

**THE SENATE
OF CANADA**

**LE SÉNAT
DU CANADA**

INTERCITY BUS SERVICE IN CANADA

Report of the Standing Senate Committee
on
Transport and Communications

Chair

The Honourable Joan Fraser

Deputy Chair

The Honourable Leonard Gustafson

December 2002

MEMBERSHIP

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and

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The Honourable Senator Bacon was Chair of the Committee during the First Session of the Thirty-Seventh Parliament, and the Honourable Senator Oliver was Deputy Chair. In addition, the Honourable Senators Adams, Atkins, Baker, P.C., Biron, Callbeck, Carstairs, P.C. (or Robichaud, P.C.), Comeau, Eyton, Forrestall, Gustafson, Jaffer, LaPierre, Lawson, Lynch-Staunton (or Kinsella), Maheu, Phalen, Spivak, and Watt were members of the Committee or participated in its work during this study during that Session.

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Note: Michel Patrice and Richard Maurel served as Clerk of the Committee at different times during the First Session of the Thirty-Seventh Parliament.

Till Heyde

Clerk of the Committee

ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Wednesday, October 30, 2002:

The Honourable Senator Fraser moved, seconded by the Honourable Senator Lapointe:

That the Standing Senate Committee on Transport and Communications be authorized to examine and report on issues facing the intercity busing industry;

That the Committee submit its final report no later than Friday, December 20, 2002; and

That the papers and evidence received and taken on the subject and the work accomplished during the First Session of the Thirty-Seventh Parliament be referred to the Committee.

The question being put on the motion, it was adopted.

Paul Bélisle

Clerk of the Senate

NOTE: Except for the final paragraph, which was not included in the original, this Order of Reference is identical to the Committee's Order of Reference for this study during the First Session of the Thirty-Seventh Parliament, which was contained in its fifth report, presented to the Senate on Tuesday, September 25, 2001, and adopted on Wednesday, September 26, 2001.

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CHAIR'S FOREWORD

While this report is being tabled in the Senate during the Second Session of the Thirty-Seventh Parliament, the reader should know that most of the preparatory work leading to this final product took place during the First Session of the Thirty-Seventh Parliament.

This study was undertaken after a letter was received from the Minister of Transport in mid-2001. It was Senators who were on the Committee during the First Session of the Thirty-Seventh Parliament who held the great majority of the Committee's hearings on this matter and who delved into these issues in great detail. When the Committee was tasked by the Senate with completing this study during the new Session of Parliament, those of us who were appointed to the Committee were able to benefit from the accumulated wisdom of their predecessors.

While this report builds on, and would not have been possible without, these efforts, it is the product of the current Committee. Any issues relating to its contents should, therefore, be laid only at the foot of the current Committee.

On behalf of all my colleagues on the Committee, I therefore wish to recognize our great debt to those Senators who participated so diligently in this study, both during the current Session and most especially the previous Session. In particular, I wish to recognize the work of Senator Lise Bacon, who was Chair during the last Session, and Senator Donald Oliver, who was Deputy Chair. The names of other Senators who participated in this work, both during the current and the previous Session, are recorded on the first page contained in this report.

The Honourable Joan Fraser
Chair

LIST OF RECOMMENDATIONS

1. The Committee recommends that the economic regulatory regime for extra-provincial bus transportation be amended to require at most a reverse-onus test for entry into service, similar to the regime introduced for trucking in 1987, and that, after five years, a formal review be conducted to determine whether further deregulatory steps might be appropriate.

Such a reverse-onus scheme, suitably qualified with safety and liability requirements, should include a means to discourage frivolous challenges to applicants for licences.

2. The Committee recommends that a modest subsidy program be established, perhaps in the order of \$30 million per annum, during the transitional period. This subsidy, which would be examined as part of the five-year formal review, would be used to help establish local community bus services in rural areas using appropriate small vehicles where a need could be demonstrated and a community, a provincial government or a local business were willing to co-invest.
3. The Committee recommends a serious reappraisal of the problems of disabled people travelling by bus, to be carried out jointly by the federal and provincial governments with the objective of ensuring that the provisions of the policy statement in the *Canada Transportation Act* are carried out.
4. The Committee recommends that the federal and provincial governments review the National Safety Code in order to ensure that small buses and vans of the sort that could be used in public service are included, so that their maintenance requirements, driver training standards and other safety essentials can be well publicized and enforceable.
5. The Committee recommends that the federal and provincial governments consider collaboration to examine how Canada can more fully benefit from the environmental advantages of buses, particularly in light of the Kyoto Protocol on Climate Change. The Committee also recommends further study of broader issues relating to the relative benefits and costs of different types of transport.
6. The Committee recommends that the federal government re-evaluate the need for consensus among all the jurisdictions and players before initiating action on intercity bus policy.

1. INTRODUCTION

This report is about buses – not the buses that take Canadians to work every day, but those that carry people on longer trips between cities, perhaps to visit relatives, to take up a new job, to go back to school, to take a vacation or to get medical care. These buses move approximately 14 million passengers a year in Canada.

From the outset, it is essential to recognize that buses are a key means of transportation in this country. For many Canadians – especially the young, the old, the less well off, and those living in remote areas – buses provide one of the most readily available, if not the only, means of transport. In many cases, those who need to travel simply do not have access to a car.

Buses, as the Committee was told, serve thousands of centres of all sizes in this country, compared with only a few hundred large towns served by trains or a few dozen major cities served by airplane. The network of bus routes is like a web binding the smallest towns in Canada to the largest urban centres. They ensure that all Canadians – both rural residents wishing access to urban areas and urban residents seeking access to the country – enjoy mobility throughout the country and can benefit from the full range of opportunities and possibilities the country has to offer. Buses are relatively inexpensive, and are fast, convenient, and environmentally friendly.

Over the years these buses – generally referred to as intercity buses – have seen their share of total ridership decline. This has been linked to a variety of factors, including rising incomes and car ownership; urbanization; the expansion of urban transit systems to surrounding areas; and a system of government regulation dating from the 1930s. This Committee was invited to consider these factors and to identify ways of ensuring that this vital means of public transport is preserved and thrives in the future.

The Committee examined issues such as the effects of government involvement on bus services, whether governmental regulation is a help or hindrance in the busing

field, and whether continued government regulation is necessary to maintain some of the more lightly travelled routes.

Although not all Committee members agreed on this point, the majority concluded that governments should gradually pull out of regulating fares and should eventually allow competition to govern service standards and prices. At the same time, the entire Committee is deeply concerned that doing this might leave some routes without service. These routes tend to be in the very areas of the country that are most in need of bus services.

The Committee therefore makes recommendations aimed at encouraging entrepreneurs to step in with more suitable equipment like small vans to show what they can do. This report also recommends subsidies be made available in rural areas to ease these adjustments during a transitional phase.

The Committee also has some comments on the problems faced by disabled travellers and makes a recommendation on that subject. Issues relating to the ownership of bus companies, safety, and national policies on transportation are also addressed in this report.

The Committee faced challenges in developing suggestions as to how Canadians can fully benefit from the environmental benefits of buses. Although buses are very efficient at carrying people, most Canadians still make intercity journeys by car. The convenience, comfort, and privacy of cars make it very difficult to persuade users to leave their private vehicles at home. The Committee did not hear enough about options such as road pricing to allow it to make any specific recommendations, although this area is identified as one requiring more work.

This report provides some background information on bus matters and provides some references so that those who wish to study the matter in more detail can do so. The Committee's report is therefore both an introduction for those who are interested in the

possibilities of this means of transport – users, environmentalists and those concerned with rural issues – and also a guide to assist those with responsibilities in the field – the federal government, the provinces and territories, and the operators – as to how to best realize the full potential of buses.

2. BACKGROUND

In May 2001, the Minister of Transport, the Honourable David Collenette, approached the then Chair of the Standing Senate Committee on Transport and Communications, the Honourable Lise Bacon, with a request that the Committee examine the public policy issues relating to changing conditions in the bus industry that, if varied, might bring about a healthy, efficient and competitive situation in that industry.¹ The Minister also provided the Committee with a Transport Canada orientation document dated March 2001.²

In June 2001, the Minister met with the Committee to expand on his request. He indicated that the study he was suggesting would cover intercity and charter bus operators, notably those that move paying passengers over medium to long distances. He said that, until 1987, long distance buses carried more passengers in Canada than airlines – indeed in 1970 that figure had amounted to 46 million trips, more than airlines and railways combined. By 2001 the figure had shrunk to about 14 million. He added that private automobile traffic now amounts to about 90% of all intercity travel.

“For years, the provinces all regulated the bus industry in the same way and they all controlled entry and regulated fares...That has changed in the last 15 years. Some provinces still have strict economic controls. Others have relaxed them. Others have eliminated them.”

The Hon. David Collenette, P.C., M.P.,
Minister of Transport, June 6, 2002

The Minister noted that buses provide a useful, environmentally friendly, flexible and widely available service, but that they have steadily lost ground in the competition for intercity passengers. He suggested two broad questions for the Committee to

¹ This letter, dated May 16, 2001, is appended to this report as Appendix A.

² Transport Canada, *The Canadian Intercity Bus Industry: Orientation Document*, March 2001.

consider. First, what are the prospects for reversing the long term decline in ridership and second, what should be the role of the bus industry in Canada's overall strategy for dealing with environmental issues relating to transportation.

The Minister then went on to give some further information, in particular relating to the economic regulatory framework, which will be covered in the background section of this report. He also

“...the regulatory fragmentation facing the bus industry is a clear cause for concern.”

Report of the Canadian Transportation Act Review Panel, quoted by Guylaine Roy, Transport Canada, February 11, 2002

pointed out that, in previous attempts to address this issue, the federal government had always made it clear that it had no intention of changing the rules relating to economic regulation of buses until there was consensus among the provinces and the industry as to what the changes should be. He then posed several more specific questions that he would like to have addressed in the Committee's study. They are as follows:

- Are the differences between the provincial regimes that have developed over the last decade detrimental to the industry and the travelling public?
- If they are, what is the appropriate remedy?
- What are the policy implications of the growth in industry concentration over the last decade?
- Is economic regulation of the industry still an appropriate regulatory tool?
- Is the traditional scheduled bus industry the appropriate tool for providing public mode rural and small community service? What alternatives to traditional bus services are available?

The Minister summed up by asking the Committee to provide a prescription for the problems that face the Canadian bus industry, mainly the slow decline of what he considers to be a useful mode of transport.

This report does not provide a great mass of detailed background in this section, since much information is readily available elsewhere. For example, Transport Canada's annual reports contain a great deal of information about the various modes of transport.³ These reports include information on the structure of the industry, revenue and passenger history by sector of the industry, lists of the main carriers, and financial performance.

Transport Canada's March 2001 orientation document is also publicly available, and contains detailed data on such things as the industry's structure, its financial situation, passenger movements in other modes, environmental data referring to buses, and regulatory regimes.

"...in certain provinces where there has been strong economic control, there has nevertheless been abandonment of service in rural areas and in low-density markets."

Émile Di Sanza, Transport Canada,
February 11, 2002

In addition, a number of significant studies or other publications are available which help in developing an understanding of the situation of the bus industry. They cover recent history in Canada, as well as reporting on the economic deregulation of long distance buses in the United Kingdom and the United States. A list of many of these studies and reports is attached as Appendix C to this report.

The remainder of this section deals with a number of key issues relating to intercity bus service.

³ See, for example, Transport Canada, *Transportation in Canada 2001: Annual Report*.

2.1 Economic Regulation of Buses

It must be noted that economic regulation and safety regulation are two different things.⁴ No one in any way involved in this study is proposing less safety regulation. Nevertheless, the Committee has some observations to make on safety later in this report.

What is being discussed is economic regulation of transportation. This essentially has to do with the government setting rules on how business can be conducted. In policy discussions of transportation, the term “economic regulation” is often shortened to “regulation,” but let us be clear: it is not safety that is at issue.

“An important point is that to achieve goals of cross-subsidy a fairly elaborate regulatory system is necessary.”

Bill Waters, University of British Columbia, March 25, 2002

Economic regulation is not necessarily an all or nothing affair. At one extreme is tight regulation with cross-subsidization; at the other extreme is deregulated entry, where a carrier can offer any bus service it desires, provided it meets safety and insurance standards.

In deregulating extra-provincial trucking with the *Motor Vehicle Transport Act, 1987* the federal government changed the rules to allow provinces to regulate extra-provincial trucking only on the basis of a “reverse-onus” test. With such a test, any carrier wanting a licence could apply to the provincial board. Third parties could object, but the onus was on them to prove that the new applicant was offering something contrary to the public interest. If they failed to make that proof, the board was obliged to grant the licence.

⁴ For a discussion of ideas relating to economic regulation and economic deregulation in the transportation field, refer to the box on the following page.

The Economic Regulation and Economic Deregulation of Transportation

Intercity buses, unlike other types of transportation today, are economically regulated by government. The evaluation of whether this is the best approach is central to this study. To aid the reader new to the area, the following gives a quick summary of the concepts, and common terms:

- **Economic regulation** is not safety regulation: economic regulation involves the government deciding who may be allowed to conduct business (market entry regulation) and how the business may be conducted.
- There can be regulations on what service may be offered (e.g., route, timetable, equipment), and what price may be charged for that service (price and service regulation).
- Regulators tend to allow prices that include a reasonable rate of return on investment – in a sense the protected carrier is guaranteed a profit.
- A regulator will often give an operator a licence to serve a profitable route on the condition that money-losing routes also be served. When an operator uses profit from one route to subsidize the operations of another route that loses money, this is referred to as “cross-subsidization.”

In an economically regulated regime, a would-be new entrant often must prove to a regulatory body that it is in the “public interest” that it be allowed to conduct business. This process typically is long and costly, and the applicant is often unsuccessful. Those already in the market can argue against the new entrant, and it is generally in their interest to fight strenuously against increased competition. In the highway traffic legislation in many provinces the public interest test is referred to as proving “public convenience and necessity.”

- **Economic deregulation** is a policy whereby the government allows entry into the industry to any provider, subject to meeting licence and safety requirements.
- Rather than a test of public interest before a quasi-judicial board, there is a “fitness test” handled by civil servants. Typically, a would-be new entrant must demonstrate possession of an operating licence, adequate insurance and financial stability.
- In some statutes, fitness is described as being “fit, willing and able.”
- Governments may choose not to control all the elements governing the conduct of the business. For example, prices may be regulated, but not frequency of service, or entry may be controlled, but not prices.
- Regulation can therefore be regarded as a spectrum and some regimes are described as “partial” or “streamlined” regulation.
- A mid-point on the regulatory spectrum for market entry is the policy of allowing a new entrant free entry into the market unless an existing operator chooses to oppose the application and proves, before a quasi-judicial tribunal, that the proposed new service is not in the public interest. This is the public interest test, but the onus of proof is reversed, and placed on the respondent, rather than the applicant. It is often referred to as the “reverse-onus test.”
- Proponents of economic regulation argue that regulation provides stable and equitable service; while opponents argue that it does not work and merely serves to protect existing carriers.

This is a very different situation from having the onus rest with the new service applicant, as is the case today for buses in regulated regimes. For trucks, the 1987 measure was introduced as a temporary step towards full economic deregulation, which was intended to follow within five years.

“...it is our belief that dogma has overtaken thoughtful evaluation in advancing economic bus regulation. It is our position that the issue has not been researched in any meaningful way with the notable exception of the KPMG report that was commissioned by the bus industry.”

Roger Pike, Greyhound Canada, March 26, 2002

In the 1950s, the courts determined that the economic regulation of bus companies that operate across provincial and international borders (sometimes called extra-provincial busing) is a federal matter, even if the company concerned has only part of its operations outside its home province.⁵ All of the company’s operations would be subject to federal economic regulation.

However the federal government of the day, unprepared to take on this responsibility, decided to hand the power back to the provinces, which had the personnel and institutions to deal with it. It did so by passing the first *Motor Vehicle Transport Act* in 1954. Subsequent modifications to this law, the most recent being in

“One of the biggest disadvantages of trying to regulate the transportation industry further is that governments today do not have the professional capacity and capability to do this effectively....So, even if theoretically one could argue for continued regulation in some sectors, practically speaking we have passed the point where regulation can be effective...”

Richard Soberman, University of Toronto, March 28, 2002

⁵ See the February 22, 1954 decision of the Judicial Committee of the Privy Council in *A.-G. Ont. v. Winner* [1954] A.C., on an appeal from the Supreme Court of Canada (see *Winner v. S.M.T. (Eastern)* [1951] S.C.R., decision rendered on October 22, 1951). This case is discussed in the Royal Commission on National Passenger Transportation’s final report (see *Directions: The Final Report of the Royal Commission on National Passenger Transportation*, 1992, Volume 4, Chapter 16, pp. 1211-1298, “An Analysis of the Canadian Scheduled Intercity Bus Industry,” Appendix A).

2001, have continued this delegation. The provinces are therefore free to control or not to control intercity bus fares and service entry conditions as they see fit.

This situation could be changed by a simple legislative amendment, as was done in 1987, when Canada began the economic deregulation of extra-provincial trucking.

Some provinces continued the economic regulation of some aspects of intercity bus traffic, and so in these provinces buses remain the only form of long distance transport, including both freight and passenger, in which government has a hand in setting prices.

Regulation can involve setting conditions for starting a business so that applicants must prove to a board that there is a real need for their services. Other operators already serving the routes may well contest an application. Granting a licence to an applicant can involve limits being put on fares, frequency of service, and conditions on which routes may be abandoned. Cross-subsidization of unprofitable routes by profitable routes can also be a condition of granting a licence, and the fares charged may reflect a total revenue expectation geared to an agreed rate of financial return for the business concerned.

In other provinces, buses may not be subjected at all to economic regulation, the only conditions necessary for entering service being that applicants have a safe bus and adequate insurance coverage. Under these circumstances, companies are free to set their own fares, routes and timetables. This situation is sometimes described as an applicant being “fit, willing and able.”

“...what we are really doing now in the way we regulate buses is cross-subsidizing. We are making an effort to cross-subsidize from poor people to poor people.”

Barry Prentice, University of Manitoba, March 26, 2002

Prince Edward Island, Northwest Territories and Nunavut have all deregulated fares, routes and entry to the market. British Columbia, Saskatchewan, Manitoba, Quebec and Nova Scotia exercise significant economic regulation. Relatively few economic controls remain in Ontario, Alberta, New Brunswick, Newfoundland and Labrador, and Yukon. The result is a fragmented regime across the country.

“According to a 1999 KPMG report on the impact of deregulation of scheduled intercity bus service, 10 per cent of bus riders in Canada are seniors....The 10 per cent of seniors who are bus-riders represent about 23 per cent, or one in four, of all Canadian seniors....Buses provide many of them with the only possible means of intercity transportation because of the relative accessible cost for bus travel.”

Bill Gleberzon, Canadian Association of Retired Persons, March 28, 2002

2.2 The National Transportation Policy Framework

The principal law governing transportation in Canada is the *Canada Transportation Act* of 1996. It applies primarily to the economic aspects of the conduct of railway companies and airlines and defines in detail the duties of the Canadian Transportation Agency, which is the federal economic regulatory body. The Agency is not directly involved in setting rates for freight or airline passengers, since those aspects of transportation in Canada are now deregulated.

“For a long time now, rural dwellers in the province have asserted their need to receive public and private services of a quality equivalent to that provided in our towns. Nobody disputes the fact that in order to live and grow, a community needs a minimum level of services and facilities, which is called the sociability threshold.”

Jean-Pierre Fournier, Solidarité rurale du Québec, February 20, 2002

One aspect of the *Canada Transportation Act* that is of particular interest in this study is the national policy statement in section 5 of the *Act*, which is intended to apply to all modes of transportation under federal jurisdiction. It is reproduced in Appendix B to this report. The policy states, in its first paragraph, “that a safe, economic, efficient and adequate network of viable and effective transportation services...is essential to serve the needs of shippers and travellers” and, later, that “these objectives are likely to be achieved when all carriers are able to compete both within and among the various modes....”

“...[the Canada Transportation Act Review Panel thought] that reliance on competition and market forces are more likely than government control to result in efficient and effective services reflecting shipper and traveller preferences. The latter is the explicit goal of the Canadian transportation policy.”

Bill Waters, University of British Columbia, March 25, 2002

2.3 The Industry

The bus industry is usually defined as consisting of three main groups: intercity bus services, school bus services and urban transit services. This study has focused almost exclusively on the first of these. This group too has its sub-groups, which include charter and sightseeing buses, but the intercity service, carrying fare-paying passengers, is the main focus of this study. In his June 2001 appearance before the

“There is an overlap or conflict, as I see it, between the commercial intercity bus service and some of the longer distance commuter services being run by urban transit agencies....Intercity buses, whether they are regulated or not, are basically commercial undertakings. They have to get cost recovery and pay their way. For various legitimate reasons, urban transit agencies are subsidized operations. So where these markets overlap we have a conflict. There are agencies whose mandate is to lose money competing with services [that], in order to survive, must make money.”

Bill Waters, University of British Columbia, March 25, 2002

Committee, the Minister pointed out that the intercity network serves small communities and many of the remote regions of the country, and he characterized the network as fragile.

Scheduled intercity bus services are offered in all provinces and territories, with the exception of Nunavut. The service is essentially regional in nature.⁶ There is one national network operated by the Laidlaw companies, which include Greyhound, Grey Goose, Voyageur Colonial, and several other firms. These companies operate a network offering services from Montreal and

“The big problem in Canada today is that there is no competition. Why is there no marketing or innovative service? A bankrupt company is running our intercity scheduled services in Canada. They do not have the money, the marketing ability nor do they want to promote the service. That is why ridership is declining. They have no competition. It is a straight monopoly.”

Michael Colborne, Pacific Western Transportation, February 12, 2002

Southern Ontario to the Pacific Coast, as well as significant local and regional services in Ontario, Manitoba, Alberta and British Columbia. They also offer services to the United States. In the written submission it made to the Committee as part of its March 26, 2002 appearance in Calgary, Greyhound Canada Transportation Corporation indicated that Greyhound Canada then had a 40% share of scheduled bus ridership in Canada, and that the Laidlaw group’s share as a whole amounted to under 45%.

Other companies whose operations tend to be provincial or regional in scope include Orléans Express in Quebec, Coach Canada in Ontario and Pacific Western, which is based in Alberta.

Laidlaw’s dominance has come about in relatively recent times and has been part of a restructuring and consolidation process that has been going on for the last decade.⁷

⁶ See table in Appendix D entitled “Representative Canadian Scheduled Carriers/Markets Served, 2000.”

⁷ See table in Appendix D entitled “Major Industry Restructuring After 1988.”

Laidlaw acquired Canadian Greyhound in 1997, and bought American Greyhound in 1998. In 2000 it purchased the remainder of Penetang-Midland Coach Lines, completing a process it had begun in 1998. The result of these transactions is that the concentration of ownership in the industry is at its highest level ever.

Laidlaw reported significant losses in 1999 and 2000. In June 2001 it filed voluntary petitions to reorganize under the United States Bankruptcy Code and Canada's *Companies' Creditors Arrangement Act*. Recent information concerning Laidlaw's financial situation, including Canadian and US revenues, total liabilities and assets, can be found in its Fiscal 2002 Third Quarter Report of May 31, 2002.⁸

Transport Canada's orientation document shows that revenues from scheduled intercity bus services were \$236 million in 1999. Charter revenues for the same year were \$305 million. Scheduled service revenues have been in the range of \$235-270 million over the last 10 years, while charter revenues have been increasing.

A measure often used as a guide to the performance of transportation companies is operating ratio. It is defined as the ratio of a company's operating expenses to its revenue, expressed as a percentage, so the lower the operating revenue, the better for the

"In Greyhound's 73 years, we have always turned a profit...Do we make a massive return? No, we do not, but we do cover our costs and we do have enough to re-equip our fleet. We are a wholly owned subsidiary, so we do not release detailed financial information."

Roger Pike, Greyhound Canada, March 26, 2002

company. Transport Canada's annual report for 2000 gives a figure of 85.1 as the operating ratio for the intercity bus industry, a figure that it says represents viable financial returns, and an improvement from the 91.6 figure in 1994.⁹

⁸ This report can be accessed at www.laidlaw.com.

⁹ Transport Canada, *Transportation in Canada, 2000: Annual Report*, p. 181.

2.4 Previous Attempts to Agree on Policy

Over the past 12 years there have been several attempts to agree on new policy directions for intercity buses. Revisions to the *Motor Vehicle Transport Act* in 1987 did nothing to deregulate buses, but did start the economic deregulation of long distance trucking and prompted some provinces to voluntarily deregulate buses.

Federal-provincial-industry groups met at various times in the mid-nineties, and, while some agreement was reached that the charter operations of buses could be deregulated, there was no agreement on scheduled service deregulation.¹⁰ As recently as March 1999, revisions to the *Motor Vehicle Transport Act, 1987* were proposed in Bill C-77 (First Session, Thirty-Sixth Parliament), which would have removed the delegated power of provinces to regulate interprovincial and international routes. This Bill did not, however, proceed after objections from several provinces. Much of the detail of these discussions can be found in the publications listed in the bibliography in Appendix C.

This Committee was asked to undertake this study in part because it had spent considerable time during 2001 studying safety-related amendments to the *Motor*

“We can look at the trucking industry, which was deregulated, and as far as I can see, the rural areas still have service....We move more freight at a lower cost than we did before.”

Barry Prentice, University of Manitoba, March 26, 2002

Vehicle Transport Act, 1987 and because it was considered possible that a different institution, with no previous involvement in the debate on economic deregulation of buses, might find new perspectives and bring the parties involved closer to agreement on the matter.

¹⁰ Canadian Intercity Bus Task Force, *Report to the Council of Ministers Responsible for Transportation and Highway Safety*, October 1996.

2.5 Safety

In Canada, construction standards for motor vehicles, including safety standards, are a federal responsibility, but once a vehicle is on the road, its safety is primarily a matter governed by the highway traffic acts of the various provinces.

In an attempt to co-ordinate safety across the country, and out of concerns about safety at the start of the process to deregulate trucking, the federal and provincial transport departments drew up a National Safety Code for commercial vehicles in 1987.

The Code is a collection of regulations and standards prepared jointly under the auspices of the Canadian Council of Motor Transport Administrators.¹¹ The idea of a national code is to bring more uniformity to safety regulation. The Code consists of 15 standards covering items such as driver permits and the testing of drivers, medical standards, the loading of vehicles, vehicle maintenance, on-road inspections, and facility audits. Standard 14 covers the measuring of compliance by carriers with the overall code.

Recent amendments to the *Motor Vehicle Transport Act, 1987* will give legal status to the National Safety Code.¹² When in force, they will allow the provincial regulations to be incorporated by reference into the Code and will also allow the Minister of Transport to enter into safety agreements with the provinces. Such agreements would authorize officials to give safety ratings to extra-provincial motor carriers. Noncompliant carriers can ultimately lose their safety rating and be shut down. The Code also applies to extra-provincial bus companies.

¹¹ The Canadian Council of Motor Transport Administrators is a federal-provincial association of officials responsible for highways and motor transport.

¹² Bill S-3, *An Act to amend the Motor Vehicle Transport Act, 1987 and to make consequential amendments to other Acts*, received Royal Assent on June 14, 2001 (Statutes of Canada 2001, chapter 13), but has not yet been proclaimed. In addition to its provisions relating to the Code, it may be noted that section 1 provides for the renaming of the *Motor Vehicle Transport Act, 1987* as simply the *Motor Vehicle Transport Act*.

In September 2001, the Minister announced funding of \$17.8 million to further assist provinces and territories with the implementation of the Code. This will go towards assisting in further harmonization between them, and help fund on-road enforcement, which is a provincial responsibility.

3. THE COMMITTEE'S HEARINGS

The Committee sought to receive input from the three major groups with an interest in the intercity busing field – users, carriers and government regulators. Hearings took place both in Ottawa and in major centres across the country. In addition, the Committee received input from three leading academic experts in the field.

To facilitate its work, the Committee put together a background paper containing a range of questions and issues, which it posted on the Internet. This paper was to help witnesses prepare their statements to the Committee. The questions suggested in the paper were not intended to be exhaustive; indeed the Committee expected many more questions would be raised before the study was complete, as was indeed the case.

A special effort was made to hear from the users of intercity bus services. These users are generally acknowledged to be the less financially well off, and include students, other youth and seniors. Therefore, seniors' groups, student groups, poverty groups and municipal representatives from all regions of the country were asked to appear. Federal bodies focused on rural issues and ageing were also invited. Seniors were especially willing to appear; while student organizations appeared to have other pressing issues more directly related to their education that were their major focus.

The general view of the users and their representatives was that bus services are important to them, and that these services are not as good as they should be. They expressed concerns that services could deteriorate, either because of continuing demographic and economic trends, or because of changes to the regulatory regime. Many witnesses from these groups supported the view that economic regulation is necessary to cross-subsidize low-density routes. Many were greatly influenced by a 1998 KPMG study, commissioned by the bus industry.¹³ Some who had benefited from conditions that

¹³ This study is entitled *Impact of the Deregulation of Scheduled Inter-City Bus Service* and was commissioned by the Canadian Bus Association.

had allowed innovative service, such as the van service in the Maritimes, were more optimistic about possible future developments.

Carriers were split in their views on economic regulation. Some carriers with existing operating authorities that limit new entrants expressed the view that the status quo, although not ideal, is fairly good and that change would be a leap into the unknown. Some existing carriers who wish to expand their operations, and who have been frustrated in their attempts, argued vigorously for greater market freedom. Carrier associations, and the association of lawyers practising in the transport field, declined to take a position on regulation versus deregulation because their memberships were so evenly split on the issue.

Representatives of three provincial governments appeared as witnesses before the Committee, while eight others made written submissions. Some argued for the deregulated approach, or already have it. Some urged caution if changes were to be implemented. Few or none argued for the status quo. This may reflect the fact that these same governments have, for ten years, been attempting to bring about change to achieve harmony among their regimes.

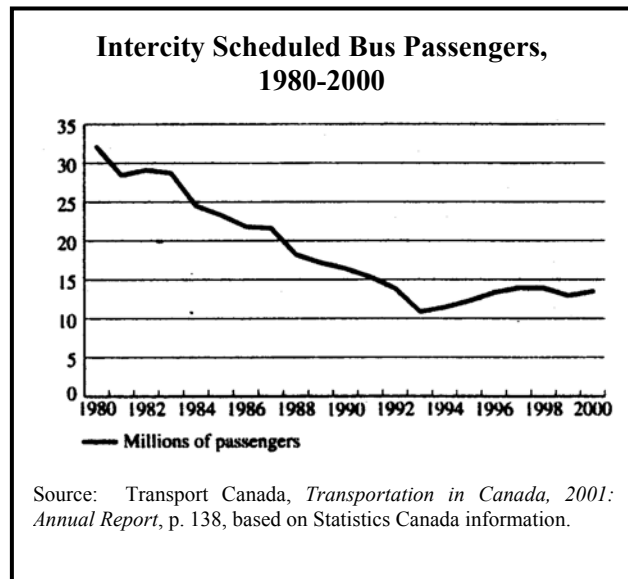
The academic observers argued vigorously for a shift to a deregulated regime. To them the economic advantages of deregulation are clear, and the purported benefits of a regulated system are illusory, with the real effects being poor service and a lethargic industry.

4. ISSUES

Many issues arose in the course of this study. What follows is a list of the most significant of them, with some discussion. The Committee's conclusions are included here. The Committee's recommendations are to be found in section six of the report.

4.1 The Statistics

Transport Canada's annual reports for the last five years and the orientation document mentioned in section two of this report show intercity ridership falling from about 32 million in 1980 to about 14 million today, though there has been a levelling off in the last four years. These figures appear to be consistent with figures for bus-kilometres,¹⁴ equipment utilization and other measures.



The 1992 report of the Royal Commission on National Passenger Transportation concluded that there had been decreases in bus traffic over the preceding years, and a federal-provincial group of transportation officials drew a similar conclusion in a 1996 report.¹⁵ Many witnesses spoke about their concerns relating to route withdrawals, and

¹⁴ Bus-kilometre is a measure of vehicle use and is of interest to bus operators for operational reasons. This contrasts with passenger-kilometres, which is a measure of ridership.

¹⁵ See the Royal Commission on National Passenger Transportation, *Directions: The Final Report of the Royal Commission on National Passenger Transportation*, 1992, Volume 4, Chapter 16, pp.1211-1298, "An Analysis of the Canadian Scheduled Intercity Bus Industry;" and the Canadian Intercity Bus Task Force, *Report to the Council of Ministers Responsible for Transportation and Highway Safety*, October 1996.

even the bus industry has used the word “decline” to describe conditions in the early 1990s.¹⁶

From the start of the study, the bus industry was uneasy with the statistics quoted. The industry claims that there has been no real decline in ridership on intercity buses, and that the confusion arises from the way bus passengers were counted in the 1970s, when even a ride of three miles could be counted as intercity. Bus operators argue that municipal amalgamations and the growth of urban transit have made comparisons meaningless.

While there may be some problems with the data as presented over the years – Statistics Canada admits this and is improving its collection methods – the Committee is prepared to accept that there has been a decline and is prepared to accept the data given to it by the Minister of Transport as a good approximation of reality.

The decline is not unexpected. There have been quite marked changes in population distribution over the years as urbanization has continued, automobile ownership has increased

“Our population has grown from approximately 15 million at mid-century to just over 30 million today....

... “[T]he country was predominantly rural until about the 1920s or 1930s....Beginning in 1951, we see a rapid urbanization of the country, with the urban part growing....Today, about 80 per cent of our population is classified as urban.

... “[...]there has been a] fairly dramatic increase in the ownership of vehicles, particularly during the 1950s and 1960s, going from about 40 per cent of households...to a little over 80 per cent today.

... “[E]ven among senior households, the ownership of vehicles has increased from about 11.5 per cent in 1980 to approximately 17 per cent.”

Douglas Norris, Statistics Canada, February 11, 2002

¹⁶ See W.D. Haire, *Background Report on the Substantial Relaxation of the Bus Economic Regulatory Framework*, December 1994.

substantially, and standards of living have increased. As far as this study is concerned, one of the elements at issue is whether other factors, such as continued economic regulation of much of the industry, may also have had an impact on the decline.

“...we have come to the conclusion that the major cause for the disappearance of many of the services, and behind the reduction in the number of passengers, is the automobile.”

Harry Gow, Transport 2000, February 12, 2002

To complete the picture for intercity passenger transport as a whole, Transport Canada’s annual report for 2000 indicates that there were approximately four million rail trips in 1999 (excluding commuter travel) and almost 27 million domestic air trips. While figures are given for automobile traffic as a whole, including those who commute, none is given specifically for intercity trips. However, previous work has shown that some 85% of intercity trips for journeys of less than 500 kilometres are made by private car, a figure that swamps the public modes. As a result of this imbalance, even small changes in automobile travel can result in large percentage changes in ridership for public transport.

CONCLUSION

After a decline in passengers over several decades, intercity bus ridership seems to have reached a plateau of about 14 million riders per annum over the last four years.¹⁷ The decline has been due to a number of factors, including increasing car use, population drift toward cities, discount airfares on some routes, changing economic conditions and, possibly, a regulatory framework that does not foster innovation.

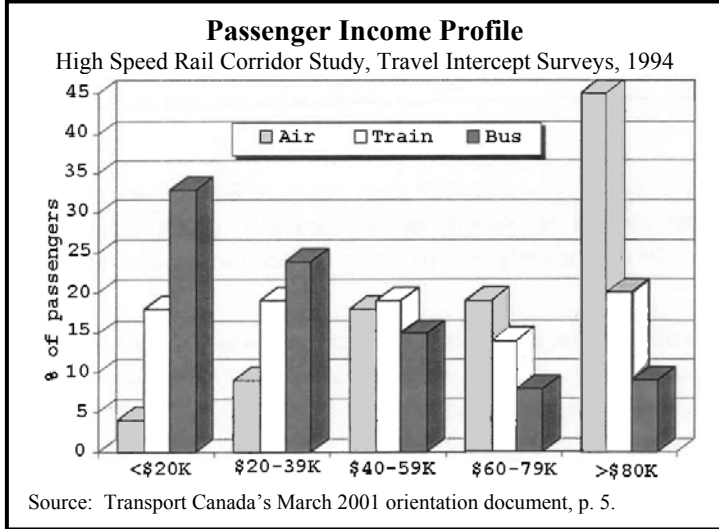
¹⁷ According to Transport Canada’s 1996 Annual Report, the equivalent figure had been 72 million in 1950. See *Transportation in Canada, 1996: Annual Report*, pp. 97-99.

4.2 Bus Ridership and Ridership Prospects

Seniors and students are the groups most witnesses identified to the Committee as the bus industry's main clientele.¹⁸ It is well accepted that scheduled bus riders have been among the least affluent of passengers by public mode. The Committee had access to 1994 data showing that over half the bus passengers in the Quebec City-Windsor corridor had an annual family income of less than \$40,000 and 32% less than \$20,000. A more recent survey quoted by the Canadian Bus Association classifies more than 60% of passengers as "less advantaged" and 42% of riders at or near the poverty line.¹⁹

"As you may know, Halifax is the fastest growing city in Canada. One reason for that is that all of our seniors are leaving the rural areas and moving into Halifax, and they are doing that because of the lack of transportation. They cannot keep their appointments without staying overnight."

Joan Lay, Canadian Pensioners Concerned, Nova Scotia, February 21, 2002



Nevertheless, some relatively affluent Canadians do choose the bus when it is fast and convenient. Committee members were surprised, when they took the bus from Ottawa to Montreal at the start of the hearings, to see how many passengers were air travellers who got off at Dorval airport. The Edmonton-Calgary services are also well patronized by business travellers.

¹⁸ See, for example, Committee Evidence, February 11, 2002 (Douglas Norris).

¹⁹ Refer to KPMG's December 1998 study entitled *Impact of the Deregulation of Scheduled Inter-City Bus Service*, at p. 29 and p. 31.

The Committee considered fares. Have fares been kept high by regulation, and would more people ride buses if the fares were lower? Witnesses in the hearings did not complain that fares were too high, though some, for example in Nova Scotia, said they were higher than

“...the area in which daily life takes place expanded in the late 20th century, primarily because public services are now organized in larger towns, and at the present time, 7 rural dwellers out of 10 do not work where they live.”

Jean-Pierre Fournier, Solidarité rurale du Québec, February 20, 2002

for vans.²⁰ Yet cross-subsidization, where this exists, undoubtedly raises fares on the main routes, and the lack of competition on many routes that are regulated (and some that are not) is likely to work to keep fares up and innovative marketing measures down.

CONCLUSION

The bus certainly fills a need. Most, but not all, passengers are among the less affluent in society. Given that little has changed in the bus business or its institutional framework for many years, and that all the factors that led to the decline in traffic are still present, there is no reason to expect a turnaround in years to come, unless the institutional framework is changed or other steps are taken to encourage the use of buses.

4.3 National Transportation Policy Principles

The *Canada Transportation Act* was mentioned earlier, in section 2.2, as setting a framework for federal transport policy in Canada that is essentially competition based. Another reference to this policy can be found in section 3(1) of Bill S-3, passed in 2001,

²⁰ Committee Evidence, February 21, 2002 (Olive Bryanton).

which provides for amendments to the *Motor Vehicle Transport Act, 1987*.²¹ This section indicates that one of the objectives of the *Act* is to ensure that the National Transportation Policy set out in section 5 of the *Canada Transportation Act* is carried out with respect to extra-provincial motor carriers. That being said, it could be argued that the *Motor Vehicle Transport Act, 1987*, in allowing quite strict economic regulation in several provinces, contradicts itself as it applies to buses.

“We believe economic regulation is a product of the 1920s — a relic of the past. Economic regulation stifles innovation, adds cost to business operations and thwarts growth within the passenger transportation industry.”

Michael Colborne, Pacific Western Transportation, February 12, 2002

Over the past several years, most transport sectors in Canada have been deregulated. This is part of a worldwide trend. Rail freight deregulation is now complete, and there is no regulation of fares and entry into airline service in Canada, though there are ownership restrictions. Historically, shipping has been lightly regulated.

Trucking deregulation started with the *Motor Vehicle Transport Act, 1987*, and moved to a “reverse-onus” test for entry into extra-provincial carriage as a transitional measure, then to full deregulation. Trucking within provinces was deregulated as

“Despite economic regulation, many Canadian communities have lost scheduled services that were unprofitable.”

Mark Hannah, Pacific Western Transportation, February 12, 2002

part of the Internal Trade Agreement of 1994, and the legislative link between extra- and intra-provincial trucking in the *Motor Vehicle Act Transport, 1987* was removed in January 2000.

²¹ As noted earlier in this report, Bill S-3 was passed during First Session of the Thirty-Seventh Parliament, but the changes to the *Motor Vehicle Transport Act, 1987* that it contains have not yet been proclaimed.

Thus, if city buses – which are usually municipally owned and highly subsidized – are disregarded, the regulatory regime applying to long distance buses is something of an anomaly. It is the only one that shelters carriers from competition in a large proportion of the country.

Several witnesses before the Committee spoke of a need to develop a national passenger strategy that would provide a framework within which to consider the regulation of buses.²² Others pointed to the *Canada Transportation Act* as containing a clear and unambiguous policy statement,²³ though some noted that the federal government itself does not always abide by its precepts; for example, it subsidizes VIA Rail.

CONCLUSION

While some witnesses called for a policy framework for buses, the *Canada Transportation Act* of 1996 contains a clear statement of federal policy as it applies to all transportation activities that fall within the legislative authority of Parliament. It is difficult to envisage a unique policy statement for intercity buses if that statement would contradict statements in existing legislation.

4.4 Regulation, Cross-Subsidization and Deregulation

Regulation of transport began in the latter part of the nineteenth century with the railways, and was extended to commercial road transport in the 1920s and 1930s. It was introduced to protect customers from unreasonable prices or discrimination and to prevent destructive competition between carriers.

“It is our opinion that bus deregulation is a solution looking for a problem.”

Roger Pike, Greyhound Canada, March 26, 2002

²² Committee Evidence, February 20, 2002 (Sylvain Langis, Brian Crow, Romain Girard and Roger Gervais).

²³ Committee Evidence, February 12, 2002 (Michael Colborne).

Transport companies had to justify their fares before a board or tribunal, which would often take a company's return on investment as a criterion for setting or increasing fares. In such situations, competitors were often kept out of a market to ensure stability. Frequency and termination of service were also regulated, as was the equipment to be used.

"We are not necessarily defending the status quo. We know that some companies in Canada that have to cross the territory of different provinces have to deal with different systems from one province to the next, in terms of administration."

Sylvain Langis, Canadian Bus Association, February 20, 2002

It was often a condition of serving a profitable route that an unprofitable route be served as well, and that the losses for the latter be made up partially from profits from the former. This mechanism is known as cross-subsidization.

The sort of regulation described above still goes on in several of Canada's provinces, in the area of bus transport, with implicit federal approval via the *Motor Vehicle Transport Act, 1987*. The Committee in its travels heard, for example, about the strict regulatory regimes in Quebec and British Columbia and the somewhat looser regimes in Nova Scotia and Ontario.

Many of the witnesses heard by the Committee, including most of the bus companies, were comfortable with the present regime.²⁴ Users, and particularly those in rural areas, while acknowledging that present service is

"Furthermore, the government must be aware that deregulation of bus transport would lead to chaos that no local initiative could overcome."

Jean-Pierre Fournier, Solidarité rurale du Québec, February 20, 2002

less than ideal, expressed concern that a change in the pattern of regulation might lead to the abandonment of some of the cross-subsidized routes, with resulting loss of mobility to

²⁴ See, for example, Committee Evidence, February 20, 2002 (Hugo Gilbert and Normand Parisien) and 26 March (Roger Pike).

residents of the area.²⁵ They expressed the view that some form of compensation would be appropriate if this were to come about.

It is difficult to determine the scale of cross-subsidization. A witness from the Canadian Bus Association told the Committee that approximately 10% of revenues went for that

“...I can tell you that in Canada, on average, approximately 10 per cent of our revenues go into cross-subsidization. In my own network, about 12 per cent of our global revenues serve to cross-subsidize the unprofitable routes.”

Sylvain Langis, Canadian Bus Association, February 20, 2002

purpose.²⁶ The orientation document provided to the Committee by the Minister suggests, based on surveys in the Quebec City-Windsor corridor, that 15% of total passengers were those whose trips began or ended in small communities. This group of bus travellers is the one that most often benefits from cross-subsidization.

Critics of strict regulatory regimes say that they stifle competition, keep fares unnecessarily high, remove much of the drive necessary to bring about innovation, tend to prevent the use of the most appropriate equipment such as small vans, and assure profitability even to the most lethargic of companies.²⁷

“If there is a market, someone will provide the service. That service may utilize small shuttle vans or it may a service run by the local school bus operator.... If there is a market, someone will fill the need. If there is no market, there will be no service.”

Michael Colborne, Pacific Western Transportation, February 17, 2002

Working with the industry’s own data, Transport Canada has tried to come to some conclusions on the relationship between high and low density routes and cross-subsidization.

²⁵ See, for example, Committee Evidence, February 20, 2002 (Martine Rioux) and March 25, 2002 (Hans Cunningham).

²⁶ Committee Evidence, February 20, 2002 (Sylvain Langis).

²⁷ Committee Evidence, March 25, 2002 (Bill Waters) and March 26, 2002 (Barry E. Prentice).

Categories of Intercity Bus Routes and Ridership, 1998

Category of Route (profitability and density of ridership)	Number of routes	% of Routes	Passenger Trips (millions)	% of Trips
Most profitable, highest density	15	11	2.8	40
Profitable, medium density	42	32	2.7	38
Marginal, low density	41	31	1.2	17
Unprofitable, lowest density	34	26	0.4	5
Totals	132	100	7.1	100

Source: Transport Canada's March 2001 orientation document at p. 13, based on KPMG's December 1998 study entitled *Impact of the Deregulation of Scheduled Inter-City Bus Service*. This table reflects information from six carriers.

Transport Canada concluded as follows:

These data suggest that the number of low income passengers that might be affected by changes in low density service is considerably smaller than the number of low income passengers who might be assumed to be paying higher fares on the profitable routes in order to maintain cross subsidized networks.²⁸

In addition, regulation has an impact beyond the jurisdiction doing the regulation. If a jurisdiction is deregulated, then a carrier based in a neighbouring regulated jurisdiction may freely enter the market of the unregulated jurisdiction, but the opposite does not hold true. The carrier from the regulated jurisdiction therefore has an unfair advantage. A representative of the Government of Alberta, when speaking to the Committee, went as far as to say that Alberta would be inclined to deregulate fully were it not for the restrictive regulatory practices of British Columbia.²⁹ Carriers in Ontario spoke of problems they had encountered with the relatively light degree of regulation there compared with the strict regulatory regime in Quebec.³⁰

CONCLUSION

The economic regulatory regime across the country is quite varied, strict in some provinces, quite light in others, and non-existent in a few. This causes problems

²⁸ Transport Canada's March 2001 orientation document, p. 14.

²⁹ Committee Evidence, March 26, 2002 (Peter Dawes).

³⁰ Committee Evidence, March 28, 2002 (James Devlin).

between jurisdictions by giving advantages to some companies offering services in neighbouring deregulated provinces due to a lack of reciprocity.

In provinces with strict regulatory regimes, cross-subsidization is very much a reality. Companies are given licences for profitable routes on condition that they serve unprofitable routes. While this process fills a need, it is quite a coarse tool for keeping rural routes alive, results in higher bus fares than necessary on profitable routes, stifles competition on these routes, and is dependent for success on a complex regulatory structure. One witness described cross-subsidization as the poor subsidizing the poor.³¹

Many bus users in rural areas are concerned about the impact that deregulation might have on cross-subsidized routes. They fear widespread loss of service and are not prepared to bet the efficiencies promised through deregulation against the possibility of no service at all. There is little doubt that if this loss of service were seen to occur, there would be a clamour for government intervention to help restore services. While the Committee believes that small operators would, in many cases, move in with different equipment, it also believes that the government should be prepared to provide a modest funding program to help establish community bus services or other suitable alternatives.

The Committee finds some attraction in introducing, as a partial deregulatory step, a reverse-onus test for new applicants, similar to the one introduced when trucking was deregulated in 1987. This offers the prospect of allowing some of the gains of deregulation, while allowing some of the cross-subsidized situations to continue. If introduced for a limited time (five years is suggested as a reasonable time period), the reverse-onus regime could be then evaluated and it could be determined whether to let the system continue, or whether further deregulatory steps might then be taken.

4.5 Buses, Vans and Rural Routes

A bus is a motor vehicle carrying a significant number of people who have paid a fare in one way or another. Everyone is familiar with the city bus

“How would [bus service to] Macoun survive? Probably some local person would operate a jitney service or a shuttle bus, and travellers, who would mostly be non-business people, would call ahead of time.”

Barry Prentice, University of Manitoba, March 26, 2002

³¹ Committee Evidence, March 26, 2002 (Barry E. Prentice).

and the typical yellow school bus. For purposes of this study, the focus is primarily on buses that travel between urban areas, and which may be operating as a scheduled service or under charter.

These buses are typically fairly comfortable vehicles, often referred to as coaches or motor coaches, with 40 or more seats. There is, however, less public and/or government acceptance of vehicles at the smaller end of the spectrum even though it is relatively easy for a five- or seven-passenger minivan (functioning as a private vehicle, a taxi or a bus) to carry passengers between cities, or along relatively sparsely travelled rural routes.³²

“In August 1995, the then Ontario Transport Minister, the late Al Palladini, announced that 400 Ontario communities had lost service despite economic regulation.”

James Devlin, Coach Canada, March 28, 2002

For purposes of economic regulation, there is no federal definition of a bus. The significant paragraph in the *Motor Vehicle Transport Act, 1987* simply addresses situations where provincial law requires a licence to operate a bus undertaking, without defining a bus in the law. Provincial

“When we looked at bus situations in the past, we always envisioned a 40-seater bus. That is just not appropriate. We are beginning to consider more viable options and more innovative ways of providing transportation....”

Olive Bryanton, Seniors Federation of Prince Edward Island, February 21, 2002

laws do however define buses. Ontario’s *Highway Traffic Act* defines a bus as a motor vehicle designed for carrying 10 or more passengers. Alberta’s *Motor Transport Act* defines a bus as being designed to carry more than 12 passengers, but allows Alberta’s Motor Transport Board to designate any other vehicle as a bus if it sees the need to do so.

³² Committee Evidence, April 17, 2002 (Donna Mitchell). The Rural Secretariat (a federal agency that works to ensure national policies are positive for rural communities) makes a useful distinction among three types of rural communities: “metro-adjacent,” “heartland communities” and “remote communities.” The three have different types of transportation, and public transportation, needs.

A bus then, seems to be whatever a province defines as a bus, and presumably includes mini-vans in certain situations.

Vans caught the attention of the Committee in Nova Scotia, where many vans, with up to nine seats, were offering scheduled service in various parts of the province.³³ Nova Scotia is quite highly regulated, but these vans had slipped through a crack in the regulatory framework and, while quite legal, were operating without economic regulation. They were providing a certain route flexibility not found with bigger buses. Provincial representatives told the Committee that it was developing new regulations to subject the vans to a higher standard of safety than a regular private vehicle, but was not intending to move to economic regulation of the services provided by these vehicles. They said the vans were too popular and there would be an outcry if their operations were curtailed.

“...the shuttles offer more convenience, more flexibility in the times they leave, and the places they pick up and drop off.”

Stephanie Sodero, Ecology Action Centre, February 21, 2002

“Islanders still have to rely on using their own cars, taxis, or getting a ride with family or friends....

...

“An alternative to the bus is the shuttle service, which I personally find to be an excellent service. There are presently four privately owned shuttle services in operation commuting between Charlottetown and Halifax.”

Connie Auld, Seniors Active Living Centre, February 21, 2002

In other provinces, such as Ontario, some vans offering lower fares than buses operate illegally. Unlike the situation in Nova Scotia, they need approval from a regulatory board and, not being able to get it, do not pay much attention to safety either.

³³ Committee Evidence, February 21, 2002 (Don Stonehouse).

This illustrates one of the problems of regulation. It can encourage illegal operations to offer services with few, if any, quality or safety controls. If the system of economic regulation allowed more flexibility of market entry, these same operators might be prepared to improve their drivers' skills and the maintenance of their vehicles, while probably still keeping their prices lower than large buses. This point was made to the Committee by a number of witnesses.³⁴

CONCLUSION

Buses are defined in provincial highway statutes, though the definitions at the small end of the vehicle spectrum are not always consistent. There are clearly options to serve at least some rural routes other than the big company 40-plus-seat coach. The small vans used in Nova Scotia and by some small companies in Alberta are examples of different approaches to busing. The definition of a bus needs more attention, and the inclusion of small buses in the National Safety Code is clearly necessary.

The Committee cannot help but think that the van or mini-bus may well be a feasible alternative on the remote routes now served by cross-subsidized buses. It could also surely fill a role providing community busing in remote areas where no service exists today. What seems to be needed is an appropriate regulatory framework, perhaps some economic stimulus, and a safety enforcement regime to keep out unsafe and unqualified operators.

4.6 Subsidies

While subsidies are part of Canadian transportation history, the last decade has seen many of them either significantly reduced or swept away entirely. Some do, however, remain. During 2000-2001, federal direct operating subsidies to ferry services

³⁴ See, for example, Committee Evidence, March 25, 2002 (Bill Waters) and March 26, 2002 (Barry E. Prentice)

in Atlantic Canada amounted to almost \$70 million, while VIA Rail received \$231 million.³⁵

There are no federal subsidies to buses, though the Committee was told of a few small provincial subsidies to buses in Quebec, and a provincial fuel tax rebate program was described by one of the witnesses in Montreal.³⁶

Transport Canada's Annual Report indicates that direct federal subsidies plus grants and contributions amounted to \$609 million in 2000-01. This includes the amounts mentioned above as well as payments to airports and payments for leases for railway grain "hopper cars." The grants and contributions are mostly payments to provinces under highway agreements and amount to about \$152 million per annum. Large provincial and municipal subsidies are given to urban transit operations throughout the country. In areas where these services compete with intercity bus services, problems can arise for the bus companies.

"...information technology advances in wireless communication would make it simple to develop information systems that are Web-based. With these systems, people could figure out the best combination of bus and rail, or bus and bus, or bus only, to get from an origin to a destination either on the basis of travel time or on the basis of travel cost.

...

"...here is an area where the federal government could, at modest cost, develop an information system, accessible on a regional or national scale, as a service to travellers."

Richard Soberman, University of Toronto, March 28, 2002

Consideration of new measures, such as a community small bus program to offset the impact of some degree of intercity bus deregulation, raises the question of the sources of funds and the amounts involved. It is difficult to estimate precisely what a community assistance program might cost. One option might be to allocate funding for operating subsidies. As already noted, the federal government now does this for Via Rail and

³⁵ Transport Canada, *Transportation in Canada, 2001: Annual Report*, p. 10.

³⁶ Committee Evidence, February 20, 2002 (Romain Girard).

ferries, though governments often prefer to subsidize through one-time capital contributions rather than through ongoing operating grants.

Total scheduled intercity bus revenue in Canada was estimated by Statistics Canada as about \$236 million in 1999.³⁷ Remote services are estimated to amount to about 15% of total ridership. As previously noted, one operator told the Committee that about 10% of revenue goes to subsidize remote services. However, many rural areas have no service now, and further study would be needed to estimate what the national demand might be.

CONCLUSION

There are certain conflicts between bus operators and the providers of subsidized services, which in most cases are governments. One such conflict is with VIA Rail, which competes with bus services in some parts of the country. Other conflicts arise in urban areas where the spread of a subsidized urban service such as Go Transit in the Toronto area can reach well into the intercity market and attract riders away from a private sector intercity bus service. Given the ridership on buses, and given the contribution they make to low density rural routes when cross-subsidized, there appears to be a case for a modest subsidy program to promote the establishment of appropriately structured rural bus services to offset any problems that steps towards a broader deregulatory national framework might cause.

4.7 Passengers with Disabilities

Passenger travel for persons with disabilities is referred to in the policy statement contained in section 5 of the *Canada Transportation Act*, and related issues were examined in the

“Our goal is to promote touristic and cultural accessibility, to show the industry how to deal with people with restricted ability.”

André Leclerc, Kéroul, February 20, 2002

³⁷

See Transport Canada's March 2001 orientation document at pp. 17-18.

1992 report of the Royal Commission on National Passenger Transportation. The Royal Commission recommended setting a goal that all travellers have access to public transportation in a safe, reasonably comfortable and dignified fashion, irrespective of physical or mental ability.

In response to a related recommendation, the Canadian Transportation Agency has worked actively for the last 10 years to achieve this goal. Evidence to the Committee suggested that all carriers are aware of the importance of reaching this goal and that they make considerable effort to achieve it. It is also clear from the evidence of disabled representatives that there is still some distance to go.³⁸

The Committee heard from members of the disabled community about their experiences with buses. There are buses equipped with ramps for wheelchair access, but not all buses on all routes are so equipped. Travellers in wheelchairs must pick their time of departure more selectively than others. While bus terminals in cities are usually equipped for wheelchair passengers, stops in small towns are rarely configured this way, and present one of the obstacles to bus travel.

CONCLUSION

Given the economics of the bus industry it can be hard for some bus operators to meet the goal of appropriate service to all passengers, including those with disabilities. However, this is national transport policy and, if it is not now being attained buses, measures need to be taken to ensure that it is attained in the future.

The situation facing disabled travellers is simply not adequate. Disabled travellers should not have to pick their bus among many on a given day, and even small terminals should meet basic needs for mobility and hygienic requirements.

³⁸ See, for example, Committee Evidence, February 20, 2002 (André Leclerc and Johanne St-Martin) and March 28, 2002 (Stephen Little).

4.8 Safety for Buses

The background to the safety issue was discussed earlier in this report, in section 2.5. The Committee did not detect widespread concern about the safety of buses in its hearings.

Witnesses pointed out that bus accidents are rare. Occasionally there is a tragic accident in which 10 to 20 people may be killed. In most years, however, the number of bus passengers killed is in single digits. Bringing buses under the National Safety Code, a process that will be significantly advanced when the 2001 of amendments to the *Motor Vehicle Transport Act, 1987*, implemented by Bill S-3 from the First Session of the Thirty-Seventh Parliament, come into force, can only help this situation.

The Committee is not as confident when it comes to smaller buses and mini-vans used as buses. These smaller vehicles are inherently less safe, but most of the accidents involving fatalities with these vehicles result from poor maintenance and/or inexperienced or unqualified drivers. This is the aspect that requires attention, and the Committee noted the interest among provinces in upgrading standards for these vehicles.

CONCLUSION

Safety standards are generally good in the bus industry, and the safety-related changes in recent amendments to the *Motor Vehicle Transport Act, 1987* and the application of the National Safety Code will all help. With small buses and vans coming into wider use, provincial governments need to re-examine their safety procedures as they relate to these vehicles and, as stated elsewhere, the National Safety Code should be re-examined and revised to incorporate a definition of a small van or other vehicle likely to be used as a bus.

4.9 Concentration of Ownership

Although there is a significant degree of concentration of ownership in the hands of one company, Laidlaw, this was not raised with the Committee by any of the witnesses as a major issue. The witnesses from the Competition Bureau referred to it, and stated that the Bureau is willing and able to deal with the matter if and when it sees concentration become a major problem.

CONCLUSION

Ownership of the industry is concentrated, with companies representing almost 45% of scheduled bus ridership ultimately under the control of Laidlaw. This did not seem to concern those who appeared before the Committee. The Committee's view is that the Competition Bureau is the appropriate authority to examine this matter as and when it sees fit.

4.10 Charter Buses

A bus under charter is simply one booked by some group as a whole, in the way travel agents book entire aircraft to fly to holiday destinations. Charter services may consist, for example, of taking people on vacation, taking a local group to a hockey game, or taking people to work at some industrial site. The Committee heard of examples of these services in its hearings.

The charter business is growing and appears to be quite healthy in Canada. It too is regulated in some provinces in a similar way to scheduled bus services.

Charter services are not the main focus of this study, but they are related to the main study in several ways. The same equipment is often used in both applications. The financial return test used to approve a bus company's scheduled service fares in regulated environments may also include the financial performance of its charter operations and thus be an element in the cross-subsidization equation.

"...they cannot deregulate the charter services only. Economic deregulation has to occur in the scheduled segment sector and in the charter sector simultaneously."

Mark Hannah, Pacific Western Transportation, February 12, 2002

There has been some suggestion that, if deregulation were phased in, charter services could be deregulated first. It was pointed out to the Committee that, in the case of a long-distance regulated scheduled carrier, it is possible that an unregulated charter operation with tickets bought through a travel agent could compete over the same route, leaving the regulated carrier unable to respond to lower fares offered by the charter bus.

CONCLUSION

With respect to intercity charter bus service, the Committee believes that it should be treated for deregulatory purposes in the same way as scheduled buses. Existing cross-subsidy patterns sometimes involve charter services and there are ways in which deregulated charters can compete with regulated services. There would seem to be little point in deregulating charters, other than in parallel with scheduled services.

4.11 Is Consensus Possible on Deregulation?

Speaking to the Committee in June 2001, the Minister of Transport indicated that the government had always made clear that it had no intention of changing the rules at the federal level unless there was a consensus among the provinces and the industry as to what the changes should be.

It is not evident to the Committee that there is any consensus, or any early prospect of achieving one. Much of the bus industry has an entrenched position in favour of regulation, and some of the provinces are not anxious for change. In addition, many user groups are wary of the effects of deregulation and would probably prefer that things stay as they are. At least one province, and a few operators, would like to see deregulation soon.³⁹

“Many of the groups who appeared before [the Canada Transportation Act Review Panel] indicated that they want the federal government to take some leadership. Many people expressed the point that if we wait for the provinces to agree, we will wait a long time.”

Bill Waters, University of British Columbia, March 25, 2002

It may be that, if change is to occur, the federal government will have to lead the way, as it did for trucking and other modes of transport after 1987. More than one witness made that point to the Committee.

CONCLUSION

Agreement among all the parties involved in the bus industry on what, if anything, to do about deregulation is clearly unlikely at the present time. Views are too strongly held and too diverse. If the federal government wants to take action, it will have to lead the way, not follow.

³⁹ Committee Evidence, March 26, 2002 (Peter Dawes), February 12, 2002 (Michael Colborne) and March 25, 2002 (Sheldon Eggen).

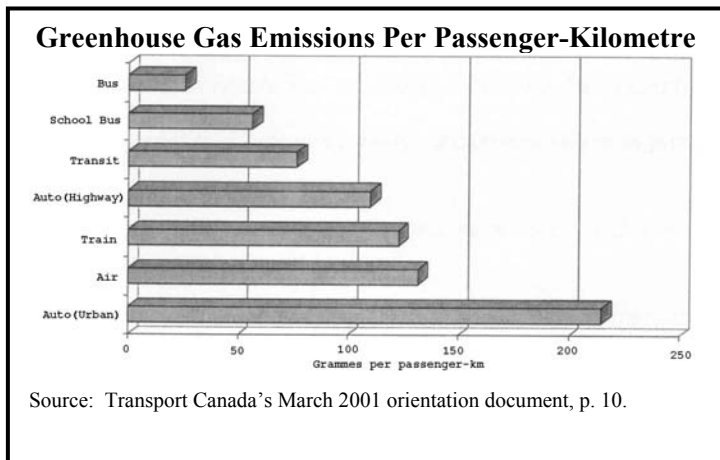
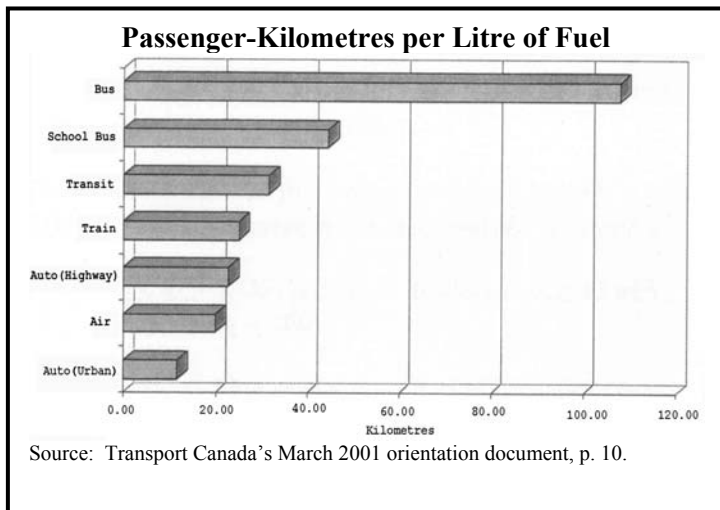
4.12 Environmental Issues⁴⁰

Transport Canada figures suggest that the bus is by far the most environmentally friendly means of moving people, whether this is measured by greenhouse gas emissions per passenger-kilometre or passenger-kilometres per litre of fuel. A figure for the latter is typically 110 passenger-kilometres per litre, which is equivalent to about 300 miles per gallon per passenger. Surprisingly, perhaps, and again according to Transport Canada figures, this is considerably better than a train. It must, however, be remembered that long-distance trains are very heavy and often not very full.

In theory, the more people travel by bus, the more energy is saved, assuming of course that these are people who would otherwise have travelled by some other means, in particular by the highest per-

“Emissions, particularly carbon dioxide emissions, are directly related to fuel consumption. Therefore, there is a national interest, almost a strategic interest, in ensuring the health of the bus industry because it has by far the highest energy-efficiency of any mode of transportation.”

Richard Soberman, University of Toronto, March 28, 2002



⁴⁰ For a general discussion on the environmental friendliness of intercity buses, refer to the box on the following page.

Environmental Impact of Intercity Buses

The status of intercity buses as the most environmentally-friendly means of intercity passenger travel has been known at least since the Royal Commission on National Passenger Transportation reported in 1992,* but it still may come as a surprise to many. One method of measuring and comparing the environmental effects of various transportation modes is to calculate how much fuel is consumed by each mode to move a passenger one kilometre (this gives the common measure of passenger-kilometres per litre of fuel).

Recent work by Transport Canada** shows that, while the train is more efficient than an automobile using the highway in terms of passenger-kilometres per litre of fuel, the bus is approximately five times more efficient than the train. In terms of greenhouse gas emissions per passenger-kilometre, a bus emits less than 25% of what a train or an automobile using the highway does.

Most people can intuitively accept that buses would be more fuel-efficient than an automobile, and generate fewer emissions per passenger-kilometre than an automobile, simply because of economies of scale. Similarly, most people would readily understand that air travel would likely cause greater emissions than a bus because of the consumption of fuel necessary to take off and remain aloft, which intuitively would be greater than that required to roll a wheeled vehicle along the road.

However, those with an interest in the environment have heard a great deal over the years about the benefits of rail transportation and rail travel. Rail has, for many, thus become almost a symbol of environmental friendliness. Despite the fact that passenger rail is superior to the private automobile on the highway, it does not automatically lead to the conclusion that passenger rail is environmentally friendlier than a bus on the highway, or even necessarily an airplane in the sky.

Rail's fuel efficiency and low level of emissions are best realized in freight transportation, when vast tonnages are moved long distances. In these circumstances the technological benefits of a steel wheel on a steel rail, creating much less friction than an inflated rubber tire on an asphalt highway, are realized. These conditions do not hold for passenger rail transport where the equipment, which by comparison is much heavier than a motor coach, transports a relatively small number of passengers of comparatively negligible weight. Because of the weights and distances that figure into these calculations, even a major increase in rail ridership would not significantly change the difference in the environmental impact of the train versus the bus.

* Royal Commission on National Passenger Transportation, *Directions: The Final Report of the Royal Commission on Passenger Transportation*, 1992, Volume 1, Chapter 7, pp. 151-173, "Protecting the Environment."

** Transport Canada, *The Canadian Intercity Bus Industry: Orientation Document*, March 2001, p. 10.

passenger consumer of energy, the private car.

New technologies, such as fuel cells, may also have a positive impact. One other approach is to make the car more expensive and/or the bus less so. Since most long distance buses use diesel fuel, a relative reduction in taxes on this type of fuel could be considered. This has

“One way...would be to increase the price of driving to reflect its true costs. An engineering professor at Dalhousie, Larry Hughes, estimates that \$3,340 per vehicle needs to be added to the cost of each vehicle in Nova Scotia to reflect the social and environmental costs not captured in the prices that a driver pays. This could involve increasing the fuel tax, and putting a higher tax on larger, more polluting vehicles such as SUVs.”

Stephanie Sodero, Ecology Action Centre, February 21, 2002

implications for trucking and would not help small vans, so perhaps a lower bus-specific tax would be more appropriate. It could also be argued that there are other means of reducing bus fares. Some argued to the Committee that deregulation would result in more passengers and that competition would encourage better marketing of buses that would also help attract more riders.

Both the Royal Commission on National Passenger Transportation of 1992 and the 2001 report of the Canada Transportation Act Review Panel raised the question of road user charges. The two studies suggested that it was perhaps time to introduce a system of road-user charges to reflect the actual usage of resources by the particular vehicle concerned. Transport Canada has not yet responded to the recommendations of the Canada Transportation Act Review Panel. Since this is a subject beyond the

“...in the urban areas, it has been recognized for decades now that one of the basic problems is that the urban automobile use does not pay a price reflective of the full social costs they impose on the system.”

Bill Waters, University of British Columbia, March 25, 2002

Committee's mandate in this study, this report does not comment on what could be a fundamental change in the way infrastructure is provided. However, the Committee recognizes that these issues are complex and require study.⁴¹

CONCLUSION

The intercity bus is the most energy efficient mover of people, yet it receives little or no credit for this in terms of taxation or other measures such as priority traffic rights or exclusive rights of way. Its main competitor is the much less efficient private automobile, whose fuel costs and right-of-way privileges are comparable. The Committee sees an urgent need for further study of methods to encourage the use of intercity buses and to improve even further their environmentally related efficiency.

⁴¹ For a general discussion of these issues, refer to Appendix E.

5. OPTIONS FOR THE FUTURE

The following section identifies options based on the analysis of the issues in section four of this report. The Committee considered these options in arriving at its recommendations, which appear in the following section. These options are related to the key questions posed by the Minister when he invited the Committee to undertake this work. In summary, the Minister had asked for a prescription to solve the problems that face the bus industry, mainly the problem of the declining role of the bus industry in the movement of passengers in Canada.

In reality, the federal government has only a few ways in which it can bring about change in this field. These include: i) changes to the provisions of the federal *Motor Vehicle Transport Act, 1987* concerning the economic regulation of buses; ii) changes to subsidy policies for other modes of transport; iii) changes to safety policies; and iv) the use of money, either as tax incentives and disincentives or through more direct subsidies, to correct various shortcomings.

5.1 Regulatory Options

In considering what recommendations to make, the Committee had to consider seriously the “do nothing option,” which for some with an interest in intercity buses could be quite popular. After all, little has changed legislatively for bus regulation in almost fifty years, and the decline in bus passenger traffic seems to have stopped. In addition, each province is currently free to act as it wishes in this matter, and it can be argued that the sort of bus service at issue here is more regional in nature than national.

Some provinces have deregulated, while others have not. Safety standards are being brought up to date through changes to the *Motor Vehicle Transport Act, 1987*, and the implementation of the National Safety Code. Problems of poor service, or of no

service at all, in rural areas are perhaps a social problem for which transport subsidies are not the answer, because they tend to become self-perpetuating. The question therefore rises as to why any changes should be made.

The other end of the spectrum from the do-nothing option is to take action and change the regulatory regime that has led to the present situation, and that, as previously noted, has not prevented a significant decline in ridership.

Obviously, much of this drop is due to increased car ownership, more air travel and so on. Rail travel has also fallen over this period. To explain the continued drop in bus travel through the 1980s and 1990s is more difficult. It may simply be that buses have lost their appeal, and are perceived as dowdy, noisy and bumpy. This situation may have arisen because there is limited competition and operators have no incentives to be innovative, since regulation ensures them a steady rate of return and a comfortable existence.

Accepting that deregulation, although not perfect, has generally worked well wherever it has been tried in the transportation field, another option would be for the federal government to amend the *Motor Vehicle Transport Act, 1987* so as to remove relevant sections, thereby leaving the provinces without the delegated authority to regulate. Markets would be open to competition, and only safety and insurance considerations would limit the entrepreneur from fighting to improve service, winning back passengers and making money at the same time.

There are middle options with regard to deregulation. Extra-provincial trucking was at one time been treated the way buses currently are, but changes implemented in 1987 began a process that eventually led to the complete deregulation mentioned earlier. This was a gradual process, involving a transitional period during which a reverse-onus test applied. Under that reverse-onus test, applicants for licences to a provincial board would get approval without a hearing, unless some person made the case that granting the licence would likely be detrimental to the public interest. This reverse onus process was

intended to last five years, after which the criteria for a licence would be safety and insurance “fitness,” and nothing else. While there were some delays in the final steps, today deregulation in trucking is now complete.

This was not a painless process, and much concern was voiced that deregulation would be disruptive, that carriers were losing the value of their licences (which at one time could be traded), that safety would be compromised and so on. In the end deregulation did occur, pushed along by strong shipper or user groups. In the busing field, user groups comparable to those that advocated change in the trucking area do not exist.

The options for charter services are to regulate them in step with scheduled services or to treat them separately. A case can be made that, where scheduled services are regulated, charters should be too. On the other hand it has been reported that, in earlier discussions, some provinces were prepared to move to deregulate charters while leaving scheduled routes regulated.

5.2 Remote Service Options

The options for regulatory action must take into account the remote service issue. Deregulation may lead to a discontinuation of service on routes that are now cross-subsidized. On the other hand, these routes would now be open for any company wishing to enter the business. Such new entrants could try to offer service with different equipment, and could well meet with the kind of success that van operators appear to have enjoyed in Nova Scotia.

There are areas of the country that have no rural service, even in provinces that are already deregulated, such as Prince Edward Island. This argues for the establishment

of some fund or program that would assist in the establishment of community-based bus services, perhaps catering for operations of up to a 100-kilometre radius.

It could be argued that such services are not a federal responsibility. However, decreasing mobility as the population ages could well be identified as a matter of national concern.

Options could include reliance on a deregulated market to allow for the establishment of new but different services in remote and rural areas; or the establishment of some form of community-based bus program with grants, preferably capital rather than operating, to assist in setting up small businesses to operate these services.

5.3 Safety Options

Since the safety record of buses and their operators is good, incorporation of intra-provincial carriers into the provisions of the 2001 amendments to the *Motor Vehicle Transport Act, 1987* can only make things better. Options should focus on the standards for small buses, particularly those that are identical in construction to a private vehicle. For these, the options include insistence that such vehicles, when licensed as buses, be built to different standards, perhaps involving structural strength and air bags; or placing greater emphasis on regular maintenance checks and driver qualifications.

5.4 Financial Options

The possibility of new programs inevitably raises questions about the source of funds and the amounts involved. It is difficult to estimate what a community assistance program of the sort mentioned above might cost. One option would be to fund operating

subsidies. The federal government currently does this for Via Rail and ferries, though governments often prefer to subsidize through one-time capital contributions rather than through ongoing operating grants.

The calculation of a subsidy could be based on current revenues that go to cross-subsidization. Service-line revenue for scheduled service was \$236 million in 1999, with a further \$88 million from parcel express.⁴² Remote services are estimated to amount to about 15% of total ridership. As mentioned earlier, one operator told the Committee that about 10% of revenue goes to subsidize remote services. However, many rural areas have no service now, and it is difficult to estimate what the national demand might be.

What might be the source of money for any new program? Increased taxes on gasoline are a favourite suggestion and remain worthy of consideration. Another source is the existing subsidy program of Transport Canada itself.

5.5 Environmentally Related Options

Environmental options should focus on the key area of getting people out of their cars and making the bus more attractive in one way or another. If there were a shift from private automobiles to public forms of transport, per-capita fuel use and the emission of greenhouse gases would be reduced, since buses are very efficient.

Some of the options covered under other headings above are relevant here, but more direct incentives to use buses are also possible. One option would be direct subsidies for bus travellers on all routes up to the distance at which air travel becomes a viable option. This could be a limited time incentive to coincide with some regulatory

⁴² See pp. 17-18 of Transport Canada's March 2001 orientation document. "Service-line" is the term used by Statistics Canada to categorize various types of bus activities, such as scheduled service and charter.

changes and a major national bus promotion drive. Another approach would be a reduction in the fuel taxes paid by bus operators. Perhaps the option with the most chance of success, but with the least appeal politically, is a major increase in the cost of using automobiles through selective tax measures.

6. RECOMMENDATIONS

6.1 Economic Regulation

This study is primarily concerned with deregulation, and the delegation to the provinces by the federal government, through the *Motor Vehicle Transport Act, 1987*, of the power to regulate the economic aspects of extra-provincial bus services. Withdrawal of this delegated power would not only terminate any provincial control over the granting of extra-provincial licences, but would seriously undermine powers to regulate within a province (see section 2.1).

“Our industry is very divided on that issue. Half of our industry wants to regulate, half wants to deregulate....”

Brian Crow, Motor Coach Canada,
March 25, 2002

The Committee heard the arguments about the potential benefits of deregulation and also heard the concerns of those who said that the termination of cross-subsidized routes could seriously impair the mobility of disadvantaged members of society who live in rural areas. The Committee is thus not prepared to recommend outright deregulation at this time. Instead, it believes that some parallel might be found in steps taken in 1987 to deregulate the trucking industry, when a reverse-onus system was put in place for a limited time to create gradual deregulation, allowing time for adjustment.

RECOMMENDATION

The Committee recommends that the economic regulatory regime for extra-provincial bus transportation be amended to require at most a reverse-onus test for entry into service, similar to the regime introduced for trucking in 1987, and that, after five years, a formal review be conducted to determine whether further deregulatory steps might be appropriate.

Such a reverse-onus scheme, suitably qualified with safety and liability requirements, should include a means to discourage frivolous challenges to applicants for licences.

6.2 Safeguards for Rural and Small Community Services

Many witnesses were concerned about the possibility of services being withdrawn if deregulation were to take place, resulting from the likely termination of cross-subsidization. While the introduction of a reverse-onus entry test would contain public interest safeguards, it would nevertheless be a step away from the regulatory status quo. The Committee is also concerned about such losses in service in parts of the country where deregulation has already occurred.

RECOMMENDATION

The Committee recommends that a modest subsidy program be established, perhaps in the order of \$30 million per annum,⁴³ during the transitional period. This subsidy, which would be examined as part of the five-year formal review, would be used to help establish local community bus services in rural areas using appropriate small vehicles where a need could be demonstrated and a community, a provincial government or a local business were willing to co-invest.

6.3 Passengers with Disabilities

The Committee heard from people with disabilities about their problems travelling on intercity buses. Though many buses are equipped to take wheelchair traffic, many are not, so the normal bus timetable is not an option for a large number of travellers who use wheelchairs. They have to pick from an abbreviated schedule. In addition, many city terminals have only limited facilities for disabled people and many rural stops

⁴³ The rationale for this figure is that it equals 10% (the suggested level of revenue used for cross-subsidization) of the approximate annual bus passenger revenue of \$300 million.

may have no facilities at all. The Committee considers this to be an unacceptable situation.

RECOMMENDATION

The Committee recommends a serious reappraisal of the problems of disabled people travelling by bus, to be carried out jointly by the federal and provincial governments with the objective of ensuring that the provisions of the policy statement in the *Canada Transportation Act* are carried out.

6.4 Safety

Alternatives to large coaches, such as small vans, are already in use as buses in some parts of Canada, and it is hoped that steps in the future towards easing economic regulatory control, as well as possibly some economic stimulus, will bring more such vehicles into use. These smaller vehicles are, however, inherently less safe than the large intercity bus, although they are widely used for family transportation in everyday life. It is thus necessary that government safety regulators give them special attention when they are used in public service.

RECOMMENDATION

The Committee recommends that the federal and provincial governments review the National Safety Code in order to ensure that small buses and vans of the sort that could be used in public service are included, so that their maintenance requirements, driver training standards and other safety essentials can be well publicized and enforceable.

6.5 Broader Issues Relating to Buses

Buses are an environmentally friendly way to transport people. Yet fewer people use intercity buses than private automobiles. The automobile is more flexible and convenient, and users often perceive its costs to be low. Although deregulation may help reduce fares, and municipalities could do more through measures such as allowing intercity buses to use urban bus lanes, the total impact on automobile usage is likely to be relatively small.

In a broader context, it would be beneficial to examine the relative costs and benefits of all forms of transport. For example, while trucks can be fast and convenient for moving certain goods, they can also be extremely damaging to the road surface and more polluting than other means of transport such as rail. This issue of modal equity was not the focus of the Committee's work, but is identified as a point of possible interest.

RECOMMENDATION

The Committee recommends that the federal and provincial governments consider collaboration to examine how Canada can more fully benefit from the environmental advantages of buses, particularly in light of the Kyoto Protocol on Climate Change. The Committee also recommends further study of broader issues relating to the relative benefits and costs of different types of transport.

6.6 Consensus on Bus Regulatory Matters

The Minister indicated to the Committee that the federal government intends to seek consensus on the rules for buses before making any changes. It is evident to the Committee that this consensus, while highly desirable, will be extremely difficult, if not

impossible, to achieve. The players simply have positions that are too entrenched. The recommendations made in this report will probably come as near to a consensus as possible. They would at least allow for some movement in a situation that has been largely stagnant for many years.

RECOMMENDATION

The Committee recommends that the federal government re-evaluate the need for consensus among all the jurisdictions and players before initiating action on intercity bus policy.

**APPENDIX A: LETTER FROM THE
HONOURABLE DAVID COLLENETTE, P.C., M.P., TO THE
HONOURABLE SENATOR LISE BACON**

Minister of Transport



Ministre des Transports

Ottawa, Canada K1A 0N5

16/5/01

The Honourable Senator Lise Bacon
Chair
Standing Senate Committee on Transport
and Communications
269-E, Centre Block
The Senate
Ottawa, Ontario
K1A 0A4

Dear Madam Chair:

Canadian extra-provincial intercity and charter bus industries are regulated by the provinces under the authority of the federal *Motor Vehicle Transport Act*. Your Committee has been examining proposed amendments to this Act (Bill S-3) which will create a national safety rating for both extra-provincial truck and bus operators. However, the sections of the Act which allow provinces to apply their own legislation and regulations to extra-provincial bus undertakings will remain unaffected by these proposed changes. This will allow individual provinces to decide whether to continue to apply economic controls to some or all parts of the intercity and charter bus sectors, in addition to the national safety regime strengthened by the provisions of S-3.

Although we are not changing the economic regime in which the Canadian bus industry operates, that industry has changed considerably in recent years. The industry serves more communities than the other public passenger modes and connects all provinces and territories except Nunavut. Buses are also the most-environmentally friendly of the passenger modes. However, scheduled bus service has shrunk considerably since 1990, and industry mergers and consolidations have been ongoing for over a decade.

.../2

I think that an examination of the issues facing the Canadian bus industry would be useful at this point. I have approached the Commons Standing Committee on Transport and Government Operations on this, but that Committee has competing priorities, including, shortly, the *Motor Vehicle Transport Act* amendments. Your Committee might be interested in dealing with the bus issues, particularly as it now has become familiar with the *Motor Vehicle Transport Act* regime.

I therefore want to take this opportunity to invite the Committee to look at the public policy issues relating to changing conditions in the industry, that would foster a healthy, efficient and competitive bus industry.

In order to assist the Committee, I am providing the attached orientation document, which deals with the state of the industry, and outlines the key issues which the Committee may wish to address in its deliberations.

I want to take this opportunity to thank the Committee in advance for its work, and I look forward to receiving its report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Collenette', with a large, sweeping initial 'D'.

Hon. David M. Collenette, P.C., M.P.

cc. Mr. Michel Patrice
Clerk of the Standing Senate Committee on Transport
and Communications

Enclosure

APPENDIX B: SECTION FIVE, *CANADA TRANSPORTATION ACT*

NATIONAL TRANSPORTATION POLICY

5. It is hereby declared that a safe, economic, efficient and adequate network of viable and effective transportation services accessible to persons with disabilities and that makes the best use of all available modes of transportation at the lowest total cost is essential to serve the transportation needs of shippers and travellers, including persons with disabilities, and to maintain the economic well-being and growth of Canada and its regions and that those objectives are most likely to be achieved when all carriers are able to compete, both within and among the various modes of transportation, under conditions ensuring that, having due regard to national policy, to the advantages of harmonized federal and provincial regulatory approaches and to legal and constitutional requirements,

- (a) the national transportation system meets the highest practicable safety standards,
- (b) competition and market forces are, whenever possible, the prime agents in providing viable and effective transportation services,
- (c) economic regulation of carriers and modes of transportation occurs only in respect of those services and regions where regulation is necessary to serve the transportation needs of shippers and travellers and that such regulation will not unfairly limit the ability of any carrier or mode of transportation to compete freely with any other carrier or mode of transportation,
- (d) transportation is recognized as a key to regional economic development and that commercial viability of transportation links is balanced with regional economic development objectives so that the potential economic strengths of each region may be realized,
- (e) each carrier or mode of transportation, as far as is practicable, bears a fair proportion of the real costs of the resources, facilities and services provided to that carrier or mode of transportation at public expense,
- (f) each carrier or mode of transportation, as far as is practicable, receives fair and reasonable compensation for the resources, facilities and services that it is required to provide as an imposed public duty,
- (g) each carrier or mode of transportation, as far as is practicable, carries traffic to or from any point in Canada under fares, rates and conditions that do not constitute
 - (i) an unfair disadvantage in respect of any such traffic beyond the disadvantage inherent in the location or volume of the traffic, the scale of operation connected with the traffic or the type of traffic or service involved,

- (ii) an undue obstacle to the mobility of persons, including persons with disabilities,
 - (iii) an undue obstacle to the interchange of commodities between points in Canada, or
 - (iv) an unreasonable discouragement to the development of primary or secondary industries, to export trade in or from any region of Canada or to the movement of commodities through Canadian ports, and
- (h) each mode of transportation is economically viable,

and this Act is enacted in accordance with and for the attainment of those objectives to the extent that they fall within the purview of subject-matters under the legislative authority of Parliament relating to transportation.

NOTE: This statement is almost identical to that in the National Transportation Act, 1987. The differences are that the Canada Transportation Act gives some additional recognition to the needs of persons with disabilities, and adds economic viability, which was not included in the National Transportation Act, 1987.

The original National Transportation Act, of 1967, also emphasized the importance of market forces.

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APPENDIX D: INDUSTRY STRUCTURES

Representative Canadian Scheduled Carriers/Markets Served, 2000

Carrier/Carrier Group	Markets Served
Laidlaw Carriers <i>Greyhound</i>	<ul style="list-style-type: none"> • Ontario–West; local service in British Columbia, Alberta and Ontario; international service • Manitoba and North-Western Ontario • Ottawa–Montreal; Eastern Ontario • Toronto–Barrie–Collingwood • Vancouver Island • Calgary–Edmonton–Forth McMurray • Saskatchewan • Toronto–North Bay–Sudbury–Timmins • Niagara–Toronto–Montreal • Montreal–Quebec City–Gaspé • Montreal–Abitibi/Témiscamingue • Montreal–Estrie • Maritime Provinces • Nova Scotia and Newfoundland and Labrador
<i>Grey Goose</i>	
<i>Voyageur Colonial</i>	
<i>Penetang-Midland Coach Lines</i>	
<i>Laidlaw Motor Coach</i>	
Red Arrow (Pacific Western)	
Saskatchewan Transportation	
Ontario Northland	
Trentway-Wagar (Coach USA)	
Orléans Express	
Les Autobus Maheux	
Sherbus	
SMT/Acadian	
DRL	

NOTE: The table is representative, and does not provide a complete list of services in each part of the country.

Source: Transport Canada's March 2001 orientation document, p. 6, based on *Official Canadian Bus Guide*, November/December 1999, and information provided by provincial officials.

Major Industry Restructuring After 1988

Date	Province(s)	Event
Late 1980s	Quebec	<ul style="list-style-type: none"> Canada Steamship Lines (CSL) sells Voyageur Inc. to a number of smaller operators, the largest being Orléans Express.
Late 1980s	Ontario	<ul style="list-style-type: none"> Toronto Transit Commission sells Gray Coach to Stagecoach PLC (Perth, Scotland), which later sells it to Canadian Greyhound.
Late 1980s	Ontario	<ul style="list-style-type: none"> Transit authority in Hamilton sells Canada Coach to Trentway-Wagar Coach Lines (Peterborough).
1994	Ontario	<ul style="list-style-type: none"> CSL sells some of Voyageur-Colonial's routes to Canadian Greyhound.
1995	Nova Scotia, New Brunswick	<ul style="list-style-type: none"> SMT, the Irving-owned dominant carrier in New Brunswick, buys Acadian Lines, the dominant carrier in Nova Scotia.
1995-96	Alberta	<ul style="list-style-type: none"> Canadian Greyhound divests Brewster Transportation (its charter/tour arm) and becomes a Canadian-owned company. Brewster remains owned by the Dial Corp. of Arizona.
1996	Ontario, Quebec	<ul style="list-style-type: none"> CSL sells some of Voyageur-Colonial's routes to Trentway-Wagar.
1996	Newfoundland and Labrador	<ul style="list-style-type: none"> CN sells its Roadcruiser bus service, the dominant carrier in the province, to locally-owned DRL.
1996	Ontario	<ul style="list-style-type: none"> Trentway-Wagar bought by Coach USA, the largest American charter/tour operator.
1996	Quebec	<ul style="list-style-type: none"> Autocar Connaisseur (Montreal) bought by Coach USA.
1997	Alberta, Ontario	<ul style="list-style-type: none"> Laidlaw (Burlington, Ontario) buys Canadian Greyhound.
1998	Nova Scotia	<ul style="list-style-type: none"> DRL acquires the routes of the defunct MacKenzie Bus Lines (2nd largest scheduled carrier in the province).
1998	Ontario, Quebec	<ul style="list-style-type: none"> CSL sells its remaining routes to Canadian Greyhound
1998	Ontario	<ul style="list-style-type: none"> Coach USA buys Erie Coach (London).
1998	Ontario	<ul style="list-style-type: none"> Laidlaw purchases American Greyhound.
1998	Ontario	<ul style="list-style-type: none"> Laidlaw acquires 49% of Penetang-Midland Coach.
1999	Ontario, Quebec	<ul style="list-style-type: none"> Stagecoach PLC buys Coach USA and, with it, the Coach USA Canadian operations.
2000	Ontario	<ul style="list-style-type: none"> Laidlaw acquires Chatham Coach.
2000	Ontario	<ul style="list-style-type: none"> Laidlaw acquires the remaining 51% of Penetang-Midland.
2000	Saskatchewan, Northwest Territories	<ul style="list-style-type: none"> FirstGroup PLC (London, UK), acquires the Hertz Group of Companies (Regina).

Source: Transport Canada's March 2001 orientation document, p. 22.

APPENDIX E: USER CHARGES AND A ROAD AGENCY

This Committee has not examined these matters and takes no position on them. Readers may, however, be interested in the following discussion of road costs.

When a transportation system is in the development stage, a good argument can be made for the government to allocate resources to develop the system at low cost to the users, in order to stimulate demand and generate overall economic activity.

When the system is mature, it can be better for the society as a whole if the users of the transportation system cover their costs, allowing funds to be allocated to other fields, such as health and education. This permits overall efficiency in the use of transportation infrastructure and can also give appropriate signals to the providers of the infrastructure so that they furnish what users want at a price they are prepared to pay.

It has long been noted that heavy trucks cause damage to roads and highways far in excess of what they pay to use them, and that private automobiles impose congestions costs on other users. More recently, there has also been greater awareness of the environmental costs of vehicle emissions. It has been argued⁴⁴ that if road users paid the costs they impose on the system, including social costs, it would lead to a more efficient use of the highway system, by itself and in relation to other modes of transportation.

New Zealand accepted this logic, and went further by creating a Road Agency that is both responsible for providing the highways and charging for their use. The Agency's responsibility for building and maintaining the roads makes it very sensitive to both the costs of providing highways and factors that contribute to their deterioration. At

⁴⁴ See, for example, the Royal Commission on National Passenger Transportation, *Directions: The Final Report of the Royal Commission on National Passenger Transportation*, 1992, Volume 1, pp. 129-131, and Volume 2, pp. 76-139; and the Canada Transportation Act Review, *Vision and Balance: Report of the Canada Transportation Act Review Panel*, 2001, Chapter 10, pp. 175-191.

the same time, this responsibility makes the Agency less sensitive to political pressure to keep the cost of using the highways artificially low.

Appropriate road user charges could make the railways more attractive for freight, and perhaps slow the recent transfer of grain haulage from rail to highway. In addition, appropriate road user charges could make single-occupancy car use, especially for commuting, less attractive than other means.

Road user charges can be implemented in a number of ways – by traditional tollbooths, by electronic tolls (using an electronic pass or photographing licence plates and mailing bills) or by a proxy such as a charge for gasoline use. Road user charges are disliked by the general public and by commercial users of public highways. Although recommended by the Royal Commission on National Passenger Transportation in 1992, road user charges have been rarely used. In 2001 the Canada Transportation Act Review Panel made similar recommendations. Opponents of road user charges argue that the fuel taxes that motor carriers pay today are not a consumption tax but rather a user charge, and so they should not have to pay even more for the use of highways.

APPENDIX F: WITNESSES

First Session, Thirty-Seventh Parliament

NOTE: The Minister of Transport, the Honourable David Collenette, P.C., M.P., appeared before the Committee on June 6, 2001 on a separate Order of Reference that led to the Senate authorizing the Committee to undertake this study. At that time, the Minister was accompanied by Guylaine Roy and Émile Di Sanza, who both re-appeared on February 11, 2002, as indicated below.

Monday, February 11, 2002

From Transport Canada:

Émile Di Sanza, Director, Motor Carrier Policy;
Guylaine Roy, Director General, Surface Transportation Policy;
Brian Orrbine, Senior Policy Advisor, Road Safety Programs.

From Statistics Canada:

Douglas A. Norris, Director General, Census and Demographic Statistics Branch;
Gord Baldwin, Director, Transportation Division.

Tuesday, February 12, 2002

From Transport 2000:

Harry Gow, President.

From Pacific Western Transportation:

Michael J. Colborne, Chief Operating Officer;
Mark Hannah, General Manager.

Wednesday, February 20, 2002

From Intercar:

Hugo Gilbert, Director General;
Romain Girard, Executive Vice-President, Quebec Bus Owners Association.

From Kéroul:

André Leclerc, Director General;
Johanne St-Martin, Transport-Development Assistant.

From Transport 2000 Quebec:

Normand Parisien, Director, Co-ordinator;
Richard Beaulieu, Researcher, Transportation Economics.

From Solidarité rurale du Québec:

Jean-Pierre Fournier, member of the executive;
Anne-Marie Rainville, Director of Public Affairs.

From the Conseil régional de développement de l'Abitibi-Témiscamingue:

André Brunet, Member of the Executive Council;
Martine Rioux, Development Officer.

From the Quebec Bus Owners Association:

Romain Girard, Executive Vice-President.

From Motor Coach Canada Inc.:

Roger Gervais, President.

From the Canadian Bus Association:

Sylvain Langis, President.

From the Ontario Motor Coach Association:

Brian Crow, President.

Thursday, February 21, 2002

From the Nova Scotia Department of Transport:

Don Stonehouse, Manager, Transportation Policy;
Bernie Swan, Transportation Policy Analyst.

From Transport 2000 Atlantic:

John Pearce, Executive Director.

From the SMT/Acadian Lines:

Bob Odell, General Manager;
Mike Melanson, Director of Operations.

From the Atlantic Tours Gray Line:

Denis Campbell, Vice-President.

From Trius Tours Ltd.:
George Brookins, Owner.

From DRL:
John Harding, Assistant General Manager.

From the Tourism Industry Association of Nova Scotia:
Brian Hicks, IT Co-ordinator.

From the Ecology Action Centre:
Stephanie Sodero, TRAX Co-ordinator, Active and Safe Routes to School Co-ordinator;
Alexandra Fischer, TRAX Co-ordinator, Active and Safe Routes to School Co-ordinator.

From the Senior Federation of Prince Edward Island:
Olive Bryanton, Co-ordinator.

From the Senior College of Prince Edward Island:
Ron Irving, President.

From the Seniors Active Living Centre:
Connie Auld, President.

From the Canadian Pensioners Concerned — Nova Scotia:
Joan Lay, President.

Monday, March 25, 2002

From Gray Line Victoria:
Michael G. Cafferky, General Manager.

As an individual:
Bill Waters, Professor, University of British Columbia.

From Motor Coach Canada:
Brian Crow, President;
Sheldon Eggen, Director.

From the Union of British Columbia Municipalities:
Hans Cunningham, President;
Marie Crawford, Assistant Executive Director.

From the British Columbia Old Age Pensioners Organization:
Wil Holland, Past President.

From the British Columbia Trucking Association:
Paul Landry, President and Chief Executive Officer;
Jim Storie, President of the Vancouver Trolley Company

Tuesday, March 26, 2002

From the Alberta Department of Transport:
Peter Dawes, Senior Policy Advisor, Passenger Transportation;
Wayne Lilley, Manager, National Safety Code and Operating Authority.

From the Greyhound Canada Transportation Corporation:
Roger Pike, Senior Vice President, Operations Canada;
Brad Shephard, Director, Pricing and Scheduling.

From the Internal Trade Secretariat:
Andre Dimitrijevic, Executive Director.

From the Transport Institute:
Professor Barry E. Prentice, Director.

Thursday, March 28, 2002

From the University of Toronto, Civil Engineering:
Richard Soberman, Professor Emeritus of Civil Engineering.

From Coach Canada:
James J. Devlin, President;
Deborah Nayler, Director of Human Resources.

From Ontario Northland:
Susan Schrempf, Senior Director Marine Services and Service Improvement;
Joan Buckolz, Manager of Administration and Information Services — Passenger.

From the Advisory Council on Accessible Transportation:
Stephen Little, Chair, Advisory Committee on Accessible Transportation.

From the Ontario Motor Coach Association:
Brian Crow, President;
Dave Carroll, Director, Safety and Maintenance;
Ray Burley, Chairman of the Board and Operator of Can-ar Coach Service.

From the Canadian Association of Retired Persons:
Bill Gleberzon, Associate Executive Director;
Judy Cutler, Director of Communications.

Wednesday, April 17, 2002

From the Rural Secretariat, Rural and Co-Operatives Secretariats:
Donna Mitchell, Executive Director;
Christian Fortin, Senior Analyst.

From Autobus Maheux:
Pierre Maheux, Vice President.

Wednesday, May 1, 2002

From the Canadian Transport Lawyers Association:
David Blair, Lawyer, Gagné Letarte;
Dean Saul, Lawyer, Gowling Lafleur Henderson.

Tuesday, May 7, 2002

From the Competition Bureau:
André Downs, Deputy Commissioner of Competition, Competition Policy Branch;
Gwill Allen, Senior Economist and Strategic Policy Advisor, Competition Policy Branch;
Joseph Monteiro, Economist, Competition Policy Branch.

Tuesday, May 28, 2002

From the Airport Ground Transportation Association:
Ross Ferguson, President.

Wednesday, May 29, 2002

From the Canadian Urban Transit Association:
Michael Roschlau, President and Chief Executive Officer;
Brian Leck, Honorary Counsel.

Wednesday, June 5, 2002

From the National Advisory Council on Aging:

Patricia Raymaker, Chairperson;

Louise Plouffe, Manager, Knowledge Development Section, Division of Aging and Seniors, Health Canada.

Wednesday, June 12, 2002

From the Saskatchewan Department of Highways and Transportation:

Carl Neggors, Assistant Deputy Minister, Policy and Planning Division.

From the Saskatchewan Transportation Company:

Jim Hadfield, President and Chief Executive Officer.

Second Session, Thirty-Seventh Parliament

Tuesday, November 26, 2002

From Groupe Orléans Express:

Sylvain Langis, President and Chief Executive Officer.