided after consultations with stakeholders about the kinds of services that would be required and how best to provide them. Subsequently, the Minister met with the Lewisporte Town Council as well as in Port aux Basques to discuss these developments and the implications for their areas.

### **The SGE Study**

In August, 1997, the Department of Works, Services and Transportation commissioned an independent study of the operational requirements for the Labrador coastal marine service (referred to as the **SGE** study). This study addressed the following matters:

- i. the impact that the TLH would have on the Labrador coastal marine service;

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- ii. the requirement to undertake appropriate consultations with affected communities along the Labrador coast and to include Lewisporte and St. Anthony, as well as affected provincial and federal agencies;
- iii. a projection of freight and passenger traffic patterns over the next 3-5 years (i.e. 2000-2002);
- iv. options for coastal service levels and vessel types up to 2003;
- v. the potential to partially or fully service the Labrador coast via commercial air mode;
- vi. requirements for freight handling and options for stevedoring;
- vii. the future of Cruise Labrador and method of delivery;
- viii. the Department's requirements to deliver the coastal marine service; and
- ix. the recommended tariff structure and levels between 1998 and 2000; and off-season issues pertaining to vessel refits, machinery maintenance, planning, etc..

The study also addressed the organizational requirements of the Department in taking on responsibility for the Labrador coastal service.

For this current impact study, the relevant findings of the **SGE** study are as follows:

1. The future of the Labrador coastal marine service should be founded on the following guiding principles:
  - a. once a community is connected to the highway network, subsidized marine services will no longer be provided;
  - b. communities should expect both passenger and freight services to be available at a reasonable time of the day;
  - c. no upward movement in passenger or freight rates is warranted (for the study time frame); and
  - d. notwithstanding that considerable public and private investment for the provision of freight consolidation and warehousing facilities has been made at Lewisporte, it is evident, with the pending construction of the TLH, that this role cannot be sustained.
2. Six service options were identified - from an evolving status quo to a privatized service. In selecting the preferred option, the SGE consultants recommended that the following factors be considered:

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- a. *Risk management*: it is in the Government's best interest to encourage competition between modes and to reduce if not eliminate the Department's involvement with vessels;
  - b. *Tourism*: this represents an untapped resource for Coastal Labrador; a subsidized cruise service may well generate positive economic impacts beyond the subsidy;
  - c. *User needs*: residents and businesses desire services that are reasonably priced, customer-focused and regularly scheduled; the customers should be informed of all changes in advance and customer service programs/systems set up to respond to enquiries in a timely and value-added manner; and
  - d. *Phase-in*: the ability to implement change by 1998 must be assessed against time constraints and the guiding principles; the process being recommended ensures that an operator is selected that best meets the needs of residents of Coastal Labrador.
3. With the completion of Phase I, between Labrador West and Happy Valley-Goose Bay, freight, tourist and local resident traffic via the highway would increase.
- a. It was estimated that an additional 12,000 tonnes of marine freight and another 1,200 tonnes of air freight would shift to the highway by 2000 for a total of 31,200 tonnes of trucked freight.
  - b. A total of 10,000 air travellers, primarily vacationers, would choose to travel by highway by 2000.
  - c. Local residents would be expected to increase their highway travel by an additional 72 vehicles per day by 2000.
4. As Phase II is constructed, from Red Bay to Cartwright, there will be immediate shifts to the highway.
- a. All marine freight would be trucked - an additional 6,700 tonnes by 2002-03.
  - b. Most air freight would be trucked - an additional 300 tonnes.
  - c. Marine and air passengers would shift to using the highway - an additional 9,250 passengers in total.
5. The **SGE** study concluded that there are literally hundreds of possible service combinations for Labrador given the number of communities involved, passenger/freight delivery mechanisms and the very dynamic nature of the Labrador transportation scene; provincial policy decisions would be needed to determine the appropriate trade-offs. For the 1998 operating season, the study suggested that a "go slow" implementation program be implemented with selective adjustments to the

service along with ongoing community consultations.

As a follow-up to the **SGE** study, the Minister of Works, Services and Transportation advised the House of Assembly that the Department would be using the results of the study to develop the service plans for 1998 and beyond. In a speech to the Combined Councils of Labrador in January, 1998, the Minister referred to the SGE report as an internal document to help guide the Department in developing a long-term operational plan for providing transportation services to Labrador. The SGE report was not made public.

### **Developments related to the Labrador Coastal Service, 1998 - present**

This section outlines some of the major highlights pertaining to the coastal service that have a bearing on this study.

In April, 1998, a private operator for the Labrador coastal service was announced. The operator was a consortium of companies comprised of the Woodward Group, Crosbie's Shipping and Puddister's Shipping, with Woodward's as the lead partner. The contract was for the management and operation of the Sir Robert Bond and the Northern Ranger in addition to the two terminals in Lewisporte and Happy Valley-Goose Bay and to provide a representative in each of the wharf ports along the Labrador coast. The contract was for a two-year period with an option to extend for a third year.

In January, 1999, CanShip Limited was awarded a contract for the provision of a passenger/freight vessel and a container vessel for the Labrador coastal service. The two vessels would operate from Lewisporte to Nain and call on ports in between. The contract was for a two-year period with an option to extend for an additional year.

A larger ferry (*Apollo*) was contracted for the St. Barbe-Blanc Sablon service. According to a January, 2001 press release by the Minister of Works, Services and Transportation, the *Apollo* had been able to accommodate increased traffic for both private and commercial traffic volumes. He further stated that the experience for 2000-01 would provide a solid

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foundation upon which to base further improvements and to ensure that the service mirrors future demands as construction of the TLH continues.

As an update to the information referenced in the Minister's release, the Department of Works, Services and Transportation provided the consultant with some data on passenger, car and truck/trailer traffic activity for the St. Barbe-Blanc Sablon ferry service. The data, as presented in the following table, shows the increases in ferry traffic since 1997.

Type of traffic	Period	Change (%)
Passengers	1997-2001	76.1%
	April/May 2001-August 2002	26.6
Cars	1997-2001	91.6%
	April/May 2001-August 2002	24.4
Other (tractor trailers, etc.)	1997-2001	40.3%
	April/May 2001-August 2002	39.4

The Southeastern Labrador Transportation Committee (SLTC) was established in February, 2000. The Committee, with a mandate to make recommendations regarding the future transportation needs in southeastern coastal Labrador, released its report in April, 2001. The report provided 25 recommendations pertaining to the marine services, airports, winter trails, community roads and the TLH.

Some specific matters relevant to this study that were addressed in the SLTC report include:

- The Committee recognized that with the completion of Phase II of the TLH, marine services for coastal Labrador would be altered significantly. As such, marine services from Cartwright to Happy Valley-Goose Bay would require a suitable vessel to accommodate the anticipated passenger/freight demand. They suggested a replacement vessel for the Sir Robert Bond.
- The Committee commented that the positive economic impacts anticipated from the highway development would depend to a large extent on having a reliable ferry service in both Southern Labrador and Cartwright. They recommended improved docking facilities for the Labrador Straits service and for Cartwright.

In May, 2001, the Minister of Works, Services and Transportation announced that marine service to northern and southern coastal Labrador communities would remain the same except for those southern communities which gained access to the TLH. At the same time, he announced the formation of a North Coast Labrador Transportation Committee (NCTC) to make recommendations on the appropriate vessels and configuration to service the northern communities.

The North Coast Transportation Committee submitted its report in October, 2001. The report contained 35 recommendations covering marine passenger and freight services, community roads, airports, winter trails, and other matters.

Some specific matters relevant to this study that were addressed in the NCTC report include:

- The Committee recommended that there be separate freight and passenger vessels.
- The passenger vessel should have roll-on/roll-off capacity as well as have adequate services for persons with physical disabilities. The vessel should originate from Lewisporte with routing into Rigolet, Goose Bay then all points north to Nain, then from Nain to all points south to Goose Bay, Rigolet and return to Lewisporte.
- The Committee noted that residents indicated a concern that freight rates would become extremely high if freight is trucked to Cartwright from the Island and then shipped north by vessel. They commented that residents were pleased with the frequency of the freight vessels but wanted a more consistent and reliable schedule.
- The Committee recommended that the freight vessel originate from Lewisporte and go direct to Goose Bay and then all points north to Nain, then Nain to all points south to Goose Bay, Goose Bay return to Lewisporte, and that an annual freight schedule be available to each community in advance of the shipping season.
- The Committee recommended the status quo on marine subsidies for

passenger and freight service.

In December, 2001, the Department presented its proposal for the Labrador coastal service for 2003/04 and beyond to the North Coast Transportation Committee. The key points of this presentation were:

- The cost of the service in 2001/02 would be \$21.2 million; this cost was projected to be reduced to \$18.9 million in 2002/03.
- Under the new plan, Cartwright and Goose Bay would be the new terminals, there would be changes in the types of vessels used, and turn-around times would improve; the projected annual cost of the service would be \$14.1 million.
- It was stated that the new service would potentially be more costly to North Coast residents in the short term.
- At the same time, the Department projected the annual cost of the North Coast Transportation Committee's recommendations to be \$19.5 million. It was recognized that this option would be potentially less costly for North Coast residents in the short term and that it would allow an Island connection for the North Coast.

On December 21, 2001, the North Coast Transportation Committee (NCTC) wrote the Minister and re-iterated their concerns particularly as to freight costs and their potential impact on the cost of goods sold, and the loss of a connection to Lewisporte that would result from the Department's proposal. The letter stated, in part, that:

*"The NCTC is prepared to accept the departmental proposal for the provision of marine services on the North Coast on the condition that written confirmation is received from your department stating that a subsidy will be provided to cover any increases in transportation costs for the life of the contract".*

On March 21-22, 2002, the Government announced a redesigned plan for Labrador ferries beginning in 2003. It consisted of:

- a continuation of the policy of providing marine service only to communities that are not connected by road;



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- a three-vessel service:
  - a passenger, roll-on/roll-off vessel between HV-GB and Cartwright with a port of call at Rigolet;
  - a passenger/freight service from HV-GB to Rigolet and Cartwright before the vessel heads north to Nain and ports in between; and
  - a third vessel to service communities south of Cartwright not connected by road; and
- an investment of \$2.2 million in wharf and terminal upgrades (at St. Barbe, Norman Bay, Black Tickle and Cartwright).

At the same time that the plan was outlined, the Government announced that it would be applying \$ 97 million of the funds set aside in a trust for the Labrador Transportation Initiative to address its budget shortfall in 2002-03; it also announced a commitment to construct Phase III of the TLH that will be funded from provincial revenues over the next six years.

On April 29, 2002, the Lewisporte Town Council and the Lewisporte Area Chamber of Commerce presented a discussion paper to the Ministers of Municipal and Provincial Affairs, Works, Services and Transportation, and Industry, Trade and Rural Development.

The paper outlined a call to action by the Government, namely to:

- repeal the decision to close the marine terminal facility in Lewisporte at the end of the 2002 shipping season and commission an independent study into the effects of the decision as it relates to servicing Labrador and the business community and tourism sectors of the province;
- re-institute the provincial portion of a multi-million dollar development fund for the Town and aid negotiations with the Government of Canada for an enhancement of the development fund;
- begin negotiations with the Government of Canada on the transfer of federal ports to the province with Lewisporte in the forefront; and
- address other issues of interest to the Town.

Premier Grimes was quoted in the July 18-24 edition of The Pilot as indicating that a broad-based impact study would be undertaken that would address the economic impacts on the

Lewisporte region of the decision to close the Lewisporte terminal for the Labrador coastal service.

Subsequently, an external consultant was contracted by the Department of Industry, Trade and Rural Development on behalf of the Government to undertake an impact assessment study. The consultant commenced the impact study on September 20, 2002.

It should be noted that on June 21, 2002 the Department of Works, Services and Transportation called tenders to supply, operate and manage three vessels for the reconfigured Labrador coastal service for a five-year period beginning in 2003. This tender call closed on September 30, 2002. The tendered amounts range between \$ 73.8 million (lowest combined amount) and \$ 86.6 million (highest combined amount) based on the tenders submitted to the Government Purchasing Agency. The Department has not stated if the bids meet the tender requirements or if the amounts are acceptable.

### **Determining the Impacts on the Residents of the North Coast of Labrador**

In order to identify and assess the impacts on the North Coast of Labrador, the consultant undertook the following steps:

- completed a review of the Fiander-Good and SGE reports
- scanned the Government's press releases that addressed any North Coast transportation issues
- reviewed the report titled: 1999 Assessment - The Economic Impact of the Year Round Opening of the Trans-Labrador Highway, prepared by the Labrador North Chamber of Commerce and the Labrador and Aboriginal Affairs Secretariat
- reviewed the North Coast Transportation Committee Report, October, 2001
- held discussions with officials in the Departments of Works, Services, Transportation, Tourism, Culture and Recreation, and Labrador and Aboriginal Affairs
- held a conference call on October 4, 2002 with members of the North Coast Transportation Committee

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- met with the Member of the House of Assembly for Torngat Mountains
- reviewed a press release issued by the Labrador Inuit Association dated October 25, 2002
- reviewed letters from Torngat Fish Producers Co-operative Society Ltd. dated October 22, 2002 and Lewisporte Wholesalers dated October 25, 2002
- conducted telephone conversations and/or held meetings with several business owners on the North Coast, as well as several suppliers, manufacturers, wholesalers and transport companies located in either Happy Valley-Goose Bay or on the Island
- collected some preliminary data on comparable freight rates and costs, and retail costs of goods sold
- provided a copy of the *Preliminary Report* to identified stakeholders and others and incorporated feedback as appropriate in the final report.

For purposes of this study, the consultant has determined the impacts to be as follows, with each impact accompanied with an explanation.

A. Economic Opportunities and Risks

Opportunity	Explanation
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The new service reconfiguration does not provide any new economic opportunities for the North Coast.	<ul style="list-style-type: none"> <li>&lt; The coastal service will continue to support the same level of economic activity as before.</li> <li>&lt; Voisey's Bay development is not seen as being impacted for the North Coast by a change in the coastal marine service offered.</li> </ul>
Risks	Explanation
The new service may pose an additional cost for fish processing operations on the North Coast.	<ul style="list-style-type: none"> <li>&lt; The same level of inbound goods and supplies will be handled.</li> <li>&lt; Several concerns have been raised by Torngat Fisheries: (i) the capacity of Cartwright to handle inbound and outbound freight and adequately handle reefer loads is questioned; (ii) the lack of transport companies and backhaul traffic in Southern Labrador and the negative impact on fish products travelling over gravel roads (iii) the additional cost to truck to cold storage facilities on the Island, including the cost of the St. Barbe ferry and the additional handling in Cartwright.</li> <li>&lt; Torngat Fisheries expects to see their shipping costs increase by 2.75 times (or \$192,500) based on rates quoted to them by marine and overland transport companies. They state that any adverse impact on their operations will impact fishers and their employees on the North Coast.</li> </ul>

**B. Business Opportunities and Risks**

Opportunities	Explanation
There is the potential for Rigolet to expand business activity to support passengers and freight bound to and from the North Coast.	<ul style="list-style-type: none"> <li>&lt; Rigolet will be a port of call for all vessels going north to Nain and return. Additional retail and related port services could be expanded in Rigolet.</li> </ul>
Opportunities	Explanation

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Retail businesses may be able to benefit financially by faster turn-around times on freight shipments.	<ul style="list-style-type: none"> <li>&lt; Faster turnaround times should allow for lower inventories and improved fresh products, albeit limited because of the short shipping season as has happened in HV-GB when Phase I was completed and is occurring in Southern Labrador as Phase II is constructed and more communities are connected to the TLH.</li> <li>&lt; Lewisporte Wholesalers have stated that turn around times and product quality will not improve and that the comparison to Southern Labrador is not appropriate.</li> </ul>
Risks	Explanation
Retail businesses may incur additional costs for their goods because of increased freight costs. Retail prices may increase.	<ul style="list-style-type: none"> <li>&lt; The cost of moving freight by road to Cartwright and then having it shipped by vessel to the North Coast is expected to be higher. Some examples quoted suggest that a container-equivalent will cost an additional \$1,500-\$2,500. The degree that this additional cost will be passed on to consumers is unknown.</li> <li>&lt; Based on the experience on the South Coast of Labrador, where it is reported that retail prices have not changed significantly while quality and choice have improved considerably, there should be a moderating impact on price increases overall.</li> <li>&lt; In a 1999 survey, several North Coast businesses stated that the opening of the TLH from Labrador West to HV-GB had a positive impact on prices, variety of products and profitability.</li> </ul>
Risks	Explanation

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Retail businesses could lose their current Island suppliers and favourable commercial arrangements.	<ul style="list-style-type: none"> <li>&lt; Depending on the impact of freight costs on the final cost of goods purchased, retailers may have to seek alternate suppliers/wholesalers, either in HV-GB or in Quebec. This would disrupt their current business plans.</li> <li>&lt; The North Coast is not reliant solely for its goods from the Island; a significant portion (35%) is shipped from HV-GB suppliers and the cost to ship north from HV-GB will not be impacted.</li> <li>&lt; There are some suggestions that Island wholesalers/manufacturers provide flexible credit terms based on their long-standing business dealings with the North Coast retailers that will not be available elsewhere.</li> </ul>
The appropriate facilities at Cartwright will not be in place	<ul style="list-style-type: none"> <li>&lt; Lewisporte Wholesalers question the readiness of the handling facilities to accommodate multi-temperature products that will be in place in Cartwright for next year's shipping season.</li> </ul>

**B. Community Opportunities and Risks**

Opportunities	Explanation
No new opportunities identified.	
Risks	
None identified.	Also refer to Business Opportunities and Risks above and Tourism Opportunities and Risks below.

**C. Tourism Opportunities and Risks**

Opportunities	Explanation
The reconfigured service will provide tourists with longer periods in port along the North Coast and retailers will know of the schedule.	<ul style="list-style-type: none"> <li>&lt; Tourism operators, especially retail businesses, should benefit from the new scheduling.</li> <li>&lt; Adequacy of the vessel to accommodate tourists will be essential.</li> </ul>
Risks	Explanation

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Future tourism may be put in jeopardy if inferior services are provided at Cartwright (in relation to the current services provided at St. Anthony and Lewisporte).	<p>&lt; There have been some questions raised as to the adequacy of the ancillary travel services (accommodations/restaurants) to be provided at Cartwright beginning with next year's sailing season.</p> <p>&lt; The planned changes represent a major change in travel patterns for passengers and a significant increase in car traffic through Cartwright. Any negative reaction from tourists, in particular, could result in poor publicity and affect future tourism for the North Coast.</p>
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**E. Transportation Service Opportunities and Risks**

Opportunities	Explanation
See above for expanded services in Rigolet and for business opportunities resulting from faster turn-around times for vessels.	
Risks	Explanation
The joint passenger and freight vessel configuration may be inadequate and limit opportunities for expansion.	<p>&lt; The North Coast Transportation Committee recommended separate vessels with the passenger vessel having roll-on/roll-off capacity. Results of the tendering process will disclose the adequacy of the vessel to be used for the North Coast.</p> <p>&lt; The current service configuration is viewed as acceptable by some; however, anything less will be viewed locally as a downgrade in service.</p>

**F. Provincial Treasury Opportunities and Risks**

Opportunities	Explanation
The reconfigured service is expected to save the provincial treasury up to \$ 5.0 million in relation to what the current service would cost in 2002-03.	<p>&lt; The amount of savings was determined by the Department of Works, Services and Transportation prior to its tender call. The savings amount will have to be re-assessed in relation to the results of the tendering process.</p>
Opportunities	Explanation

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The provincial treasury can expect to reap additional HST and fuel tax revenues as more trucks, cars and passengers use the highway and ancillary services to access and return from the North Coast via Cartwright.	< This amount has not been calculated.
Risks	Explanation
None identified.	

### **Determining the Impacts on the Town of Lewisporte and surrounding area**

In order to identify and assess the impacts on the Town of Lewisporte and surrounding area, the consultant undertook the following steps:

- completed a review of the Fiander-Good and SGE reports
- reviewed the Town of Lewisporte and Lewisporte Area Chamber of Commerce discussion paper dated April 29, 2002 and other documents prepared by them
- held discussions with officials in the Departments of Works, Services and Transportation
- met with the Mayor and Town Manager of Lewisporte as well as with the President of the Lewisporte Area Chamber of Commerce
- attended a meeting hosted by the Town of Lewisporte which was attended by Town officials, Chamber members and others
- met with the Member of the House of Assembly for Lewisporte
- reviewed letters with accompanying materials from the Mayor of Lewisporte dated October 25, 2002 and Lewisporte Wholesalers dated October 25, 2002
- conducted telephone conversations and/or held meetings with several suppliers, manufacturers, wholesalers and transport companies located in the Lewisporte area or that ship through Lewisporte
- reviewed tourism-related information supplied by Hospitality Newfoundland and Labrador and the Town of Lewisporte
- collected some preliminary data on freight and passenger movements as well as marine and trucking freight rates and costs
- provided a copy of the *Preliminary Report* to identified stakeholders and others and incorporated feedback as appropriate in the final report.



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For purposes of this study, the consultant has determined the impacts to be as follows, with each impact accompanied with an explanation.

**A. Economic Opportunities and Risks**

Opportunity	Explanation
None identified.	Refer to additional commentary under Community Opportunities below
Risks	Explanation
<p>The risks can be categorized as:</p> <ul style="list-style-type: none"> <li>&lt; loss of direct business and related employment in servicing the coastal vessels in Lewisporte,</li> <li>&lt; potential loss of some current and future business and related employment in wholesaling/warehousing business activity,</li> <li>&lt; potential loss of some current and future business and related employment for local manufacturers in the area and elsewhere on the Island</li> </ul>	<ul style="list-style-type: none"> <li>&lt; It is generally understood that the reconfigured service will see a net loss of direct jobs as fewer vessels are used and less ports are serviced.</li> <li>&lt; Most of these job losses would be felt in Lewisporte (for workers who do not transfer or commute). There will be some additional jobs created in Cartwright and elsewhere in Labrador. The potential loss of jobs in Lewisporte is estimated at 20 (most seasonal).</li> <li>&lt; There are several businesses that supply goods and services to the vessels and trucking companies. The Town has placed a value on their potential lost business sales (see below).</li> <li>&lt; The impact on wholesale/warehouse operations is not as certain at this point. These businesses will be required to ship their products via truck to Cartwright for HV-GB, Labrador West and North Coast Labrador destinations. They will be subject to higher freight costs and open to wider competition from other operators on the Island's west coast and Great Northern Peninsula, on the Labrador South Coast, in HV-GB, and from Quebec. The Town has developed a preliminary estimate of lost sales and lost jobs in this category (see below).</li> </ul>

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	<p>(cont'd)</p> <ul style="list-style-type: none"> <li>&lt; One of the greatest impacts could be from reduced purchases of Island-made products, beverages and services as the cost of shipping these by truck could force North Coast, HV-GB and Labrador West retailers to source these items from Quebec and elsewhere. Some examples given were (soft drinks, beer, building supplies).</li> <li>&lt; Some Lewisporte-based companies are supplying Voisey's Bay today and wish to expand this opportunity through their Lewisporte operations.</li> <li>&lt; The Fiander-Good study estimated that there would be a net adverse economic impact on the Island from these types of impacts. Lewisporte and other smaller communities would be affected the most.</li> <li>&lt; The Town's data, though preliminary, gives some support to this earlier finding. They have estimated, based on a sample of area businesses, potential lost sales of over \$17 million (at a minimum) with a potential loss of 80 jobs.</li> <li>&lt; Though this data was collected by the Town, it has not been verified by the consultant. It assumes an automatic loss of all/most North Coast and other business from the terminal closure; this is not expected based on the consultant's discussions with business contacts (see below).</li> </ul>
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**B. Business Opportunities and Risks**

Opportunities	Explanation
With the elimination of Lewisporte's terminal, trucking operations in the area and across the province could increase.	<ul style="list-style-type: none"> <li>&lt; More freight will be moved by truck and additional trucks, trailers and drivers will be required.</li> </ul>

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Risks	Explanation
Local retail and vehicle fuel businesses may see a loss in sales of supplies they sell to the operators of the vessels, in the services they provide trucking companies, and in the purchases made by ferry passengers.	<p>&lt; As less freight, vehicular and passenger traffic enters and leaves via Lewisporte, retail sales will drop. There will be some employment impacts (see above).</p>
Local wholesalers could see a reduction in their sales to Labrador.	<p>&lt; It is uncertain as to what impact the reconfigured service will have on the competitiveness of Lewisporte and other Island-based wholesalers/distributors. At this time, their intention is to continue to supply Labrador assuming that freight costs are not prohibitive to their customers, the quality of goods shipped by road is not affected, and their customers do not seek alternate suppliers.</p> <p>&lt; Currently, many of these same companies supply the South Coast of Labrador today by truck.</p>
Local manufacturers could see a reduction in their sales to Labrador; this has a greater impact on businesses outside the Lewisporte area.	<p>&lt; It is uncertain as to what impact the reconfigured service will have on the competitiveness of Island manufacturers/ bottlers/others that ship through Lewisporte to Labrador. Their intention is to continue to supply Labrador assuming that freight costs are not prohibitive to their customers and their customers are not forced by increased costs or deteriorating quality by long-haul trucking to seek alternate suppliers. See some potential impacts with explanation noted above.</p> <p>&lt; The Labrador Straits and the South Coast of Labrador are supplied by truck today with many of these same businesses' products.</p> <p>&lt; Lewisporte Wholesalers have stated that comparisons between the impacts on the South and North Coasts are not appropriate.</p>

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**D. Community Opportunities and Risks**

Opportunities	Explanation
These are dependent in part on the Government's response to address the economic impact that closure of the terminal in Lewisporte could have on the local economy.	<ul style="list-style-type: none"> <li>&lt; The Town of Lewisporte and the Lewisporte Area Chamber of Commerce have identified opportunities to develop the port facilities and related marine infrastructure to encourage economic development and support the area's economic and social infrastructure.</li> </ul>
Risks	Explanation
Owing to the potential for a reduction in business related to the Labrador coastal service, the socio-economic prospects of Lewisporte and area are diminished.	<ul style="list-style-type: none"> <li>&lt; Any job losses, reduced business generally, and dampened growth prospects for Lewisporte and area in marine-related activities will undermine the Town's development.</li> <li>&lt; This impact has to be considered in conjunction with other reductions in government-funded services that have affected the area in the recent past.</li> </ul>

**D. Tourism Opportunities and Risks**

Opportunities	Explanation
None identified.	
Risks	Explanation
The elimination of the Labrador service will eliminate vehicular passengers travelling to and from Labrador as well as tourists using local services.	<ul style="list-style-type: none"> <li>&lt; Lewisporte and area can expect to see a reduction in persons requiring accommodation, food and related services.</li> <li>&lt; Based on 2001 data, roughly 6,500 passengers use Lewisporte as a terminus.</li> <li>&lt; Year-round operators will expect to see more of an impact than seasonal operators due mainly to the fact that summer tourist traffic is sufficient to minimize the negative effects from less tourists using the Lewisporte terminal.</li> </ul>

**E. Transportation Service Opportunities and Risks**

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Opportunities	Explanation
See above for Business Opportunities.	
Risks	Explanation
Closure of the Lewisporte terminal will result in a downgrading of the area for marine-related businesses and undermine the leverage afforded to the marine sector by the Labrador coastal service.	<p>&lt; The Labrador coastal service is a significant player in the marine sector for Lewisporte and area. Any reduction in activity will adversely affect other marine-related companies as economies of scale in supplying several customers are undermined when a major customer is lost.</p>

**F. Provincial Treasury Opportunities and Risks**

Opportunities	Explanation
See above under the impacts for the North Coast of Labrador.	
Risks	Explanation
There is a potential for lost income, HST and fuel taxes if provincial-based companies lose business to Quebec, Ontario and the Maritimes.	<p>&lt; The Fiander-Good report indicated that the Island would lose economically.</p> <p>&lt; Island-based company representatives feel that they could lose business; the issue for them is what could be the extent and when could this happen.</p> <p>&lt; On the otherhand, Labrador-based businesses should expand and reap additional benefits resulting in increased tax revenues for the provincial treasury. The point at which a 'net benefit' for the province overall would be reached is unknown.</p>
The Government will incur an additional cost to expand the terminal facilities at Cartwright.	<p>&lt; An amount of \$750,000 has been committed for this work.</p>

**Impacts on South Coast of Labrador, Labrador Straits, Happy Valley-Goose Bay and**

## Labrador West

As part of the consultation process for this study, the consultant collected information on the potential impacts that the reconfigured service would have on other areas of the province, particularly in Labrador. This information was required to allow the consultant to contribute to a full provincial impact assessment.

In order to identify and assess these impacts, the consultant undertook the following steps:

- completed a review of the Fiander-Good and SGE reports
- reviewed the report titled: 1999 Assessment of the Economic Impact of the Year Round Opening of the Trans-Labrador Highway, prepared by the Labrador North Chamber of Commerce and the Labrador and Aboriginal Affairs Secretariat
- reviewed the report titled: 2001 Assessment - The Economic Impact on the Opening of the Trans-Labrador Highway to the South Coast of Labrador, prepared by Paulo Ventures Inc. for the Department of Labrador and Aboriginal Affairs
- held discussions with officials in the Departments of Works, Services and Transportation, Tourism, Culture and Recreation, and Labrador and Aboriginal Affairs
- met with the Mayor of Happy Valley-Goose Bay and members of the Labrador North Chamber of Commerce (which was subsequently followed-up by a letter after further consultations among their members)
- held a conference call with representatives of the Labrador West Chamber of Commerce
- conducted a telephone interview with the Member of the House of Assembly for Cartwright-L'anse au Clair
- conducted telephone conversations and/or held meetings with several suppliers, wholesalers and transport companies located in the HV-GB area
- collected some preliminary data on freight and passenger movements as well as marine and trucking freight rates and costs
- provided a copy of the *Preliminary Report* to identified stakeholders and others who were given the opportunity to provide feedback to the consultant in preparing the final report.

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The findings for each area will be grouped as the analysis of the impacts provided similar results for the combined areas.

**A South Coast of Labrador and Labrador Straits (including St. Barbe area, St. Anthony and West Coast of the Island)**

Opportunities	Explanation
<p>These areas are expected to benefit:</p> <ul style="list-style-type: none"> <li>&lt; <i>economically</i> - from increased freight, vehicle, passenger and tourist traffic; and</li> <li>&lt; <i>socially</i> - from reduced isolation, greater inter-community relations and better access to public services.</li> <li>&lt; Opportunities are anticipated in improved/expanded business operations in retail, tourism, recreation, fisheries, forestry, trucking and marine services.</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The Fiander-Good report identified these and other benefits for these areas.</li> <li>&lt; Traffic and freight patterns, as the TLH has been expanded, give support to these findings.</li> <li>&lt; Additional benefits are anticipated when the TLH is finished to Cartwright and freight and passenger traffic previously routed through Lewisporte is handled at Cartwright.</li> <li>&lt; Based on 2001 data, additional passengers could amount to 5,800 primarily from HV-GB and Labrador West and an additional 40,000-50,000 tonnes of freight could be shipped to and through Cartwright.</li> <li>&lt; The cost to transport fish products on the south coast has been reduced due to trucking.</li> <li>&lt; Some of the business expansion, including any planned for the increased traffic, would be undermined if the Lewisporte terminal is maintained.</li> <li>&lt; As Phase II is completed, some of the economic benefits and opportunities are achieved at the expense of Island businesses.</li> </ul>
<p>There will be better selection and improved quality of goods and supplies as well as more efficient freight service.</p>	<ul style="list-style-type: none"> <li>&lt; Retailers are experiencing better product selection, quality and turn-around times on shipments as the TLH is expanded. Inventories are less.</li> <li>&lt; Though truck freight costs from Lewisporte are higher than marine shipping costs, they have not had much significant upward increase on retail prices overall. Competition has reduced much of the expected increase in freight costs.</li> <li>&lt; Impacts on retail prices vary; the general finding is that they have come down in communities with initial road access.</li> </ul>

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Opportunities	Explanation
Additional income, HST and fuel taxes will be generated for the provincial treasury.	< Expanded economic activity and increased highway traffic movements will add to the taxes collected by the Government.
Risks	Explanation
St. Anthony will no longer provide terminal services for residents, tourists and freight bound to coastal Labrador.	< This will adversely affect St. Anthony but the amount of freight and passengers involved is small relative to the remainder of the coastal service. This involves one vessel.

**B. Happy Valley-Goose Bay and Labrador West**

Opportunities	Explanation
Wholesaler/distributor/transportation operations could expand.	< In response to any freight cost increases that could be experienced by shipping through Cartwright, local wholesalers and retailers as well as North Coast businesses may source more of their goods and supplies in HV-GB or from businesses that would truck from Quebec/Maritimes through Labrador West to HV-GB. This would be at the expense of Island businesses.
Risks	Explanation
Local residents may not favour the additional highway driving, especially on gravel road, when travelling to the Island.  Household moving costs will be greater.	<p>&lt; Many Labrador West and Lake Melville area residents travel to the Island during the summer via the coastal service. They will incur additional highway driving and related costs for fuel and automobile maintenance as well as being inconvenienced under the reconfigured ferry service.</p> <p>&lt; The proposed ferry schedule would require overnight accommodation in southern Labrador before crossing to the Island.</p> <p>&lt; The cost of moving household items will increase.</p>



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Other	Explanation
The Labrador North Chamber of Commerce suggests that HV-GB become the terminal port instead of Cartwright.	< The Labrador North Chamber suggests that HV-GB is already a major player in shipping goods and supplies to the North Coast; that they have the facilities already; and, that another southern freight (transshipment) terminal is not required.

### Overall Assessment of the Impacts on the Province Generally

The change in the Labrador coastal service will have different impacts, both in the type and extent of the impacts, depending on the region of the province being assessed. These regional impacts are presented in the previous sections. Now, it is essential to determine the impacts, in terms of 'opportunities' and 'risks', for the province overall, as required by the *Terms of Reference* for the study.

- A. Economic Opportunities and Risks}
  - combined with
- B. Business Opportunities and Risks }

Opportunities	Explanation
The reconfigured service will help stimulate the Labrador Straits, South Coast of Labrador and St. Barbe areas of the province. Happy Valley- Goose Bay and Labrador West will benefit to the degree economic activity expands and business is lost to Island companies.	<ul style="list-style-type: none"> <li>&lt; Trade-offs in transportation modes with different areas being impacted economically, either positively or negatively, are expected as the TLH is expanded.</li> <li>&lt; The Fiander-Good report identified these impacts and determined that the overall benefits would outweigh the 'disbenefits'.</li> <li>&lt; The Fiander-Good report assumed all three highway phases would be completed in their analysis though their findings are still relevant to assessing the impacts of Phases I and II, as these were used as the basis for the Government developing these two phases first.</li> </ul>

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Risks	Explanation
The primary risks relate to the potential for wholesale, distributor and manufacturing business on the Island to be lost to other provinces, notably Quebec, impacting provincial economic activity and local jobs.	< Freight costs, if increased higher than retailers and customers on the North Coast of Labrador are prepared to absorb, the goods and supplies will be sourced from alternate firms outside the province and shipped through HV-GB. This scenario was raised by many Island-based business contacted for this study.
Fish processing companies on the North Coast may incur additional freight costs which may impact their overall operating costs.	< Torngat Fisheries is concerned about additional freight costs and method of handling their crab product at Cartwright; their profitability could be undermined.
Overall	Explanation
The opportunities outweigh the risks.	<p>&lt; Business opportunities will continue to expand in Labrador from Phases I and II of the TLH and from changes in the coastal service.</p> <p>&lt; Despite higher transport costs, at least initially, Island-based businesses intend to service their customers in all regions of Labrador under the reconfigured coastal service. The longer-term situation is not known though any negative impacts will be felt marginally.</p> <p>&lt; The short term issues are the uncertainty about the capacity and method of freight handling at Cartwright for north-bound freight and south-bound fish products and their impacts on costs of good transported.</p>

**C. Community Opportunities and Risks**

Opportunities	Explanation
The communities on the Labrador Straits and the South Coast of Labrador, especially Cartwright, and St. Barbe will benefit from the new service reconfiguration. North Coast communities will not see much change.	<p>&lt; The southern communities are positioned to benefit economically, socially and otherwise from the increased activity from having Cartwright as the southern terminal for the Labrador coastal service.</p> <p>&lt; These benefits are already being felt in the region as the TLH progresses from Red Bay.</p>

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Risks	Explanation
Lewisporte and area on the Island could stand to lose economically from the closure of the freight and passenger terminals and a reduction of tourist traffic in the summer months. The potential impact on wholesale and manufacturing activity in the area is less certain though some lost business is expected.	<p>&lt; Lewisporte and area will see direct job losses and could experience a certain reduction in business activity once the terminal closes. Over the medium and longer terms, business could fall away to wholesalers and distributors on the Island's west and north coasts, in Labrador and Quebec. The same could happen for some of the manufacturing activity on the Island.</p> <p>&lt; These impacts were identified in the Fiander-Good report and were acknowledged as one of the costs or 'disbenefits' to be incurred in building the TLH.</p>
Overall	Explanation
In the short-term, the opportunities outweigh the risks. The longer-term implications are not as certain but are expected to continue to outweigh the risks.	<p>&lt; Currently, business activity is expanding in Southern Labrador and HV-GB and will continue to grow as highway traffic increases; jobs will be created in Cartwright and the entire region.</p> <p>&lt; Lewisporte and area will see immediate direct job losses from the closure of the terminal; there is uncertainty as to the longer term impacts for the area; these will not be known until the marketplace adjusts to any changes in the supply chain for servicing the various areas of Labrador. Further out-migration from the area is possible.</p>

**D. Tourism Opportunities and Risks**

Opportunities	Explanation
<p>There is potential to increase tourism in Labrador, especially on the South Coast.</p> <p>North Coast-bound tourists should increase their expenditures with longer port times.</p>	<p>&lt; Current traffic data indicates that more and more tourists are visiting the South Coast of Labrador as the TLH is expanded.</p> <p>&lt; Many of the tourists bound for the North Coast should not be deterred from travelling to Cartwright as opposed to St. Anthony.</p> <p>&lt; Private operators are starting marine tour services to capture this market.</p>
Risks	Explanation

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The potential risk is on losing Labrador resident-based business.	<ul style="list-style-type: none"> <li>&lt; The additional cost and inconvenience to travel from HV-GB to the Island may cause Labrador residents to travel through Quebec and the Maritimes; this business would then be lost to the province's tourism market.</li> <li>&lt; In any event, there will be a reduction in tourism activity in the Lewisporte area.</li> </ul>
The facilities in Cartwright and adjacent communities may not be ready in the short-term.	<ul style="list-style-type: none"> <li>&lt; During the consultations for this study, the matter of the readiness of the facilities and support services to accommodate the influx of tourists, passengers and vehicles at Cartwright was raised.</li> <li>&lt; Any perception of, or actual, downgrade in passenger terminal and ancillary services (hotels, meals, car services) will undermine future growth in tourism for Labrador and the province generally.</li> </ul>
Overall	Explanation
The opportunities outweigh the risks.	<ul style="list-style-type: none"> <li>&lt; Except for the short-term issues in Cartwright and the direct impact on Lewisporte, the potential to increase tourism in Labrador is expanded with the TLH extended to Cartwright. Current data supports this trend.</li> <li>&lt; There will be adjustment problems for Labrador residents travelling to and from the Island.</li> </ul>

**E. Transportation Service Opportunities and Risks**

Opportunities	Explanation
<p>There is potential to see an expansion in the service sector in St. Barbe, the Labrador Straits, and between Red Bay and Cartwright, Rigolet and, perhaps, HV-GB.</p> <p>Trucking and marine services will also expand.</p>	<ul style="list-style-type: none"> <li>&lt; Increased vessel movements will assist in developing marine-related transportation services and jobs in these communities.</li> <li>&lt; Provincial trucking companies will increase their presence as more freight is moved on the highway system.</li> <li>&lt; Suppliers of fuel and vehicle maintenance services will see an expanded business base.</li> <li>&lt; Some of this increased activity will come at the expense of Lewisporte and area businesses.</li> </ul>
Risks	Explanation

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Increased freight movements on the highway system will result in higher maintenance on the province's highways.	< There will be an additional cost to the Government to maintain the TLH, secondary highways on the Island, and the TCH.
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**F. Provincial Treasury Opportunities and Risks**

Opportunities	Explanation
The overall increase in economic and business activity will result in increased taxes.	< The Fiander-Good report identified an overall economic benefit from building the TLH and reducing reliance on coastal marine service in Southern Labrador.
Expenditure savings will accrue from a smaller coastal service.	< Overall, taxes generated from the economic activity associated with the TLH will continue to increase.
	< The actual expenditure savings to be realized can only be determined once the results of the tendering process are known. Prior to the tender, savings were estimated in the range of \$5.0 million annually.
Risks	Explanation
Additional costs will be incurred for highway maintenance and port improvements at Cartwright.	< By expanding the facilities at Cartwright, additional capital expenditures are being incurred.
	< Highway maintenance costs in direct support of the freight and vehicular passenger traffic using Cartwright as a terminal point for North Coast and HV-GB destinations will increase.
Provincial taxes will be lost and some income support expenditures may be incurred in the Lewisporte area.	< If jobs are lost and some business activity on the Island declines, and is shifted to other provinces as suggested by the Fiander Good study, then less taxes than otherwise would be collected on the Island will result.
	< Some unemployed/underemployed individuals may require support through provincial income and other support services.
Overall	Explanation

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The reconfigured service will provide greater opportunities to the provincial treasury than risks.	< Based on the overall positive economic impact, the resulting increase in provincial tax collections, and potential cost-savings on the coastal service, the Government should benefit financially. The magnitude of the positive net revenue impact has not been determined. The results of the tendering process could also affect this result.
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### **Implications for the Overall Strategic Objectives related to the Redevelopment/ Reconfiguration of the Labrador Transportation System**

The planned changes in the Labrador Coastal Marine Service have been assessed in relation to the Government's strategic objectives in support of the Labrador transportation system. As noted previously, these objectives are understood to be:

- that Labrador should have an efficient and effective inter-modal marine, air and highway transportation system to support the region's economic and social development;
- that completion of the three phases of the Trans Labrador Highway (TLH) is a priority;
- that, with completion of the TLH, the North Coast will continue to be served by a subsidized marine service, along with air services, to allow the North Coast to be connected to the rest of the province; and
- that, with the construction of Phase II of the TLH, communities on the South Coast that are connected to the TLH will no longer be served by a subsidized marine service and the air services (airport) will be regionalized.

The consultant has determined that the planned changes to the Labrador coastal service are consistent with these objectives. The changes are intended to improve services to the North Coast using a combination of improved highway and subsidized marine modes of transport during the shipping season. Changes in the service are also based on a phasing-out of service to southern Labrador communities that have a road connection. Both these changes become a reality with the TLH constructed to Cartwright.

Among the various objectives that the Labrador coastal service must serve in 2003 and beyond, meeting the requirements of the North Coast communities is viewed as critical. These

communities will be the only ones solely reliant on the service.

Based on the consultations, there does not appear to be a substantive concern about access to the goods and supplies that North Coast residents will need. Some prices may increase in the short term - which prices and to what extent they could increase will depend on the capacity of retailers to absorb any increase in freight costs that might arise. There will be no appreciable impact on the movement of passengers and tourists during the shipping season.

In short, the concerns relate primarily to the potential adverse impacts on freight costs on inbound freight and outbound fish products, on the continuing commercial connections to Island suppliers, and on the quality of service to be available in Cartwright for inbound/outbound freight and passengers.

Though the changes are intended to serve the needs of the North Coast, and improve marine services overall, North Coast representatives hold a different view which suggests that the planned changes will not adequately serve their communities' needs.

### **Other Issues raised through the research and consultations**

During the course of the research and consultations for this study, the consultant was made aware of several issues which warrant that they be brought forward in the report.

1. Losing a historical commercial and transportation link between the Island and Labrador portions of the province.
  - Some comments were received that suggested that, to maintain a stronger relationship between the Island and Labrador portions of the province, the long-established connections such as the Lewisporte-Labrador ferry service should be retained. In the absence of this, Labrador residents, in particular, will be less likely to travel to the Island and the current positive business connections between the two regions of the province will be undermined.
2. Marine freight rate structure
  - The current coastal freight rate structure is based on a sliding-scale model

applied over long sailing distances which disadvantages small shipments/small shippers. The matter was raised as to the possibility of reviewing this rate system.

3. Readiness and awareness of the service changes

- Many businesses, especially on the Island, appear not to have plans and contingencies in place to take into account the changes in the coastal service. They are not fully aware of the implications of having to switch to trucking their products to Cartwright. They do not have knowledge of the Cartwright terminal facilities for handling their shipments, of the marine freight rates to be charged under the reconfigured service, or of the implications of the increased freight costs to their customers.
- Similar issues may be applicable to Labrador residents who normally travel to the Island during the summer through Lewisporte.

4. Tourism brochures for 2003 season

- According to the Department of Tourism, Culture and Recreation, the Government's tourism materials for 2003 show the planned changes in the Labrador coastal service. As such, tourists planning to use the ferry service should expect to enter and exit via Cartwright.

## **Conclusion**



The results of the impact assessment study pertaining to the changes to the Labrador Coastal Marine Service demonstrate that:

- a. on balance, the planned changes favour the opportunities over the risks in both the short and longer terms, and
- b. the impacts are disproportionate in their effects - Cartwright and the South Coast of Labrador, along with the provincial treasury, are the primary beneficiaries; the North Coast of Labrador and Lewisporte area, along with the Island business community, could incur the risks but these will be limited in their impact.

These are not new findings but the realization of the impacts becomes more acute with the coastal service changes going into effect next shipping season.

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