Section 3

The Future

Chapter VI

Future Transport Needs

Introduction

The future transport requirements of this Province can be categorized into three distinct components. These are:

1) The facilities required to meet the needs of a changing and expanding industrial base.

2) The facilities required to accommodate the demand for transport of consumer orientated goods.

3) The facilities required to accommodate passenger travel to, from and within the Province.

The following paragraphs outline those factors which give rise to the transport needs of each of these sectors. The summation of the individual sectors gives a composite needs analysis of the planning period to 1990.

A Transport Need Analysis for the Industrial Sector

The outlook for development and expansion in Newfoundland's industrial sector has been explored in two reports: one by G. Bartlett, which is a data base for the Newfoundland-Mainland Study, and another by A. Crichton as part of the Commission's research effort. While the analysis herein will not be as elaborate in detail as contained in these reports, the following is to give a brief outlook on the most likely industrial scenario for the future.

1. Fishing should be the major stimulant to future provincial economy, and should continue to be the largest employer.
2. Mining holds little hope for new expansion in the short term (3-5 years) but the long term outlook is promising.
3. Forest production should remain relatively constant, with some expansion occurring in the sawmill industry if it is integrated with pulp and paper. However, both paper and sawmill industries will depend on control of infestation of forests.
4. Hydroelectric power on the Island has limited potential, but Labrador power will be the key to future industrial development in Newfoundland.
5. Construction should show slow but steady growth, depending on the provincial economy, unless oil and gas or Labrador hydro developments take place.
6. Non-resource based industries show little positive outlook for secondary manufacturing.
7. Agricultural developments have some potential for expansion, but there will still be a relatively low value of production.
8. Tourism has some potential, but large scale growth is not expected. The industry is not likely to achieve the same importance as in other Atlantic Provinces unless major changes occur.
9. Gas and oil exploration has been low-key lately due primarily to jurisdictional problems. Activity should now be sharply increased in 1978. In the event of a commercial find, the results could be economically staggering. The general outlook for the industry is that on-stream production could take place by the late 1980's.

As can be seen, Newfoundland is not a major secondary manufacturing province and there was no evidence brought before the Commission to indicate that this type of industry will ever be of major importance here. On the contrary, the economic well-being of this Province is based on the exploration and development of its resource based industries, i.e., the fishing, the mining, the forests and the hydroelectric

Table 6-1 Values and Quantities of Production Newfoundland's Fishing Industry, 1969-1976

	Catches in thousands of metric tons. Values in millions of current dollars.							
	1969	1970	1971	1972	1973	1974	1975	1976
Nominal Catches	484.7	471.8	418.9	315.5	324.7	249.6	255.6	339.2[P]
Market Value of Production	72.3	85.1	94.9	100.6	144.8	114.6	120.7	191.3[P]
Census Value added—processing	30.8	36.1	36.8	36.5	47.9	42.9	45.8	64.7
Total Census Value added	66.5	74.8	77.6	77.1	104.9	86.8	90.3	135.2
As a % of all goods producing industries	12.5	11.4	10.7	12.1	14.0	8.6	8.2	11.5

[P]—Preliminary

SOURCE: *Annual Statistical Review of Canadian Fisheries 1955-1976*, Vol. 9, Ottawa, Fisheries and Environment Canada, July, 1977. Central Statistics Division, Province of Newfoundland *Newfoundland Historical Statistics*, Vol. (II) (I), July, 1977.

industries combined with the tourist industry. Of prime importance then, is the transport system which is available to move raw materials from original sites to processing areas, and on to export markets so that the final product does not bear any undue costs.

On the following pages a more detailed description of these resource based industries is presented.

1. *The Fishing Industry*

In terms of numbers of people directly employed, the fish harvesting and processing industry has been, and still is, the largest single industry in the Province. Although there was a steady decline in the volume of catch for the period 1969 to 1974, subsequent years have seen an upturn. With the adoption of the 200 mile economic zone and proper management of the resource, the future appears to be somewhat optimistic. An overview of the industry is given in Table 6-1.

Traditionally, the fishing industry has been classified as either "inshore" or "offshore", depending upon the location of the fishing effort and the type of vessel used in the harvesting process. Fisheries and Environment Canada has defined inshore fishing as being catches by vessels of 25 tons or less and offshore fishing as being catches by vessels of more than 25 tons. From a transportation standpoint, the only significance of the type of harvest (inshore or offshore) lies in the amounts of product which must be moved around the Province once the product has been brought to some landing point. The larger vessels, generally used in off-shore operation discharging large quantities present some problems, if the transfer from point of landing to point of processing must be accomplished in a relatively short time span.

As already noted, the principal transport needs of the fishing industry lie in moving the product from landing point to processing plants, moving raw products between sister plants to equalize production capabilities, and finally moving processed products to export markets. In recent years, virtually all the transport requirements of the fishing industry have been met by the trucking industry. Although there is still some export of products by the marine mode, the use of reefer type trucks seems to have satisfied the demands of both the shipper and consignee more than any other mode.

As far as moving the raw material from landing or collection point to point of processing is concerned, the condition of the Province's secondary roads is of paramount importance. The maps in Figures 6-1 and 6-2, plus the data given in Tables 6-2 and 6-3 show the location of the Province's processing plants and the quantities of products moved from these in 1977.

Table 6-2 Tonnages and Percentages of Frozen Exported Fish—1977

	Tonnage	Percentage
Bay de Verde Peninsula	13,125	16.0%
St. John's/Southern Shore	19,162	23.0%
Burin Peninsula	17,000	20.7%
Bonavista Peninsula	9,440	11.5%
Straight Shore	2,450	2.9%
Notre Dame Bay	3,250	3.9%
Harbour Breton	3,000	3.6%
Burlington Peninsula	4,500	5.4%
Northern Peninsula	5,750	7.0%
South West Coast	4,290	5.2%
	81,967 tons	99.2%
Estimated truck exports 1977 (PUB)	112,500 tons	
Survey	81,967 tons	
Accounted for	72% of total	

With respect to the salt fish industry, most of the processing facilities lie on the Avalon Peninsula, while the landing and collection points are scattered throughout the northeast coast and Labrador. This component of the fishing industry is of particularly high value, with production estimated to be worth over 16 million dollars in 1977. The prognosis is that both volume and value of catch will continue to grow over the immediate future, with a possible doubling between the 1976 and 1985 volumes. The result of this places considerable importance on the secondary roads which connect the collection points to the proc-

Figure 6-1

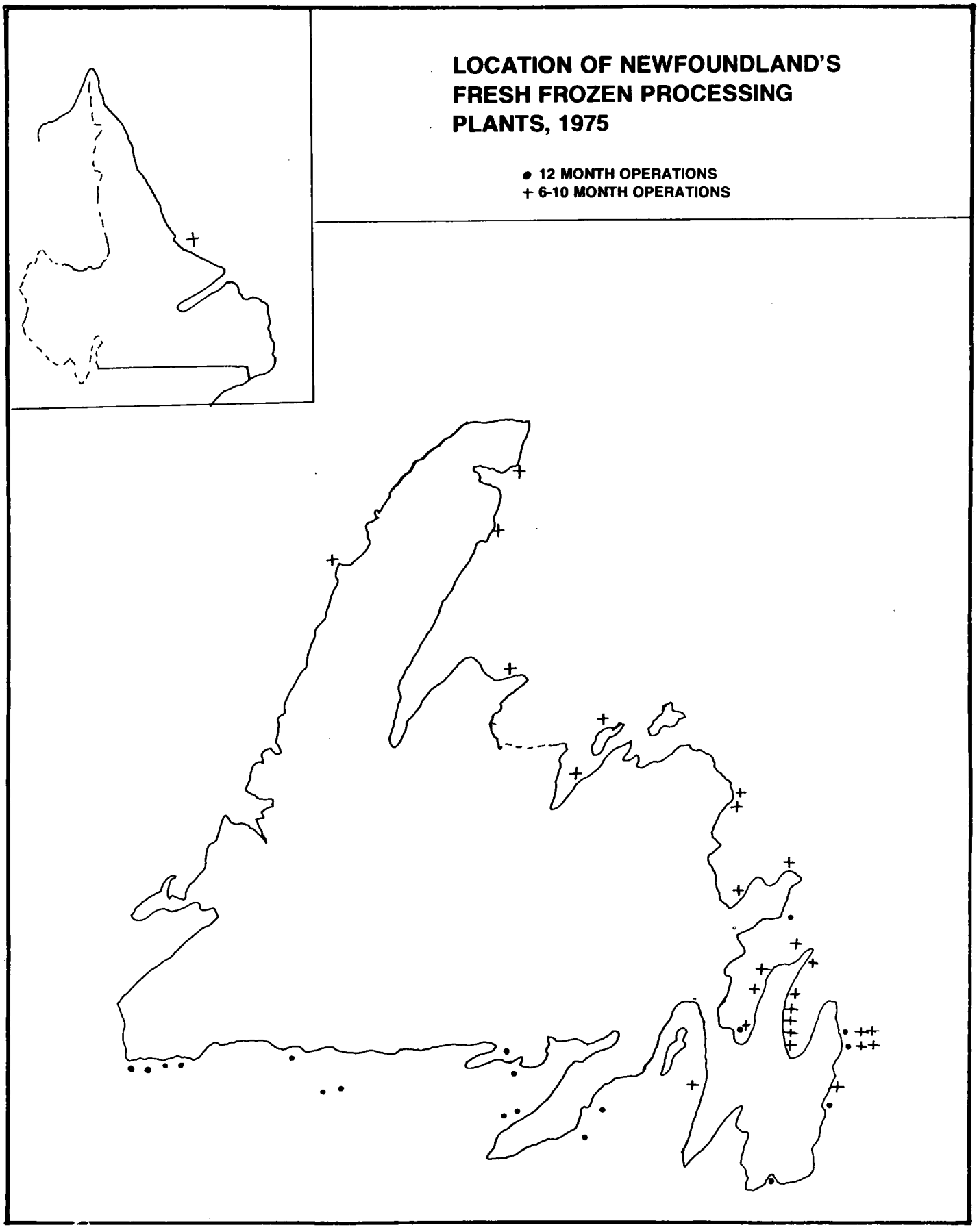

LOCATION OF NEWFOUNDLAND'S FRESH FROZEN PROCESSING PLANTS, 1975
• 12 MONTH OPERATIONS
+ 6-10 MONTH OPERATIONS

Figure 6-2

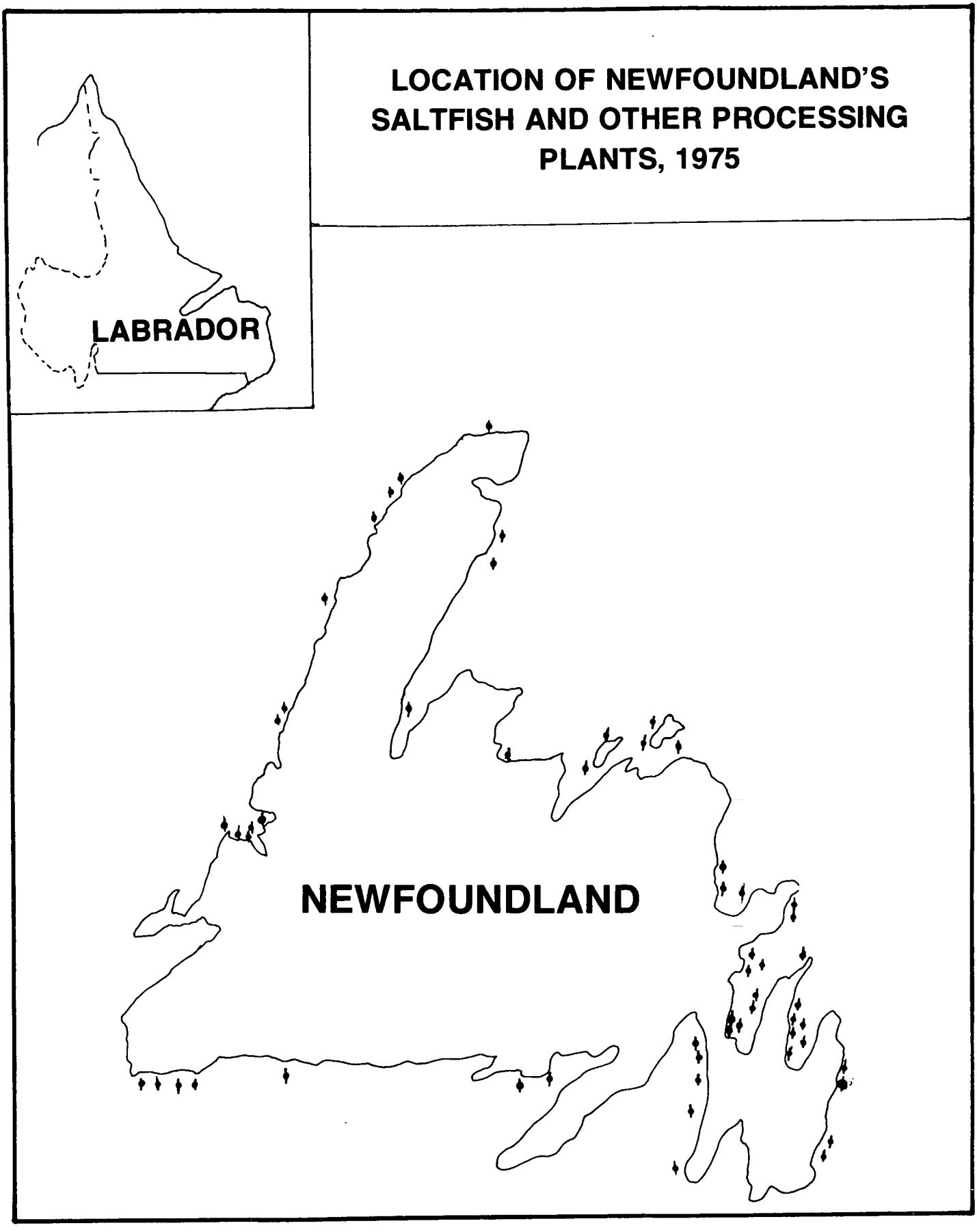

LOCATION OF NEWFOUNDLAND'S SALTFISH AND OTHER PROCESSING PLANTS, 1975
LABRADOR
NEWFOUNDLAND

Table 6-3 1977 Frozen Fish Tonnages

Plant Location	Trucked in (Fresh)	Trucked out (Fresh Frozen)	Source Area
Avalon Peninsula (Southern Shore)			
Witless Bay	13,250 tons	4,500 tons	10% Flatrock 30% Petty Harbour 10% Cape Broyle 50% Placentia/St. Mary's
	1,375t (squid) 800t (offal)	412t (squid)	Conception Bay via Witless Bay Line Branch to Witless Bay/Trinity Bay area
Trepassey	1,500 tons	3,500 tons	Mostly trawler fed 1,500 from surrounding area.
Bay Bulls	1,500 tons	2,000 tons	Torbay & St. Shott's
St. John's	7,950 tons	7,750 tons	Calvert/Arnold's Cove
Holyrood	1,500 tons	1,000 tons	
Bay de Verde Peninsula			
Carbonear	6,000 tons	500 tons	Old Perlican
Hant's Harbour	2,800 tons	1,625 tons	
Dildo	2,500 tons		
Dildo Harbour Grace	4,500 tons		
Bay de Verde	4,000 tons		
Bonavista Peninsula			
Bonavista	1,264 tons	1,940 tons	Grand Bank/Fermeuse
Charleston		3,000 tons	Ladle Cove to Cape Freels
Catalina	1,500 tons	4,500 tons	
Straight Shore			
Valleyfield	2,800 tons	2,450 tons	Ladle Cove to Cape Freels
Notre Dame Bay			
Twillingate	4,000 tons	2,250 tons	New World Isld/Fogo/Aspen Cove
Lewisporte		1,000 tons	
Harbour Breton	2,500 tons	3,000 tons	Belleoram/Hermitage
Burlington Peninsula			
La Scie	10,000 tons	4,500 tons	Whole area
Northern Peninsula			
St. Anthony	1,500 tons	2,000 tons	North of Port aux Choix
Port aux Choix	1,500 tons	2,250 tons	North of Port aux Choix
Englee		1,500 tons	Brig Bay/Conche area
South West Coast			
Burnt Island		100 tons	South Coast
Margaree		100 tons	South Coast
Port aux Basques	2,600 tons	2,000 tons	Anchor Pt./St. Davids/Rose Blanche
Curling	2,700 tons	1,350 tons	Port Saunders/Port aux Choix/Port aux Basques/Stephenville
Curling	2,350 tons	740 tons	Northern Peninsula/West Coast 75%. Remainder from Sprindale/ Botwood area.
Burin Peninsula			
Marystown	2,500 tons	7,000 tons	Terrenceville to Marystown
Burin	2,500 tons	4,500 tons	Boat Harbour to St. Lawrence
Grand Bank		3,000 tons	Trawler fed
Fortune	3,000 tons	2,500 tons	Lawn to Garnish

59.7% from Avalon Peninsula and Burin Peninsula

essing facility. The problem areas lie on the Great Northern Peninsula, the Labrador coastal road, and the intra-Island ferries, such as the Fogo and St. Barbe facilities.

It is not possible, within the time frame allotted, to determine the economic benefit of these roads to the salt fish industry. However, a qualitative evaluation reveals that the lack of all-weather roads, with the attendant load restrictions during the spring season, adds significantly to the final costs of the processed product. The limitation on loads, and the general inability to use large tractor trailers for pickup purposes, constrains the efficient operation of the processing plants.

The problems encountered by the fresh and frozen segments of the fishing industry are similar in nature to those of the salt fish industry. The transport of raw products over low quality roads, limits the use of large scale trucks, has a detrimental effect on the quality of the product, and adds to the final cost.

The major export markets are the U.S. for frozen fish, and the Caribbean for salted fish. By utilizing the truck mode, a good quality product can be delivered to customers in the amounts required on pre-determined schedules. The importance of the Trans Canada Highway—Gulf Ferry to give access to the North American highway system cannot be overstated. A dire need of the industry at the present time is the reconstruction of this highway together with a ferry system which minimizes waiting time. While the marginal benefit of investment in this highway/ferry system is very significant from the standpoint of reduced production and transport costs, the disadvantages to the Province which could occur if markets are lost through lack of investment would be catastrophic.

As the present transport requirements of the fishing industry have now been identified, attention is now focused on the degree of expected expansion of the industry in the future. The present forecasts of Fisheries and Environment Canada[1] is for a major increase in total allowable catch, perhaps doubling in the period 1977 to 1985. Although increased production demands may place burdens on certain plants within the Island, the excess total capacity which exists would not be greatly overtaxed by the expanded fishing effort. The accompanying transport demands, however, could pose some exceptionally difficult problems. Currently, fish provides a convenient backhaul commodity for the trucking industry, which in the main, hauls high rated foodstuffs into the Province. Since the ratio of incoming to outgoing general cargo is approximately 3 to 1, the rates afforded the fish exporters on what would ordinarily be empty back-

[1] *An Overview of Newfoundland's Industrial Activity 1969-77 and future prospects*, Andrew Crichton

haul are certainly very attractive. The back-haul capacity, however, is limited to the amount of reefer capacity available. This is considerably less than the total incoming capacity. At present levels of production, during the peak season, the available truck capacity is not sufficient to meet demand. Therefore, if the full growth potential of the fishing industry is to be realized, more transport capacity will be required to bring the product to market at peak periods.

There is considerable speculation at the moment as to where future markets might be for the Newfoundland processed fish. If the market is European, then water-borne shipments or air transport will undoubtedly be required. If the market develops as an extension of the present U.S. one, then more truck capacity or containerized shipping will be required to service this market.

Since the location of the processing capacity is scattered throughout the province, the chances of the railway being used as an export mode for the finished product are quite remote. To utilize the railway would require either a substantial program of branch line construction, or an inter-modal transfer arrangement, whereby trucks would take the product from the plant to a suitable rail-head where it would be transferrred to rail cars. The added cost for this transfer, plus the longer transit times incurred by the railway, makes the railway an unlikely candidate for transport of fish in the future.

There is, on the other hand, some possibility for the use of containerized ships to service the industry. However, present routes do not include the major destinations of the fish products. Significant route changes and schedules would have to be effected before the marine mode could become a serious contender for the fish trade. Since present customers of the fishing exporters are geared to accept trucks, it will be difficult for any other mode to compete successfully with this mode.

The recently announced intention of the Provincial Government to construct holding units for the processed product at strategically located centres in the Province, will aid in minimizing the pronounced demand for trucks in the peak season and provide for more stability in the trucking industry. The proposed location of one of these units at Argentia, combined with the large volume of fish originating on the Burin Peninsula, gives rise to the possibility of a successful year-round ferry service between these points and the mainland. This is the subject of further work by the Commission and will be reported on in the second volume of the Commission's report.

In conclusion, the role of the trucking industry and the necessity of a good highway network with adequate ferry facilities are noted as crucial requirements of the fishing industry.

2. *The Mining Industry*

From a value of production standpoint, mining is the Province's most important resource industry representing 28.7% of the 1976 gross provincial product. The largest and most productive mines are the iron ore developments in Labrador, although significant operations exist on the island portion of the Province. Table 6-4 gives a summary description of the mining industry. Extensive exploration efforts have indicated that there are other significant mineral reserves found in the Province, although many of these are not economically viable at current world prices.

Table 6-4 Summary of Mines and Quarries in Newfoundland—1977

Mine or Quarry	Location	Type of Ore	Ore Capacity	Shipping	Markets
Iron Ore Company of Canada	Labrador City	Fe	Concentrator 21.8 million tons/yr Pellet Plant 10.3 million tons/yr	QNSLR to Sept Iles	U.S.A. Japan Europe
Wabush Mines	Wabush, Labrador	Fe	Concentrator 5.4 million tons/yr	QNSLR to Point-Noire	Canada U.S.A. Europe
Newfoundland Zinc Company Limited	Daniel's Hr.	Zn	1500 tons/day	Directly by sea & road	Canada U.S.A.
ASARCO	Buchans	Cu. Pb, Zn, Au, Ag	1200 tons/day	37 mile private rail to CN at Millertown	North America Europe
Consolidated Rambler Mines	Baie Verte	Cu, Au, Ag	1500 tons/day	Directly by sea	Murdockville, Quebec
Advocate Mines	Baie Verte	Asbestos	5000 tons/day	Directly by sea	N. America Europe
Alcan	St. Lawrence	Fluorspar	1000 tons/day	Directly by sea	Arvida, Quebec
Atlantic Gypsum	Flat Bay	Gypsum	3000 tons/day 8-9 months/yr	Directly by sea & road	90% U.S.A. 10% Corner Brook
Newfoundland Minerals Limited	Manuels	Pyrophylite	300 tons/day 8 months/yr	Directly by sea	U.S.A
Dunville Mining Company	Dunville	Silica	100,000 tons/yr	Directly by road	Long Hr. Nfld.

The general consensus of opinion is that, while the Province is richly endowed with mineral wealth, a general slackening of demand for metals, combined with the imminent closure of some existing mines, there is little prospect for any major expansion in the industry in the near future. The long term outlook, assuming no major energy crises in the 1980's, is somewhat brighter.

The Province's major hope for development in the mining industry in the near future, lies with the Brinco uranium project at Makkovik. Recent developments have indicated that current market conditions could not justify the magnitude of expenditure necessary to bring this mine into production. It is hoped, however, that by the early to mid-1980's, the demand cycle will have been reversed and the project then will be viable.

As far as transportation requirements are concerned, the development of this project will require massive infrastructure support. Land transport in the form of an all-weather road, or railway, together with harbour developments, will be necessary. When the facilities required to service this project are considered, the case for the Trans Labrador Highway becomes stronger.

At present, the operating mines on the Island transport their products by using trucks to move the ores from mine to tidewater; and ships from port to export market. Except for the upgrading of the Buchan's to Botwood road, as well as the upgrading of the Trans Canada Highway, the existing roads are adequate for the present demands.

Future developments, particularly in the central and southwest portions of the Island, will require extensive road construction. Since the economic viability of these mines is at present under question, the transport infrastructure required to service these is also in doubt. The completion of the Burgeo/Southwest Brook road will provide access to some of these areas.

In Labrador, the iron ore mines are serviced by the Quebec-North-Shore Labrador Railway which is used to bring the ores from Labrador/City Wabush and Schefferville to tidewater at Sept Iles. Although privately owned, this rail operation acts as a common carrier and, at present, meets the needs of all the operating mines. The line has significant areas of double track to allow for efficient movement on what is basically a high density rail line. Further expansion of the mining industry could be accommodated by a complete double track allowing for one-way operation at all times. At the present time there are no known plans for such expansion.

3. *The Forest Industry*

The extensive forests within this Province are used to support a pulp and paper industry of considerable size, as well as a significant but largely fragmented lumber industry.

The pulp and paper industry is located at two operating mills, one at Corner Brook and the other at Grand Falls, each with an output capacity of approximately 350,000 tons annually. There is also a non-operating linerboard mill located at Stephenville with a potential capacity of 300,000-350,000 tons per year.

Over the last decade, the industry, on the whole, has been characterized by expansion leading to a general over-capacity, accompanied by depressed markets. At the present time, the low value of the Canadian dollar has helped place our products in a very favourable position on world markets, which again is leading towards a possible expansion of the local industry. The importance of the industry in terms of employment for the period 1969-76 can be seen in Table 6-5.

The transport requirements of this industry are similar in nature to those of the fishing industry, i.e., the requirement to transport raw material to the mills and to transport the finished product to the export market. As this is a rather low value product and one for which there is considerable competition, there is very little latitude in the cost structure. This means that any increase in transport costs could result in loss of portions of the export markets.

As far as the movement of the raw material to the existing mills is concerned, recent years have seen a gradual change from river-drive to rail, and thence to truck transport, with the prime determinant being the location of the timber stands in relation to the mill.

Table 6-5 · Employment in Forest Related Industries in Newfoundland, 1969-1976

	1969	1970	1971	1972	1973	1974	1975	1976[E]
Pulp & paper employment	2,747	2,823	2,568	2,341	3,151	3,326	2,903	3,000
% of industry	57.3	51.3	55.8	52.9	53.8	53.7	52.0	52.6
Logging employment	1,925	2,439	1,778	1,881	2,404	2,579	2,500[E]	2,500
% of industry	40.1	44.3	38.6	42.3	41.0	41.6	44.8	43.9
Sawmilling employment	124	243	255	204	303	291	178	200
% of industry	2.6	4.4	5.5	4.6	5.2	4.7	3.2	3.5
Total forest related employment	4,796	5,505	4,601	4,426	5,858	6,196	5,581	5,700
% of all goods producing industries	10.0	11.1	9.6	9.7	11.4	11.8	10.1	10.1

[E] Estimates only

SOURCE: Based on Newfoundland Historical Statistics, Vol. (II) (I), 1977

The map in Figure 6-3 shows the current location of the timber resources within the Province. From interviews conducted by representatives of the Commission, it was determined that, in the case of Grand Falls, all pulpwood is moved from cutting area to the mill *via* the truck mode. This movement is generally short-haul and originates from areas not accessible by rail. Thus, to use any other mode would dictate an inter-modal transfer, and without the benefit of the long-haul cost advantages of either rail or ship, would undoubtedly result in higher total costs.

In the case of the Corner Brook mill, approximately 50% of the incoming product moves by the railway. The longer haul distance places the railway in a more competitive position than as in the case of Grand Falls. However, realignment and transfer of timber holdings between the two mills in recent years has resulted in the harvest being closer to the mills. This has resulted in a shift from rail to truck, as the price structure is lower on the truck mode.

The construction of access roads within timber holdings is the responsibility of the paper companies. However, the existence of a provincial highway close to the cutting area is of prime importance. At present, both companies make extensive use of the Trans Canada Highway and other provincial roads. The low allowable loads compared with high alllowable loads on mainland roads, and the general poor condition of the highway, have a serious detrimental effect on the unit costs of pulpwood transport.

Unlike the timber holdings of the Corner Brook and Grand Falls mills, the timber rights available to the Stephenville mill are scattered over the Island and throughout Labrador in areas generally inaccessible by either truck or rail. Although the completion of the Burgeo/Southwest Brook road will open up a considerable timber stand to this mill and should provide for low cost transport to the plant, a major problem will still exist, however, in utilizing timber stands more remote from the mill, particularly in Labrador.

The newsprint business is highly competitive, and while 1977 has brought some significant gains to the two operating mills, the linerboard market has not become sufficiently buoyant to bring about the reopening of the Stephenville mill. As the industry is highly competitive, any change in the component costs is bound to affect the cost performance of the product on the market. Both paper companies have indicated to the Commission that transport cost poses a serious problem and one to which the final price is extremely sensitive.

Although the transport of pulpwood from cutting areas to the mills forms a major part of the transport problem of the existing newsprint mills, the movement of finished product from plant to export markets is also of major concern.

Price (Newfoundland) Pulp and Paper Limited with major markets in Europe moves its product from Grand Falls to Botwood by truck and then by ship to market. Except for the highway traffic problems, which have already been noted, the use of the marine mode for export has not brought any adverse comments from the paper company.

Bowater (Newfoundland) Limited with markets in the United States and Canada has, in the past, used ships direct from Corner Brook for export movements. Changes in customer demands in recent years have seen a switch from ship to rail for about 20% of the total output. From the public hearings of the Commission there is evidence to indicate that more production would move by the railway if the lower freight rates could be obtained by the paper company.

The present state of the resource, with 1.29 million cunits being harvested of a sustainable yield of 2.05 million cunits, would indicate there is room for substantial expansion in the industry. However, it should be noted that at present cost levels, principally dictated by forest access and cost of transportation, some of the allowable cut cannot be utilized due to economic reasons. Also, because of the highly competitive nature of the industry, it is unlikely that there will be any major expansion in the pulp and paper industry in the near future, although the prospects of the reopening of the Labrador Linerboard mill are encouraging in the long term.

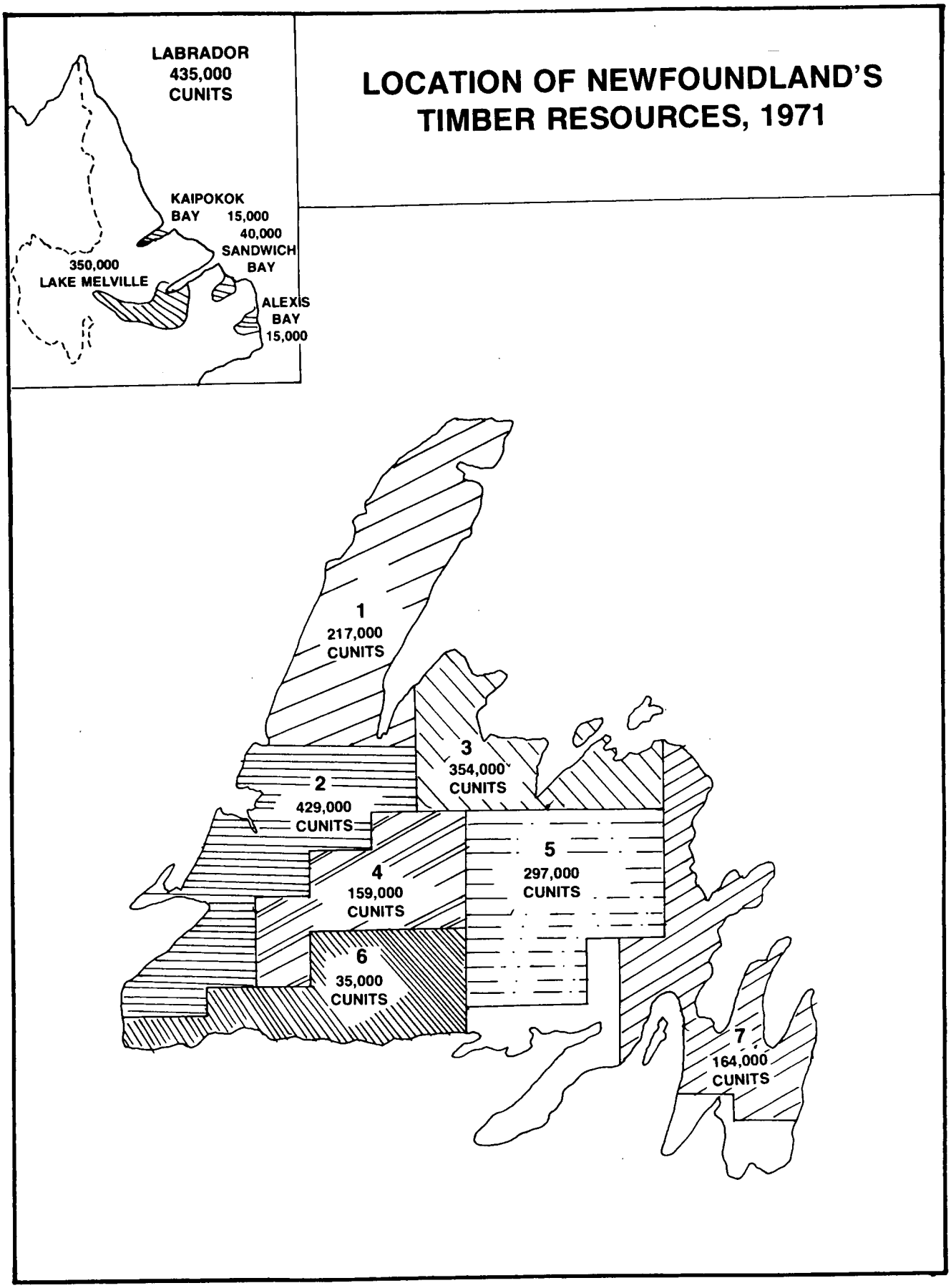
In summation, the chief transport needs of the pulp and paper industries are forest access and a good provincial road system (including the Trans Canada Highway) which would allow the transport of raw materials at the lowest possible costs, and the development of some surface link which would allow the export of products from Corner Brook to the United States markets. The economic feasibility of a rail ferry connection between Corner Brook and the mainland will be explored by the Commission later in the report.

The utilization of Labrador forests for the continued operation of the linerboard mill at Stephenville will require very significant investments in water transport facilities. The limited shipping season and the remoteness of this supply would lead one to believe that the viability of that mill should not be predicated on Labrador wood.

The other forest related industry of major importance from an economic development standpoint is the sawmilling industry.

In 1975 there were approximately 1,400 sawmills producing 28.6 million board feet of lumber in Newfoundland. Of this number, only 60 to 70 can be considered commercial. In fact, it has been estimated that less than 5% of the total mills produce more than half the total output. The industry faces several major problems which inhibit expansion or even viability.

Figure 6-3


LOCATION OF NEWFOUNDLAND'S TIMBER RESOURCES, 1971
LABRADOR
435,000
CUNITS
KAIPOKOK
BAY
15,000
40,000
SANDWICH
BAY
350,000
LAKE MELVILLE
ALEXIS
BAY
15,000
1
217,000
CUNITS
2
429,000
CUNITS
3
354,000
CUNITS
4
159,000
CUNITS
5
297,000
CUNITS
6
35,000
CUNITS
7
164,000
CUNITS

The small size of the logs, the limited timber stands available to sawmill operators, the majority of timber stands owned by paper mills, and major technological problems are just some of the difficulties faced by the industry.

As far as transport requirements are concerned, the transport of product from mill to customer is of prime importance. Being a marginal industry which sells to the provincial market without the larger scale of the mainland producers, makes the whole industry highly sensitive to transport costs. The map in Figure 6-3 shows the location of the timber stands. As can be seen, at least two of the major mills are located in areas served by the Coastal Service. Without this subsidized form of transport it is doubtful if these mills could exist.

The future for sawmilling is not bright, unless the whole industry can be integrated with pulp and paper. It is evident that were this done, the viability of the industry could be greatly improved. In this event, the transport requirements would then be co-incident with those of the pulp and paper industry, namely a good provincial highway system which could give good access to the forest resource and could allow for a least cost method of transport of both raw material and finished product.

4. *The Electric Power Industry*

The electric power industry is the single industry in the Province upon which all other industries are, to varying degrees, dependent. Essentially, electric power controls the future of all industrialization in the Province. In terms of value added, electric power is of considerable importance, but in terms of direct employment, it is of minor value due to the fact that most plants can now be operated either remotely or with a bare minimum of staff.

The growth in the demand for electric power is estimated by Newfoundland & Labrador Hydro to be 8% per annum which will, if continued, result in a load in 1990 three and one half times that of 1975. The key to meeting the expected demand, at least from an economical standpoint, lies in the utilization of the vast hydro potential of Labrador. However, the time frame required to bring this power on stream, even if negotiations between this Province, Churchill Falls (Labrador) Corporation and Hydro Quebec, are favourable, is such that additions to the Island's present capacity will be required. Since the Island's hydro-electric potential is limited to several small-scale developments, it is conceivable that some other form of energy source will be required, even though thermal units are considered unattractive economically and nuclear power is not socially acceptable.

Since power is transported *via* its own facilities and routes, the question of product transport is of no consequence to this Commission. The main transport demand arises in providing access for raw materials to be delivered to the site during the construction period. On the Island this can be met with some road construction, if the potential site is remote from the highway network. The road can later be used to service the site after the plant goes into production. Generally, power plant construction requires the transport of large volumes of freight and particularly some extremely heavy pieces of equipment. This, of course, is ideally suited to railway carriage. Unless however, there is a branch line of the railway leading to the potential site, it would be very uneconomical to construct new facilities just for this type of project. Since projects of this nature on the Island are likely to be relatively small, transport requirements could be logically handled by a marine/highway combination, whereby goods moving from mainland or from other points could be brought to a suitable harbour near the intended construction site and then moved by highway to their final destination. At this time, neither a schedule nor location of possible Island power sites is known. Therefore, it is not possible to identify particular highway requirements, but due to the limited nature of any possible site, it is not likely that the highway requirements will be great.

The development of Labrador Hydro power, however, will require very significant transportation facilities. A highway from a port on the Labrador coast to the power plant construction site will be required. A highway from Gull Island to the present power plant at Churchill Falls with access to the railhead at Esker will also be needed. This will give added impetus to the need for the completion of the Trans Labrador Highway.

Although the demand for transport facilities will decrease drastically upon completion of any power project, other possible industrial developments located close to the intended power plant will create further demands for an all-weather road in Labrador.

5. *The Construction Industry*

Construction industry activity is the most important industrial indication of economic performance within the Province. In terms of census value added, it has predominated as the Province's most important industry. In terms of employment, it ranks second to fishing. However, the performance since 1971 has been weak, with a real decline of 32% experienced, compared to a real growth rate of 20% for the Canadian construction industry. The completion of many large projects begun in the 1960's and early 1970's (e.g., Churchill Falls Hydro, Linerboard Mill, Come-by-Chance Oil Refinery) has caused a major decline in construction activity. The energy crisis and world recession of 1974 and 1975 also caused a slowdown in the rate of investment, and a depletion of the investment in equipment and expertise.

While 1977 was expected to be one of the worst years for the industry, the industry is expected to

show slow but steady growth in the long term. The only possibility of a high growth rate would be through oil and gas development, construction associated with Arctic Islands' gas, and resumption of the Gull Island Hydro project.

From a transportation standpoint, existing infrastructure is such that normal growth in the industry could be accommodated without major problems encountered. A sudden increase in construction activity could cause some minor problems at the Gulf, as rail has been used traditionally to move construction materials. The change to truck for some commodities and the existence of excess capacity in the direct marine mode should, however, meet the demands of this industry.

6. *Non-Resource Based Manufacturing Industry*

Non-resource based manufacturing is currently the lowest ranked industry in the Province in terms of census value added. It has never been viewed by the enterpreneur as offering any significant potential. Past Government emphasis in this area has had a low degree of success. There is still, however, a large amount of Federal and Provincial Government interest in the form of grants, loans and guarantees, and employment incentives. Future prospects for secondary manufacturing are difficult to predict due to transport costs for raw materials, distance from markets, lack of appropriate technology and a small local market base. At the present time, Canada's secondary manufacturing industry is experiencing a severe recession and this does not give Newfoundland a great deal of hope in the immediate future. Government encouragement will likely continue. Marine and oil and gas related industries seem the most promising.

Unless there is an exceptionally large increase in the activity of this sector, existing transport facilities have sufficient capacity to meet normal requirements.

7. *The Agricultural Industry*

Agriculture has never been considered an important industry in Newfoundland in economic terms. Since Confederation, there has been a substantial decline in subsistence farming due to improvements in transportation and distribution facilities which have increased the variety of imports at more competitive prices.

Newfoundland's major farming areas are the Codroy Valley, the Humber Valley, the Bonavista Peninsula and the Avalon Peninsula. Most farms are engaged in more than one activity with a single farm producing vegetables and raising some form of livestock.

The Provincial Government estimates that the decline in subsistence farming levelled off in the early 1970's and sees an increase from the 1975 output of $20 million to $30 million in 1980-1981, with an increase in full-time employment (in arable land farming) from 250 to 530, if planned development programmes are successful.

The transport requirements of this industry are relatively minimal compared with other industries. Existing facilities are quite capable of handling the expected demand from the sector. There are two points of concern if the industry is to be given a chance to succeed.

Firstly, since many of the present farms are small business ventures, there is a need for facilities to be available to handle freight in less than carload lots. Although the present arrangement whereby small shipments are carried by express offers some type of service, the high costs associated with such transport add a severe burden to an industry which, at best, is marginal. In the event that LCL rates such as those which existed in previous years are not practical, and there is indication that this is the case, an organized pool car service might prove successful. The initiative for such could come from either the farmers concerned, or from one of the present carriers.

Secondly, there is some question as to whether the present freight rate subsidies which make competing maritime products attractive in the Newfoundland market, should be removed to protect the local industry. This is under review by the Commission and will be included in Volume II of the Commission's report.

8. *The Tourist Industry*

From an economical point of view, tourism and travel have been considered by the Provincial Government to be synonymous in Newfoundland. This is due to the difficulty in obtaining and separating data on tourism in which the major interest lies from an industry point of view.

Tourism is not a major industry in the Province compared to industries discussed in previous sections, but it does have significant transportation implications. In 1975, non-resident tourists are estimated to have spent approximately $32 million in the Province, an increase from $20 million. In 1974 it was estimated that between $105 and $120 million was spent on tourism and travel by resident and non-resident tourists.[1]

Table 6-6 shows the volume of travel into and out of Newfoundland between the years 1969 and 1976 *via* CN Marine and *via* air. Increases in travel *via* CN Marine were quite substantial, approximately 70%, between 1969 and 1975, but since then have started to decline. This decline appears to have continued through 1977. Air travel increased by approximately 52% between 1971 and 1974 but has shown only marginal growth since then. An anticipated large

[1] *Annual Report of the Tourist Services Division*, St. John's. Department of Tourism, March 31, 1976, p. 11

Table 6-6 Travel Into and Out of Newfoundland by Air and Sea, 1969-1976
(Thousands of Persons)

	CN MARINE			AIR		
Year	Total in per year	Total out per year	Total non-residents out June 1 - Sept. 30	Total in per year	Total out per year	Total non-residents in
1969	105	107	—	—	—	—
1970	113	112	—	—	—	—
1971	123	122	—	279	285	—
1972	142	139	—	316	324	—
1973	138	134	73	387	398	—
1974	158	150	78	425	435	234
1975	174	168	81	423	434	243
1976	167	164	78	425	435	—

SOURCE: Department of Tourism, Province of Newfoundland & Labrador

increase in tourists entering the Province in the summer of 1977 to witness the Canada Summer Games did not materialize.

One important aspect of tourism in Newfoundland is the development of the Provincial and Federal Parks over the past several years. Figures for the development of Provincial Parks and their usage is given in Table 6-7. With a 40% increase in the number of parks and an 85% increase in the total number of camping and picnic sites between 1969 and 1976, there has been a 144% increase in visitors and a 276% increase in camping utilization. Only 15% of these park visitors came from outside of Newfoundland.

Table 6-7 Provincial Parks and Their Use 1969 and 1976

	1969	1976
Number of Provincial Parks	35	49
Number of Camp Sites	959	1,841
Number of Picnic Sites	903	1,596
Number of Visitors	1,192,050	2,907,905
Number of Camper Nights	120,704	455,388

SOURCE: Department of Tourism,
Province of Newfoundland and Labrador

The Provincial Government estimates that in 1976 there were approximately 9600 persons employed in the travel industry, including tourism. The Province envisages this figure increasing to 11,500 by 1980 with a continuation of the *status quo* in regard to programmes of the Department of Tourism. With certain new initiatives, however, employment by 1980 is expected to increase to 13,225.[1] These initiatives planned to bolster the tourist industry are as follows:

a) A $2 million per year grant/loan programme to encourage investment in appropriate accommodation facilites at designated locations.

b) Investment of $4 million per year in historic site development.

c) Expenditure of $1.5 million per year on park preservation and expansion.

d) The establishment of five regional tourist information centres to encourage travel in rural areas off the Trans Canada Highway. Cost is estimated at $1 million each.

e) Historic village and museum project in co-operation with the Federal Government in a location yet to be decided but probably near to St. John's.

While there appears to be interesting and challenging prospects ahead for the tourist industry, it cannot be expected to achieve similar importance when compared with the tourist industries of the other Atlantic Provinces. The main impediment is distance from large markets for tourist spending and the cost of travel involved.

Further potential does exist for the expansion of convention business, particularly in the St. John's area although there have been a handful of very large conventions in recent years.[2] However, the limited concentration in one facility of a large number of guest and meeting rooms mitigates against many potential national conventions.[3]

From a transportation requirement standpoint the provision of a good, safe all-weather road system which offers easy access to all recreational and tourist facilities, as well as sound ferry systems which offer good access to both the Island and Labrador, are imperative.

The present Trans Canada Highway, with its many deficiencies and its relatively high volumes of trucks, gives a distinct impression of being unsafe. The secondary roads, which are only in the development stage, greatly impede safe movement of traffic. If the industry is to grow, these conditions will have to be rectified. Also, the many problems encountered by passengers in moving across the Gulf during the peak travel season must be overcome.

[1] *Task Force on Job Creation*, p. 45

[2] The Canadian Legion Convention in 1975 hosted 2,500 persons, utilizing all hotels in St. John's as well as Memorial University residences.

[3] A complete discussion of a convention centre for St. John's may be found in: John Angel, et al, *A Feasibility Study of a Convention Centre for the City of St. John's*, St. John's, St. John's Board of Trade, March, 1976.

Table 6-8 General Freight Traffic to Newfoundland
1,000 Tons

Year	Rail	% of Total	Truck	% of Total	Total Gulf	% of Total	Shipping	% of Total	Total	Percentage Increase
1965	436	71.2	2	0.3	438	71.5	159	28.5	612	15.7
1966	455	68.7	3	0.4	458	69.2	204	30.8	662	8.2
1967	469	72.0	4	0.6	473	72.7	181	27.3	651	1.7
1968	454	68.6	8	1.2	462	69.8	200	30.2	662	1.7
1969	436	66.6	14	2.1	450	68.7	205	31.3	655	1.1
1970	438	66.9	18	2.7	456	67.8	217	32.2	673	2.7
1971	462	60.6	53	7.0	515	67.6	247	32.4	762	11.1
1972	490	56.9	82	9.5	572	66.4	289	33.6	861	13.0
1973	523	57.0	122	13.3	645	70.3	272	29.7	917	6.5
1974	585	59.3	139	14.1	724	73.4	262	26.6	986	7.5
1975	530	52.5	201	19.9	731	72.4	278	27.6	1009	2.3
1976	409	42.0	283	29.1	692	71.1	281	28.9	973	3.6

Forecast of General Freight Traffic to Newfoundland

Over the last twelve years, while there has been a steady growth in the annual total volume of freight to Newfoundland, the rate of growth has not been constant. Rather, the demand has been somewhat cyclical, characterized by periods of high growth followed by periods of positive but low growth as evidenced in Table 6-8. The average annual growth rate for that period was calculated to be 4.9%. On the assumption that growth of the Province's economy and population is likely to be similar for the foreseeable future, a trend line was established to show the growth in general cargo requirements. Modifications to the line were also made to reflect the cyclical nature of the demand in concert with the growth of the provincial economy. This would then produce a doubling of incoming freight by the year 1990, as shown in Table 6-9 and Figure 6-4.

Table 6-9 Estimated General Freight to Newfoundland

Year	10 year trend @ 4.9% p.a.	Final Estimates	% yearly change
1977	1,056,000	990,000	1.75
1978	1,112,000	1,030,000	4.0
1979	1,166,000	1,135,000	10.2
1980	1,223,000	1,275,000	12.3
1981	1,284,000	1,340,000	5.1
1982	1,346,000	1,444,000	7.5
1983	1,412,000	1,490,000	3.5
1984	1,482,000	1,480,000	-0.7
1985	1,554,000	1,515,000	2.4
1986	1,630,000	1,570,000	3.6
1987	1,710,000	1,705,000	8.6
1988	1,794,000	1,800,000	5.6
1989	1,882,000	1,930,000	7.2
1990	1,974,000	2,040,000	5.7
1991	2,071,000	2,110,000	3.4

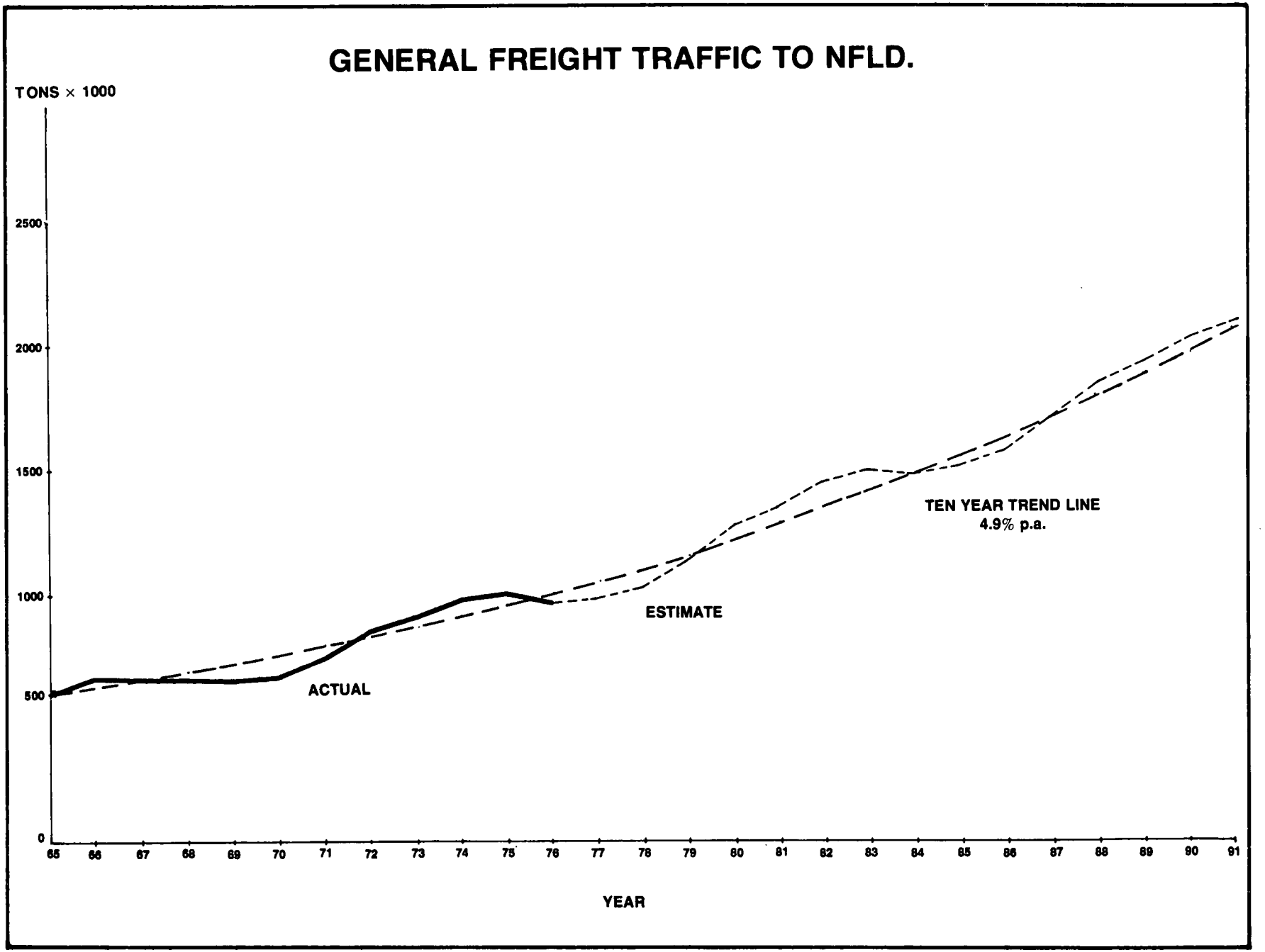
Trend line analysis is not a particularly reliable method of traffic forecasting as it fails to take into account the causal relationships between freight demand and those socio-economic factors which give rise to that demand. However, in light of the difficulty of obtaining reliable base year statistics, it is as accurate as can be readily determined. As a cross check, the Commission's staff attempted to use a multiple linear regression analysis which would predict cargo demand based on the growth of the population and the provincial labour force. It is interesting to note that this method correlated very well with the established trend line.

At the present time, the incoming freight can be classified as that of Maritime origin representing 30% of the total and non-Maritime origin representing 70%. On the assumption that this proportion is likely to be maintained in the near future, several conclusions and assumptions can be made regarding mode utilization and transport requirements over the planning periods. These are:

1. Since the major marine carriers operate between Montreal and the Island, it is highly unlikely that Maritime originating traffic will in future be moved *via* these carriers.
2. Trucking, for long-haul distances, is likely to decline in importance as fuel costs continue to increase. The portion of freight by truck from non-Maritime origins is not likely to grow appreciably.
3. Conversely, on the shorter routes from Maritime origins trucking will continue to grow in importance but that rate of growth will shortly decrease due to (a) limited back-haul opportunity and (b) competition from Newfoundland Container Lines.
4. Rail traffic will continue to decline because of (a) competition from truck for the Maritime freight and (b) competition from Newfoundland Steamships Limited and Chimo Shipping for the non-Maritime freight. This will be due to the fact that the marine mode can move freight more quickly, at less cost and with more reliability than rail.

Although the importance of rail in relation to other modes as a mover of general cargo is likely to diminish over the next decade, it is highly unlikely that the demand for rail services will disappear. The investment in railway sidings and some customer preference for the rail will ensure some utilization of this

Figure 6-4


GENERAL FREIGHT TRAFFIC TO NFLD.
TONS × 1000
2500
2000
1500
1000
500
0
ACTUAL
ESTIMATE
TEN YEAR TREND LINE
4.9% p.a.
65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91
YEAR

mode. The total vessel capacity of all the existing rail ferries is approximately 600,000 tons annually. Because of the high cost of operation of these ferries, it might be advisable to establish an operating strategy which would see one vessel fully utilized at approximately 300,000 tons rather than having two vessels under-utilized at 600,000 tons (Tale 6-10).

Table 6-10 Projected Freight Traffic to Newfoundland by Mode with Rail Freight Restricted to 300,000 tons Per Year.

Year	(x 1,000 tons) Total	Truck	Shipping	Rail
1978	1,030	395	335	300
1979	1,135	465	370	300
1980	1,275	550	425	300
1981	1,340	601	439	300
1982	1,440	668	472	300
1983	1,490	711	479	300
1984	1,480	726	454	300
1985	1,515	756	459	300
1986	1,570	807	463	300
1987	1,705	888	517	300
1988	1,800	951	549	300
1989	1,930	1,029	601	300
1990	2,040	1,097	643	300
1991	2,110	1,148	662	300

Under these assumptions, the general cargo demand by mode was estimated and is presented in Table 6-11. If there were no restrictions placed on rail traffic, it is doubtful if the traffic would build up to a point where 600,000 tons would be exceeded and a third rail car ferry required.

Table 6-11 Projection of General Freight to Newfoundland (1,000 tons)

Year	Total Tons	Truck	Shipping	Rail
1977	990	319	293	378
1978	1,030	370	306	354
1979	1,135	421	319	395
1980	1,275	472	333	470
1981	1,340	523	347	470
1982	1,440	574	362	504
1983	1,490	625	377	488
1984	1,480	676	394	410
1985	1,515	727	410	364
1986	1,570	778	428	364
1987	1,705	829	447	429
1988	1,800	880	466	454
1989	1,930	931	486	513
1990	2,040	982	507	551
1991	2,110	1,034	528	548

In any event, the amount of truck traffic to the Province is not likely to be drastically affected by rail strategies. On the other hand the direct shipping services of Chimo Shipping and Newfoundland Steamships Limited with be greatly affected. Present expansion plans of both companies are geared to meet the increase expected through normal growth. Accelerated growth brought about by a diversion of freight from rail to ship will require new vessel capacity by the mid-1980's.

Although truck traffic growth rate is expected to taper off over the next five years, and although a change in the operation of rail would result in only a modest increase in truck growth, a critical point to consider will be ferry requirements on the Gulf to accommodate truck traffic.

On the assumption that trucks will continue to be carried on the passenger vessels as is now the case, the Commission investigated vessel requirements for the month of July for each year within the planning period.

Gulf Ferry Requirements

Approximately 70% of all general freight traffic to the Island of Newfoundland moves on the ferries operated by CN Marine between North Sydney, Nova Scotia and Port aux Basques. These ferries carry passengers including tourists, and all forms of vehicular traffic, from motorcycles and cars to tractor trailers and railcars. During the 1977 peak months of July and August, two railcar ferries and three auto-truck ferries operated up to six one-way trips per day. The railcar ferries also carry tractor trailers or trailers if there is space available when required.

The number of ferries on this service must be geared to handle the traffic expected with a reasonable degree of efficiency. A prediction as to the number of ferries required and the dates when the fleet should be increased has been carried out by estimating the number of auto-equivalents to be carried on a design day and comparing the auto-equivalents provided on the ferries. A ferry such as the *'Marine Atlantica'* can carry approximately 290 auto-equivalents on one sailing. CN Marine uses the following values of auto-equivalents for different vehicle types:

Auto	1.0
Straight Truck	3.0
Tractor Trailer	6.0
Trailer only	5.0

This means that one straight truck consumes as much space as three cars while a tractor trailer consumes the equivalent space of six cars. Three components were therefore estimated, 1) the passenger related vehicle auto-equivalents, 2) truck auto-equivalents, and 3) anticipated railcars carried to the Island.

The estimated design day (average of six highest days) in 1976 and 1977 were 897 and 951 auto-equivalents respectively. At present, the ferries can handle 1160 auto-equivalents per day with four sailings per day. It is estimated that the design day auto-equivalents to Port aux Basques for the years 1978 to 1991 will be as shown (based on forecasts of passenger related vehicles and trucks) in Table 6-12.

Table 6-12

Year	Estimated Design Day Passenger Related Vehicle Auto-Equivalents	Estimated Design Day Truck Auto-Equivalents	Total Auto-Equivalents
1978	696	389	1,085
1979	729	404	1,133
1980	762	492	1,254
1981	792	544	1,336
1982	825	595	1,420
1983	856	647	1,503
1984	888	698	1,586
1985	919	750	1,669
1986	952	801	1,753
1987	985	853	1,838
1988	1,015	905	1,920
1989	1,048	957	2,005
1990	1,078	1,009	2,087
1991	1,111	1,061	2,172

It was also found that in July, 1977, there was still ample space on the auto ferries to carry more passenger related vehicles or trucks and on only two days did the total truck auto-equivalents carried on all vessels exceed the truck space available on the auto ferries. (This is shown in Figure 6-5.)

The future ferry requirements were analyzed for three conditions, these being, 1) normal growth (no restrictions on ferries with three auto ferries and two railcar ferries in service), 2) normal growth (but rail freight limited to 400,000 tons), and 3) rail freight limited to 300,000 tons/year (with only one railcar ferry in service).

Under condition 1, estimates were made of the auto-equivalents available to trucks on the railcar ferries after rail freight was accommodated. It is to be appreciated that no accurate assessment could be made of railcar traffic during July and August, but Table 6-13 shows the estimated number of auto-equivalents available to trucks on the railcar ferries by assuming that previous monthly variations in railcar traffic will still be valid.

Table 6-13 Estimated Design Day Auto-Equivalents Available to Trucks on Trailcar Ferries (Two Railcar Ferries in Service).

1978	168
1979	147
1980	107
1981	107
1982	93
1983	98
1984	142
1985	162
1986	162
1987	132
1988	117
1989	88
1990	68
1991	68

The effect of the extra auto-equivalents on the railcar ferries is to raise the total available auto-equivalents on the design day by the amounts in Table 6-13, and thus extend the time when extra sailings or vessels are required. Figure 6-6 shows the estimated capacity and demand for condition 1. This shows that another trip per day or vessel will be required in 1981 and another in 1985.

Under condition 2, the loss or removal of one railcar ferry would thus eliminate the additional space available to trucks as shown in Table 6-13. This will probably be the case in 1978 as the railcar vessel '*Sir Robert Bond*' is being modified to operate on the Lewisporte-Goose Bay service in July and August. If no additional replacement for this vessel occurs, i.e., only one railcar ferry is in service, then the overall capacity in auto-equivalents will be lessened to the capacity of the auto ferries only. The demand and capacity under condition 2 is shown in Figure 6-7. This chart shows that another trip per day or vessel will be required in 1980 and another in 1983. (It has been assumed that the rail freight can be accommodated totally by the one remaining railcar ferry or in conjunction with other vessels.)

Condition 3 stipulates a restriction on rail freight of 300,000 tons per year with the remaining traffic that rail would have carried being shared by trucking and shipping as in Table 6-14. It also assumes that there will be no constraint on trucking due to the type and number of vessels operated and that the trucking industry can handle the extra freight. Table 6-15 shows the effect on the number of auto-equivalents to be carried under this restriction on rail freight.

Table 6-14 Additional Trips per Design Day* Over 1977 Schedule

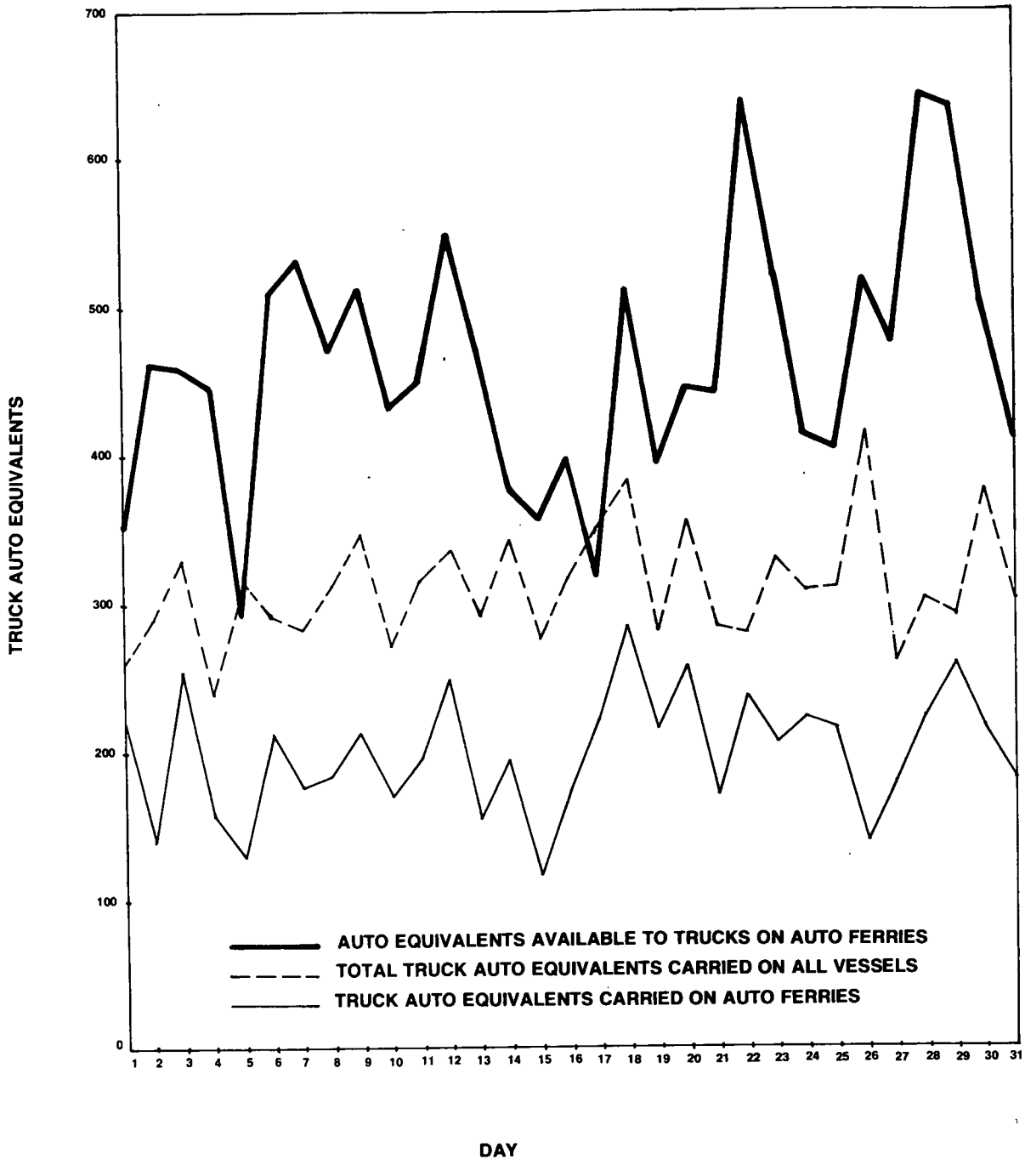
	Year										
	'78	'79	'80	'81	'82	'83	'84	'85	'86	'87	'88
Condition 1	—	—	—	1	1	1	1	2	2	2	3
Condition 2	—	—	1	1	1	2	2	2	3	3	3
Condition 3	—	1	1	1	2	2	2	2	3	3	3

Table 6-15 Design Day Auto-Equivalents When Rail Freight is Restricted to 300,000 Tons Per Year

Year	Auto-Equivalent Demand Under Condition (1)	Extra Auto-Equivalents Due to Rail Freight Restriction	Total Design Day Auto-Equivalents
1978	1,085	48	1,133
1979	1,133	51	1,184
1980	1,254	111	1,365
1981	1,336	113	1,449
1982	1,420	134	1,554
1983	1,503	128	1,631
1984	1,586	93	1,679
1985	1,669	73	1,742
1986	1,753	76	1,829
1987	1,838	111	1,949
1988	1,920	126	2,046
1989	2,005	158	2,163
1990	2,087	179	2,266
1991	2,172	180	2,352

Figure 6-5

TRUCK AUTO EQUIVALENTS — JULY 1977*



* NORTH SYDNEY — PORT AUX BASQUES SERVICE

SOURCE: CN MARINE

Figure 6-6

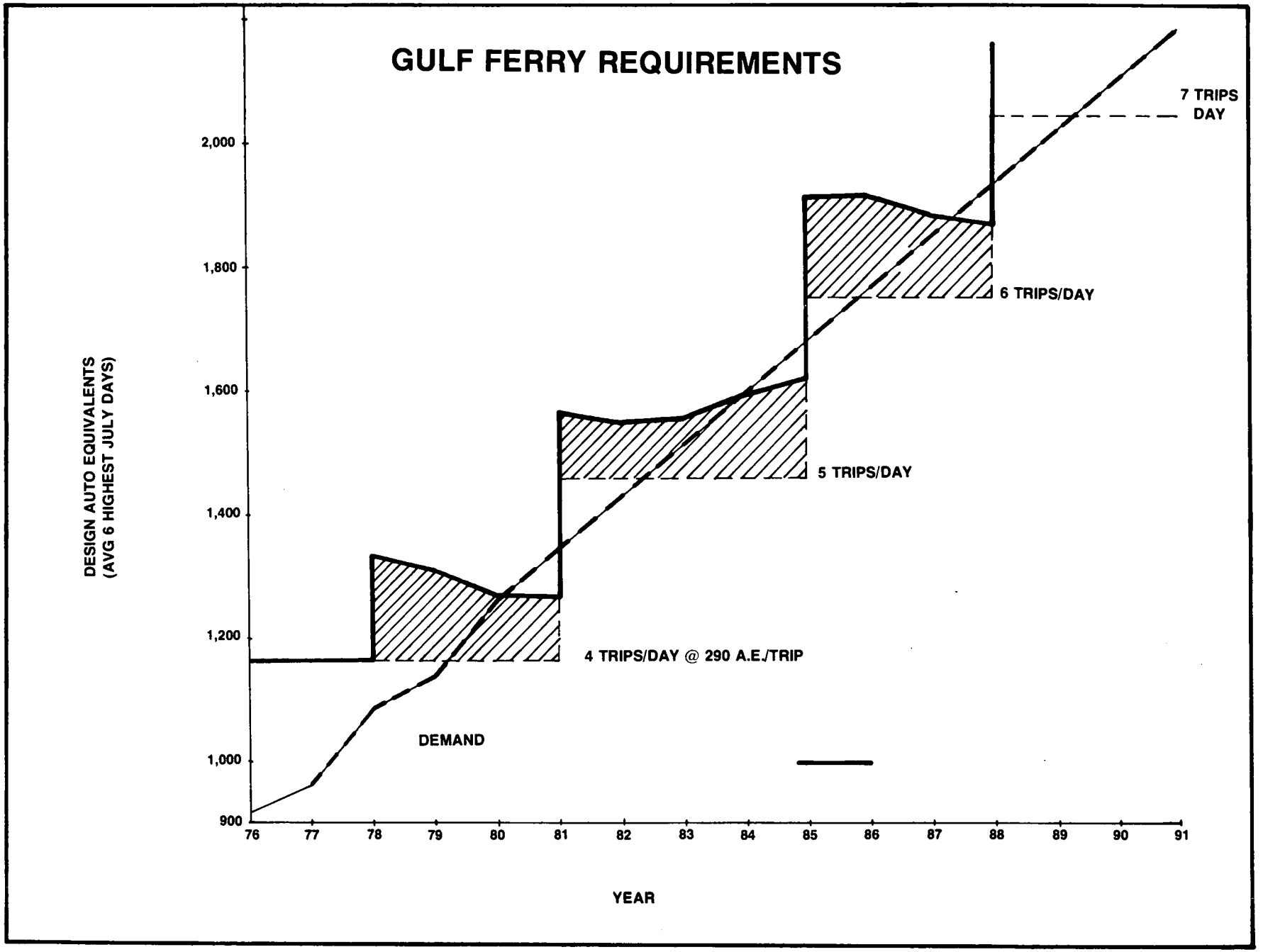

GULF FERRY REQUIREMENTS
7 TRIPS DAY
6 TRIPS/DAY
5 TRIPS/DAY
4 TRIPS/DAY @ 290 A.E./TRIP
DEMAND
DESIGN AUTO EQUIVALENTS (AVG 6 HIGHEST JULY DAYS)
2,000
1,800
1,600
1,400
1,200
1,000
900
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
YEAR

Figure 6-7

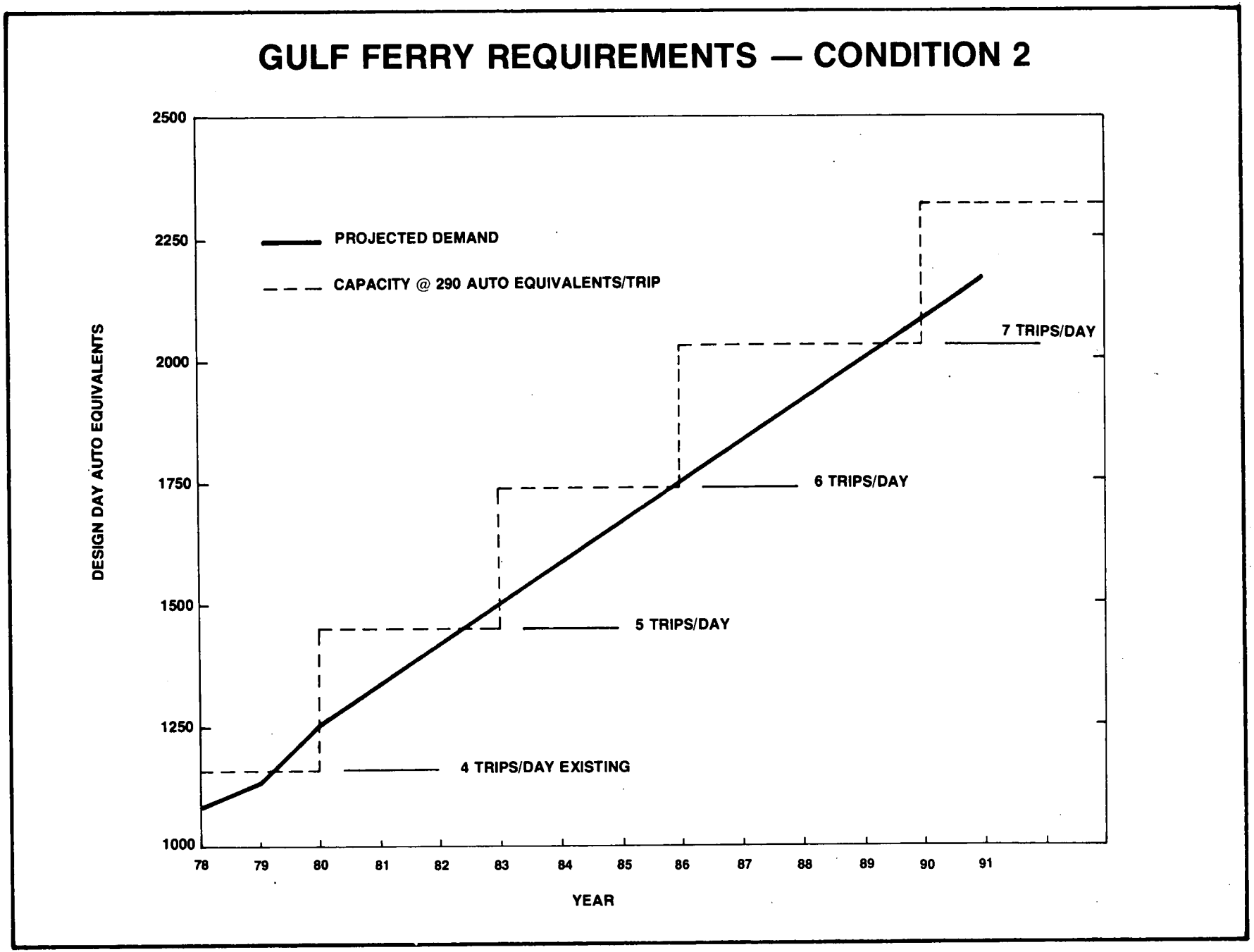

GULF FERRY REQUIREMENTS — CONDITION 2
DESIGN DAY AUTO EQUIVALENTS
2500
2250
2000
1750
1500
1250
1000
PROJECTED DEMAND
CAPACITY @ 290 AUTO EQUIVALENTS/TRIP
7 TRIPS/DAY
6 TRIPS/DAY
5 TRIPS/DAY
4 TRIPS/DAY EXISTING
78
79
80
81
82
83
84
85
86
87
88
89
90
91
YEAR

Figure 6-8

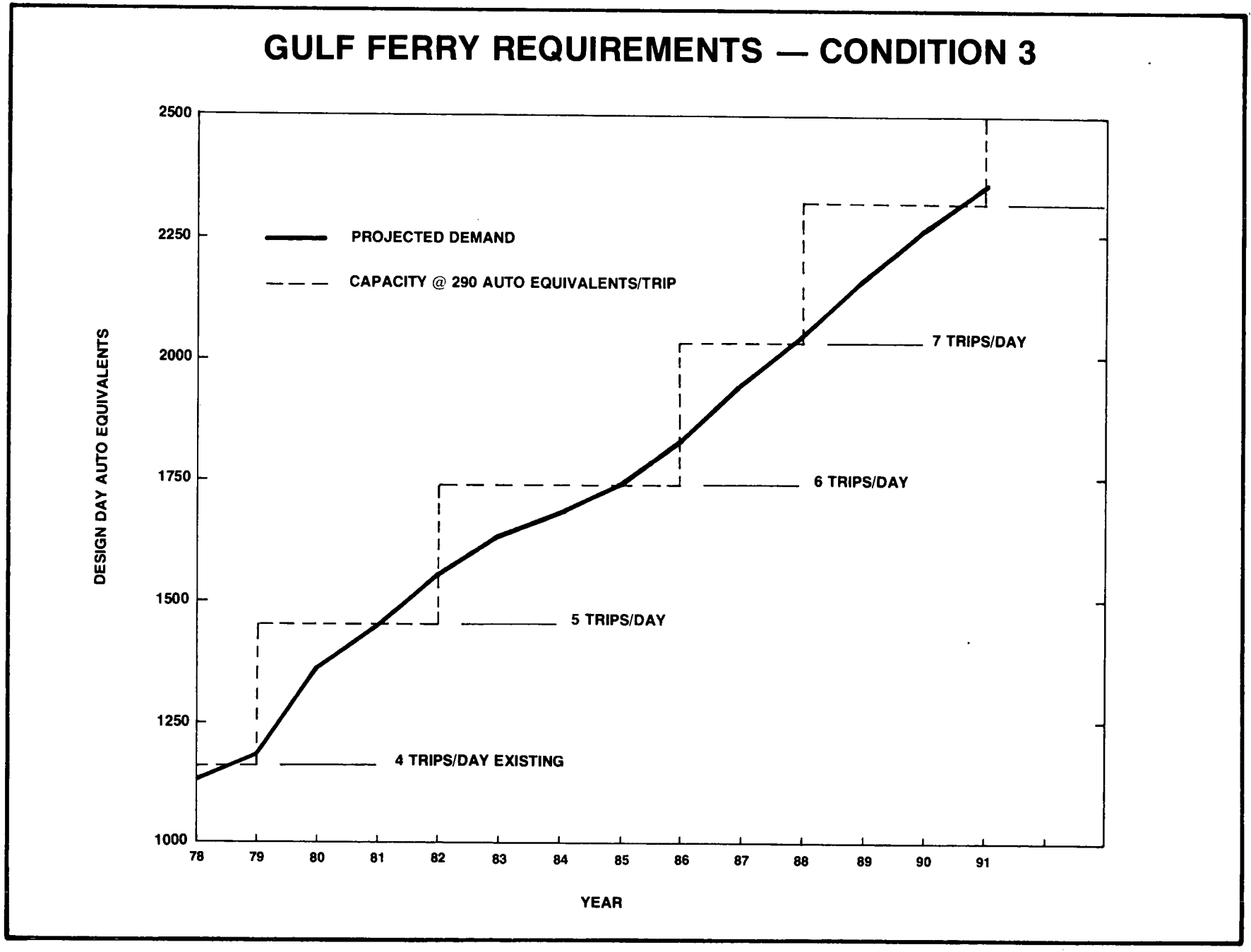

GULF FERRY REQUIREMENTS — CONDITION 3
DESIGN DAY AUTO EQUIVALENTS
2500
2250
2000
1750
1500
1250
1000
PROJECTED DEMAND
CAPACITY @ 290 AUTO EQUIVALENTS/TRIP
7 TRIPS/DAY
6 TRIPS/DAY
5 TRIPS/DAY
4 TRIPS/DAY EXISTING
78
79
80
81
82
83
84
85
86
87
88
89
90
91
YEAR

Figure 6-8 shows the results of demand and capacity under condition 3. As a result, there would be demand for another trip per day (or vessel) in 1979, another in 1982, 1985, etc., as shown in Table 6-15.

The effect on the supply of trips per day (or vessels) by each of the conditions, is shown in Table 6-14.

In conclusion, the loss of one railcar ferry in 1978, should pose some capacity problems in 1979 and will require another trip per day (or vessel) by 1980 (over the present four trips per day) on peak days.

Some Conclusions

The future transport needs must be provided by a system which has enough flexibility to meet the demands of industry, goods movement, and passenger travel as efficiently as possible bearing in mind the costs of operation and subsidization if necessary.

A review of the industrial prospects points out some areas where additional or modified infrastructure will be required. The prime requirement will be a highway system capable of serving the resource based industries and, in particular, the fishing industry. Some secondary roads will have to be improved (i.e., upgraded and/or paved) in order to facilitate the movement of fish between plants. The Trans Canada Highway will need improvement in order to expedite the marketing of the finished products with the least possible damage and delay. Coupled with the highway system, the Gulf ferry system will have to minimize waiting and crossing time in order to give the producers the required efficient access to mainland markets. Obviously, as emphasis will continue to be placed on the export market, there must be equipment capable of handling the exported product. This will mean, for example, that there will have to be more or larger reefer trucks available for exporting frozen fish.

The increases in traffic demand and present substandard sections of highways will necessitate the upgrading of the Trans Canada Highway and some collector roads. This will be vital to the provision of a safe, efficient, and comfortable surface passenger system. (Over 90% of all passenger trips in Newfoundland are on the highway system.)

Notwithstanding the Island portion of the Province, the economic development of Labrador will be largely dependent on the proposed Trans Labrador Highway. The impact of this highway on the Province and Canada is of such importance that this highway must be built.

Demands on the Island rail network are not projected to change very much as there will not likely be new industry which could take advantage of the railway for transporting raw or finished products. There is potential for exporting Bowater newsprint by rail to the mainland, provided it can be done more economically and/or more efficiently than at present.

As aforementioned, the Gulf ferry system will have to minimize waiting time for crucial exports, time-dependent products. The fishing industry must have access to the mainland markets if it is to be the prime resource industry in the Province. The ferries will also have to accommodate the expected passenger related traffic in an efficient, comfortable and affordable manner, in order to enhance the prospects for the tourist industry.

Chapter VII

Towards a Transportation Policy For Newfoundland

The title of this chapter is "Towards a Transportation Policy for Newfoundland" and not "A Transportation Policy for Newfoundland" as it might well have been had the Commission started with a clean slate. But the slate is not clean; whatever is now proposed must be cast in a form that can be accommodated to the exigencies of an already existing transportation network, that will recognize specific principles that are generally accepted and that will be adaptable to established procedures that, in the interests of an orderly transition to a new system, ought not to be suddenly disrupted.

If a comprehensive transportation policy for Newfoundland had been implemented fifty, or even thirty years ago, much of the existing network and many of the now accepted practices and procedures would not exist. But such was not the case and the Commission must now operate within the context of constraints imposed by the consequences of piecemeal *ad hoc* growth. We cannot even attempt to produce recommendations that will eliminate in one stroke all of the unfortunate results flowing from the lack of proper planning in the past. For even if the Commission were so foolhardy as to make such recommendations, their implementation would be clearly impracticable because of the severe disruptions and repercussions that would follow upon sudden change. Rather, recommendations must be aimed at the prevention of major mistakes in the future and a gradual but planned evolution towards a rational and a socially and economically functional system.

The Commission will attempt, therefore, to indicate the general direction in which transportation policy should develop and to formulate general principles upon which such a policy should be based. Specific recommendations will, insofar as is practicable, flow from that policy and those principles. Nevertheless, some recommendations, especially those with short term application, may suggest some slight inconsistency reflecting the necessity to compromise with the realities of the present situation. Over time, the Commission believes it will be possible to eliminate such inconsistencies and anomalies as are now unavoidable and to establish practices and procedures throughout the entire system that will be completely compatible with the new policy regime. In the meantime, the Commission should aim to develop clear directions for policy development and to ensure that all major decisions will be in keeping with this emerging policy.

Having established what the Commission conceives to be an acceptable rationale for the use of the word "towards" in the title, the remainder of this chapter will be devoted to a discussion of the objectives which the Commission considers to be relevant and important in formulating a general policy, the constraints which the present system imposes, the principles which must guide the transition from the present situation to that of the future, and a brief and speculative look at what the future may have in store.

Even though the Commission has argued that no comprehensive transportation policy has been implemented in Newfoundland, it is not suggested that no attempts have been made to enunciate the principles upon which such a policy might have been based. In this context two particularly significant documents must be noted:

1. *The Basic Elements of an Atlantic Provinces Transportation Policy* (March, 1969) and

2. *An Atlantic Provinces Transportation Policy — Principles and Recommendations* (April, 1975).

The Commission regards both statements as being of great importance. It is the last, nevertheless, which, incorporating all the basic concepts of the earlier formulation and modifying and enlarging upon some of them, represents the more comprehensive approach. It established the principles upon which an Atlantic Provinces transportation policy might be based in the following terms:

1. Transportation is an essential but not sufficient element in economic development. It is a means to an end. While an efficient transportation system will not guarantee economic expansion, the lack of such a system will retard development.
2. Transportation is, as it has been since Confederation, a vital element in the ability of regional industries to reach Canadian and world markets.
3. The National Policy of protective tariffs introduced by the Federal Government after Confederation, and promoted by all succeeding Federal Governments, resulted in a severe limitation on the ability of the Atlantic Provinces to exploit the vast potential markets of the United States. The natural north-south trade routes that had been developed by the region were replaced by an artificial east-west trade pattern. A new Transportation Policy must compensate for this unnatural restriction.
4. The responsibility of the Federal Government to ensure that transportation costs will permit regional industries an opportunity to participate fully in the economic growth of Canada was unanimously accepted in the discussions that preceded Confederation and in the discussions that preceded the entry of Prince Edward Island and Newfoundland and Labrador into Confederation. This principle is legally recognized in The Maritime Freight Rates Act and must continue to be so recognized.
5. The implementation of a national transportation policy for the Atlantic Provinces will require an effective combination of competition, regulation and financial assistance. In the long run, if this policy is effective, regulations and financial assistance should, to some extent, diminish.
6. It has been demonstrated that the present National Transportation Act, which dictates that competition will ensure realistic transportation costs, is only effective and equitable in those regions of Canada which have a well developed, mature transportation system with a high level of modal and intermodal competition. This is not the case in the Atlantic region where there is limited competition, lack of facilities, a low volume of traffic, and long distances which are sparsely populated. In the development of a new Transportation Policy, the degree of maturity of the transportation system, and the level of modal and intermodal competition, must be considered on a regional basis. A policy of a blend of regulation, infrastructure cost support, rate subsidies, variable percentage recovery of user charges, and other forms of assistance must be developed to fit that particular region.
7. While freight rate levels are of themselves of considerable concern to the Atlantic Provinces, other elements of the transportation system including service levels, transportation systems capacity, and capital investment in the transportation system, are of equal concern and have a significant impact on providing an effective Atlantic Provinces transportation system. These elements must be coordinated between the Federal and Provincial Governments so that provincial development aspirations can be fully considered.
8. To whatever degree transportation is regulated, the designated regulatory agencies must be responsive, and accessible. These agencies should be decentralized to the regions so that fast action can be obtained.
9. The ferry services between the mainland and the island provinces are essential services and cannot suffer any disruption.

The Commission accepts in general those principles and it is within the framework provided by them that specific applications will be worked out appropriate to Newfoundland and Labrador. However the Commission has some reservation regarding the third principle as we are of the opinion that an adjustment in the tariffs may be a better tool to exploit the United States markets and might be of much greater benefit to Newfoundland than a transportation subsidy on goods shipped to the central and western Canadian markets. Before we turn to specifics, however, the desirable objectives must be enunciated. In stating those objectives the Commission must remain fully conscious of Newfoundland's particular circumstances and needs but cognizant, at the same time, of the necessity for compatibility with Canada's transportation policies.

It is the view of this Commission that the following represents an appropriate set of objectives towards which our efforts should be directed.

1. *To eliminate, insofar as possible, the defects and weaknesses of the present system.*

There are, as Chapter V clearly shows, many existing faults and deficiencies in the Newfoundland transportation system. As examples may be mentioned the present state of deterioration of the Trans Canada Highway; and the high incidence of claims for loss and damage on the CN coastal service. The list of inadequacies is long and although some may be eliminated with relative ease over the short term, others will require careful planning over a longer period. In any case, it is imperative that as a transportation

policy for Newfoundland is developed, all existing deficiencies must be identified and, insofar as is practicable eliminated.

2. *To provide at least one reliable and reasonably priced method of passenger and freight service for each community in Newfoundland.*

The Commission recognizes the special problems posed by Newfoundland's settlement pattern. Nevertheless, under present-day circumstances, it is not unreasonable that all communities should expect to have access to a reasonably priced and convenient means of passenger and freight transportation. Not every community should, of course, expect daily air service, nor should an ice-bound coastal community reasonably expect even a weekly sea service, but all communities should expect to have their reasonable needs met and their reasonable expectations fulfilled. The coastal communities of Labrador, for example, should be able to rely upon receiving freight on schedule and in good condition *via* the Coastal Service during the months of ice-free navigation. At the same time provision should be made to warehouse supplies of the winter freeze-up. Residents should also assume responsibility for informing themselves of the modes of transport available to them and for adapting their demands to the necessities of the best schedules that can be implemented. A programme of amelioration and of development should be evolved in consultation with the people primarily affected, and implemented in an orderly manner over as short a period of time as is consistent with thoroughness, efficiency, and practicality.

3. *To encourage by all practical means competition between and among modes and carriers.*

There is no question but that competition provides a strong element of market control. If, for example, two separate trucking firms carry goods between the same two points, the firm providing the best service, in terms of reliability, speed and cost will, in time, receive the larger portion of the traffic offered. This, in turn, should encourage the other firm to improve its service. However, in Newfoundland the total amount of traffic offering is relatively small and there may not always be, in all areas, sufficient volume to warrant competition among several modes of transportation. In fact, many areas will be served by only one mode because it would clearly be uneconomic to provide alternatives. In circumstances where, for example, hitherto isolated coastal villages are linked to the road network, it is neither logical nor economically practical to continue a highly subsidized coastal boat service in competition with the trucking industry. As a principle, it may be stated therefore, that when roads are built to an area, the service heretofore provided by the coastal boats should be terminated. Such situations are clearly exceptions to the general rule. Whenever the population is sufficient to require more than one mode, competition should be encouraged and fostered.

4. *To provide the best possible service at the lowest possible cost.*

The transportation system that is developed must give the greatest possible value for the dollars spent, which is to say that we must aim for the system which is most cost effective. This does not mean that we should aspire to the system that is cheapest but rather that we cannot ignore costs and must consciously strive to get the best value for what we spend. Thus, when considering alternative modes and services, it must first be determined which will provide the level and type of service that is required and the one which is most economical must be selected. In short, economy is not the primary reason for selecting a mode of transport but it becomes highly significant when other conditions have been met.

5. *To provide for maximum co-operation and co-ordination between complementary services.*

The principal modes of transport are rail, road, sea and air, and a thoroughly efficient transportation system will provide for interconnections among them whenever the possibility exists and is economically practicable. To achieve this objective there must be maximum co-operation both on an intermodal and on an intra-modal basis. For example, passengers disembarking from a Gulf ferry should be able to make close connections with a CN Roadcruiser. Similarly, off-corridor bus service schedules should be closely co-ordinated with schedules on the main corridor routes. The same principle of co-operation and co-ordination should apply equally to freight transfer. Consider, for example, a package destined to move between Renews and Roddickton. In a fully developed and integrated system, a regional carrier would collect the package at Renews and take it to a central depot at St. John's where it would be transferred to another carrier operating on the main provincial corridor. He would take the package to Deer Lake, where it would be again transferred to another regional carrier who would finally deliver it to Roddickton. The more complicated sequence of transfers for freight may take several years to develop, but a simpler passenger transfer system should be introduced in the immediate future since it requires careful planning rather than large capital outlay.

6. *To provide maximum flexibility to adapt to change.*

While it is often difficult to make successful predictions of future needs and trends, careful priority planning can often prevent the necessity for costly remedial action. Consider, for example, the case of ribbon developments along highways. It is almost

inevitable that where such developments occur, the main highway will have to be widened or feeder roads will have to be constructed. This is at a time when property values will have escalated and expropriation of land will have become excessively expensive and time consuming and when, in all probability, the best result that can be achieved will be but a makeshift adaptation to circumstances. The alternative procedure of first developing a set of regulations respecting orderly development and then implementing those regulations would be both simple and inexpensive and would obviate the sort of difficulty which has been mentioned. Thus, proper plans for a transport system must be developed in relation to other developmental activities and must proceed in carefully controlled stages. The first stage would be a decision to move in a general direction, though planning at this stage should not be so rigid that all developments would be locked into an inevitable sequence of action. Rather, initial planning should leave sufficient flexibility for subsequent examination and reconsideration. In brief, options should be kept open as long as possible; final and definite plans should not be made until they are absolutely necessary and only after all relevant data have been gathered and evaluated and all eventualities, within reason, foreseen and considered.

7. *To maximize the effectiveness of subsidies.*

Subsidies of various forms are introduced in an attempt to deal with specific problems. It often happens that the subsidy fails to accomplish the desired end but, nevertheless, is continued because, over time, it has acquired the entrenched status of a "right" that can be neither reduced nor eliminated. The use of subsidies and their actual effects should, therefore, be examined carefully and frequently so that wherever desired effects are not being achieved, appropriate action can be taken before the subsidy attains hallowed old age. The question of subsidies is considered in more detail in Chapter X.

8. *To maximize opportunities for the economic development of the Province and to provide adequately for Newfoundland's probable future transportation needs.*

Transportation policy has long been recognized as a tool of national policy in Canada. Accordingly, in 1967, when much of the transportation infrastructure was in place in mainland Canada, The National Transportation Act outlined the policy of "user-pay" and "economic viability". Newfoundland is in a much more premature stage of economic development and rationalization of its transportation infrastructure has yet to take place. As outlined above, areas which need transportation facilities must be carefully identified within the framework of economic development and future needs must be determined in a planned and orderly manner, rather than on an *ad hoc* basis as has been the case in the past. The Federal Department of Regional Economic Expansion has recently been of great assistance in this area and it is to be hoped that this assistance will continue.

In addition to the basic objectives listed above, the Commission has identified four other factors which are of sufficient importance to be given very careful consideration when policies for transportation are formulated. These are as follows:

1. *The use of fuel.* Increasingly, concern is being expressed about the rate at which transport systems consume fossil fuels. Undoubtedly this will continue to be a serious problem for some time to come. In consequence, it is important to aim toward reducing fuel consumption as much as possible. Other things being equal, then, the mode of transport which uses the least fuel should be selected.
2. *User satisfaction.* It is clearly impossible to provide complete satisfaction to everyone with respect to the transportation services and facilities that can be provided. Some people will sometimes have to accept circumstances that are less than totally desirable. Nonetheless, whenever possible, the wishes and desires of individuals regarding comfort and convenience should be given careful consideration. Other things being equal, those modes which provide the highest degree of perceived user satisfaction should be implemented.
3. *Employment.* Providing a high level of employment is not, in itself, a goal of the transportation system. If a good transportation system requires the work of a large number of people, then that condition will, of course, be accepted as an added blessing. If, however, a good method of transportation requires fewer workers, then that method should be selected. The preservation of an inefficient and out-moded system cannot be rationalized simply because it provides jobs. Employment and transportation are entirely different problems and even though increased employment is a desirable consideration, it cannot be achieved at the expense of the kind of economic and efficient system that will serve the interests of the total population. Nevertheless, other things being equal, those methods which can, without detriment, produce the highest level of employment, should be selected.
4. *Speed, safety and reliability.* It goes without saying that speed, safety and reliability are major considerations which must be kept in mind when decisions concerning transportation are being made. With respect to passenger services, speed and safety are of the utmost importance, but in the matter of freight, reliability seems to be the single most important quality. Users prefer a method which delivers goods reliably. All things being equal, methods should be chosen which provide for

the shortest time in transit, the greatest degree of safety and the highest standards of reliability.

Constraints Imposed By The Present System

Despite the fact that objectives for a Newfoundland transportation system can be stated with reasonable precision and despite the fact that Newfoundland's future needs in the field of transportation are reasonably clear and definite, it is not possible to move directly toward attaining all those objectives and satisfying all those needs nor, in many instances, to move as rapidly as might be wished. To some extent we must live with the mistakes of the past: mistakes in planning, in lack of planning and in the allocation of resources. Some of these mistakes are not remediable, others can only be corrected over time. This situation must be acknowledged and taken into account as we proceed toward the development of a transportation policy. The most obvious and important constraints which the present situation imposes are as follows:

1. *Existing facilities and transportation network.*

Clearly, much capital has been expended on the existing transportation network which has already been described in Section II of this report. When future needs are being considered, existing facilities must necessarily play an important part. Even if, for example, it was considered desirable to have the main sea-rail interface at Corner Brook, the enormous capital investment already made at Port aux Basques would probably constitute an overriding practical reason for abandoning the idea. Thus greater efficiency and convenience would necessarily be sacrificed to the logic of expensive facilities already in place. Other obvious constraints relate to the location of the capital city and the largest concentration of population on the Avalon Peninsula, that part of Newfoundland most remote from the mainland of Canada. No matter how desirable it might be, from a theoretical transportation point of view, it simply would not be practical to move the capital city to the west coast. Similarly, the rail line cannot be moved as needs dictate. Any transportation policy must work, where possible, within the framework of existing facilities.

2. *Existing patterns of employment.*

Transportation policy must be designed in recognition of the effect which changes will have on existing patterns of employment. For example, more than 1200 employees would be displaced were the railway to be abandoned and even though many of these ought to find work in the transport systems that would replace the railway, it seems, at present, unlikely that all could be absorbed. Nor would this represent the full extent of the problem. The loss of 1200 primary jobs would have a cumulative effect throughout the whole economy, affecting many other people. The social costs, including the direct financial costs of social welfare benefits, could be a constraint strongly supporting retention of the railway. In any case, the existence of those 1200 workers must be a matter for the most serious consideration of policy makers. Certainly future planning must make provision for special programmes of consultation, retraining and reallocation if the reasons for significant changes are, or become, overwhelming.

3. *Existing subsidies.*

Subsidies are initiated to alleviate specific difficulties and/or to encourage economic growth, but their side effects may operate powerfully beyond the system directly involved. For example, the heavy federal subsidy provided to the CN coastal service has had the concomitant effect of forcing the small private shippers either to charter their ships to CN or to go out of business. By the same token, the subsidy to the Newfoundland Railway allowed freight rates to be set at an artificially low level and made it difficult for other carriers to compete for the traffic offering. Accordingly, in 1969, under The Atlantic Region Freight Assistance Act (ARFAA), truckers became eligible for a subsidy, and in 1978 the air and water modes will also become eligible.

It has been argued that The Maritime Freight Rates Act (MFRA) has never had the intended effect: the development of a sound industrial base in Eastern Canada. In consequence, many studies and commissions have recommended that the subsidy be modified drastically or eliminated. Nevertheless, it has continued until 1978 and, although various modifications have been introduced, no really significant change has been made. Other examples could readily be provided to illustrate the truth of the statement that subsidies are far easier to put on than to take off. Changing the pattern of existing subsidies in Newfoundland, if major changes are required, will not be an easy task and will represent a real constraint as policy is developed.

4. *The Constitutional obligation.*

At first glance, it may seem contradictory that any Constitutional obligation should act as a constraint. However, under The Terms of Union of Newfoundland with Canada, Canada is obligated to operate the railway and relieve the Province of any deficits incurred. Any alteration of this agreement must be mutually acceptable to both the Federal and the Provincial Governments; failure to agree could lead to long and involved litigation, reaching the Supreme Court of Canada. Any plans to abandon the railway, for example, might take years to execute and decisions affected by this delay might well reach fruition only after obsolescence. Thus, Constitutional obligations may be a constraint.

5. *Size of the market in Newfoundland.*

The population of Newfoundland on July 1, 1977, was 563,200 according to a Statistics Canada estimate. With such a small population, the market in Newfoundland is relatively small and any transportation network must gear itself to this fact. In addition to this, in terms of general cargo tonnage, most of the traffic is eastbound resulting in under-utilized backhaul space. The small market also affects the viability of alternative or competing modes of transport. While it might be ideal to have a choice of sea, air, rail or road transportation to fit individual exigencies, it may well be that with all four operating in competition, none will be able to capture sufficient traffic to remain economically viable, even with the aid of subsidies.

6. *Public desires and expectations.*

In this, the 8th decade of the twentieth century, public expectations have, perhaps, exceeded practical possibilities. Nevertheless, it must be recognized that user expectation is an important factor in transportation. It is the *degree* of expectation which must be measured. Reasonable expectations must be carefully taken into account. The average Newfoundlander should not expect, for example, commuter services between St. John's and Corner Brook that match those between Toronto and Montreal. Nevertheless, he should expect to be able to travel between Corner Brook and St. John's in comfort and on a regularly scheduled basis. If a service falls below legitimate expectations, even if the service is adequate by objective or statistical analysis, public discontent can be anticipated, which, in turn, acts as a constraint.

7. *Federal and provincial responsibilities.*

Certain responsibilities in transportation fall under federal jurisdiction and still others under provincial. Unfortunately, these two jurisdictions are not always well co-ordinated. For example, the railway is a federal responsibility while roads fall within provincial jurisdiction even though federal funds are often used in their construction. It is apparent that the best result could be achieved if the services offered by road and rail were fully and effectively co-ordinated. Furthermore, the Canadian Transport Commission, the principal regulatory body, is located in Ottawa and its regulations do not always take cognizance of local problems. Furthermore, its decisions, once taken, are slow to be changed. Again, the MOT and CTC do not always adequately inform the Provincial Government of their intentions and, consequently, misunderstanding results. Liaison between the two levels must be carefully considered in policy making.

8. *Financial realities.*

Just as the private citizen must "cut his garment according to his cloth" so must governments do likewise. No matter how desirable it may be to have the very best in every mode of transportation, public funds must be spent with an eye to efficiency and cost effectiveness. It might, for example, be highly desirable to have a modern standard gauge railway across Newfoundland, but it would be most difficult to justify the amount of over $700 million which would be required for such a project. Thus financial considerations are a major, if not, indeed, the most important constraint on transportation policy.

Principles Which Should Guide Change

Having stated the objectives, identified the future needs and indicated the principal constraints which will affect development, attention must be addressed to those basic principles which should guide and control the changes envisaged. These are intended to ensure that changes are introduced in a gradual, orderly and systematic manner so as to limit the disruptive effects of hastily introduced or ill-considered actions. The most important principles are as follows:

1. *The Provincial Government and all interested groups in the Province should have the opportunity to offer advice concerning all changes that are contemplated.*

Much confusion and dissatisfaction can be avoided if proper consultation occurs before any proposed action is taken. The Provincial Government has a Department of Transportation and Communications whose personnel ought to be able to offer important advice. The Provincial Government will rightly be concerned that specific changes and policies concerning transportation will fit into its overall policies concerning the economic development of the Province. Also the people of this Province feel that they have a right to be consulted or at least informed concerning proposed changes in the transportation mode. It seems reasonable to assume that the people who are closest to a particular problem, and who will be directly affected by proposed changes, will be in a good position to give pertinent advice. At least, they should be provided with a forum for the presentation of their views. In short, decisions should not be arbitrarily taken but should follow upon purposeful consultation with all those whose interests are directly involved.

2. *Short-term changes should not be incompatible with long-range goals.*

Policymakers are often accused, and rightly so, of acting on the basis of partial information to solve a short-term problem in a manner that will in fact in the long run create new and even more serious problems. Therefore, careful priority planning must always precede change and provision must always be made for contingencies. However, planning and study must not become ends in themselves or offered as excuses for

inaction. There must be a balance struck whereby thorough planning is followed by appropriate action.

3. *Existing facilities should be used whenever possible to maximum effectiveness.*

Before major changes are contemplated, at a port for example, it should be clear that the maximum potential is being derived from facilities already in place. Careful study might indicate that with minor modifications, existing facilities could be adequate, at least for the short term, before extensive planning and construction take place. In some instances, the demand for major construction might disappear once the existing facilities were fully used at top efficiency. Other examples of possibly under-utilized facilities exist in the fishing industry. Fish plant management, for example, claims that available transportation is inadequate to their needs, although it may be that there are carriers already available who are uninformed of the requirements of the industry and unaware of the opportunities available to them. On the other hand, industry may be insufficiently organized to take advantage of a service that particular carriers are prepared to offer. Thus when Air Canada offered a cheap air rate (6¢—7¢ per pound) for fish shipment to Montreal, the fishing industry was unable to provide a reliable supply on a continued basis and the service was subsequently dropped. From this it appears to be absolutely necessary to discover what facilities are really available before contemplating any change. When the information has been assembled, it may be that a carefully planned co-ordination of existing services and facilities will obviate to a considerable extent the necessity for substantial capital investment.

4. *Adequate notice must be given to all those who will be affected, concerning any major changes which will be carried out.*

Even though prior joint consultation has taken place, it will still be necessary to give adequate notice of the change. It is a well-known fact that the 15% subsidy granted in the Atlantic Region is under review at the present time. Those carriers affected are well aware that the subsidy may be applied on a commodity basis or even dropped. However, the notice of discontinuance should be given long before the change is effected, and where changes are to be made, the subsidy should be phased out gradually so that carriers can make adjustments accordingly.

5. *Changes should be introduced in such a manner as to minimize social and economic disruption and adequate provision should be made for those workers whose jobs would be threatened or eliminated by proposed changes.*

First of all, any change which will involve the loss of employment for any number of people must be introduced very carefully. Often changes which are made have disturbing economic and social consequences, particularly for the short term. Attitudes towards layoffs and unemployment have drastically changed in the last forty years. In the thirties, it was generally believed that the burden should fall on the shoulders of those who first incurred the loss. In the seventies, it is usually believed that society has a responsibility towards people who have lost their jobs through no fault of their own. When any changes are proposed which will adversely affect employment in any given area, the disruption which follows is extremely unsettling. When unemployment occurs in the one-industry town, the effects are drastic.

It would be less disruptive to instigate a programme of retraining and relocation of people displaced, for instance, by any proposed abandonment of the railway long before any disruption actually occurs. If the employees were retrained and/or relocated in a planned programme which would start well in advance of proposed changes, the disruption would be somewhat alleviated. In addition, it may be that future development in other economic spheres might be proved feasible for the region. It is clear that any major change in transportation policy must take place only after appropriate plans have been made, insofar as is possible, for those who will be affected.

A Glimpse At the Future

Planning for the future might be helped and made more realistic if the Commission had a reasonably good idea of exactly where our destination will be. The Commission shall, therefore, attempt to sketch in bare outline a picture of what the Newfoundland transportation system will most probably look like 20 years from now.

Predicting the future is a hazardous business, as every weather forecaster knows. Even when all of the facts are known and then specific effects predicted with reasonable certainty a large margin of error is inevitably found and the inaccuracy increases directly with the length of time which the prediction involves. Sometimes an entirely unexpected factor emerges which makes all previous predictions invalid and hopelessly inaccurate. For example, the introduction of "the pill" rendered all previous predictions of birth rate completely invalid. Witness the tremendous difficulties which reducing enrollments have imposed on our school system. Similarly, the tremendous increase in tractor trailer traffic which occurred in Newfoundland during the 1970's was largely unexpected. This increase made inaccurate previous predictions concerning other modes of traffic, especially rail freight.

The Commission is being asked to plan for the next twenty years. It must, therefore, try to visualize what transportation in Newfoundland will look like in 20 years. This must be done in part because the terms of

reference of the Commission clearly call for such long range planning and in part because the recommendations which will be made may very well help to shape the development which will occur during the next twenty years. In the predictions, it will be assumed that the major recommendations of the Commission have been accepted and implemented.

The Commission will, therefore, take a look into the future. It shall try to picture what the Newfoundland transportation system will look like 20 years from now. Various services and facilities will be commented on briefly. In this manner the Commission shall have some idea of the direction in which the Province shall be heading during the next 20 years. The Commission will then in subsequent chapters return to the present to discuss and hopefully resolve some of the major problem areas which complicate the Newfoundland transportation system. Specific recommendations which will be intended to guide and direct the coming changes will then be presented.

General Overview

1. *The Gulf.*

The Gulf crossing for passengers and trucks will inevitably involve ferry movements between North Sydney and Port aux Basques. At least four large specially designed 300-car ferries will make three trips each day in the peak season during the summer and an appropriate number during the winter. The crossing will take approximately four and one-half hours. The ferries will have limited berth accommodations and therefore all crossings for passengers will be during daylight hours. Night crossings will be used in peak periods. At all times trucks will be given priority on night crossings.

Between North Sydney and Argentia there will be daily service during the summer by two ferries. The crossing will take approximately fourteen hours and overnight accommodation will, of course, be provided.

One ferry will operate, perhaps twice a week, during the winter season. The other ferry will operate on the Gulf during the winter and will provide overnight accommodation because the trip will take several hours longer during the season when ice is encountered.

Another overnight ferry will operate during the summer season from North Sydney to Port aux Basques to Bay D'Espoir and Terrenceville and return. The ferry will, like the Argentia ferry, be capable of carrying passengers, private cars and trucks. The turn around will be accomplished in forty-eight hours and will leave North Sydney and Port aux Basques at 11:00 p.m. Those who wish to take advantage of an overnight crossing with suitable berth accommodations will be able to obtain a berth on a crossing from North Sydney to Port aux Basques two days per week during the summer season. This service will, of course, be on a reservation basis. This ferry will also revert to the Gulf crossing during the winter months.

During the summer months there will be a service between Aspey Bay on Cape Breton Island and Port aux Basques. The service will be provided by two large Hovercraft similar to the Super 4 which British Rail operates on the English Channel. The craft will take 80 cars and 300 passengers and will cruise at 60 miles per hour. Thus the crossing will take a little over an hour and the craft will be able to turn around in less than two hours. Up to ten trips in each direction each day will be scheduled.

The service across the Strait of Belle Isle will be provided by a large conventional ferry during the summer months. During the winter months the service will be provided by a smaller Hovercraft which will be capable of carrying vehicles and passengers and which will be able to operate in all except the most severe ice conditions.

2. *The Coastal Service.*

The Coastal Service will have virtually disappeared as roads to all of the communities make it unnecessary. If water transportation is provided on the south coast it will be provided by large high speed vessels with day routes similar to those now being served by the '*Marine Runner*' and the '*Marine Sprinter*'. A smaller high speed vessel will provide service to any Placentia Bay communities not connected by road.

If the Trans Labrador Highway has not been completed, there will be a direct water service weekly between St. John's, Lewisporte, St. Anthony, Cartwright and Goose Bay during the June to October months. The service will be provided by an ice strengthened vessel built especially for that service.

Service to the southern Labrador communities which are not connected by road, will be provided by a combination of air services and fast high speed launches. Service to the northern Labrador communities will be provided by air during the winter months and by Hovercraft during the summer months (the same Hovercraft which operates in the Straits during the winter months). Freight deliveries to the Labrador coast will be by large freighters which will stop at major distribution points. Smaller chartered vessels will distribute the freight to the more isolated communities.

Intra-Island Ferry Service will continue on most of the routes which are served at present but some of the Island communities may be connected to the mainland by a causeway. The ferry services to the remaining Island communities will be provided by vessels which are sufficiently large to deal adequately with the traffic offering.

3. *The Road Network in Newfoundland.*

The basic corridor between Port aux Basques and St. John's will be served by a modern arterial highway. The highway will have at least two lanes with appropriate passing lanes for its entire length. Four-lane sections will be needed at least between Deer Lake and Stephenville, between Grand Falls and Notre Dame Junction, and between Clarenville and St. John's. A separate section of the highway will join Southwest Brook, Buchans and Badger. This will reduce the trip across the Island by approximately one hundred miles.

The road up the Northern Peninsula will have been improved considerably with widening and passing lanes provided. Between Newfoundland and Labrador there will be a year-round crossing service provided either by a tunnel or by a combination of ferry service during the summer and Hovercraft during the winter.

There will be a Trans Labrador Highway from Forteau to Goose Bay to Churchill Falls to Labrador West. The highway will then connect with the highway system of Quebec. The coastal communities of southern Labrador will all be joined by branch roads to the main highway.

All of the secondary roads on the Island and Labrador will have been paved. A secondary road will have been constructed along the south coast from Rose Blanche to Bay D'Espoir and around the bottom of Fortune Bay from the Connaigre Peninsula to English Harbour East. (It should be noted that the development of such a road system has been vital to the economic development of Iceland.)

4. *Surface Transportation.*

The basic surface transportation will be provided by bus along the Trans Canada Highway. The buses will be larger and more comfortable than at present. Express service from St. John's to Port aux Basques will be provided daily by at least two day and one night runs. Frequent local trips will cover the St. John's to Gander, Gander to Corner Brook and Corner Brook to Port aux Basques routes. These routes will provide connections with each other, with the express service and with local bus services. Depots which will provide waiting rooms with washroom facilities and restaurant services will be provided at each of the major intersections of secondary roads with the Trans Canada. Attendants at each station will be able to provide up to date information concerning schedules and bus arrival and departure times. Also, connecting bus services will have been provided for the Northern Peninsula, the Baie Verte Peninsula, the Bay D'Espoir highway, the Bishops Falls and Lewisporte turn-offs, the Bonavista Peninsula and the Burin Peninsula. These services will interlink with the Trans Canada service and it will be possible to buy a ticket to travel from St. John's to St. Anthony.

5. *Direct Water Freight Service.*

Most of the traffic movement coming to and going out of Newfoundland will be by direct water movements. There will be frequent boat trips between Montreal and St. John's, Montreal and Corner Brook, and Montreal and Goose Bay. Several different companies will provide these services and the level of competition will be high.

There could also be an increase in direct water movement between St. John's and Halifax. This will be supplemented by additional direct water routes between the major Newfoundland ports, i.e., St. John's, Corner Brook and Argentia, and other ports in the Maritime Provinces and Central Canada.

There will be a major port on the coast of Labrador, probably to the north of Groswater Bay. This port will be connected to Goose Bay by road and may, perhaps, be connected by an east west rail system that would sweep across Labrador and proceed *via* the foot of James Bay to Montreal.

The harbour facilities in both St. John's and Corner Brook will have improved considerably to enable these ports to handle the substantial increase in direct water traffic. Improvements will also have been made in the port facilities in Argentia and Lewisporte. A major project will have converted the harbour at Terrenceville into the eastern terminus for the coastal service along the south coast and the ferry from North Sydney, Port aux Basques and Bay D'Espoir. Port facilities at St. Albans will also have been improved to permit docking of a ferry.

6. *Air.*

Passenger traffic to Newfoundland will have increased greatly and numerous flights will be made to all of the Newfoundland airports by Air Canada and by Eastern Provincial Airways. Improvements to the landing system at the St. John's airport will make possible a higher proportion of landings during the bad weather periods of the year. Regional carriers will also operate between Newfoundland communities. The airport system will include airports in all of the northern Labrador communities and some of the southern Labrador communities as well. Third level carriers will provide daily service between St. John's, Clarenville, Gander, Deer Lake, Stephenville and Port aux Basques, as well as the Labrador communities.

There will be a daily freight service by a large aircraft which will leave Montreal, call at Gander and proceed to Europe. The flight will return by the same route on the following day. This flight, combined with refrigerated holding facilities at the airport, will permit the shipment of fresh fish to central Canada and to Europe.

From the above outline it is possible to determine three basic directions in which the Commission sees transportation in Newfoundland moving. These are:

1. A considerable increase in direct water movement.
2. More and more varied ferry connections between Newfoundland and the mainland.
3. Increased dependence on the highway system for surface transport.

The Commission does not anticipate much conflict with these basic directions. Other decisions will require that key issues be examined and settled. The reader will note the absence of the rail system in the discussion above. The future of the railway is the first of these key issues which the Commission will now examine.

Section 4

Key Issues in Newfoundland Transportation

Chapter VIII

The Future of the Railway in Newfoundland

The future of the railway in Newfoundland constitutes the most important, difficult and agonizing specific problem faced by the Commission. A greater variety of representation was made to the Commission concerning the railway than concerning any other mode of transportation or transportation facility. Virtually all of the representations included strongly held opinions and many were couched in highly emotional language. Most argued that the railway should be continued, upgraded and given the ability to offer services and incentives which would increase the proportion of traffic handled. Others argued that no further money should be spent on the railway and that it should, if necessary, be abandoned in favour of a greatly improved Trans Canada Highway across the Province.

Since the problem is such an important one, it is desirable to define its terms with care and precision. Only then can the Commission be reasonably sure that we know its precise nature and appreciate the full implications of the decision that must be made.

In addition to the branch lines, the railway in Newfoundland actually consists of three distinct elements:

1. The rail car ferries across the Gulf;
2. The marine/rail interface at Port aux Basques which provides for the transfer from wide gauge cars to narrow gauge cars; and,
3. The narrow gauge rail line from Port aux Basques to St. John's.

However, most of the submissions to the Commission did not differentiate among these elements but included all of them under the general term "Newfoundland rail".

Public opinion, as represented to the Commission, tended to support one of two extreme positions in respect of this system. On the one hand were those who argued for its complete retention and for appropriate upgrading of facilities to include the elimination of curves, the reduction of grades, the improvement of bridges, or, indeed, in the most extreme view, the replacement of the entire system with a modern standard gauge railway. At the other end of the spectrum were those who would totally abandon the rail system at the earliest feasible date and use the money thus saved to upgrade highways and improve other transportation facilities in the Province.

Let us examine, briefly, some of the implications of this latter position. It should be clear at the outset that an immediate abandonment of the rail service would not be practical. Even if such a decision were taken in the immediate future, a certain period of time would have to be allowed for the railway operations to be phased out. During 1977 the railway carried 358,000 tons of freight into Newfoundland, carried an additional 91,000 tons out, and moved 243,000 tons within the Province. The railway could not be abandoned until other modes of transport were available to move those tonnages and the alternatives to rail transport, i.e., trucking, direct marine and air, could not cope with them with their present carrying units and facilities. Before they could cope, roads would have to be considerably improved, port facilities would have to be improved and enlarged, and new trucks, vessels and aircraft would have to be made available. Obviously it would require several years before these changes, even if commenced in the immediate future, could be completed.

Furthermore, and of at least equal importance, plans would have to be made to provide for those workers who would be displaced by the abandonment. Most of those affected would be men of mature

years, with training and experience in only one type of work and who live in small one industry towns. Given the general difficulty of finding employment in Newfoundland, the problem of finding other jobs for these people would be well nigh insurmountable. Certainly, any chance of success would be contingent upon the implementation and development of special programmes, involving such devices as retraining, relocation, and early retirement. Such programmes would undoubtedly take several years to plan and carry out; and yet, unless such special measures were introduced, the social and economic dislocation which would result from the change would be disastrous. A period of three to five years, during which carfully planned steps intended to provide the necessary facilities and to deal with the resulting social consequences, would be required for the phase-out to be sucessfully conducted. Nor could this three to five year period be commenced until the decision to proceed with abandonment had actually been taken and the constitutional complications dealt with. For it is clear from the legal advice that the Commission received, that the abandonment of the railway would involve difficult and time consuming consitutitional complications. Even if the Provincial Government agreed that the abandonment of the railway would be advantageous and co-operated with the Federal Government to set the appropriate machinery in motion to bring about the required constitutional changes, that change could not, in all likelihood, be brought about in less than two or three years.

On the other hand, if the Provincial Government actively opposed such a change and if the Federal Government decided to continue with its plan despite provincial objections, then the matter would be, of necessity, referred to the Supreme Court of Canada. Even if the federal authority ultimately won its case and were given permission to proceed with abandonment, a minimum period of five or six years would elapse before the matter could be decided and the phasing out process commenced.

Under the most favourable circumstances then, the decision to abandon the railway could not be made before two or three years have elapsed and if we consider that further time would elapse between the actual decision making and the beginning of any phase-out procedure, we might well conclude that a minimum of five years would pass before any phase-out could start. In any case, apart from the legal and constitutional complications, it would take at least that period of time to develop adequate alternative forms of transportation service.

An immediate choice, therefore, between the railway and a greatly improved highway is not a practical possibility. Whatever decision is made concerning abandonment, the railway must, as a minimum requirement, maintain the present level of service for a period of at least five years. Throughout that same period, the Trans Canada Highway *must* be improved to meet accepted Canadian standards for the amount of traffic which will use the road. Changes of a radical nature, therefore, are at least five years in the future. The decision which must now be made is whether the railway is eventually to be abandoned, whether it is to be continued indefinitely, or whether some other option is available. If it is to be abandoned, the phase-out would start not earlier than five years from now and would last for three to five years. Prior to and during the phase-out, arrangements would have to be made to provide additional facilities to deal with the increased traffic which would be diverted to the roads and to direct water and air routes.

It is, of course, possible, in theory, to consider modifying one or two elements of the rail system without changing the remaining part or parts. Thus, for example, the rail car ferries across the Gulf and the marine/rail interface at Port aux Basques could be eliminated while retaining, in whole or in part, the rail line in Newfoundland. The Commission has considered this possibility carefully, but has rejected it because it is precisely in the movement of intra-Island traffic that Newfoundland shows the greatest losses. To eliminate the Gulf crossing from the rail operation would, therefore, eliminate what is actually and potentially the most profitable traffic and, for that reason, it is clearly an impractical solution. Other possibilities of an analagous nature were also considered and found to be either impractical or impossible. In consequence, the remaining discussion in this chapter will refer to the complete rail system.

Relating to the future of the railway in Newfoundland, many and varied opinions were presented to the Commission. There were, however, no serious differences concerning two important points; firstly, that the amount of traffic and especially the proportion of traffic into, out of and within Newfoundland handled by the railway has decreased drastically during recent years and is likely to decline further in the future; and secondly, that the railway operation in Newfoundland is not commercially viable.

Let us briefly examine each of those propositions. In the case of the first of them, there are clearly serious differences of opinion concerning the *reason* for the decline in rail traffic and diametrically opposed answers were given to the question of whether reduction in service preceded or followed reduction in traffic. On the one hand, the Unions claimed that a reduced level of service and reductions in the frequency of train movements were initiated by CN before traffic showed a serious decline and that these reductions, together with rapidly escalating freight rates, *caused* the decline in traffic. Several submissions from businesses also pointed to increased rates

as of considerable importance in diverting traffic from the rail.

On the other hand, CN, in its submissions, maintained that the frequency of trains had not been reduced until it had become obvious that the service exceeded the requirements. Thus, although traffic decreased considerably during 1975, the frequency of trains was not reduced until 1976. CN also stated that it is required by law to charge rates which are compensatory, i.e., which cover the variable costs of the movement involved. It does not itself have the flexibility to offer rates which are non-compensatory and can do so only upon receipt of a direct order from Government.

The Commission, even after a detailed study of the records involved, is not able to offer a final or conclusive answer to the "chicken and egg" problem of the relationship between decline in service and decline in traffic. All of the available evidence supports the position that reductions in traffic came before reductions in service. The Commission is not convinced, however, that CN was aggressive enough in its salesmanship to attract new traffic or in its efforts to prevent existing customers from switching to other modes of transportation.

Concerning the second proposition, it is generally recognized that rail operations in Newfoundland lost fourteen million dollars during 1976 and comparable amounts during each of the five previous years. But this does not tell the complete story. Additionally, the deficit on the Gulf operation and the costly marine/rail interface Port aux Basques is paid directly by the Federal Government. This deficit includes costs attributable to the movement of passengers and cars, of trucks and of rail cars, as well as to the transfer of freight in Port aux Basques. The Research Staff of the Commission was able, on the basis of data provided to the Commission by CN and CTC, to separate the amounts which could be attributed to each of these components. In 1976, the unrecovered cost on the Gulf which can be directly attributed to the marine/rail interface, i.e., to the movement of rail cars across the Gulf, to the transfer of freight cars in Port aux Basques, and the capital costs was thirty-six million dollars. Therefore, the total amount of loss which can be attributed to the rail movement in Newfoundland during 1976 was approximately fifty million dollars.

Neither the Newfoundland railway nor its successor, the Canadian National system in Newfoundland, has ever showed a profit except for a few years during the Second World War. One of the sub-committees of the National Convention chaired by J. R. Smallwood concluded that the railway in Newfoundland could never become a commercially viable operation and that substantial annual deficits would undoubtedly occur. Attracting more traffic to the rails would certainly not, in itself, solve the problem entirely. The Research Staff of the Commission has determined that, even if all of the traffic to and within Newfoundland moved by rail could immediately be doubled, the annual deficit would not be eliminated, but would in fact exceed two million dollars. In short, the preponderance of opinion and evidence available to the Commission suggests that the Newfoundland railway will not, and cannot, be commercially viable under any circumstances.

Obviously, however, factors other than commercial viability must be considered and many arguments in favour of the retention of the railway were presented to the Commission. All were presented with considerable force and vigour representing, as they did, strongly held positions. Nevertheless, some, in the opinion of the Commission, are of doubtful or questionable validity. These include the following propositions:

1. *Newfoundland is entitled to a railway.* The rationale for this assertion is that all of the other provinces of Canada have railways as well as roads, and that to deprive this Province of a railway would somehow relegate it to a second class status. This view is strongly held, was presented with vigour and vehemence by many individuals, and evokes a strong emotional response from many Newfoundlanders. However, *provided that a more effective transportation network were provided in substitution for the railway, and provided that the monies saved were spent within Newfoundland*, the position is difficult to justify on logical grounds.
2. *The railway has not been given an opportunity to demonstrate its effectiveness.* Many of the union briefs stated or implied that CN management had not been sufficiently aggressive in making railway service effective and in selling the service to potential customers. There is a strong feeling that CN management has let traffic slip away and that more vigorous planning, promotion and salesmanship would lead to the return of a substantial amount of lost traffic to the railway. This argument is an important one but it is extremely difficult to substantiate. Certainly it is not only Newfoundland that has experienced a decline in rail traffic during recent years. In virtually all other parts of North America, general cargo which is moved over relatively short distances (less than 500 miles), is moved by forms of transport other than rail. This is not to suggest that all that could have been done to attract traffic to the rails has, in fact, been done. It is simply to say that, even if more effective and vigorous planning and salesmanship were introduced, it is questionable if any substantial increase in the amount of traffic would result in the long run.
3. *The railway provides a necessary and perhaps essential public service in that it provides daily deliveries by a common carrier.* It is alleged that all of the unpopular and unprofitable commodities

which other carriers do not seek, and perhaps deliberately avoid, must be carried by the railway and that if rail were not available it would be extremely difficult to find carriers to transport them. This point was made with great frequency and indeed specific charges concerning refusals to accept unpopular commodities have, at times, been made against particular companies. However, investigations by the CTC have failed to substantiate such charges and allegations. Thus, while the point may be a valid one, it is impossible to find conclusive evidence which will substantiate it. The Research Staff of the Commission was unable to find any commodity which is "captive" to rail in the sense that it can only be moved by the railway. Some products and commodities, e.g., cement and lumber, are obviously moved more easily by rail but these could be moved by other means if the railway did not exist. It is reasonble to conclude that if we did not have a railway, all traffic would still be moved by one or another of the various forms of transport available.

4. *The railway provides the only dependable service to Newfoundland.* The argument here is that other modes of transport, shipping in particular, are subject to periodic interruptions by weather and by heavy ice along the coast and in the Gulf. During these interruptions, traffic which other carriers ordinarily move is transported by rail. If the railway did not exist as a backup service, considerable difficulties and delays would undoubtedly result. While there is no doubt that other carriers must from time to time use the railway, there is no logical reason to suppose that the railway itself is not subject to occasional delays and difficulties. Indeed, rail traffic is interrupted by derailments and washouts on the line. Nevertheless, it cannot be denied that there are times in emergency situations when the railway might prove to be very useful. On the other hand, interruptions in the direct water service can be eliminated, or reduced considerably, by shipment from Maritime ports as well as from Montreal and by trucking over the highway.

5. *The railway sets a rate standard which holds down the rates charged by other carriers.* That is to say that other carriers deliberately set rates which are a little above or a little below the rail rate. If the railway were eliminated, this stabilizing influence would be lost and rates might be expected to escalate. Although it is certainly true that other rates are deliberately set in relation to rail rates, it is very doubtful that rates would change considerably if rail services were no longer being offered. Competition among other carriers would certainly exert a stabilizing influence and, in any case, legislation could if necessary provide that all rate increases would require the approval of the CTC.

6. *If the railway were eliminated, the resulting increase in highways which are less efficient users of space would produce considerable environmental damage while the concomitant increases in traffic would lead to increased accidents on the highway.* In the Newfoundland context the use of space for roads is not a particularly important consideration at the present time, nor is the environmental damage which widening roads would involve. Furthermore, adequate design and proper construction should provide highways that are suited to the amount of traffic which will use them and that will be not less safe and, perhaps, considerably more safe than the Trans Canada Highway with its present amount of traffic and in its present condition.

Not all the arguments presented to the Commission to support the retention of the railway can be dismissed. Among those deserving of more careful attention, the following are judged to be most important:

1. *The continuation of the rail service across the Gulf, the marine/rail interface at Port aux Basques and the railway service across Newfoundland are all guaranteed by the Terms of Union agreed to between Newfoundland and Canada in 1949.* The Terms of Union do not qualify the conditions for continuation by any considerations of commercial viability. Constitutionally, the service must be provided regardless of the cost.

2. *The decision to abandon the railway would be irreversible.* If railway service were terminated, the rails and rolling stock would either be sold or would rapidly deteriorate to the point of uselessness. Thus, even if unexpected occurrences made a return to rail transport seem attractive, such a move would be extremely costly or even impossible. Also, if the railway were abandoned, useful experimentation with novel types of rail usage, such as a day-liner service between Whitbourne and St. John's, or between Gander and St. John's, or even between Corner Brook and St. John's, and the use of the rail system for tourist travel during the summer months, would not be possible.

3. *The railway is a much more efficient user of fuel than competing forms of transport, especially trucking.* There is no doubt that trucks use at least four times as much fuel as the railway in transporting equivalent amounts of goods. This point is valid and may be of considerable importance in future years. On the other hand, ships are far more fuel efficient than trains so that maximizing the use of water routes will provide the most effective use of fuel.

4. *The railway does provide a good and effective service for some of its customers.* Some companies have geared their business to the availability of

rail transportation and have a clear and definite preference for rail. If the railway were to be eliminated some of these businesses might be forced to close or to reduce their operations while others would certainly be seriously inconvenienced or put to considerable expense in providing for alternate means of transportation.

5. *The railway is an important employer in a province where the unemployment rate is approximately twice that for Canada as a whole.* The railway and the marine/rail interface at Port aux Basques provide approximately two thousand people with employment and a way of life. If the railway were eliminated, then these two thousand people would be unemployed with the devastating effects all too familiar in a province which has but recently experienced major layoffs resulting from the closedown of the Stephenville Linerboard Mill and Come-By-Chance Oil Refinery. It should be noted, however, that the burden would fall upon those *individuals* whose jobs would be terminated. There would not likely be a serious effect upon the employment level of the *Province* as such, for the same amount of traffic would continue to flow to and from Newfoundland so that increased activity in other segments of the transportation industry would create as many, or more, new jobs as those lost. However, the new jobs would undoubtedly go to individuals who were younger than those dispossessed, who had more appropriate training, or who lived in areas where the new jobs would be created.

Taking all those arguments into consideration, the Commission has concluded that the elimination of the railway would be such a serious blow to those towns depending upon it for their livelihood that no reasonable effort should be spared and no justifiable expense ruled out in an effort to preserve it in whole or in modified form. In consequence, the Commission examined in detail and with great care, methods by which the rail service could be made more efficient and more nearly viable.

Among the ideas considered were the following:

1. That the railway should be converted to standard gauge, a project that would involve virtually a complete rebuilding of the line and would cost approximately 750 million dollars;
2. That the present roadbed should be improved, reducing the grades and curves, a project that could be accomplished with an expenditure of approximately 50 million dollars;
3. That railway rates should be lowered substantially so as to be considerably below those of other carriers, a proposal that would require no capital outlay but which would certainly cost several million dollars annually in subsidy requirements; and
4. That both the management and the employees of CN should be encouraged to make the rail service more attractive and efficient through more careful planning, more aggressive salesmanship, more careful handling of freight and more careful and considerate attention to the legitimate needs of CN customers.

The first of those proposals, if implemented, would reduce the time required for a train to cross the Island by approximately twelve hours, while the second, i.e., improvement and realignment of the present line, might result in a saving of as much as six hours. But even a saving of twelve hours would not make the railway competitive, in terms of time, with truck shipments between Montreal and St. John's. Furthermore, although the use of standard gauge would reduce the cost of the transfer operation in Port aux Basques, that gain would be at the expense of virtually all employment in the town. In short, neither the construction of a standard gauge line nor major modification of the existing line promises sufficient real advantage to justify expenditure of the large sums of money involved.

The third proposition appears attractive at first sight. Substantial rate reductions would undoubtedly increase the amount of traffic using the railway and may, in fact, be necessary as a short-term measure. But in the long term, it is not a practical solution since it would force competitors of the railway to lower their rates to uneconomic levels or to lose their business. This, in addition to being grossly unfair, would produce a distortion in the normal traffic patterns, would be contrary to national transportation policy, and would, by limiting or eliminating competition, reduce opportunities for employment in other areas of transportation.

The fourth proposal might well produce an increase in customer satisfaction and in traffic attracted to the railway and might, consequently, lead to an improvement of CN's financial position and a reduction of the present deficit in respect of the Newfoundland operation. However, this prospect does not appear to offer a viable solution for the foreseeable future.

We must return, therefore, to the basic question. Should the railway in Newfoundland continue for an indefinite period? The decision must be formed, in part, by the knowledge that the Gulf and railway operation is extremely costly, a subsidy of 50 million dollars having been required in 1976. Since a comparable amount of traffic could be moved by water at considerably less than half that cost and since there is also little doubt that the deficit associated with the Gulf and railway will increase as the years go by, we must ask whether we can afford to spend so much for an inefficient service. Could not that amount of money be spent to greater advantage on some other transportation facilities or on the economic development of the Province? It is true that much greater amounts of money are lost in other aspects of the transportation

system in Canada, e.g., in the movement of grain at Crow's Nest Pass rates. Consider, however, in the Newfoundland context, that the entire budget for the Provincial Department of Fisheries for the 1978-79 fiscal year is only 18 million dollars—considerably less than the amount which might be saved by a more efficient transportation system.

We must also consider that, if the present decline in traffic continues, there will soon be insufficient volume to justify one train per day and we can easily envisage a reduction to one train every second day, then to two trains per week and, eventually, to one train per week. Thus the railway may already be condemned to a slow and lingering death. For, even if the obligation of the Federal Government to maintain the railway "in accordance with the traffic offering" were accepted as a correct interpretation by the courts, this would not mean that the rail service would have to be continued indefinitely regardless of circumstances. If no or little traffic were offering, the constitutional obligation could not require that the service be maintained, provided of course that no deliberate action, such as large and unjustified rate increases, had been taken to create that situation. If, in the normal course of events, the amount of traffic on the rails declined until it reached or approached zero, the Federal Government would be released from its obligation to maintain the rail service in Newfoundland.

In the context of these considerations, it is difficult to avoid the conclusion that, no matter what actions are taken, the complete railway service in Newfoundland will probably not survive beyond another decade. Nevertheless, the Commission must recognize the future possibility that changing circumstances may unexpectedly improve the fortunes of the railway. The Commission, therefore, recommends that decisions taken now should not be final but should be re-evaluated after an appropriate period of time.

In any case, it is imperative that the railway should not be allowed to continue only to die a slow and lingering death. If this were permitted to happen, four very serious consequences would ensue. Firstly, the process of decline would feed upon itself as decreasing traffic would accelerate the deterioration of service which would, in turn, lead to further traffic reductions. Secondly, death by attrition would be catastrophic for those employees who would be displaced by the reductions in traffic and who would be laid off on an irregular and unsystematic basis without adequate provision being made for their future. Thirdly, those customers who depend upon the railway for freight movements would be placed in the difficult position of having to decide whether to continue using a decreasingly efficient rail service or to spend large amounts of money converting their operations to other modes of transport. Finally, and most significantly, the strong bargaining position of the Province would be considerably reduced. At the present time the Province could expect to receive a substantial "trade off" if it agreed that the railway should be abandoned. In ten years, if the railway were abandoned after a slow and lingering death, it could be abandoned over the protests of the Province and without any significant compensation.

The Commission is convinced that the railway should not be permitted to die by natural attrition. However, it seems inevitable that it must ultimately be abandoned. The Commission therefore considers that the most appropriate course of action is to recommend that a decision be now made to abandon the railway after a period of ten years. Given present circumstances, this appears to us to be the only justifiable recommendation that can be made. Since, however, the decision is such an important one, and since the railway must, under any circumstances, continue for at least five more years, and since further information will undoubtedly come to light with additional time, it seems sensible to leave a provision for this decision to be reviewed and confirmed or changed after a reasonable period of time, say five years, has elapsed. The Commission is, therefore, recommending a two stage process: firstly, an immediate but tentative decision to abandon the complete railway system after ten years with planning for the future geared to that decision; and, secondly, provision for the review and confirmation or rejection of that tentative decision after further time has elapsed and further information has been gathered.

One further point is of importance. The volume of freight handled annually by CN may be expected to drop to approximately 300,000 tons within the next year or two and to maintain that level for a further period of two or three years. Within the immediate future, then, provision must be made for approximately 100,000 tons of freight which will be diverted from the railway to some other mode of transport. Additionally, provision must be made for the annual increase in traffic which averages about 8%. Whatever the eventual decision concerning the railway, then, we will certainly need in the immediate future increased capacity and facilities for direct water, trucking and air freight.

The Commission proposes the following plan of action:

1. Since it is anticipated that the bulk of the freight lost by the railway will be diverted to direct water shipment which will also receive the largest proportion of the normal annual increases in freight traffic, appropriate action must be taken to improve harbour and freight handling facilities at St. John's and Corner Brook and to make such other arrangements as may be necessary to accommodate the increased activity at those ports.

2. The full range of rail service will continue for at least ten years. During the first five of these years, service will continue at a level equal, at least, to that presently obtaining. If the decision to abandon is then confirmed, the remaining period of five years will be allocated to a gradual phase-out of the operation.

3. Since the railway is not and cannot in the near future be economically viable and since the railway will perform an essential service for as long as it continues, the deficit from its operation should be paid directly by the Federal Government. This procedure will relieve CN of the responsibility for the deficit and of the necessity to compensate for it by cross subsidy from some other part of its operations.

4. During the next five years the railway should be maintained to at least its present standard, but no major capital expenditure should be made. Sufficient money should be expended each year to keep the roadbed up to its present standard.

5. CN should experiment with novel and more effective methods of attracting and handling traffic. This may, at first sight, appear entirely inconsistent with a decision to abandon the railway, and therefore, a word of explanation is in order. The Commission predicts that the railway in Newfoundland will not survive for more than ten years. But the Commission cannot be absolutely certain that this prediction is correct. If, indeed, the Commission is wrong in its analysis and predictions, it would like to give CN and its employees a chance to prove that point, and the Commission thinks it is wise and right that they should be assisted, within reasonable limits, to do so. The chances of being wrong are not sufficiently great to warrant a major experiment such as changing the line to standard gauge, but relatively minor expenditures for experimenting with new procedures for handling freight variations in freight rates on certain commodities and new techniques in salesmanship and customer relations are certainly justified.

6. Joint Manpower Adjustment Committees representing union and management should be set up to look after the marine/rail interface operations in Newfoundland. The purpose of these committees would be to encourage railway officials and workers to co-operate in developing and implementing improved methods of sales, service and efficient freight handling. The Committees would also have as their function the problem of dealing effectively with manpower reductions if such problems were actually encountered. This suggestion is elaborated in greater detail in a subsequent chapter.

7. After a period of five years a Federal-Provincial Advisory Committee, perhaps the Newfoundland Transportation Commission referred to in Chapter XI, should review the decision to abandon the railway and to recommend one of two options:

a) That the tentative decision to abandon the railway should be rescinded and that the complete system should be continued indefinitely;

b) That the complete railway system should be abandoned.

In conducting its review, the Committee should consider, among other things, the number of businesses and industries which are then still substantially dependent upon the railway for their continued operation, the volume of traffic which the rail system then handles and the nature of any apparent trends, and the magnitude of the subsidy necessary to maintain the Gulf and rail system.

The following guidelines are suggested for decision making:

a) If the situation has changed significantly from the present in a positive direction, that is if more industries and businesses depended on the railway, if the tonnage handled by the rail had increased, and if the annual deficit had decreased, then the most appropriate decision would be for the railway to continue indefinitely.

b) If the situation remains basically unchanged from the present, or if the picture has changed significantly in a negative direction, that is if there were fewer businesses and industries depending on the railway, if the total amount of traffic had been further reduced and if the annual deficit has increased, the most appropriate course would be to confirm the decision to abandon the railway.

Since the decision to confirm abandonment of the railway seems to be at the present time the one most likely to be made, the Province should now negotiate with the Federal Government for a suitable change in the Terms of Union. During the time between the present and the review, the appropriate constitutional amendment might well be prepared for ratification. The railway would then be phased out over a further period of five years following the re-evaluation. During that time, adequate provison could be made and sufficient money made available to ensure that those individuals and companies who would be affected by the change would suffer the least amount of inconvenience and expense.

Nevertheless, the Province should not agree to the abandonment of the railway unless an acceptable substitute for the railway is provided. An acceptable substitute would appear to involve, as a minimum, the provision of a highway across the entire Province which would be suited to the increased traffic levels that would result from railway abandonment. Since the amount of road traffic would be considerably increased were the railway discontinued, a five year plan should be drawn up and as soon as possible to provide for this increase. Following the initial planning

and start of construction, a second five year plan should be prepared based on traffic projections and this would be followed by subsequent five year plans. These would be intended to ensure that at any given time the highway capacity would be sufficient to meet the projected needs for five years in the future. In this way, it should be possible to have an adequate road service provided well in advance of the time it would be required for actual increases in traffic. Monies saved by any phase-down and eventual abandonment of the railway could be used to finance, in part at least, the necessary upgrading after the first five year project. The first five year programme of upgrading would be funded by a 90% Federal and 10% Provincial contribution as presented in the section on highways. Also additional port facilities in Corner Brook and St. John's sufficient to meet the demands imposed by an increase in direct water movement would be required. These should be provided by the Federal Government.

The Federal Government should be required to ensure that sufficient funds are available to maintain the entire Trans Canada Highway in the Province and also the increased port facilities since these would have been provided in clear substitution for the rail service. The initial five year period would require the infusion of considerable amounts of "new money". Each subsequent stage would be financed primarily through reallocations.

If the recommendations of the Commission are accepted, the money saved by the abandonment of the railway will eventually become part of the total money which is recommended for allocation by the Newfoundland Transportation Commission referred to later. Under this concept, savings in one area could be reallocated to another area of transportation and, therefore, savings from the rail could be used to pay for construction and maintenance of the second and subsequent phases of construction of the Trans Canada Highway.

If the railway is abandoned the question of the disposal of CN's assets in Newfoundland becomes an important consideration. The Commission will consider this question and present specific suggestions and recommendations in Volume II of its report. Savings would also be used to finance other areas of transportation as well, or even to finance economic development in the Province.

If the Province refused to co-operate in the required constitutional change, then, in the opinion of the Commission, there would be no other choice but to continue full rail service. The railway would continue indefinitely or until such time as it died a natural death, i.e., until little or no traffic were offering. The Province would, however, obviously not be then in as strong a position to negotiate Federal assistance for increased road and port facilities or, with indefinite continuation little or no savings would be available for reallocation.

It would also seem sensible for the above arrangements to apply to the branch lines as well. That is, they should be phased out at the same time that the main line is phased out. A special argument might be put forward in the case of the Bonavista branch. If Trinity is to be selected as an "Historic Village", then a ride on the railway from Clarenville to Bonavista, especially that portion around the loop north of Trinity, would be a popular tourist attraction. However, the cost of any maintenance of re-introduction of limited passenger service of the Bonavista branch would more properly be the responsibility of tourist rather than transportation departments.

Chapter IX

The Concept of User Pay for Newfoundland

Transportation in Canada may be expected to meet three essentially different sets of circumstances. These may be identified as follows:

1. *Transportation as an essential service.*

In any region or province, it is essential that transportation links exist whereby individuals and communities can be connected to one another and with the main transportation system of the country. Even in areas of sparse and scattered population, transportation, by at least one mode, is considered to be essential, and in such cases one mode will usually be selected as the most appropriate. In some parts of each province and in some regions of Canada this developmental phase of single mode transport will be followed by population growth which will make the development of competitive modes possible and virtually inevitable. In other areas of certain provinces, however, the condition of scattered population and large distances is a permanent one. Such communities will continue to rely on one essential mode of transportation. Nor is it to be expected that this mode will generate sufficient revenue to pay the full cost or even to cover completely the variable costs associated with traffic movement. In such circumstances the transportation service must receive financial support, usually through a direct subsidy or by having government assume responsibility for deficits.

2. *Transportation as a tool of economic development.*

Often the developmental economic policy of the country or of a province will require the provision of a necessary and particular transportation service. Thus the development of mines may well necessitate rail transportation and the optimum development of a fresh and frozen fish industry will require the development of both road and air transportation. These services may not be commercially viable, at least at the beginning, but are nonetheless essential if economic development is to result. Where financial assistance is required to establish and maintain these services, it must be provided.

3. *Transportation as a commercial service.*

In many areas of the country where population density is great and where distances are relatively small, many competing modes of transportation develop. In these circumstances it may well be expected that each mode of transportation will generate sufficient revenue to pay for all its own costs.

The concept of "user pay" or of commercial viability applies only to the third situation described above. The basic conclusion of the MacPherson Commission was that most areas of Canada (except Newfoundland and certain northern regions) had reached a stage in the development of transportation services where commercial viability was possible and that competition should be encouraged. There is no suggestion in Canadian transportation policy, however, that the commercial viability or "user pay" policy is appropriate for situations 1 and 2, as described above. It is generally recognized that particular areas of the country have special problems and that these should be provided for when transportation policy and practices are being developed. This principle is clearly spelled out in The National Transportation Act, Section 3, especially at Sections d(i) and d(ii), in the following words:

National Transportation Policy

3. It is hereby declared that an economic, efficient and adequate transportation system making the

best use of all available modes of transportation at the lowest total cost is essential to protect the interests of the users of transportation and to maintain the economic well-being and growth of Canada, and that these objectives are most likely to be achieved when all modes of transport are able to compete under conditions ensuring that having due regard to national policy and to legal and constitutional requirements

d) each mode of transport, so far as practicable, carries traffic to or from any point in Canada under tolls and conditions that do not constitute

(i) an unfair disadvantage in respect of any such traffic beyond that disadvantage inherent in the location or volume of the traffic, the scale of operation connected therewith or the type of traffic or service involved, or

(ii) an undue obstacle to the interchange of commodities between points in Canada or unreasonable discouragement to the development of primary or secondary industries or to export trade in or from any region of Canada or to the movement of commodities through Canadian ports;

It is also recognized that economic development will sometimes be in conflict with commercial viability. The Minister of Transport assured the Atlantic Provinces' Premiers in Charlottetown on March 21, 1977, that though "commercial viability should be an objective, both in the operation of transportation services and in the provision of facilities and services in direct support thereof, nevertheless, whether the Government of Canada decides or the Government of Canada and one or more provincial governments jointly decide that any such service or facility is required for the achievement of national or rational social and economic development of objectives, that those objectives take precedence over the objective of commercial viability whenever the two are in conflict."

The objective of commercial viability, therefore, is appropriate under certain circumstances and is clearly inappropriate in others. In Newfoundland, at the present time, most transportation services fall within the latter category, that is to say, they are either essential social services or are required for essential economic development but are not commercially viable. Under these circumstances it is not to be expected that the "user pay" philosophy should prevail.

The Federal Minister of Transport is of the opinion (as stated in his speech in St. John's on March 20, 1977) that when a clearly identifiable situation exists requiring the departure from the principle of commercial viability within the federal jurisdiction, it should become the responsibilty of the Federal Government to provide any funds needed to relieve the carrier of the necessity of charging excessive rates which would be passed on to his customers. The Federal Government would exercise its responsibility in this regard through direct subsidy, through paying the deficit of the operation in question, or through some other device. This situation will be described in greater detail in the section on subsidies in the next chapter.

As noted above, the policy of commercial viability has limited application within Newfoundland and Labrador at the present time. Nevertheless, in certain circumstances, where population warrants and where the provision of services on a competitive basis is well advanced, it is obvious that the principle of commercial viability will prevail. This will apply particularly to services such as taxi or bus services in larger towns and communities and in the foreseeable future to direct water transportation between St. John's and mainland cities, e.g., Montreal or Halifax. In time, it may happen that the "user pay" philosophy will become appropriate to a wider range of services but, at present, the Commission must reiterate its view that most of the Newfoundland transportation system requires substantial subsidy.

We must, however, be constantly aware that even when an essential service is to be given financial support, there is a clear obligation to get the best possible value from the money which is spent. This is not to say that the service should be provided as cheaply as possible. It is rather to say that the most cost effective method of providing the level of service required should be sought and implemented.

In some circumstances a service which cannot be commercially viable at one particular time may become so at a later date, at which time all subsidies should be discontinued. In respect to Newfoundland, it is likely, for example, that direct water transportation provided by a common carrier will not be commercially viable in the immediate future, and that subsidies will be needed to develop the service. Nevertheless, as time goes on and the volume of traffic increases it is anticipated that commercial viability will be established. Thus, it is our projection that in the foreseeable future, it will be possible to reduce the subsidy to the direct water mode of transport and eventually to eliminate it entirely. It is possible that a similar development will occur in respect to other transportation services as well.

Chapter X

The Question of Subsidies

During recent years, in excess of $100 million each year has been spent in Newfoundland for operating subsidies to the various modes of transportation. In addition, considerable amounts were provided each year for capital expenditures related to transportation. However, subsidies are by no means unique to Newfoundland. A recently completed study (Transportation Needs and Availability Study in British Columbia, Ruppenthal, November 1, 1977) on transportation needs and availability in the northern coastal communities of British Columbia, noted that transportation subsidies have been part of the Canadian scene for many years. At one time or another every mode of transportation has been subsidized to a greater or lesser degree. Ruppenthal differentiates four different classifications of subsidies as follows:

a) Direct (overt) or indirect (covert)
b) Specific subsidies or cross-subsidies
c) Promotional subsidies or continuing subsidies
d) Intended subsidies or accidental subsidies

He elaborates on these distinctions in the following terms:

Subsidies classified as direct (overt) or indirect (covert). If a shipping company is paid $1.00 per mile for every mile that its ships operate in subsidized service, that is a direct subsidy. The same company might effectively receive an equivalent amount as an indirect (or covert) subsidy if the taxpayers (through some appropriate agency) provide it with ships, docks, or other property which the shipping company uses and charges the shipping company less than the cost of providing the ships, docks, or other facilities. The financial impact on the shipping company would, in reality, be precisely the same. The direct subsidy is clearly visible. The indirect subsidy is much harder to see. It is covert, disguised, or hidden.

Subsidies may be classified specific or as cross-subsidies. When the Canadian Transportation Commission provides a subsidy to the Canadian Pacific Railway designed to reimburse that carrier for losses resulting from the operation of certain passenger trains, that subsidy is specific. On the other hand, when the Canadian Pacific Railway hauls wheat at the statutory (Crow's Nest Pass) grain rates, it does so at a loss. If that loss is made up through profits on other traffic hauled by that railway, the other traffic may be said to cross-subsidize the grain traffic.

Subsidies may be classified as promotional (or developmental) subsidies or maintenance subsidies. Promotional or developmental subsidies are instituted with the notion that they will promote a particular mode of transportation or develop a particular industry, region, or geographical area. When promotional or developmental subsidies are used, there is an assumption that the subsidy will not be needed forever. It is assumed that at some point the transportation enterprise will be sufficiently mature that it will be able to survive and make it on its own.

Continuing (or maintenance) subsidies, on the other hand, are based on the assumption that the transportation company is unable to recover its costs and thus the subsidy must continue if the operation is to survive.

When the major (trunk) air lines began to provide service in the United States some fifty years ago, they did not have the wherewithal to operate

without help. Accordingly they were given promotional subsidies until such time as they could achieve maturity. The Civil Aeronautics Act of 1938, as amended, provides that the Civil Aeronautics Board may provide such subsidy payments to foster the development of aviation. But at the present time no truly 'trunk' air line in the United States receives any subsidy payments. (There is technically one exception. Hawaiian Air Lines is legally classified as a 'trunk' carrier in spite of the fact that it does not operate outside of the geographical limits of Hawaii. It actually operates as a regional carrier and is treated as are other regional carriers, although it operated without subsidy after Aloha Airlines was authorized to compete in its markets.)

By contrast, the three helicopter air carriers certificated by the Civil Aeronautics Board (in New York, Chicago, and Los Angeles) have thus far been unable to produce enough revenues to cover their costs. There is considerable doubt as to whether they ever will be able to do so. The subsidy payments paid to them, are, therefore, in the nature of continuing or maintenance subsidies.

Subsidies may be classified as intended or accidental. The payment of a subsidy may result from a considered decision on the part of some governmental agency and thus may be intended. An airport may be built by the taxpayers and the user charges set at such a low level that no informed person expects that the taxpayers will recover the cost of the facility through user charges. That is an intended subsidy. On the other hand, when the St. Lawrence Seaway was built, the Canadian taxpayers were told that the tolls and other revenues from the Seaway would be sufficient to cover all of the costs of constructing the Seaway together with its operating costs plus a reasonable profit besides. Actually the tolls and revenues from the Seaway have not been sufficient to cover the costs of operations—let alone the costs of construction. Thus the taxpayers of Canada have paid an unintentional subsidy to the users of the Seaway.

Another form of subsidy not noted by Ruppenthal is a variety of cross-subsidization in which one element of a particular system will subsidize another element of the same system. For instance, air passenger revenues may be subsidizing air freight.

Subsidies may also be extremely subtle and not obvious at first glance. For example the Government of Canada might guarantee a loan to a company or service, thus providing a lower interest rate than would normally be paid, or it could provide a low interest loan itself. Since this low interest money would not be available to other companies or services, the resulting savings might constitute a subsidy.

Direct subsidies may take one of three forms. They may provide a specific amount of assistance, say $7.00 per ton or $1.50 per mile, or a total amount (say $1 million) per year, or they may take the form of underwriting the entire deficit of a particular operation in a year. In the last case where no upper limit is specified the absence of an incentive to keep costs down may lead to an alarming escalation of those costs over a period of time.

Within the Newfoundland context, examples of most types of subsidies can be found. Direct and specific subsidies are provided by the Federal Government in underwriting deficits on the Gulf and in the coastal operations and each of the intra-Island ferry services, and in the amount per ton paid to Newfoundland Steamships Limited. Indirect subsidies are provided in the way of icebreaking facilities and services, navigational aids, airports and navigational systems to facilitate air traffic and in provision of roads. An example of a cross-subsidy is the deficit incurred by the Newfoundland rail operation which must be made up from general revenues derived from other operations within the system. All of those subsidies are, apparently, intended and all are continuing rather than promotional.

One further distinction in respect to subsidies must be made. A subsidy may be made directly to a particular system, a railway or a shipping company, for example, or to the individual or the company which engages the services in question. Further consideration will demonstrate that the consequences of such an allocation can be extremely important.

Suppose—to take a hypothetical example of a subsidy being paid directly to the carrier from the Newfoundland situation—the transportation of goods to Newfoundland by a combination of rail and gulf crossing actually costs $80.00 per ton. A subsidy of $65.00 per ton can be paid which would reduce the cost to the shipper to $15.00 per ton. Direct water shipment may cost only $20.00 per ton, but if no subsidy is paid, then the resulting cost to the shipper is $20.00 per ton. Given these circumstances, the shipper would undoubtedly select the mode of shipment for which he had to pay $15.00 rather than that for which he had to pay $20.00 per ton. This would be so, even if there were definite advantages for the customer in the direct water shipment. That is, the direct water shipment might provide a somewhat better service in terms of total time taken, dependability, door to door delivery, etc., but unless these advantages were such that they could totally compensate for the $5.00 per ton difference which the shipper would be required to pay, the shipper would, quite understandably, elect to ship by the method for which he would pay least. This would mean, in effect, that an extremely expensive

and inconvenient service would persist while the cheaper and more effective service would suffer in comparison and might eventually be forced out of business entirely.

In order to avoid the detrimental effects which subsidies may have, it has been suggested that subsidies not be paid to transportation companies or services directly but should be paid to individuals or groups who could then select and provide a subsidy to the most effective and efficient mode of transportation. In the former example, if a subsidy were provided to individuals or companies, they would undoubtedly select and use the subsidy to assist the direct water movement, thus encouraging the most effective mode to become more viable.

It was for this reason *Transportation Needs, an Availability Study in British Columbia* recommended that all subsidies should be phased out over a period of time and replaced by a transportation allowance which would be paid directly to the individuals concerned. That is, each individual would be given a specific amount per year which would be intended to compensate him for additional transportation costs. The individual would then be able to subsidize, in his own way, the modes of transport which provided the most effective and most convenient service. In this way, subsidies would have the positive effect of encouraging the development and maintenance of the most cost effective transportation system.

In accordance with this view, it has been recommended that the subsidies paid under The Atlantic Region Freight Assistance Act should be paid to the shipper rather than to the carrier. However, the payment of a subsidy directly to the customer or the shipper, desirable as it may be in theory, would undoubtedly, in practice, encounter many administrative difficulties. Indeed such administrative difficulties have proven to be so great in the past that they are for all practical purposes unworkable. Thus, there are few, if any, actual examples of large scale subsidies being paid directly to the customer.

Another important question which must be considered, is the effect which a subsidy is intended to have. The direct subsidy which has had the most wide ranging effects on the Atlantic Provinces is, no doubt, The Maritime Freight Rates Act (MFRA) and its extension, The Atlantic Region Freight Assistance Act (ARFAA). The rationale for the original act in 1927 was to provide a method of subsidizing the cost of moving commodities from the Maritimes so that in respect of transportation costs, such commodities could be competitive in the central Canadian market. The final clause of the resolution that introduced the MFRA stated the case in these words:

> *To enable the products of the Western and Maritime Provinces to reach more readily the markets so developed by the tariff, the special transportation burdens borne by these provinces should be shared by the whole Dominion either by contributions to long-haul freight costs or by assistance in some other form.*

Behind this statement was the concept of economic development and the hypothesis that Maritime industry would develop in competition with that of Ontario and Quebec if its products could enter the large North American market free of the incubus of extraordinarily high freight costs.

In an assessment of the effects of The Maritime Freight Rates Act, Howard J. Darling, in October, 1974, noted that *it is fair to say the subsidy has benefited, at least to some degree, those commodities which, because of their nature, would probably have continued to move by rail in any case. The main volume has comprised coal, forest products, potatoes, sugar and berries, industrial boat materials.* He also noted that the subsidy has had the effect of making certain commodities captive to rail which could have been transported more economically by road or other means. He concluded, however, that the Act had not had the intended effect of encouraging economic development.

There is no evidence that it has created conditions favourable enough to satisfy Maritime demands for access to the markets of central Canada. Maritime complaints today sound remarkably similar to those of fifty years ago, just prior to the appointment of the Duncan Commission.

The costly provincial ventures into industrial development have served to emphasize the fact that much more than lower freight rates is required to ensure industrial development in the Atlantic area. The MFRA has probably not been a decisive factor in any of the new industrial developments that have taken place in the area. The present, more realistic, emphasis on secondary industries rather than on marginal resources will further decrease the relative importance of freight rates. The Atlantic Development Council in a recent report reflects this shift in emphasis.

Transport costs are probably declining in relative importance as a location factor and, for many industries, are likely to be only a small item in the total cost.

In the same vein, Hugh Whelan, in an article published in *The Prospect of Change* (1965), states:

> *There is a tendency in some quarters to over stress the significance of such rate reductions in regional gross processes. The general effect of those railway subsidies on Atlantic regional development has been of little consequence. It is true that certain Atlantic manufacturers are rated by such reductions and that a few enterprises have found it possible to locate in the region because of the policy. But recent studies have*

shown that in the aggregate, regional trade flows are heavily oriented toward export markets where the subsidies are of little economic significance. Throughout the present century, in fact, the Atlantic area has been unable to respond in any significant way to the pull of central Canadian consumer markets and a transportation policy aimed at fostering 'transcontinentalism' has not, in the absence of other measures, succeeded in any appreciable degree.

The subsidy assistance provided under the MFRA was extended to trucking by the ARFAA of 1969. The principal effect of the ARFAA has been to encourage the growth of trucking by removing the competitive edge which the railway once enjoyed. There is, however, no evidence that this Act has been any more successful than the MFRA in attaining the objective of industrial development.

The intention of the Ministry of Transport in 1970, for both the MFRA and the ARFAA, was to phase out the 20 per cent subsidy on freight moving within the Atlantic Region. It was also intended that in addition to the 30 per cent outgoing subsidy, a further 20 per cent would be applied to selected commodities, and this program is now in effect.

With regard to the proposed decrease from 20 per cent, the subsidy was actually decreased to 17½ per cent in 1970 and to 15 per cent in 1972, but no further decreases have occurred since 1972. In fact, the 15 per cent subsidy was to be extended to air and direct water movements in 1978, but with the intention being that all "intra" subsidies be applied to selected commodities only.

As Darling states: *It remains easier to plan for the reduction of a general subsidy than to put it into effect. Experience has shown that general subsidies are not easily manipulated but rather tend to congeal in an irremovable stance such that new policies have to be built over and around them.*

Subsidies, then, in some cases fail to attain the objectives which it was intended that they achieve. In addition to this there may be actual disadvantages which are associated with the granting of subsidies. For example, as noted above, subsidies may perpetuate the continuation of an inefficient and expensive mode of transportation while preventing or delaying the development of less expensive modes of transportation. Also, a company or a service which receives a large subsidy may thereby be permitted to offer its services for rates which are sufficently below the market price to interfere with legitimate competition. Thus, if one company or one mode receives a subsidy which permits it to offer rates which are slightly lower than prevailing rates, other companies in the same mode and companies in other modes may be hard pressed to meet these rates and remain in business.

Subsidies are extremely difficult for business concerns and companies to deal with, because they produce a situation which is totally out of the control of the businessman. That is, if legitimate competition is able to lower prices or if the market conditions vary, the businessman is able to respond in an appropriate manner. However, if a competitor in a competing mode receives a transportation subsidy there is no appropriate way in which the businessman can react.

Subsidies also tend to produce patterns of traffic and of handling freight which may not only be inefficient but may actually lead to waste and the misuse of funds unless careful controls are applied.

Rail passenger services are heavily subsidized, but the movement of passengers by bus is not subsidized. The rationale for subsidizing the train passenger service between the Maritimes and Montreal, for example, is that it is considered to be an essential service even though an alternate surface mode of transportation is available by bus. A bus service between Deer Lake and St. Anthony, on the other hand, does not qualify for a subsidy even though it is the only surface mode available to the people in that area. Surely if the Government, as a policy, intends to subsidize passenger travel (surface) in Canada then it should apply to all surface modes; otherwise it discriminates against people in other areas of Canada who do or do not have a rail passenger service.

Subsidies can also generate a climate of suspicion and hositlity. Full information about subsidies is rarely or ever made public and, moreover, some widely distorted misconceptions are circulated freely. Some companies feel that their rights and viability are being interfered with by actual or proposed subsidies to other companies. This results in secret negotiations, subtle and not so subtle forms of political pressure, endless trips to Ottawa and much time wasted which could be put to more effective use if full information about subsidies were readily available and misconceptions corrected.

One further problem with transportation subsidies is noted in a recent Ontario Economic Council paper entitled "An Economic Analysis of the Hall Commission Report" (Aboucher, 1977). Aboucher questions the rationale behind selecting wheat as one specific commodity which requires freight rate assistance and challenges the Hall Commission recommendation that the Crow's Nest Pass rate should be maintained.

Aboucher asks:

Why does this mean that the transportation (of grain) should be subsidized? To suggest that this should be the case would also require support of the view that wood pulp should be subsidized because it is an important export heavily dependant upon transportation, likewise with other raw materials and other agricultural products. But why should it stop with primary inputs? And why

with transportation services? Why not subsidize anything that might become an important export? Why then restrict the subsidy to important exports and not extend it to any potential export on the ground that lots of little exports can become the equivalent of a single big export?

Finally, the Commission notes one other particular problem area. Freight traffic generally consists of a variety of products which vary in revenue to the carrier. Normally, profits are higher in the case of high value, high density goods. A common carrier would be expected to transport a balanced proportion of all types of traffic, whereas a competitor might choose to carry only high value, high density goods. By so doing, the latter could perhaps operate without a subsidy while the former might well be constrained to seek compensation for carrying a proportion of high volume, low value commodities. It might be tempting to believe that when one carrier operates without a subsidy, the other should do likewise. In fact, however, the effect this sort of competition has is to increase the proportion of low value goods which the common carrier transports and, therefore, to establish his need for a larger rather than a smaller subsidy if his service is to remain viable.

Turning to the specifics of the Newfoundland situation the Commission proposes that where transportation subsidies are needed to encourage economic development, it will be necessary to specify the particular commodities which are to be subsidized. It would make sense to provide a subsidy for raw materials being imported into an area, e.g., Stephenville, where a manufacturing process would add to their value. On the other hand, it would appear rational to reduce or eliminate the subsidy on products which can be grown or produced within Newfoundland, including such obvious examples as the common root vegetables and manufactured items such as window boxes.

The Commission is pleased to see that the four Atlantic Provinces have entered into discussion with the Federal Government to consider alternate proposals for The Maritime Freight Rates Act and The Atlantic Region Freight Assistance Act and have already agreed to specific alternate programmes which hopefully will be more beneficial to the region. In spite of this, however, the Commission is aware of instances where there is some evidence to show that the existence of these subsidies acts as a deterrent to local industry rather than an advantage. The case in point is those products which are produced elsewhere in the Maritime Provinces and which, because of the subsidy, can be marketed in Newfoundland at a cost below Newfoundland's production costs. The result is that local production is discouraged, if not curtailed. Volume II of the report of this Commission will contain a list of commodities which the Commission feels should not be subsidized. It should also be noted that the application and removal of subsidies to and from selected commodities should apply to all subsidies and not only to those provided by The Maritime Freight Rates Act and The Atlantic Region Freight Assistance Act.

It is obvious that certain forms of transportation, for example, that serving the Gulf route, will require a continuing subsidy for the foreseeable future. Indeed, the costs involved on that particular route are such that they could not be recovered by direct charges except at astronomical expense to the consumer. The travel of passengers across the Gulf will continue to be subsidized and the amount of the subsidy may well increase in the foreseeable future. With regard to goods, as long as businesses depend upon the rail-Gulf route, it will be necessary that subsidization of goods across the Gulf, and *via* rail across Newfoundland, should continue. The subsidy on the Gulf, however, should be such that the most effective and efficient method of freight handling is encouraged. Furthermore, the subsidy should be such that it does not preclude the possibility of shippers choosing an otherwise more desirable mode of transportation. In short, a heavily subsidized system should not be allowed to prevent the development of equally or more efficient systems that would require much smaller subsidies.

In general, there are several principles which can be applied to subsidies within Newfoundland, the first three of which are similar to those which have been specified for transportation to northern communities in British Columbia:

1. Whenever possible, the subsidies paid should be direct and specific.
2. The use of subsidies should encourage the most cost effective and efficient mode of transportation.
3. Whenever possible, the subsidy should be promotional and for a specific period of time. It should be reviewed periodically and if it is not serving the purpose for which it was intended, its applicability should be reconsidered with a view to its reduction, modification, or elimination.

In fact the goal of the subsidy programme for all except the Gulf route should be the eventual elimination of all subsidies so that services can operate in a free, competitive atmosphere without the difficulties and distortions which subsidies can produce.

4. For the immediate future, all companies which operate services which are identical or highly similar within the same mode should be eligible to receive the same level of subsidy. It is of course important that each service which receives a subsidy should provide the same type of service and transport the same type of commodities under the

same circumstances, (e.g., be classified as common carriers).

5. The level of a particular subsidy should not rise except after the most careful scrutiny, and after complete justification has been provided. Companies which have demonstrated their viability by several years of continued service should be able to negotiate the method by which the subsidy will be paid over a period of time. For example, a company should have the option to "front-end load" a subsidy if it wishes to do so. That is, a company which is to receive a subsidy of $10.00 per ton for a period of six years may opt to receive $15.00 per ton for years 1 and 2, $10.00 per ton for years 3 and 4 and $5.00 per ton for years 5 and 6, in order to assist purchase of equipment necessary to improve the service.

6. Subsidies should be such, and should be awarded in such a manner, as to encourage the process of economic development in Newfoundland. Plans should, therefore, be made to increase the amount of subsidy on certain commodities, while reducing or removing it from others.

Chapter XI

Federal-Provincial Co-Operation

From its own investigations, and from some of the submissions made at the public hearings, the Commission is satisfied that in respect to transportation there exists a great deal of mutual misunderstanding and mistrust between the Federal and Provincial Governments. It is clear from an examination of the events of the past few years that there has been a regrettable lack of prior consultation and agreement between the two levels of Government before the announcement and implementation of certain plans and proposals. Indeed, it is not an exaggeration to say that the attitude has, at times, been one of confrontation rather than co-operation.

Such an attitude does not lead to maximization of benefit. Any hostility or mistrust injected into a system must cloud the efficient operation of that system. Since the Newfoundland transportation system depends on activities of the Federal Government within its sphere of jurisdiction, and of the Provincial Government within its sphere, and to some degree on an overlapping with regard to financing, it is clear that co-operation between Governments is a key factor in the development and operation of any efficient transportation network. That a certain measure of mistrust and ill-will has developed is indeed unfortunate and efforts should be made to ensure that, in the future, a more genuinely co-operative atmosphere is generated.

Let us examine briefly the attitude of the Provincial Government toward the Federal role in respect to transportation in Newfoundland. That role includes formal responsibility for financing and providing the Gulf and Coastal Services, and all other CN operations in Newfoundland; the subsidization of the intra-Island ferry services and of freight rates on direct water, rail and truck traffic; direct contributions to harbour, airport, navigation and ice clearing facilities, and to road construction through Department of Regional Economic Expansion (DREE) grants. In the face of this substantial federal involvement there appears to be a tendency for provincial authorities, before they make their own plans for expenditures on transportation, to wait and see what the Federal Government will pay for. This makes the assigning of priorities at the provincial level virtually impossible. Except in the case of DREE grants where consultation does take place, there is an unfortunate lack of prior consultation between the two governments even when major expenditures and important decisions are being contemplated. Moreover, the Provincial Government appears to be strongly ambivalent concerning such consultation, or lack of it. On one hand, it complains loudly about the lack of consultation and about the quality of decisions which are made; on the other hand, it seems most reluctant to participate in the formulation of certain policies and the establishment of procedures in those areas that have been under federal jurisdiction, as for example, intra-Island ferries. However, from an objective point of view, it seems reasonable that the Provincial Government *should* take an interest in sharing decisions designed to make the services more cost effective, with the understanding that any resulting savings could be reallocated to other areas of transportation.

The Federal Government appears to be concerned with cutting down expenditure and this concern has sometimes led to reductions or changes in the levels of service with resultant cries of anguish from the Province. The Commission's impression, after many discussions with relevant departments, is that the

federal authorities are genuinely interested in Newfoundland, and within limits, attempt to do their best to see that improvements are made. However, at times, they may not put sufficient effort into initiating discussion and consultation with the Province and consequently they are frequently and unfortunately ignorant of important local priorities and sensitivities and are often surprised when their well-meant efforts meet with criticisms and resistance in Newfoundland.

It would obviously be desirable if this situation could be improved, as it would be if the Province were formally consulted and could offer advice and assist in decision making in certain key areas:

1. It is extremely important, for example, that the Newfoundland Government should be involved in establishing standards and levels of transportation services to and within the Province. An opportunity for such involvement will arise in the near future as the Federal Government and CN Marine Corporation meet to establish standards for the level of service to be provided on the Gulf. It is extremely important that the Province should be directly involved in this process. It is also important that it should have some responsibility for monitoring the resulting service to ensure that established standards are actually being met by those responsible for the operation.
2. The ideal mechanism to ensure optimum development and operation of the transportation system in the Province of Newfoundland would be to have all aspects of the system, both intra-provincial and extra-provincial, regulated by a single authority. However, it is recognized that establishment of such a system may cause difficulties concerning the setting of and adherence to certain national standards to carriers which operate in more than one province. Therefore, it seems that the best practical requirement would be that existing regulatory methods continue with, for example, air transport being regulated by the CTC, motor transport by the provincial motor carrier authority, and the like. At the same time, mechanisms must be developed to ensure that these regulatory bodies co-operate and consult with provincial authorities in the setting of standards and regulations, and that regulations in all areas be continuously monitored.
3. In the area of subsidies, it would seem desirable that the Federal/Provincial Transportation Commission, referred to elsewhere in this chapter, be responsible for the overall evaluation of carriers and the recommendation of subsidy levels for such carriers. By this mechanism, provincial involvement in decision making as to all government expenditure for subsidies would be assured.
4. It is important that the various transportation services to and within Newfoundland should be co-ordinated and that co-operation, wherever possible, between the various services should be encouraged. Deficiencies in existing services must be identified and the need for special services to satisfy public requirements must be ascertained.

Further, whenever significant changes in transportation services are contemplated, it is important that they be considered by Provincial authorities and if possible, openly debated, before the event, to ensure the protection of the "public interest". The process of open discussion will not obviate the possibility of compromise agreements and trade-offs which are in fact essential to the development of a transportation system. It would, however, eliminate the difficulties associated with trade-offs which, having been agreed upon in secret negotiation, are greeted with popular suspicion or outright hostility if and when they are eventually made public.

The objectives identified above might best be met by the creation of a federal/provincial "Newfoundland Transportation Commission" (NTC) composed of, say, five members: two to represent and to be chosen by the Provincial Government, two to represent and to be chosen by the Federal Government, and a Chairman who would be acceptable by both parties. The responsibilities of this body would be both administrative and advisory and would include the following:

1. Making representation to appropriate agencies concerning the standards which are to be set for transportation services in Newfoundland, including standards for the Gulf and Coastal services and eventually for the bus service, and, as well, maintaining a watching brief with respect to those services to ensure maintenance of standards at the agreed level.
2. Monitoring regulations for all modes of transportation in Newfoundland, and recommending thereon to the regulatory authority or government concerned.
3. Arranging for public hearings to be held concerning any major proposed changes which are to be made in Newfoundland transportation and making recommendations arising from these hearings to the appropriate government agencies.
4. Co-ordinating transportation services within Newfoundland.
5. Assuming responsibility for continuing research including the gathering of data concerning existing transportation, the introduction and evaluation of new methods and procedures and other appropriate matters.
6. Evaluating the effectiveness of subsidies and making recommendations concerning their allocation both in respect to the total amount of subsidy to be provided in any given year and the apportionment of that total among the various transportation

systems, and further, in respect to proposed new services, recommending the additional amount of subsidy required to provide those services.

Such a permanent NTC would require a small secretariat including, in addition to clerical staff, a Research Division to conduct the continuing research referred to above, and which would have direct access to the research departments of the Ministry of Transport. Additionally, the NTC should have access to expert advise on each transportation mode. A budget of $500,000 to $1,000,000[1] per year to be shared by the Provincial and Federal Governments should be adequate for all the activities of the NTC except for research, which would be funded separately.

The NTC would not be directly involved in policy-making which is the prerogative and the responsibility of government. Nevertheless, the NTC should be asked for advice concerning policy matters and should assist in the implementation of policy and in the administration of regulations. The NTC would also serve as "transportation ombudsman" for the Provincial Government and for the citizens of Newfoundland.

The giving of advice and recommendations concerning the allocation of subsidies would constitute an extremely important part in the activities of the NTC. Essentially there would be two levels of such advising. On the most general level, the NTC would advise as to the total amount of subsidy needed to operate the Newfoundland transportation system (i.e., the Gulf subsidy, the coastal subsidy, the railway deficit, direct water subsidy, intra-Island ferry subsidies, etc.) and, on the more particular level, it would advise concerning specific allocations from within the total amount. Before the NTC commences its activities, the total amount of subsidy allocated to the Newfoundland system would be determined, and the Province would undoubtedly require a guarantee from the Federal Government that this amount would not decrease but, in fact, increase through annual inflation and when special projects were undertaken. The NTC could then recommend that the amounts within that total be reallocated from one area of service to another. If money were saved by reducing or eliminating rail service, then this money could be used for an increase in direct water subsidies or highway construction. Money saved on the Gulf or coastal operation could be used to support bus services to the more remote areas of Newfoundland, or to provide better accommodation and facilities near the Trans Canada Highway.

The total would *not* include any money necessary to raise basic transportation services in Newfoundland to a level comparable with that already existing in other provinces. That is, a special arrangement between the Province and the Federal Government would provide for the funds necessary for the proposed upgrading of the Trans Canada Highway. Similarly, separate agreements would be worked out between the Federal and the Provincial Governments for special projects such as the Trans Labrador Highway or the building of a tunnel under the Strait of Belle Isle.

The NTC would also recommend the allocation of subsidies to specific carriers. The NTC would establish criteria which would have to be met in order for a subsidy to be awarded. That is, subsidies would only be given to carriers which had or could demonstrate their ability to provide a continuing service. Carriers would have to provide the same basic service, i.e., act as a common carrier, in order to be eligible to receive a subsidy. Being eligible to receive a subsidy would, of course, not guarantee that a subsidy would be given. A separate judgment would have to be made for that decision, but it would guarantee that consideration would be given to the request. The NTC could recommend that special financing could be worked out for carriers which had clearly and definitely demonstrated their viability.

(The NTC, of course, would have no direct authority or jurisdiction over the transportation budget of the Province of Newfoundland. The Province would set down priorities and would allocate funds in accordance with these priorities. Nevertheless, the NTC should be prepared, upon request, to offer advice to the Province.)

The essential principle is that the existence of the NTC would give an opportunity for the Province to have a direct say in the allocation of Federal funds for transportation in Newfoundland. This would be an important development. The specific mechanism by which recommendations would be made for the allocation of funds might take various forms. In the past, consultation between the two levels of government has apparently been successful in the case of DREE agreements. Perhaps similar procedures and agreements would be possible in the area of transportation as well. Other mechanisms are possible and indeed the agreement outlined above is tentative and intended as a suggested guideline only.

The Commission will be making specific recommendations in Volume II of this report which will outline in detail the structure of the NTC, the funding required, the areas of responsibility and the objectives which the NTC would be expected to achieve.

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1 Here and in the remaining pages of this report specific sums of money are mentioned. These are intended as indications of what approximate level of expenditure might be required. They are not intended as firm, specific figures. The second volume of the report of the Commission will include firm and specific figures together with the rationale and justification of each figure.

Continuing Research

During the past decade there have been at least 60 separate studies (excluding those conducted by this Commission) on various aspects of transportation in Newfoundland. At a conservative estimate, they have cost in excess of five million dollars. However, when the Commission reviewed these studies, it found that the vast majority were to one degree or another unsatisfactory for its purposes. This was essentially because they represented a piecemeal or *ad hoc* approach to the resolution of specific problems rather than an organized, coherent plan of action guided by a set of clearly established policies. Thus, in some instances, one area has been studied two or three times while other very important aspects of Newfoundland transportation have not been examined at all.

Most of the studies have not been made public or given wide circulation. Well over half of them are labelled confidential and are for internal use only. Of those which have been approved for distribution to the public, e.g., the Corridor Study, the distribution has been very limited and relatively few people in Newfoundland have had access to them. Furthermore, remarkably little action has been derived from them. Indeed, many make no specific recommendations at all, and even where such recommendations are made they have been virtually ignored by the decision makers.

Despite the plethora of previous studies, the biggest single difficulty facing this Commission as it approached its task was that of finding a Research Director. It was decided, for obvious reasons, that such a person must be one familiar with transportation in both its theoretical and practical aspects, and particularly, with the special conditions existing in Newfoundland and Labrador. Most previous studies had been carried out by mainland firms or by research groups internal to the Ministry of Transport or CN. This Commission could not expose itself to the legitimate criticism that its conclusions were based on research conducted by people who were essentially ignorant of the Newfoundland situation. Neither could it depend on, to any great extent, the research facilities of the Ministry of Transport or of CN since to have done so would have resulted in the suspicion that its data was not sufficiently objective and might in fact be seriously biased.

The Commission was, therefore, fortunate to obtain the services of Mr. Mervin Andrews of the Faculty of Engineering at Memorial University. He had already conducted a number of studies on Newfoundland transportation, had a sound theoretical and practical background, and, furthermore, was a native Newfoundlander who had travelled extensively throughout all of Newfoundland and Labrador.

Mr. Andrews reviewed the earlier studies, identified the gaps in the available research data, and then set about the task of obtaining information that would fill these gaps. Additionally, he was faced with the problem of updating the information provided in existing reports.

Primarily as a result of the research conducted under the auspices of this Commission, it is believed that a comprehensive and up-to-date picture of Newfoundland transportation is now available. However, the data, too, will soon be outdated unless provision is made for continuing research on transportation in Newfoundland to be carried out in an orderly and systematic manner. Such a research programme would be greatly facilitated by the creation of a Research Centre on Newfoundland Transportation. The duties of the Centre would include, *inter alia*, the following:

1. To gather basic information to comprise an annually updated inventory of facilities and services in Newfoundland, which should be made available to the public.
2. To address specific questions such as might be posed by Federal or Provincial Governments or by other legitimate interests, concerning any aspect of the transportation system or of public reaction to transportation policies and procedures.
3. To initiate specific research projects in Newfoundland transportation, to encourage the use of research by those involved in the practical aspects of transportation, and to act in an advisory capacity to all those so involved. Further, in respect to new services, to provide for the gathering of accurate base data and to establish, or to advise upon the establishment of, appropriate control procedures to monitor results in relation to expectations.

The Centre which would require, initially, a budget of approximately $500,000 to $1,000,000 per year, should consist of a permanent Research Director with an appropriate staff and should be funded jointly by the Federal and Provincial Governments, with the former providing 90% of the financing. It would operate under the administrative control of the Newfoundland Transportation Commission but might very well be established on the campus of Memorial University. In any case, it should have an Advisory Committee to include some academics familiar with transportation problems, as well as representatives from transportation services. It should be noted that the year budget would not, in fact, be "new money" since, judging by past experience, it can be assumed that at least that amount would continue to be spent annually on Newfoundland Transportation Studies. If such sums are to be spent, it makes good sense to ensure that the greatest possible advantage derives from the expenditure. To achieve this purpose and to guarantee co-ordination of effort, responsible planning and

public awareness, the Commission attaches the highest importance to the immediate creation of such a Research Centre.

Local Autonomy and Responsibility

Within the general area of the relations between Newfoundland and other areas of Canada, the Commission has been made aware of considerable dissatisfaction and, indeed distrust, by Newfoundland users of transportation services concerning the process of decision making within the larger transportation services operating in the Province. The problem seems to be largely caused by the chains of decision making and command, often ending at their highest levels in centres outside the Province. The Commission is of the opinion that the perceptions of the public concerning this situation are of great importance, and since the Commission has been unable to complete its investigations into this area, detailed analyses and recommendations will be left for inclusion in the second volume of the report of the Commission.

Chapter XII

The Use of Hovercraft in Newfoundland

This section is included not because the Commission feels that the Hovercraft is the answer to the Newfoundland Transportation System or because it is the most important innovative concept in the area of transportation. Rather, it is included as an example of the sort of dramatic change in transportation which we may expect and must prepare for in the foreseeable future.

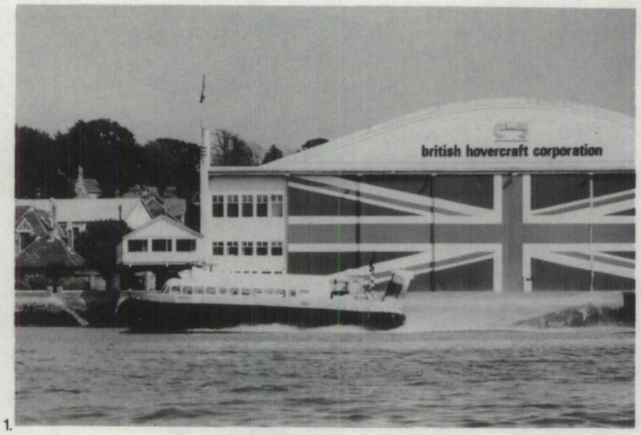
Hovercraft have been used in England to provide commercial ferry service for almost 15 years. Hovercraft service is provided between Southampton and Cowes on the Isle of Wight by small SRN-6 craft. The SRN-6 has the capacity to take 35 passengers, but does not take vehicles. The basic craft can, however, be modified to take six to eight vehicles and 12-20 passengers.

Hovercraft service across the English Channel has been available for over 10 years. At present the service is provided by two companies, Seaspeed and Hoverlloyd. Seaspeed is operated jointly by the British and French rail systems. The service operates from Dover to Bologne return, and Dover to Calais return. Up to the present time, the service has been provided by four craft. The two British craft are Mountbatten class SRN-4 which each have a capacity for 30 cars and 250 passengers. Hoverlloyd, a private company, operates a service between Ramsgate and Calais, using four SRN-4's which have been modified and enlarged so that they can take 37 cars and 280 passengers.

The craft are capable of speeds up to 60 knots and cruise at approximately 40 knots. The 20-mile crossing takes about 35 minutes from terminal to terminal. The craft can be completely unloaded and loaded in 15 minutes so that, including time for cleaning, the craft can leave port each hour, on the hour. The craft can operate even when the Channel seas are rough and the wind up to a gale force 7. Hoverlloyd will operate in virtually any weather in which a conventional ferry will operate, although the time of the crossing will be increased considerably. The Seaspeed officials will not operate the Hovercraft if it appears that the journey will take more than one hour. Since the same company operates conventional ferries from Dover, the operation is sufficiently flexible to permit changing the passengers from the Hovercraft to conventional ferries in rough weather or in any emergency situation. The ride is rough, especially in choppy seas and winds, and noisy, but many travellers prefer the rapid ride to the slower 1½ hour crossing by conventional ferry. During 1977, over 40% of those who travelled across the Channel elected to do so by Hovercraft. The cost of the journey by Hovercraft is approximately the same as that by conventional ferry.

The operation of the Hovercraft is exceptionally safe and no serious accident has occurred in any of SRN-4 craft since they have been in commercial operation.

A breakthrough in Hovercraft operation is occurring at the present time. British Rail has added a 55-foot section to one of its SRN-4's to give it an overall length of 180 feet. This stretched or "Super 4" has a capacity of 60 cars and 400 passengers. It can attain a speed of 75 knots and cruises at 60 knots. The almost 50% increase in capacity and the considerable increase in speed is accompanied by an increase of only 15% in fuel consumption. The additional length makes possible a much smoother ride and the craft can operate in any weather in which a conventional


british hovercraft corporation

1.


GH-2006
Seaspeed

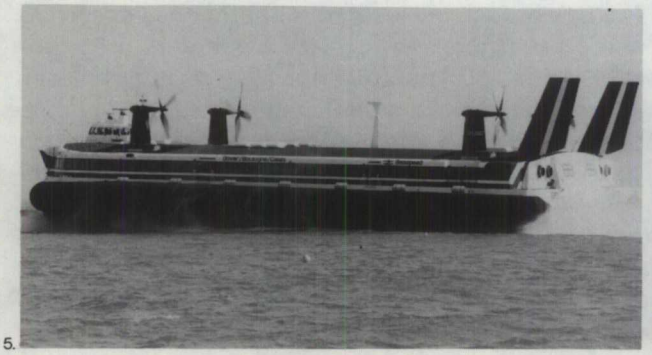
2.


HOVERLLOYD
GH-9012

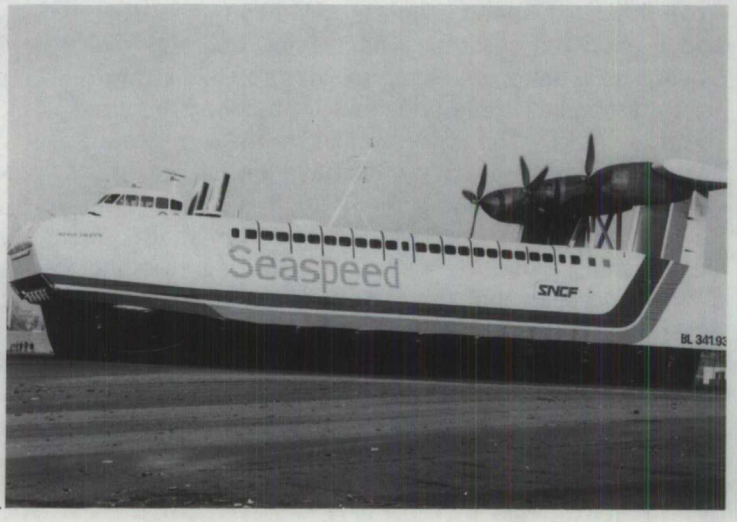
3.


HOVERLLOYD

4.



5.


Seaspeed
SNCF

6.

1. SRN-6
2. SRN-4 SEASPEED, '*The Princess Margaret*'
3. and 4. SRN-4 HOVERLLOYD
5. SRN Super 4, SEASPEED, Britain, '*The Princess Anne*'
6. SEADAM 500-02, SEASPEED, France, '*Ingenieur Jean Bertin*'

ferry can operate. In the spring of 1978, the French introduced a large Hovercraft, the SEDAM 500-02. This craft has two unique features—it has two deck levels, the lower for cars and the upper for passengers, and it has three engines mounted in the rear. In contrast the British Super 4 has four engines mounted one at each corner. The "500" is less noisy than the Super 4 and provides better visibility for the passengers but it is not as maneuverable and is said to be experiencing some minor operating problems. Nevertheless, it appears that in the near future, much of the traffic which crosses the English Channel will do so by one of the larger Hovercraft.

The use of Hovercraft in Newfoundland appears to be an interesting and exciting possibility. The "Super 4" Hovercraft could make the 60 mile journey beween Aspy Bay on Cape Breton Island and Port aux Basques in a little over 60 minutes. It would not be necessary for passengers to report with their vehicles more than 30 minutes before the crossing, so that the total time for the crossing would be just over 1½ hours, in comparison with the 7-8 hours which now elapse between check-in time and the termination of the crossing by conventional ferry. The craft could turn around in two hours so that with two craft, departures could be scheduled at two hour intervals for each terminus. If North Sydney were used as the Nova Scotia terminus, the distance would be increased to 90 miles and the crossing time to just under two hours.

It would appear desirable, and it is hoped feasible, to provide Hovercraft service across the Gulf during the peak summer months, say from May to September. The service would initially be provided by CN Marine Corporation and the rates charged would be somewhat higher than those for a conventional ferry crossing. It is possible that in the future a private company might start a competing service between other terminal points.

It is likely that the Hovercraft could be used in warmer waters, say in the Caribbean, during the winter months. Certainly the chances of finding suitable winter routes for the Hovercraft would be greater than for the Gulf ferries.

Terminal facilities for Hovercraft are not elaborate and can be provided at relatively low cost in comparison to those required for conventional ferries.

Conventional Gulf ferries will, of course, also continue to operate during the summer months. Tractor trailers and those passengers who wished to do so would still make the crossing by these ferries.

Winter service would continue to be provided by these ferries, supplemented by at least one of the ferries from the Argentia service.

In addition to providing a service which would be much more rapid and efficient for Newfoundlanders who wish to cross the Gulf, the Hovercraft would make possible an entirely new development in the tourist travel to and within Newfoundland. At present, it is not possible for tourists who travel in the Atlantic Provinces area to "drop in" on Newfoundland. The trip to Newfoundland now takes approximately one day, and the return trip takes another day. With the considerably reduced crossing time provided by the Hovercraft service, i.e., a total of just under two hours, the tourist may decide to cross to Newfoundland in the morning, spend most of the day travelling from Port aux Basques to Corner Brook or Big Falls, return to Port aux Basques in the evening and cross on the Hovercraft before night. Once there, the trip might be extended to visit other places in Newfoundland. This breakthrough in tourist travel to Newfoundland would, it seems likely, provide for and make possible a substantial increase in the number of visitors coming to Newfoundland during the summer. It may well be that the number would increase by 200 or 300 per cent, and this, of course, would permit a concomitant increase in the tourist industry in Newfoundland, with all of the attendant advantages and disadvantages which accompany such a development.

The Hovercraft would also be of value in Northern Newfoundland and Labrador as well. At present the ferry service across the Strait of Belle Isle is provided by the *'Northern Cruiser'* between the months of May and mid-November. Between mid-November and May, no ferry across the Strait is provided because of the weather and ice conditions. It has been demonstrated, however, that Hovercraft are capable of operating in winter conditions on the Quebec North Shore from Sept Iles to Blanc Sablon. The Air Cushion Division of the Ministry of Transport has also successfully experimented with Hovercraft as ice breakers. There is no doubt that ice conditions in the Strait would prevent the craft from crossing on certain days of the year, but it is estimated that the craft could provide a service on a large percentage of the days during the winter season.

It is possible that the Hovercraft, which is used for the Strait crossing during the winter months, could also be used effectively in Northern Labrador during the summer. At present that service is provided by a weekly round trip of the *'Bonavista'*. A Hovercraft could cover the same distance in approximately two days. That is, on day one the craft could leave Goose Bay and visit each of the Communities in Northern Labrador, i.e., Rigolet, Makkovik, Postville, Hopedale, Davis Inlet and Nain. On day two the craft could make the return journey. This would permit a much more rapid and effective service for the residents of Northern Labrador than is possible at the present time.

Although the concept of the Hovercraft seems feasible and exciting at the present time, the Commission recognizes that many unanswered questions and

problem areas remain to be resolved. The suitability of the craft for operation in the waters of the Gulf has not been demonstrated. The ice conditions of the Strait of Belle Isle during each of the months of the winter season has not yet been thoroughly investigated. The whole question of the relative fuel consumption of Hovercraft versus conventional ferries must be researched fully. Nevertheless the Commission judges that the possibility of the use of Hovercraft in Newfoundland waters is sufficiently attractive and likely that full-scale feasibility studies should be undertaken in the immediate future.

Chapter XIII

Transportation in Labrador

Transportation in Labrador is singled out for consideration in this section, not so much because the issues are controversial, as because they have heretofore been neglected or even ignored. In reviewing the progress made in provincial transportation systems during the last decade, certain inequities become immediately apparent. The dramatic changes, especially in respect to road building, that have occurred on the Island are in stark constrast with the lack of change in Labrador. We must, nevertheless, note two important exceptions to the general rule:

1. *The introduction of the 'William Carson' to the Labrador service.* The weekly run (including stops at St. John's, Lewisporte, St. Anthony, Cartwright and Goose Bay), introduced in 1976, was widely acclaimed and appreciated in Labrador. This service provided the first opportunity for some of the people of Labrador to travel with their vehicles to and from the Island. The tragic mishap which caused the sinking of the ship early in 1977 was a severe blow to coastal Labrador, and while the replacement service, which provided twice weekly runs between Lewisporte and Goose Bay, softened the blow somewhat, it did not provide as satisfactory a service as that previously provided. There is no doubt that a new vessel must be specially designed to provide, in the immediate future, a similar service to that provided by the *'Carson'*.
2. *The replacement of the old, small and unbelievably uncomfortable ferry which crossed the Strait between St. Barbe and Blanc Sablon with the new, larger, infinitely more comfortable 'Northern Cruiser' at the beginning of the 1977 season.* The new vessel provided for the transporting of passenger cars, trucks and tractor trailers across the Strait. Although the terminal facilities, especially in Blanc Sablon, need improvement, the new vessel has considerably improved the transportation system serving the communities of Southern Labrador.

Apart from these two important developments, the overall situation concerning transportation in Labrador is as dismal as it was ten years ago. A road map prepared in 1976 looks almost exactly like its counterpart produced in 1966, except that a portion of the road between Goose Bay and North West River has been completed and paved. The road between L'Anse-au-Clair and Red Bay can hardly be described as a road at all. It is rough, precipitous and characterized throughout its entire length by incredibly steep hills and dangerous curves. In places it is virtually impassable in summer and completely impassable during the winter. There is still no road connection between Labrador City — Wabush and the remainder of the Province. The feeling of loneliness and isolation that is described so vividly and accurately by M. O. Morgan in his report on industrial unrest in Labrador City is no less true today than it was then. The coastal service has, if anything, deteriorated during the last ten years. Air service has changed very little. EPA provides essentially the same service with more modern aircraft and charges relatively the same rates. The service provided by Labrador Airways is, of necessity, irregular and inadequate due to the lack of suitable landing strips.

The Coastal Service is seen by the people in Labrador as being so unsatisfactory that much of the freight transported to coastal communities between L'Anse-au-Clair and Red Bay is imported, whenever possible,

via the Quebec Maritime Agency shipping service from Montreal to Blanc Sablon. This service is described as being much better than the service provided from Newfoundland, and even though the rates are considerably higher, the people are prepared to pay them in consideration of the better service provided. The economic implications of this are obvious.

Worst of all, perhaps, are the feelings of anger and frustration among the people which are engendered by perceptions of governmental indifference. They have seen study after study carried out without any visible improvements resulting. The universal demand is for action rather than for further studies. And that demand is justified. Numerous studies have been completed which were to have aided in the solution of the problems in Labrador transportation. The appropriate conclusions and recommendations of these studies must be put into effect immediately. In particular, three important steps are of utmost urgency:

1. *The road between L'Anse-au-Clair and Red Bay must be improved and paved in the immediate future.* This is clearly a provincial responsibility, but perhaps funds could be sought from DREE for the completion of this project.
2. *The movement of freight and passengers along coastal Labrador must be improved and rationalized.* This will entail the construction of airstrips in all major communities of Labrador and the introduction of service by twin Otter or other equally suitable aircraft. Fast motor launches and smaller planes must be used to provide connecting links to the smaller communities which will not be served directly by the airstrips. An intermodal approach is therefore necessary for the movement of passengers along coastal Labrador. The movement of freight will continue to be by coastal vessel, but the service must also be improved considerably.

This means, in essence, that the Labrador Area Master Plan for airstrips in selected communities in the Labrador coast should be implemented without delay. The Commission is pleased to note that work on four airstrips has commenced. The proposed schedule for starting and completing work on each airstrip must be firmly adhered to. In the southern Labrador communities, the problem of connections between those communities which have airstrips and those which do not must be given high priority. It appears that connections provided by high speed motor launches could provide the most satisfactory service, at least during an interim period.

3. *A Trans Labrador Highway must be constructed to link Labrador City — Wabush and Churchill Falls with Goose Bay and coastal Labrador.* A preliminary study of such a highway has been carried out by R. J. Noah and Associates. This study examines a projected route from Forteau along the coast to Goose Bay and thence to Churchill Falls and Labrador City — Wabush with branches linking Mary's Harbour and Cartwright to the trunk road. The study concludes that the construction of the road is both practical and economically feasible although the project will be an expensive one, costing approximately three hundred and fifty million dollars. Even though expensive, it is a project which must be planned and completed for important economic, social and political reasons. It will provide year round transportation to the southern part of coastal Labrador, assist in the process of exploration and development of commercially important resources, and have the enormously important social and psychological effect of eliminating the feeling of isolation which characterizes life in Labrador, especially in the western portion.

Road connection between Labrador and the remainder of Canada will, in the near future, be provided through Quebec. The political implications of having Labrador connected by road to Quebec and not to the island portion of Newfoundland are extremely significant and must not be overlooked.

Three other projects are of considerable importance to Labrador. Although we cannot recommend that they be commenced at this time, they should certainly be examined carefully and feasibility studies should be carried out in the immediate future. They are as follows:

1. *The provision of a year round deep water port ("Port Labrador") for Labrador.* It should be connected by road to the Trans Labrador Highway.
2. *A rail link between "Port Labrador" and central Canada should be investigated.* It might be possible to run the railway on the electricity generated by the Lower Churchill.
3. *A tunnel across the Strait of Belle Isle which would be suitable for vehicular traffic as well as the transmission of electricity.* This feasibility study should be commenced immediately and carried out by an independent consulting firm.

Chapter XIV

Dealing with the Social Consequences of Change

The transportation industry, perhaps more than any other, is vulnerable to change and to the inevitable difficulties and dislocations resulting therefrom. Sometimes change involves growth and resettlement, as when the building of a railroad results in the creation of new towns, or causes the dramatic expansion of small settlements in its path. Examples of such changes may readily be seen in the growth and creation of towns in the Canadian west resulting from the building of the Canadian Pacific Railway in the late 1800's. Examples may also be found in Newfoundland in the creation or expansion of Bishops Falls, Clarenville, Lewisporte and Port aux Basques. Sometimes such towns remain completely associated with and dependent upon the transportation industry, as is the case with Bishops Falls and Port aux Basques, where even today, an extremely high proportion of the employment is dependent directly or indirectly upon the transportation industry.

A change in the mode of transportation may involve the creation of significant numbers of additional jobs within a single town and its immediate area. When this happens, as in the examples cited above, the results are obvious and dramatic, but sometimes the results of change are more difficult to discern. For example, the growth in the trucking industry in Newfoundland during the past ten years has created approximately 1500 new jobs. Had these been concentrated in one small town, the result would have been dramatic. In fact, they have been created in a large number of towns and settlements including St. John's, Corner Brook, Grand Falls and Gander, and since they have been spread out geographically, their impact has been largely unnoticed and no significant growth patterns or relocations have been derived from them.

Frequently, rapid growth arising from the development of a transportation system is followed eventually by an equally rapid decline and even dissolution. Thus, technological innovations or improvements may lead to the virtual death of a town which has been completely dependent upon transportation. Many examples of this phenomenon exist along the routes of Canada's major railways. Coming closer to home, less severe, but nonetheless serious, repercussions stemmed from recent technological changes in freight handling that reduced drastically the level of employment in Port aux Basques. The specific case of Port aux Basques will be discussed later in this chapter.

Nevertheless, there are instances in which even greater reductions in employment have no such drastic effects because they are spread out geographically and not concentrated in any one town. For example, the amalgamation of two or more major companies will frequently reduce the number of jobs previously available. The jobs eliminated may not be concentrated in one town or area but will spread out over the various provinces of Canada. Thus, though the change will certainly be disturbing to those individuals directly affected (although the trauma may be eased considerably by special provisions for recovery, early retirement and retraining), the total impact, spread across the country, will probably create nothing more than minor perturbances.

Any change in transportation is liable to result in important and pervasive social consequences. Increases in employment opportunities, for example, will bring an influx of people and money into a town,

which will produce serious and sometimes radical disruptions in patterns of friendship, entertainment and moral behaviour. Social problems, such as an increase in alcoholism and delinquency, will frequently accompany such changes. In most cases, the towns so affected are unprepared for such changes and unable to deal with the consequences in a positive manner. Indeed, the desire for increased employment opportunities is generally so strong that to achieve that end, almost any unfortunate side effects will be tolerated. Nevertheless, it may well be as important to plan for mechanisms to deal with the consequences of boom conditions as to prepare for the consequences of reductions in the work force.

However, the immediate effects of a reduction in employment are more obvious and help is clearly and obviously required in dealing with such circumstances. This is particularly so in Newfoundland, where the level of unemployment is approximately twice the Canadian average and where an individual who loses a job is, in consequence, less likely to find another than if he lived elsewhere in Canada. This argument is strengthened when we consider one-industry towns, such as Port aux Basques and Bishops Falls, where, for all practical purposes, there are virtually no other jobs than those provided by the rail operations.

The effect of losing a job, especially when alternate employment cannot readily be found, can be devastating. The most obvious impact is financial. The individual's level of income is sharply reduced even when he receives Unemployment Insurance. If the period of unemployment is prolonged, it will become increasingly difficult to meet commitments such as mortgage payments on a home or payments on a car. Eventually, savings will be used up, the standard of living will be appreciably lowered and, not infrequently, there will be the final resort to social assistance.

In our society, work is the most important component of our daily activities. A person's concept of himself is influenced greatly by the work which he does and by the degree of success with which he completes his work and by the satisfaction which the job brings. Having a job also gives a sense of completion and responsibility and of being in control of life. It makes it possible to provide for the necessities and perhaps a few luxuries for members of the family. Therefore, the psychological consequences of unemployment, although not as obvious as the financial effects, are nonetheless equally as important. These have been extensively investigated by psychiatrists, psychologists and sociologists and documented both in the popular press and in professional research journals. Psychological effects include a change in the self-image, loss of self-esteem and increased feelings of dependency, of helplessness and of worthlessness. Psychosomatic illnesses, such as migraine headaches and stomach disorders, increase markedly. Psychiatric illnesses, especially depression, become much more common. The incidence of suicide increases, sometimes dramatically.

It is obvious that attempts should be made to prepare for changes in employment patterns, especially those which involve the loss of jobs as a result of the introduction of technological innovation or administrative changes.

One example of a recent attempt to deal with the effects of such change may be found in the case of the amalgamation of Canadian National and Canadian Pacific passenger services into "Via Rail". In an attempt to ameliorate the consequences for individuals adversely affected by the amalgamation, the Government of Canada has enacted regulations under *The Appropriations Act Number 1,* dated October 24, 1977 (PC1977-2987), entitled "Regulations with respect to the implementation of adjustment assistance to Railway Companies and employees affected by changes in railway passenger services". One particular section is especially applicable to the present argument. Section 4—"Special Agreements" reads:

In negotiating a special agreement, the parties to the special agreement process, shall, in as much as the following are generally incorporated in their existing job security agreement, give consideration to the following:

a) In so far as possible ensuring continuing employment for the employees concerned.

b) Where preferred and to the extent possible, keeping employees in gainful employment at the same location.

c) Where necessary, training employees for alternative employment.

d) When required, providing appropriate assistance in relocation.

e) In so far as possible, avoiding loss of employees' earnings.

f) Developing a separation plan for the assistance of employees close to or eligible for retirement who wish to leave the work force.

g) Minimizing seniority obstacles for the purpose of facilitating;

1. Continuing employment by Canadian National Railway Company or Canadian Pacific Railway Limited where mutually agreed to by parties, and

2. Transfer of employees to Via Rail Canada Incorporated.

h) Where employees are laid off providing reasonable weekly layoff benefits or severence payment, and

i) Assisting employees unable to maintain their jobs to secure employment outside the railway industry.

It is recognized that such special agreements may require additional financial outlay and the Act provides in Clause 3 that:

The Minister of Transport may reimburse a railway company for the prescribed proportion of the cost incurred by the company for the provision of benefits where:

a) The cost results from changes implemented between March 29, 1977 and December 31, 1980.

b) A special agreement exists between the railway company and the trade unions.

c) An arrangement exists between the railway company and the Minister of Transport.

The principle of providing special assistance for those who are threatened with loss of employment is an extremely good one. The implementation of such agreements obviously requires and is facilitated by a spirit of trust and co-operation between unions and management.

Traditionally in Canada, labour and management have adopted adversary roles. Not uncommonly, employees feel that management is disposed to be secretive and, perhaps, dishonest and that their every action should be viewed with suspicion. Management, on the other hand, quite often views workers as being concerned only with their own benefits and not with the furtherance of company goals. These attitudes became evident to the Commission immediately after its establishment when labour and management disagreed concerning the force and implications of the federal Minister's understanding that employment in the CN operations would not be reduced because of technological or other innovations during the life of the Commission.

The latent mistrust and hostility between unions and management frequently comes to the forefront during periods of technological change. A case in point is the continuing dissension between the Canada Post Office and the inside workers Union concerning the implementation of technological changes in the sorting of mail.

However, the relationship between unions and management does not *have* to be one of mutual suspicion and mistrust. There are numerous examples of a trusting and co-operative relationship that has continued even during times of technological change. Where such examples exist, the necessary ingredients for the development of such a relationship appear to include the sharing of responsibility for decisions and, in particular, the involvement of workers in the making of important decisions that may affect their futures. The Commission offers here several examples of co-operation between workers and management. It does so, not because we wish to recommend that these particular procedures necessarily be followed, but only as illustrations that, under certain circumstances, a high level of co-operation between labour and management may be attained. Many examples could be provided from the European scene, since joint labour management committees and joint consultation procedures have a long history there and are now well established. More pertinent to its purposes, however, are recent experiences in North America.

A particularly relevant and recent example of labour management co-operation is provided in the Final Report of the St. Louis Terminal Project, April 1977 (Missouri). The Project was carried out over a five year period and was intended to introduce and evaluate changes in methods of freight handling in the St. Louis Terminal. The Director of the Project was from Management and the Associate Director was from one of the Unions directly involved. The research was directed and evaluated by independent consultants. Guarantees were given that no worker would lose wages because of any experimental evaluations which were introduced. The Project was funded through co-operation by Government, the Company and the Unions. These funds were used to pay for any special meeting expenses incurred by the research project and to supplement the wages of workers who would otherwise have lost money during the course of the Project.

Although for reasons unrelated to the Project, the Unions involved are no longer active in this area, the final Report of the Project summarizes the accomplishments of the Project as follows:

- *It further demonstrated that labour and management can work together successfully and effectively to achieve greater productivity and better serve the shippers.*
- *Firm evidence that an experimental program involving local management and employees could produce a measurable and significant improvement in railroad performance—the average time a car spends in the St. Louis Terminal was reduced over four hours (25%) between January 1975 and December 1976.*
- *Three of the experiments that involved the temporary waiver of labour agreements served as the basis for the negotiation of permanent changes between local labour and management.*
- *The development of a Car Movement Performance Measurement System for the St. Louis Terminal that is adaptable to other terminals.*
- *Communication between local labour and management was improved by a series of regular meetings between the employees and operating officers.*
- *The Task Force on Rail Transportation believes that similar labour/management experimental programs at other terminals and on other railroads are in the best interest of all concerned.*

The idea of labour management co-operation and of the joint consultative process is also becoming relatively common in Canada. In a recent article in Transport Canada, December 1977, Ray Flansberry, Employee Relations Officer of the Department of Transport, provides the following brief article entitled, "Let's Talk It Over".

A good many labour disputes are caused by a simple inability to solve on-the-job problems as they occur.

Even the smallest of these problems have a tendency to build up if they are not dealt with, and when the time comes to renegotiate the next contract a backlog of discontent and bitterness may develop which will seriously hinder negotiations.

However, this situation is less likely to occur in Transport Canada now that consultative committees have been set up involving the department and the Union of Canadian Transport Employees (UCTE).

These consultative committees, which are being established on local, regional and national levels, will provide a free exchange of information between management and the union on matters which concern both parties. Furthermore, they will make it possible for each party to better understand the other's position.

Consultation is based on the philosophy that many problems may be settled during the life of collective agreements if the unions and management have an opportunity to discuss them as they arise. And, both Transport Canada and UCTE believe consultation committees will provide a forum for prompt and less constrained, yet official communication.

EVOLUTION

The idea of local consultation was first reviewed in 1973, but, lacking a proper set of guidelines, never developed.

As a result, consultation procedures were reviewed at a special meeting in December 1975, involving UCTE's executive, Deputy Minister Sylvain Cloutier and senior officials of the department. A committee was established which subsequently drafted new guidelines.

Under the new guidelines the committees may discuss any matter that will not alter the intent and purpose of a collective agreement. Debate may include such topics as training programmes, working conditions and government policies. Formal grievances are handled by usual grievance procedures.

Issues are to be dealt with at the level where they occur, be that national, regional or local. If a local committee cannot solve an issue it may be sent up the line to the regional level. Similarly, regional issues may go to the national level. Problems are solved by a consensus of both parties rather than a vote.

IMPLEMENTATION

In order to ensure the new guidelines are effective, a joint implementation team has introduced the consultation programme to the regions. The team was composed of Larry LeBlanc, assistant executive secretary, UCTE; Ray Flansberry, employee relations officer, Transport Canada; Charles Cameron, chief, staff relations, CATA; and Al Bennett, staff relations officer, Canadian Coast Guard. The team visited regions in the Air Administration and the Coast Guard on a 10-stop tour, speaking to regional managers and union officials.

A pattern was developed on the tour involving two-day visits to each region. Management and union officials met with their regional counterparts and then joined together for a session to ensure common understanding. During this joint session a 45-minute film of a national consultation meeting was shown to further illustrate the process.

Regional officials and managers then toured their own regions, informing employees and managers of the new consultation process.

Still to be set up is a national consultation committee which will handle the more complicated and sensitive problems passed on by local and regional committees.

Only time will tell, of course, but for now it would appear that consultation committees are a key to more peaceful and constructive labour relations.

A particular example, immediately relevant to our deliberations, may be found within the Gulf service of CN Marine where, for some years, management and labour have worked with the joint labour management consultative committee process. An East Coast Marine Co-ordinating Committee, consisting of representatives of all levels of management and all of the unions involved, was established to deal with problems associated with the introduction of changed procedures. While the Committee has not had to deal with any major problems to date, it has met several times each year (various sub-committees have met more frequently) and it has engaged in the frank exchange of information and appears to have contributed significantly to the development of co-operative and harmonious working relations during the past several years.

Another example of the general principle of labour management co-operation which can be cited is that of the Joint Manpower Adjustment Committees sponsored by the Manpower Consultative Service, a divi-

sion of the Department of Manpower and Immigration. These committees have been particularly helpful in creating a climate of co-operation during periods of technological change, including periods of increasing and also of decreasing employment. The Canada Manpower Consultative Service describes its activities as follows:

The Canada Manpower Consultative Service (CMCS) helps employers and their employees adapt to technological and other change.

A service of the Department of Manpower and Immigration, CMCS is responsible for administering the Canada Manpower Adjustment Program. It acts as a catalyst to bring employers and workers together to discuss changes in the work place and formulate adjustment measures to solve the problem that change can bring.

CMCS offers technical advice, guidance and financial incentives to employers and workers suffering the effects of a change in technology or economic conditions—an industrial slowdown, plant relocation, or other factors that may lead to the dislocation of workers or the closure of plants or industries. CMCS is not restricted to cases where problems have already occurred; it encourages preventive action wherever major changes can be foreseen.

These services are offered under the Canada Manpower Adjustment Program through which hundreds of incentive agreements have helped more than half a million Canadian workers since 1965.

CMCS seeks to develop constructive solutions to manpower adjustment problems by encouraging management and labour groups to work together in Joint Manpower Adjustment Committees. When the two groups get together to find answers to their problems, much of the fear that uncertainty brings can be eliminated. The program is based on three general principles:

1) Research and planning well in advance of coming change to study the implications and recommend suitable adjustment measures.

2) A joint approach by labour and management permitting workers to take part in developing plans that will affect them.

3) Co-operation of private and public adjustment measures, including the full range of government manpower programs.

A Manpower Assessment Incentive Agreement with the Minister of Manpower and Immigration, signed by representatives of labour and management, establishes a Joint Manpower Adjustment Committee and provides financial assistance of up to 50 per cent of the costs of research, planning and consultation undertaken by the two parties.

The committee explores every possible avenue to give maximum assistance to displaced workers and may use programs from any public or private agency. These include the full range of services offered by the nation-wide network of Canada Manpower Centres: career counselling, job referral, job training and retraining, and mobility assistance for job exploration or relocation. The Committee may also enlist the services of expert technical advisers.

If transfer of workers from one company plant to another is one of the adjustment measures adopted by the Committee, incentives are available for up to 50 per cent of the mobility costs.

The Committee also takes an active part in the implementation of adjustment measures it has adopted.

Within the general framework, Joint Manpower Adjustment Committees have, within the past ten years, been involved with the alleviation of problems arising from the shutdown of the Newfoundland Steel Company, the phasing out of the whaling industry and the reduction in employment which accompanied the failure of several sawmills in the Roddickton area. On a more positive note, in dealing with maintaining and increasing job opportunities, a joint consultative committee was instrumental in fostering labour and management co-operation so that the *St. John's Daily News* could progress rapidly toward becoming a commercially viable and successful newspaper.

An appropriate example in the area of transportation may be drawn from the situation at Port aux Basques, where, during the years between 1967 and 1976, several successive joint consultative committees were established to foster co-operative action between CN Marine and the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees (BRASC).

Fifty per cent of the funds necessary for the operations of the Committee were provided by the Manpower Consultative Service, forty per cent by CN and ten per cent by the Union.

The Committee consisted of six union representatives and six management representatives (each representative having an alternate) and an independent chairman. The independent chairman presided over all meetings of the Committee and, in addition, supervised its research activities.

The first Joint Consultative Committee was established when it appeared that a technological change, truck to truck transfer, would threaten the employment opportunities of a large number of dock workers in Port aux Basques. Truck to truck transfer is a relatively simple operation involving the placement of standard gauge cars on narrow gauge wheels, thus obviating the necessity for the manual transfer of freight from the mainland box cars to the narrow

gauge cars used on the Newfoundland railway. The truck to truck transfer is accomplished in minutes by very few employees, whereas the manual transfer of freight from one car to another requires the efforts of a considerable number of employees over a period of several hours. Truck to truck transfer thus reduces employment at the rate of approximately fifty man hours per car.

Fortunately for the Committee, the expected reduction in employment associated with the introduction of car body transfer was, to a considerable extent, offset by an increase in traffic. Thus, for a period of two or three years after the change in technology, Port aux Basques did not experience a severe reduction in employment. In consequence, the Committee had sufficient time to become well established and to learn how to deal with the problems which were to occur at a later time. In this period, the Committee carried out research studies which demonstrated quite clearly and to the satisfaction of both union and management representatives on the Committee that:

a) The acceptance of technological change leads to a generally beneficial result for both union and management, whereas, the rejection or reluctance to accept technological change almost inevitably leads to a deteriorating situation for both labour and management.

b) Newfoundland business concerns have a definite preference for truck to truck transfer. Businessmen themselves made it very clear to members of a union/management research team that freight would continue to come through Port aux Basques *via* rail *only* if truck transfer were readily available.

Partly as a result of the information gained from these research activities, workers at Port aux Basques were able to make an excellent adjustment to new working conditions. The work force in Port aux Basques was reduced from well over seven hundred to less than five hundred over several years as the truck to truck transfer system was expanded by the addition of a second and a third shift and all of this occurred in a spirit of co-operation and without any disruption of activities by union members.

The experience with the Joint Consultative Committee at Port aux Basques suggests that the most successful operation of such a Committee depends upon:

a) The establishment of the Committee during a period of relative stability and not during a period of emergency or crisis.

b) The gathering of information by both labour and management committees and the sharing of information in such a frank manner as to generate mutual respect, confidence and trust.

c) The analysis of the problem in such a manner as will illustrate that the goals of management and labour are shared and that the means employed by both parties to achieve those shared goals are compatible.

Existing problems within the field of transportation in Newfoundland appear to be appropriate to the use of the Joint Manpower Adjustment Committee approach. This is particularly true for those areas of transportation which fall within the domain of the system in Newfoundland in which there will undoubtedly be, over the next ten years, considerable changes in the level and patterns of employment. Some such changes may, indeed, be expected in the near future, for CN management agreed that the level of employment would not be reduced, except by reduction in traffic volume, during the life of the Commission. Now that the report of the Commission has been made public, it is reasonable to expect that CN will proceed with the changes that have been held in abeyance.

If the recommendations of the Commission are accepted, this initial readjustment will be followed by a five year period, during which no further reduction in employment associated with technical and administrative changes may be expected. This period of relative stability in the level and patterns of employment should permit planning to proceed in anticipation of any changes which might occur after that five year period.

It seems to be desirable, therefore, that a Joint Manpower Adjustment Committee be set up within the CN organization in Newfoundland in the immediate future. This Committee should include equal representation from the CN system, i.e., CN Rail, CN Marine Corporation (Gulf) and CN Marine Corporation (Coastal), and from the unions which are associated with the CN operation in Newfoundland. These are:

Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employee—BRASC No. 163 and BRASC—TCE Union.

Brotherhood of Railroad Signalmen.

Canadian Brotherhood of Railway, Transport and General Workers.

Brotherhood of Maintenance of Way Employees.

Canadian Merchant Service Guild.

Railway Employees' Department, Division No. 4, A.F. of L.—C.I.O., (representing:

Brotherhood Railway Carmen of the United States and Canada;

International Association of Machinists and Aerospace Workers;

International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers;

International Brotherhood of Electrical Workers;

International Moulders' and Allied Workers' Union;

United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada;
Sheet Metal Workers' International Association;
International Brotherhood of Firemen and Oilers, Power Plant Operators, Helpers, Roundhouse and Railway Shop Employees).
United Transportation Union (T).
United Transportation Union (E).

The Committee should be funded at the level of at least $200,000 per year, 50 per cent of this amount to come from the Federal Government through the Manpower Consultative Services, 45 per cent from CN and 5 per cent from the Unions. This amount would be sufficient to pay for the routine expenses of regular committee meetings and the research activities directly sponsored by the Committee. The Committee should also have access to additional funds of at least $250,000 per year to be provided by the Federal Government and to be available, on the recommendation of the Committee, for specific retraining programs, relocation expenses and specific employment projects sponsored by the Committee.

These amounts may seem at first sight to be unnecessarily large and generous. However, amounts which are astronomical by comparison are lost by frequent or prolonged work stoppages. If such disruptions can be reduced or eliminated by the setting up and functioning of Joint Consulative Committees, the money will have been invested wisely. Furthermore, the monetary effects associated with loss of employment are complicated. When jobs are eliminated in one area it may well mean savings in that area but increased expenditures in other areas of government spending. That is, payments from the Unemployment Insurance fund and welfare payments may be expected to increase. Considerable sums of money are spent in make-work projects in areas of high unemployment. Money which is spent in attempting to maintain levels of meaningful employment and to prevent the elimination of jobs is much better spent than is money which is spent to deal with the detrimental effects which follow the loss of jobs.

The first task of the Committee would be to work out a reasonable procedure, acceptable to both Union and Management representatives, for the introduction of any technological or administrative changes which had been delayed while the Commision carried out its task. Special consideration should be given to any resulting changes in employment. If workers are to be laid off, the Committee should work out the pattern which will produce the least disruption and the smoothest transition. Because of the complicated process of bumping within unions, certain individuals might have to be kept on for a longer period of time than would ordinarily be required and, in such cases, the workers involved should become the direct responsibility of the Committee and be paid from the fund referred to above for carrying out tasks such as those elaborated in the sections which follow. Since those eventually laid off would likely be low in seniority and therefore young, the Committee should endeavour to find alternate permanent employment for them through a process of intensive research into job possibilities in Newfoundland. The Committee should also be able to arrange for retraining and relocation of those involved in initial layoffs.

As mentioned above, it is assumed that this initial readjustment will be followed by a five year period during which level of service provided by CN Rail and by the rail operation on the Gulf would not be reduced. The Commission has recommended that during this period no technological or administrative changes that would have an adverse effect on employment be introduced; however, the Commission does not recommend that within this period the level of employment within the CN organization in Newfoundland should be frozen. Rather, it recommends that the level of employment should be associated directly with the amount of traffic carried. Therefore, the second task of the Joint Manpower Adjustment Committee should be the working out of a formula to relate levels of employment directed to levels of traffic. This formula should be acceptable to both Union and Management and its preparation and administration should be the responsibility of the Committee.

Since, within the five year period, employment would be directly related to the amount of traffic carried, and since the final decision concerning the railway would be affected by the amount and type of traffic carried during that period, it would obviously be desirable for traffic to be maintained at the optimal level and that all appropriate commodities be attracted to the rail during the next five years. This means that efforts should be made to ensure that the most desirable type of customers (i.e., those associated with long-haul traffic) remain as customers of the railway. It would also be desirable if appropriate traffic, i.e., long-haul incoming, and especially back-haul traffic, could be attracted to the rail mode. There is no doubt that traffic will depend upon customer satisfaction, efficient movement and aggressive salesmanship. Management is interested in attaining the most appropriate level of traffic through effective and efficient freight handling techniques. Union members should also be interested in this goal and would gain much if this goal were achieved. Union and Management thus share a common goal and should work together in an attempt to achieve it. Intensive efforts, undoubtedly involving an examination of freight handling procedures in other locations, and the introduction and evaluation of novel procedures in pilot projects (as was done in the St. Louis Terminal Study) should be directed toward discovering and planning

for the eventual introduction of the most effective and efficient procedures in freight handling. Some individuals, who would under ordinary circumstances be declared redundant, would be kept on as a result of the agreement to reduce employment only as a consequence of traffic reduction during the interim period.

It should be noted as of more than passing interest that the *actual* problem of dealing with employment reductions within the CN organization in Newfoundland may not be as difficult as would appear at first glance. The railway has not, during the past ten years, hired many permanent employees so that those who are now with the railway are of middle age, within the forty to fifty year range. During the next ten years many of these individuals will approach or reach normal retirement age, or an age at which they may be willing to take early voluntary retirement. The process of attrition will obviate much of the disruption that might, at first glance, be anticipated.

Nevertheless, despite the best efforts of the Committee, some workers will face layoff during and at the end of the five year period. Therefore, the problem will not disappear entirely. The Joint Manpower Adjustment Committee should begin at once to address the problem, to identify those individuals who would be affected by the changes that are likely to occur and to collect pertinent data related to such matters as their ages, level of education, special skills and mobility.

In terms of operating procedure, the Commission recommends that the Committee should be divided into three sub-committees, each responsible for one aspect of employment within CN. Thus, one sub-committee would concentrate upon the rail operation, one upon the marine/rail interface at Port aux Basques and the third upon the interfaces at Lewisporte, Corner Brook, Argentia and St. John's. Each sub-committee should be equally representative of the appropriate management and union personnel and the independent chairman of the Joint Manpower and Adjustment Committee should preside over all three.

The Committee and its sub-committees would be concerned with the maintenance of an optimal level of traffic on the rails, but at the same time a major purpose of the activities of each sub-committee would be the anticipated reductions in employment accompanying any modification of the railway system. The sub-committees, in recommending particular procedures to minimize the detrimental effects of layoffs, would undoubedly consider:

a) retraining for those individuals who would be affected and would like to take advantage of a retraining or upgrading programme;

b) special assistance to relocate those employees who would be willing to move from one area to another;

c) early retirement for those individuals who could take advantage of such a procedure.

There is little doubt that the creation of such a Joint Manpower Adjustment Committee and the provision of appropriate funds for its proper operation would help, to a large extent, to alleviate the detrimental effects of the expected changes within the CN system in Newfoundland.

The Joint Manpower Adjustment Committee should, of course, also look at the possibilities for increased employment in activities relating to transportation. Possible changes in the transportation system, e.g., the introduction of Hovercraft, would create a substantial number of jobs. Some of these would be technical and would require an extensive period of training.

In areas other than those asociated directly with transportation, it should be noted that the fishing industry in the Port aux Basques area is certainly flourishing and could be expected to expand considerably in the future, with a resulting increase in employment opportunities. Of more importance and relevance, however, is the likelihood that many jobs associated at a secondary level with transportation will be created in the Port aux Basques area. Port aux Basques will continue to be the major port through which passengers and tractor trailers arrive and leave Newfoundland. Overnight accommodation with not be readily available on the ferries. The potential for the development or expansion of hotels and restaurants in the Port aux Basques area would seem to be enormous. It is doubtful if the jobs associated with such ventures would be suitable for those presently employed by CN, but they would certainly be suitable for the next generation, i.e., those who would have been employed by CN if the full rail operation had continued. For this reason, therefore, the creation of jobs in new ventures in Port aux Basques should be given consideration by the Committee. The Committee may also be able to provide assistance for planning and financing such ventures.

Furthermore, the Committee might well serve as a model for the development of other committees and procedures and techniques which could be applied across the whole spectrum of transportation services in this Province. Nor would such committees be concerned only with reductions in employment. They could be equally relevant if it appeared that there would be a major increase in employment in any area as a result of the imminent expansion of any one mode of transportation. For example, it is anticipated that during the next ten years there will be a considerable increase in employment associated with the direct water mode. A Joint Manpower Adjustment Committee could be set up to deal with problems associated with the increase. This Committee would include representatives from the companies which

operate vessels and the various unions involved in direct water movement. Its first task would be to predict the number of positions which would be created and the amount and type of training required for each. The Committee would then ensure that Newfoudland workers were available and appropriately trained to fill the positions as they were created. Such preparation might require the creation, in co-operation with the Department of Manpower, of the appropriate training programmes. The activities of the Committee could also include an investigation of any social difficulties which might be expected to occur as a result of increased employment and affluence in any area and the development of procedures designed to counteract any undesirable social effects. The results of such a committee might be especially informative since, to the best of our knowledge, Canadian union-management committees have not, to the present time, attempted to help solve this particular problem. Thus the transportation system in Newfoundland, with all of its disadvantages and problems, might well develop procedures which would prove useful in dealing with problems and opportunities associated with transportation in other areas of Canada, and with other areas of employment.

Section 5

Conclusions and Recommendations

Chapter XV

General Recommendations

General

The preceding sections of this report have analyzed the Newfoundland transportation system in its historical development, the present state of that system, goals for the future and what can be foreseen as future requirements and policies to guide change to achieve those goals.

The last section has examined certain key issues relating to Newfoundland transportation at present and in the future, and has reached some conclusions far reaching in their consequences.

The purpose of this and the next chapter is to set out the recommendations of the Commission following from all that has gone before. In this chapter will be set out those recommendations which flow from Chapters IX through XIV. The reader will recognize that in these areas, substantial elucidation of the problems and the reasoning used to arrive at the conclusions reached by the Commission is contained in the preceding chapters. Therefore, the recommendations in this chapter will be summary in form.

The Concept of User Pay for Newfoundland

1. That governments accept as a principle that the concept of user pay is not at present appropriate to many aspects of the Newfoundland transportation system, and that all policies and procedures take this fact into account.

2. That it be recognized as a principle that in those areas where competition can viably exist, the transportation system be developed toward a future situation where the concept of user pay may be appropriate and applicable.

The Question of Subsidies

3. That subsidies should be removed in planned stages on certain products and raw materials originating outside Newfoundland, when it can be determined that such products and materials can be economically manufactured or produced in this Province. At the same time, subsidies should be increased on raw materials imported from the maritime region into Newfoundland, which will be used in Newfoundland for the manufacturing of finished products.

4. That since Labrador has now reached the state where its economic and social activity must be incorporated into the fabric of provincial life, it should be immediately included in the select territory definition for The Maritime Freight Rates Act, The Atlantic Region Freight Assistance Act, and any new legislation providing for special subsidies or assistance for the Atlantic region. Similarly, Labrador should be treated as the other areas within the select territory if and when subsidies are extended to the marine and air modes.

5. That the policy laid out in Section III (II) (J) of the draft Bill C-33 be implemented. That is, where competitive transportation services are in existence or can exist, but where it is also deemed to be necessary to provide public assistance to support a specific policy of government, then such assistance should be made available in a manner such as not to distort the natural selection by the user of the most appropriate mode of transportation.

6. That when subsidies are being considered for implementation or being re-evaluated in operation, care should be exercised to ensure that transporta-

tion services are not used as a tool to assist in economic development, when other means may be more appropriate and effective in reaching this objective. In other words, policy makers must be certain that transportation, and indeed subsidized transportation, is essential for economic development before imposing requirements or making expenditures of public funds to bring about this end.

7. That if government should determine in the future to provide subisidies for surface transportation of passengers, such subsidies should apply on an equal basis to all surface modes and not just to the rail mode.

8. That once subsidies have been determined, every control should be exercised by regulatory and governmental agencies to ensure that the services in question are operated as efficiently and cost effectively as possible and that subsidies do not increase through inattention or lack of incentive. This applies particularly to the relatively large subsidies being expended on the Gulf and Coastal Services.

9. That where, following the recommendations of this Commission, or at any other time, it is determined to remove a subsidy, such removal should be undertaken on a planned, well announced, "phase out" basis so as to cause the least possible disruption to services and businesses which are dependent on the subsidy or the subsidized services.

10. That since Newfoundland receives little, if any, substantial benefit from the west bound subsidy provisions of The Maritime Freight Rates Act and The Atlantic Region Freight Assistance Act, immediate consideration be given to extending these subsidies to products shipped from Newfoundland to the export market. Thus, for example, fresh frozen fish products and wood products destined for United States and European markets should be subsidized on the portion of their transport within the select territory.

11. That while there may be some competitive reasons to suggest that financial information concerning subsidies should be kept confidential, the overriding interest of the public in ensuring that funds are properly allocated, and more importantly, in seeing the exact cost of the various subsidies and alternate modes, dictates that the details of any subsidy provided from government funds should be available publicly on a yearly statistical or other basis.

12. That since the ultimate aim of any transportation system is to develop mode selection and the ability of the consumer to choose the most beneficial mode and service, the imposition of subsidies should be carried out in such a manner as to encourage competition within modes and between modes, and as a general principle, equal subsidies should apply for equal services both as between modes, and perhaps even more importantly, as between separate carriers within the same mode.

13. That since it is not clear that in the past direct and indirect subsidy programmes of government have achieved all or even a substantial portion of their intended results, existing subsidy levels should not be increased without careful scrutiny of the achievements of the subsidy and the competitive situation within the mode being subsidized. At the same time, the Commission realizes that when a decision is made to provide a certain amount of financial assistance, various carriers within the same mode may have different requirements. Therefore, variation in yearly subsidies should be permitted in certain cases so as to assist initial capital investment or other heavy capital expenditures. This principle of "front-end loading", when governed by suitable measures to take into account the extra benefit thus derived by the carrier from interest charge reductions achieved through advancing the subsidy, should allow more flexibility to develop services within the particular modes. This procedure should only be available to those companies which have first demonstrated their likely viability by several years of continued and successful operation.

14. That subsidy programmes should be designed to be promotional rather than continuing and, except where unusual circumstances arise, should be phased out once their promotional aims have been achieved.

Federal-Provincial Co-operation

15. That a Federal-Provincial Transportation Commission be established, known as the Newfoundland Transportation Commission, consisting of five individuals, two nominated by each government and a chairman agreed to between governments.

16. That the responsibilities of the Commission include:

a) Representation to appropriate agencies concerning standards to be set for transportation services in Newfoundland, and monitoring such services to ensure that standards are maintained.

b) Monitoring regulations for all modes of transport and recommending thereon.

c) Conducting Public Hearings concerning major proposed changes to Newfoundland transportation systems and arranging for consolidation and transmission of recommendations to appropriate decision-making agencies.

d) Establishment of a plan for co-ordination of transportation modes and services within Newfoundland, including arrangements for the establishment of services not now available.

e) Responsibility for continuing research, data gathering, and introduction of new procedures.

f) Analysis of the operations of carriers seeking subsidy assistance and decisions and advice to government concerning the selection of carriers and levels of subsidies, recommending the total amount of money which is to be spent in Newfoundland through Federal subsidies and taking into account the annual rate of inflation. Recommendations would then be made concerning the specific proportions and amounts which would be allocated to each facility and service. Money saved on one area, e.g., rail, could be reallocated and used in other areas related to transportation in Newfoundland.

17. That a Centre for Research on Newfoundland Transportation be established under the direction and control of the Newfoundland Transportation Commission.

Transportation in Labrador

18. That in addition to those specific recommendations concerning Labrador which appear in Chapter XVI, three feasibility studies be initiated in the immediate future. These are:

a) The provision of a year round deep water port for Labrador, connected by road link to the Trans Labrador Highway.
b) Construction of a Trans Labrador Railway, possibly electrically operated, to connect the Labrador port in the east with Quebec and Central Canada in the west.
c) The construction of a submarine tunnel under the Strait of Belle Isle which would carry vehicular traffic and electricity transmission systems.

The Use of Hovercraft in Newfoundland

19. That a feasibility study be immediately undertaken in consultation with existing European Hovercraft operators and manufacturers concerning the possible application of existing Hovercraft technology to the Gulf Ferry Service from Nova Scotia to Newfoundland.

20. That a further feasibility study be undertaken in consultation with Federal marine experts to determine the possibility of the use of Hovercraft to service coastal communities in Labrador during ice conditions, including use on the Strait of Belle Isle ferry crossing.

Dealing With the Social Consequences of Change

21. That a Joint Manpower Adjustment Committee be established within the CN organization in Newfoundland immediately, to include equal representation from the employer, i.e., CN Rail, Canadian National Marine Corporation (Gulf) and Canadian National Marine Corporation (Coastal), and from the unions associated with these operations.

22. That subcommittees of the Joint Manpower Adjustment Committee be established, dealing respectively with rail, the marine/rail interface at Port aux Basques, and the interfaces in other ports.

23. That the Committee be funded to an appropriate level with contributions by the Federal Government through Manpower Consultative Services, the employer and the unions involved.

24. That additional funding to an appropriate level be made available by the Federal Government to provide for specific retraining programmes, relocation expenses and employment projects sponsored by the Committee.

25. That technological and administrative changes delayed during the life of this Commission be implemented through such Joint Manpower Adjustment Committee.

26. That following initial employment adjustments, and until final confirmation of the decision to abandon the rail service, levels of employment within the CN operations in Newfoundland should be associated directly with the amount of traffic carried.

27. That the particular objective of the Committee would be the welfare of those individuals who would lose employment because of the changes recommended in this report. The committee would examine the prospects of alternate employment in the immediate geographic area and in other locations in the Province and the mainland of Canada. The Committee would then recommend appropriate training programmes or relocation assistance.

28. That further Joint Manpower Adjustment Committees be established as required to deal with anticipated increases or decreases in employment in other modes of transportation within Newfoundland.

Chapter XVI

Mode and Service Recommendations

The purpose of this chapter is to set out specific recommendations which have been raised, or which flow from the discussions and analysis contained in preceding chapters of this report, dealing with particular modes and services within the transportation system in Newfoundland. Chapter V will be of particular concern in this regard, as will those chapters subsequent to it which have general and specific comments related to modes and services.

Doubtless, the reader will, at this point, have noted certain areas in such chapters where the Commission has drawn conclusions and made specific findings of fact as to present and future transportation needs. To some degree, therefore, this chapter will be repetitive in that it will bring together points already specifically referred to before. Obviously, therefore, the elaboration required in this chapter will be less than that in the preceeding chapters.

In order, it is hoped, to assist the reader further, once the general and specific analyses have been set out, together with the recommendations flowing from them, there will be included a simple summary of the recommendations, in numerical and concise form, at the conclusion of each section dealing with a mode or service.

In its terms of reference, the Commission has been requested, when making recommendations, to evaluate the effect of recommended changes in the transportation system in the short, medium and long run. Because of the interrelationship between the various services and the resulting interrelationship between many of the recommendations, it has been found undesirable to segregate the recommendations themselves into those which will come into effect within the short, medium or long range period. Rather, an effort has been made, within each recommendation, to indicate whether the recommendation is one which should be implemented immediately, or if not, within what period it should be brought into effect. Thus, recommendations are not categorized by time of implementation, but rather by the mode or service to which they relate. The Commission considers that this method provides the best and most accurate means of reference for the reader.

The Rail System

The future of the railway in Newfoundland has been discussed in detail in Chapter VIII. It will therefore not be necessary to repeat the evidence and arguments which led the Commission to the following conclusion.

All of the available evidence indicates that, despite any efforts which may be made, the railway cannot continue as a viable service. Therefore, it should now be planned to have a transportation network which does not include a railway in approximately ten years' time. In order to prepare for an increase in traffic by other modes, therefore, work must begin immediately on an improved Trans Canada Highway and improved harbour facilities in St. John's and Corner Brook. The railway should continue without any reduction in level of service for a period of five years. During that time, experimentation intended to increase the viability of the rail service should be encouraged. At the end of five years the decision to abandon the rail should be reviewed. If unexpected improvements have occurred, the decision to abandon would be reversed. If nothing unexpected happened and present trends continued, the rail operation in Newfoundland should be phased out over a further period of five years. The Province of Newfoundland should agree with the phase-out of the

rail operation and should reach an agreement that in return the Federal Government will ensure that sufficient funds are provided to build and maintain for a five year period the Trans Canada Highway, which should be sufficiently improved to adequately handle the incease in traffic which would be diverted to road. Continued planning in a subsequent five year period should ensure that the road is upgraded to a satisfactory level well in advance of all projected increases and variations in traffic patterns. Funds for such subsequent and continued upgrading and maintenance might well come from savings resulting after the rail mode had been eliminated. Additional monies saved would be used to bring the remaining transportation systems in Newfoundland and Labrador to the highest possible standards.

1. *Summary of Recommendations*

29. That plans be commenced now to phase out the railway in Newfoundland in approximately ten years. This will involve the following arrangements.

a) *Specific for the railway*

(i) an initial period of adjustment in manpower levels following the release of the report of the Commission.

(ii) A period of five years during which the rail service will continue at, at least, the present level of service.

(iii) During that time the roadbed should be maintained at a level sufficient to meet the traffic offering.

(iv) No other major expenditures should be committed to the railway.

b) The Provincial Government and the Federal Government should begin immediately to negotiate the necessary constitutional changes and the procedures for the phase-out which would be satisfactory to both parties.

c) During the five year period, experimentation with new approaches to salesmanship and customer relations, new techniques for handling freight, and adjustments in freight rates should be encouraged and evaluated.

30. After five years the decision to abandon the railway should be re-evaluated. This might lead to either:

a) A decision to reverse the original decision and to continue with the railway for an indefinite period if the freight level or financial position of the railway had changed substantially and significantly in a positive direction.

b) The confirmation of the decision to phase out the railway if the level of traffic and the financial position of the rail had deteriorated or had remained basically unchanged.

31. If the decision to abandon the railway were confirmed, the phase-out of the rail operation would be done in an orderly and systematic manner over the following five years.

32. During the ten year period in which the railway would continue in Newfoundland the deficit in the railway operation in Newfoundland should be paid directly by the Federal Government. The agreement to pay the deficit should be on basis that will not allow CN to have an unfair advantage over competition, i.e., enable CN to use this advantage to reduce rates overall to a level which will adversely affect the operations of its competitors.

33. Plans should be made in the immediate future to deal with increases in traffic through other modes, either by natural increases or by diversion from the railway. This would involve a complete rebuilding of the Trans Canada Highway so that its standard is adequate for the traffic that will be carried on it. It will also involve increase in direct water facilities, i.e., port facilities in Corner Brook and St. John's.

34. Joint Consultative Committees should be set up in the immediate future. These would involve co-operation from the unions involved and CN management. The purpose of these committees would be:

a) to assist with the initial manpower adjustment;

b) to assist with the initiation and evaluation of appropriate experimentation; and

c) to plan for and to reduce the difficulties associated with any reduction in employment that would result after a five year period.

The Road System

The Commission recognizes that construction and maintenance of roads within the Province is primarily the responsibility of the Provincial Government. At the same time, the Commission feels it appropriate and essential to make specific recommendations concerning the Provincial road system, since it is obvious that highway transportation plays a very important part in the transportation system in existence and will continue to do so. As well, it is clear that the Federal Government has recognized that it has a vital role to play in road construction and upgrading, particularly within the poorer or economically depressed regions and provinces. In the past years, therefore, the Federal Government has assisted in the funding of road projects both under specific acts, such as The Trans Canada Highway Act, and as well under general developmental legislation providing for roads to resource areas, regional economic expansion, and the like.

Because of the substantially isolated pattern of community location in Newfoundland, which has fully one-third of the communities defined as isolated in Canada; because the Commission feels it vital to take every step to ensure mobility of the work force in a Province which suffers from chronic unemployment;

and because it appears that some of the vital industries in the Newfoundland economy currently depend on road links, and are likely to continue to do so for the foreseeable future; the Commission is of the opinion that an essential part of transportation policy for Newfoundland is a continued program of upgrading and paving of the road network within the Province, together with construction of some new road developments to complete that network. Indeed, some studies have suggested that there is a tendency to greater reliance on public transportation in this Province than in other areas of Canada. Since such public transportation operates almost exclusively on the surface, a properly developed highway system for the Province is of further importance.

1. *Trans Canada Highway*

It is clear that the present condition of the Trans Canada Highway (TCH) in this Province is generally substandard when compared to the TCH in most other provinces, even when considering the relatively low volume of traffic and the uses to which the highway is put in Newfoundland. This highway constitutes the only trans-Island road link, and therefore a large proportion of both intra- and extra-provincial passenger and commercial traffic is required to use all or portions of the highway. It is therefore essential that the highway be upgraded to an acceptable standard at the earliest possible opportunity. This need is further strengthened when it is realized that the only current method of mass public transport, the CN Roadcruiser Service, uses this highway almost exclusively. As well, the highway condition is of vital importance in the quality of the export of processed fish products from this Province, which export constitutes a very large portion of the Province's economic base, and is likely to continue to increase in the near future. It is also significant that in a study conducted for the Commission, the upgrading and improvement of the Trans Canada Highway was the largest perceived need in the minds of the sample population polled. While this in itself cannot be determinative of need, nevertheless, when coupled with the other justifications set out above, it is clear that substantial improvements to this highway are of vital importance to a large segment of the Newfoundland population and economy.

A comprehensive plan should be immediately instituted by negotiation between the Provincial and Federal Governments to take place in a time span of five to ten years, at the end of which time the entire highway will have been brought up to standard. In such a plan, it is clear that certain areas of the highway, particularly on the west coast between Crabbe's River and George's Lake and on the eastern part of the Island between the Terra Nova National Park and Gander, must be the first targets for reconstruction. Once rebuilding of these areas has been implemented, then attention should be paid to general strengthening and upgrading of the balance of the highway, obviously predicated on an engineering analysis of traffic loads to determine those areas which most directly affect the larger portion of the travelling public.

As to the financing of this major project, the Commission is aware of existing agreements between the Province and the Federal Government for proposed cost sharing, which are generally in line with similar agreements between the other Atlantic Provinces and the Federal Government. However, the Commission is of the opinion that in the case of Newfoundland, there are special justifications to warrant a higher federal input for this project.

Firstly, it is clear that the ability of the Province to pay, both in terms of absolute financial resources, and on a per capita basis, is quite low compared to the other Maritime Provinces, and certainly to the rest of Canada. The Trans Canada Highway mileage in Newfoundland is second in length only to that of the Province of Ontario. This results in an unexceptably high per capita cost for upgrading in this Province which, in the Commission's opinion, is simply beyond the capacity of the Province to bear. Further, it is clear that in the period since Confederation, the Provincial Government has attempted to concentrate on its intra-provincial jurisdiction relating to road building to provide a network of roads to at least approximate the level of service to which other Canadians were accustomed long before 1949. In this "catch up" effort, Provincial revenues have been expended to such a degree that to require a 50% or even 25% provincial cost sharing for upgrading the Trans Canada at this point would, in all likelihood, simply lead to the failure to carry out the upgrading program, possibly at all, and certainly to the level needed.

Again, it must be realized that the highway is the infra-structure used by CN's chosen replacement for the rail passenger service, the CN Roadcruiser Service, and also by the road-based express or LCL service now substituted for the rail-based service. While it is obviously impossible to determine exactly what per cent of highway maintenance costs is properly attributable to use of this road by these CN services, and while that amount is undoubtably small in relative terms, nevertheless the Commission feels that it is the *principle* which is important, rather than the absolute figure in this case. The Federal Government has chosen to replace rail services with highway services. Thus, the federal responsibility for maintenance of the railway has been marginally reduced, and, in effect, the Province is asked to provide the maintenance of the substituted "line".

Overall, the Commission is of the strong opinion that regardless of what arrangements may have been

made at the time of entering into the original Trans Canada Highway agreements, and regardless of arrangements which may be found acceptable to the other Atlantic Provinces, the Province of Newfoundland needs immediate, urgent and special financial assistance to enable it to reconstruct the Trans Canada Highway to a standard equivalent to that *at least* in the Maritime Provinces. The failure of this project to come about immediately will, in the Commission's opinion, have a most serious and deleterious effect on the general economy of the Province, and as well upon the coming into place of the optimum transportation system. In this regard, subsequent examination of the role of the trucking industry in this Province, and the continued importance of that industry, make it clear that the provision of a high quality corridor route is of vital importance, not only to serve the current levels of truck traffic, but also the increased levels likely to occur in the future.

From the evidence available it is likely that the cost of an adequate upgrading program for the Trans Canada Highway in Newfoundland would approximate $250 million. The Commission recommends that federal financing to at least the 90% level be made available for that upgrading.

2. *Provincial Highways*

The Commission recognizes that its federal mandate does not warrant a detailed analysis and recommendation function in relation to the responsibilities of the Province regarding what may be termed purely provincial roads. However, as stated above, it is clear that the road system as a whole, including provincially built and maintained roads, is a vital element in the transportation network. Therefore, the Commission has felt it proper to devote some consideration to the provincial road network and to make some general recommendations thereon.

It is clear that under the existing transportation patterns in this Province, which are likely to continue, certainly within the short run period, some of the major industries rely on road transportation to a very great degree for the transportation of raw materials for processing, and equally as important, for the transportation of finished products to market. For example, the fishing industry in Newfoundland, which at the present time and within the next twenty years seems certainly likely to constitute a major element in the economy of the Province, relies practically exclusively on road transportation for the collection of fish from landing stations and, equally as important, for delivery of finished product to mainland Canadian and United States markets. Indeed, it may not be inaccurate to say that the fishing industry and fish produce are to Newfoundland what wheat is and has been to the Prairie Provinces, in terms of forming a basis for the economy of the region. Also, Newfoundland fish products form a primary export product for Canada, since the vast majority of Newfoundland production is, in fact, exported from this country, and therefore the vital interest of the country as a whole in maintenance of optimum fish production, is clear.

The Commission is also aware of the extensive use of roads by the forest industry, primarily in the trucking of raw materials to the manufacturing plants. Again, the Commission is satisfied that the continuing availability of road transport for these purposes is of pivotal importance economically to the viability of these industries. Any substantial increase in costs through deterioration of roads and consequent higher trucking costs could well lead to serious consequences in terms of the viability of existing plants in this Province. It is therefore vital to ensure that every step which can be taken is taken to continue to improve the roads relied on by this industry.

The Commission therefore recommends that the Province develop a comprehensive plan of road priorities, giving prominence to the upgrading and paving of roads connecting major fishing plants to the Trans Canada Highway. As well, upgrading and possible paving of roads connecting forest cutting areas to the highway network should also be given high priority. Such a program, when coupled with the rebuilding of the Trans Canada Highway itself, should ensure that the road network does not constitute an impediment to the proper development and continuing viability of the fishing and forest industries. Some roads obviously falling into this category would be the continuation to completion and paving of the Northern Peninsula highway, upgrading and paving of the Witless Bay Line connecting Southern Shore fish plants more directly with the Trans Canada Highway, reconstruction of the link from St. Alban's to Hermitage to service fish plants in that area, and completion of the South West Brook-Burgeo road link.

The Commission can do no other than recommend that such important roads be both upgraded and paved. It would appear from past experience in Newfoundland that it is not sufficient simply to recommend upgrading of roads to gravel highways. It is clear from our history that because of our severe climate, gravel highways just do not form an acceptable mode of transport during a considerable portion of the year because of half load limits, snow clearing difficulties in winter, and the like. To reconstruct roads simply to that level would therefore be somewhat counterproductive and would not solve problems of damage to product, particularly in the fishing industry, which constitute a most important consideration.

3. *New Road Construction*

In addition to an immediate program for upgrading and paving of certain existing roads, the Commission

recommends that provincial priority also be given to development of a plan for construction of certain new roads which, in the Commission's opinion, will likely be essential to fully develop both the industrial and employment capabilities of the Province. As well, the Commission is of the opinion that continued and perhaps increased Federal Government participation in such programmes through shared cost financing is warranted, not only from the point of view of assistance in simply ending isolation to some areas, but as well from the point of view of possible cost savings through reduction in coastal boat service which would come about once such isolation is ended. As well, generally from the point of view of aiding the economy of a depressed region, assistance for new road construction is warranted.

The Commission recommends immediate consideration of a link from the current South West Brook-Burgeo road to the town of Buchans and then through to the Trans Canada Highway at Bishops Falls. The Commission is persuaded that such a road link could provide benefit to residents of Buchans from a shortened connection with west coast employment opportunities, but as well, and perhaps equally important, would also provide a benefit to eastbound and westbound trans-Island truck and passenger traffic by providing an alternate and shortened link with the central area of the Province. Direct and secondary developments from such road construction should also be of benefit to the town of Buchans and surrounding area.

Another major road link, the feasibility of which should be given consideration within the next five years, is construction of an east/west highway connecting the Connaigre Peninsula to the Burin Peninsula. While the cost of construction of such a road would certainly be extremely high in view of the severe terrain to be encountered, nevertheless the Commission feels that serious consideration must be given to its construction in order to provide a direct link between two major south coast centres, the Burin Peninsula and the Connaigre Peninsula. Possible development of mainland ferry connections to one or both of these peninsulas would in itself justify the construction of a more direct connecting link. As well, since the one remaining area of complete isolation on the Island is the portion of the south coast westward from the Connaigre Peninsula to Burgeo, it is only reasonable to assume that effort will have to be made in the medium to long run for construction of a link along that portion of the coast. If this occurs, then with the completion of the South West Brook-Burgeo road and the construction of the Connaigre Peninsula-Burin Peninsula road, there will then exist an alternate all-south coast road network linking the west coast of the Province directly with the Burin Peninsula and the Avalon Peninsula, bringing with it an end to isolation, coastal boat savings, and increased development potential for resources and tourism.

In its examination of roads and the road network generally in Newfoundland, the Commission has been fully aware of the almost total lack of road development in Labrador. It is supposed that high costs caused by difficult terrain and adverse weather conditions, and as well, the relatively small population in Labrador, have in the past been the prime reasons why road construction there has not kept pace with that on the Island. The Commission is convinced, however, that these justifications can no longer be sufficient to warrant the lack of attention to the needs of this large portion of the Province.

There is every indication that in the coming years, hydroelectric development will continue to take place in Labrador. As well, there are already substantial mineral deposits being worked in the western portion, with prospects for future development there and at other locations in the centre and the east. Considerable forest products are also available in Labrador provided that economic transportation methods can be found to bring these products to processing areas. All of these basic resource industries require, in the Commission's opinion, development of at least one road link with the Island of Newfoundland. Whether that link crosses the Strait of Belle Isle by ferry or subterranean tunnel is not of particular importance at this time. What is important is that there be a regular connection, certainly during the navigable season, between the Island and Labrador.

The Commission recommends the immediate updating of the existing feasibility study into the construction of the Trans Labrador Highway and if continued feasibility is found, a start on construction as soon as possible. Priority would be given to the section of the road from Goose Bay to Western Labrador. The Commission believes that construction of such a road would bring with it tremendous advantages to the residents of Labrador both in terms of employment opportunity and as well in the development of spin-off industries through establishment of communities, increased mobility leading to increased tourism, retail development, and the like. Exploration for oil and gas is continuing off the coast of Labrador and if commercial quantities of this resource are found, it will play a very significant role in the development of this region.

Apart altogether from the material advantages to the Province which would accrue, the Commission believes the current political situation in the Province of Quebec cannot be ignored. It is clear that if past practice is to be the pattern for the future, road links will be established with western Labrador through the Province of Quebec. To have links with Churchill Falls, Labrador City and Wabush through another province,

while at the same time isolating these communities from any road link with the rest of Newfoundland would, in the Commission's opinion, be an abrogation of the responsibilities of both the Provincial and Federal Governments. It is, in fact, a very serious consideration that a substantial portion of the Newfoundland population would have to rely on another province for its only ground link with the outside world. This, in itself, is sufficient justification in the Commission's opinion for immediate commencement of development of the Trans Labrador Highway. The Commission foresees that this highway would flow from Labrador City/Wabush in the west, through Churchill Falls, to Goose Bay, and then southeasterly to link up with the existing short portion of highway in the Red Bay area.

As to funding of this highway, it is clear that the size of the task and the likely costs, last estimated in the vicinity of $350 million, render it outside the capabilities of the Province. Negotiations should take place to permit a majority cost sharing by the Federal Government. The Commission is of the opinion that such sharing can be justified in the national interest, and as well again from the point of view of opening up an untapped area of resource. Once the Trans Labrador Highway program commences, it will, of course, also be necessary to upgrade and expand the existing road from the Newfoundland/Quebec border east to Red Bay, in order to provide the connector with the existing ferry crossing to the Island of Newfoundland.

The Commission recommends that consideration be given to a feasibility study of ferry/Hovercraft surface linkage or alternately, underwater tunnel linkage across the Strait of Belle Isle. In this connection, the Commission recommends, again on the basis of possible national and provincial interest, that consideration be given to having the ferry terminus on the mainland side located within Labrador rather than within the Province of Quebec as at the present time. However, this would cause this ferry operation to lose its character as an interprovincial ferry coming clearly under federal jurisdiction, and to become instead an intra-provincial ferry under provincial control. The substantial existing costs of this operation are such that the Commission believes that negotiations between the two governments would be necessary to ensure that adequate funding would be available for continuation of the ferry service should the terminus be relocated.

Concerning the total road network in Newfoundland the Commission stresses the importance of the development of a network which conforms as closely as is economically and physically possible to the standards prevailing in the rest of Canada regarding load limits and the like. Since truck transportation will likely continue to play a very important role in the transportation system, it is vital that all artificial barriers to efficient transport of goods from the mainland to Newfoundland by road be removed or lessened in the planning stage. Certainly, upgrading of the Trans Canada Highway and, where feasible, upgrading and construction of the secondary road system should be such as to provide for uniformity in terms of loadings and limits between Newfoundland and the Maritime Provinces. As well, of course, continuing maintenance and upgrading of the road system in the long run should be carried out subject to the requirement that it be a first class highway and that standards in the Maritimes be used as the minimum guide in this Province, to prevent a falling behind from occurring, ten or twenty years down the road.

Another point in connection with secondary road upgrading is that every effort should be made to investigate the feasibility and practicality of some other form of road surfacing other than the conventional hot mixed asphaltic or concrete surfacing. Should it be determined that surface treatments such as chip sealing can be made practical for application in this Province, the Commission is of the opinion that use of such processes should be encouraged in order to save cost. This will not be a popular suggestion to many Newfoundlanders who have become used to the idea that the only proper highway is an asphalt paved highway. However, the Commission points out that surface treated roads are in widespread use in other areas of Canada and the world where volumes of traffic are light and are functioning well. Because of the economic position of the Province, the Commission is of the opinion that if monies can be saved overall by providing surface treatment for roadways, then that money should be so saved and used for the completion of upgrading and construction of the balance of the road network.

4. *Summary of Recommendations*

35. That within a period of five years, the Trans Canada Highway in Newfoundland be upgraded and rebuilt where required, to a standard sufficient to meet anticipated traffic and load requirements.
36. That first priority be given to reconstruction of the sections of the Trans Canada Highway between the Terra Nova National Park and Gander, and between George's Lake and Crabbe's River.
37. That the Federal Government contribute at least 90% of the cost of the rebuilding referred to in recommendations 1 and 2.
38. That the Province of Newfoundland immediately commence development of a comprehensive plan for upgrading and construction of major roads within the provincial highway network, with first emphasis being given to paving of roads linking major fishing and forestry industries to the Trans Canada Highway corridor.

39. That Federal-Provincial cost sharing be negotiated for construction of road links from the Southwest Brook-Burgeo road, to Buchans.
40. That the Province determine the feasibility of construction of a road link from the Connaigre Peninsula to the Burin Peninsula and for construction in the medium to long run of a link from Burgeo to the Connaigre Peninsula.
41. That the existing feasibility study of the Trans Labrador Highway be immediately updated and agreement negotiated for commencement of construction within the immediate future on a majority Federal cost shared basis.
42. That a feasibility study be commenced immediately by the Federal and Provincial Government into the optimum mechanisms for crossing the Strait of Belle Isle.
43. That all road upgrading and construction be to weight limit standards equal to or greater than the highest applicable in the Maritime Provinces.
44. That for certain secondary road construction and upgrading, the use of chip seal treatments be considered and tested for cost saving features.
45. That a feasibility study concerning a causeway connection to Fogo and Change Islands be investigated in the immediate future and if preliminary cost figures indicate that the project is not out of the question then a detailed feasibility study should be initiated.

Highway Freight Services

The National Transportation Act of Canada indicates that one of the purposes of national transportation policy is to promote competition between modes and within modes, where such competition is determined to be in the public interest. It is clear that both the Federal and Provincial Governments have determined that unrestricted competition in the field of truck transport is not desirable in the public interest. Since the mid-1960's, therefore, this field has been regulated both with regard to entry into and exit from the market, and as well as to rates and other operational aspects.

The Commission accepts the principle that free and unrestricted access to this mode can result in harmful consequences to the general public and to the trucking industry itself, primarily through the inability of carriers to maintain a service once licensed to do so, and through the proliferation of many small carriers so fragmenting the market that economies of scale cannot be achieved. The Commission supports the general principle that regulation within the truck transport segment must be continued.

In stating this, the Commission has given careful consideration to the problems inherent in the existing dual system of jurisdiction and responsibility. As indicated in Chapter 2, this field is shared, with the Federal Government having jurisdiction and responsibility for transport which in essence links one province with another, while the Provincial Government has jurisdiction over purely intra-provincial transport.

It would appear that in a majority of cases this duality has not caused undue difficulty in the proper regulation of motor vehicle transport to promote an efficient network. It appears that the mechanism whereby the Federal Government designates as its board for federal purposes, the same individuals who comprise the Provincial Motor Carrier Board, preserves a measure of uniformity in the application of procedures and standards. This is further achieved by the fact that under the federal act the various boards are specifically authorized to consider applications in the federal field on the same basis and according to the same procedures and principles as for provincial applications.

However, the Commission notes a problem inherent in any such system once the necessary regulatory power expands beyond the individual province. In the case of Newfoundland, all road freight leaving the Province must, in order to reach the central part of Canada and the United States, which constitute the main markets for Newfoundland exports, pass through one or more of the other Atlantic Provinces. This is, of course, also true for the Provinces of Prince Edward Island and Nova Scotia. Since regulation of the federal jurisdiction for extra-provincial operation through these provinces is conducted by the respective motor carrier boards in each province, acting according to their separate provincial principles, there exists a potential for variation in the standards applied under the federal legislation. While it may be true that in the past this problem has not been great, it is clear that the possibility exists for conflict between provincial jurisdictions when interpreting and applying the federal legislation.

As a result of its investigations, and as well from the representations made during the public hearings, the Commission is satisfied that the fishing industry now constitutes one of the brightest hopes for industrial strength for the Province. While the history of the fishery in past years has been marked by uncertainty and unpredictability of catches, the coming of the two hundred mile Economic Zone and the evident increasing commitment by both the Provincial and Federal Governments to support the fishery, make it clear that during the foreseeable future, this industry should play a very important part in Newfoundland's growth.

The Commission has, as previously mentioned in this report, examined closely the effect of transportation modes and facilities on the fishing industry. This examination shows that currently, the fishing industry in Newfoundland is almost totally dependent on road tractor trailer transport for the export of fish off the Island of Newfoundland, through the Maritime Prov-

inces and into the United States market. Historically, ocean going vessel transport was used for the export of most of Newfoundland's fish products. However, it is clear that with the coming of a more extensive and better quality road network, Newfoundland fish producers have switched to the truck transport mode almost completely. The Commission has been told that this mode provides the most regular and most reliable method of fish transport to the United States markets.

It is clear that the fish producers intend to continue to use the truck transport mode rather than to voluntarily switch to any of the other modes.

While the Commission is aware that carriers in some other modes, notably air and water, are intending to make an expanded effort to provide equivalent transportation services to the industry, nevertheless the Commission is firmly of the opinion that for the next five to ten year period at least, the truck transport mode will form the basis of the transportation of fish products from Newfoundland.

The Commission is aware that because of the almost total dependence on truck transport, any interference with the ability of such transport to operate smoothly out of Newfoundland would constitute a serious, if not crippling blow to the fishing industry of this Province. Indeed, it is entirely possible that such an interruption would not merely ruin the fishery for one season, but through displacement of the Newfoundland product in the market by other competing goods, might have a serious adverse effect on the fishing industry for years after. It is thus essential that every step be taken to ensure that the existing regulatory process provides a free and optimum flow of truck transport off the Island.

Since the Federal Government has the legislative control over this process, the Commission recommends that the Department of Transport maintain a constant vigilance over the functioning of its delegated authority in the individual provinces, and take whatever steps may be necessary, through legislative amendment, or through direct assumption of regulation by the CTC, to ensure that should problems develop, the flow of product is not restricted during the period while such problems are resolved.

Two areas come to mind as easily foreseeable possibilities: in the first instance, there could be a substantial increase in fish landings in the Province, requiring a concomitant substantial and sudden increase in the number of licensed carriers authorized to come into Newfoundland and to carry fish products to the United States.

The second possibility would occur if there were a sudden reduction in available carriers. A situation of this nature occurred in the Province of Newfoundland several years ago, when one of the major carriers licensed to carry temperature controlled products into and out of the Province ceased operations in Newfoundland fairly suddenly. In such a case, it is obviously necessary for existing carriers to attempt to increase their fleets quickly to meet the excess demand thus created. As well, other carriers may find that the increased demand would support their becoming involved in the Newfoundland operation. In such cases, every effort must be made by the Federal Government to ensure that licensing bodies, not only in Newfoundland, but in the corridor provinces, are fully aware of the catastrophic effect which delay or failure to authorize the adequate supply of vehicles could very well have on the Newfoundland fishery.

In addition, officials of Government should be readily available to present evidence in motor carrier hearings,both in this Province and elsewhere, in order to ensure that the true importance of uninterrupted truck service to Newfoundland is placed before the regulatory authorities. The Commission is satisfied that when a true picture is presented, these authorities will in all likelihood react swiftly by granting licenses to meet the need.

The Commission recognizes that in the future, when alternative competing modes have had an opportunity to develop their expertise in the transportation of fish from Newfoundland, it may well be, that fish producers will spread the carriage of their goods among such modes, or will at least be in a position to switch to the alternate modes if one mode should become for any reason unable to meet the demand placed on it from day to day. At such a time, obviously the dependence on truck transport would be lessened, and the concern of the Commission as expressed in this section would as a result be of less practical importance. However, unless and until such competing modes become established and viably usable by the fishing industry, it is vital that the trucking industry be protected in the manner specified above in order to protect what is now one of the brightest hopes, if not the brightest hope, of the Newfoundland economy.

While the problem referred to above is not exclusively one related to the fishing industry, nevertheless this example serves as perhaps the clearest indication of the dangers inherent in the system as it now operates. The principles are the same regardless of the goods carried, and they must be carefully considered in order to prevent harm to the economy of Newfoundland or indeed to any individual province, through decisions in other provinces arising out of a failure to fully appreciate the economic impact of such decisions.

Closely related to the regulatory aspect of the trucking industry is the paucity of data on its operations in the past. The Commission has been surprised to find that although the trucking industry operating in Newfoundland has increased dramatically during the

past decade or so, neither the industry itself through its trade associations, nor the governments, have yet amassed any significant statistical data allowing an investigation of all aspects of this mode. Certainly, this places the trucking facility at a disadvantage when compared to facilities in other modes which can be studied carefully from the comprehensive data maintained. The Commission recommends, therefore, that an immediate program of reporting to regulatory agencies be implemented, so that these agencies will, over a period of time, develop sufficient statistics as to routes, volumes, rates, costs, and the like. Only in this way will continuing evaluation of the industry be possible, together with the ability to take the necessary steps to ensure that the industry is placed on an equal footing in intermodal competition.

The Commission has also been made aware of the difficulty caused in the Newfoundland truck transportation field through the establishment and holding of municipal holidays throughout the Province on varying days, both with and without notice. The Commission has considered this complaint and is of the opinion that it is a valid one from the point of view of rationalization of schedules and maximum efficiency of operation. Surely it is desirable to require that municipal holidays which are known in advance should be gazetted or in some other fashion brought to the attention of the trucking industry so that scheduling can take these holidays into account and thus benefit both the carrier and the shipper.

Furthermore, the Commission is aware that weight standards in Newfoundland are at variance with those existing in the rest of Canada, particularly in the Maritime Provinces, through which extra-provincial traffic to and from Newfoundland must pass. The ability of trucks to carry heavier loads in the Maritime Provinces, with the restrictions on such loads when crossing into Newfoundland, operates as a severe constraint on efficient operation of the carrier. Similarly, the necessity to load lesser weight in Newfoundland for shipment to the mainland is also an inefficiency. In the preceding section dealing with the road system, the Commission recommended that during the highway upgrading program, efforts be made to ensure that where at all possible and economically feasible, construction be of a standard so as to allow uniform weight classification with at least the other Atlantic Provinces. Such a program must be a continuing one so that as general weight limits increase in the rest of Canada, the highways of Newfoundland will be adequate to allow such weight increases.

During the course of the public hearings, the Commission was urged to consider the application and enforcement of safety regulations and standards concerning the carriage of goods, both as they apply to the conditions of truck transport themselves, and as well as to the nature of cargo. The Commission is advised that there is a set of Federal regulations under preparation which will govern the carriage of all classes of goods which can be considered dangerous. When implemented, these regulations should, in the Commission's opinion, improve the capability of fire fighting and emergency organizations to deal with hazards caused by cargo, and the Commission therefore supports the immediate completion and introduction of a comprehensive set of regulations of this nature.

With regard to the condition of vehicles and equipment, the Commission recommends that the regulating or licensing body be provided with sufficient staff to ensure that a regular program of inspection and licensing is carried out concerning the operation of these vehicles. The Commission is satisfied that with the staff available to it, the Newfoundland Board of Commissioners of Public Utilities, Motor Carrier Division, has done a satisfactory job in this regard to date. However, with the continuing increase in truck traffic, it is not unreasonable to predict that within the near future, more inspectors will be required and the Commission advocates that these should be provided. Since a portion of the goods being inspected will be extra-provincial traffic, the Commission is of the opinion that the cost of services of such inspectors should be cost shared by the Federal and Provincial Governments on a fifty-fifty basis, since it is only proper that each government contribute toward the cost of administrative services required to ensure adherence to the licenses and regulations of that government.

During its investigations, the Commission was concerned to learn of the relatively few Newfoundland based vehicles available for the carriage of temperature controlled freight out of the Province. Because such an important portion of Newfoundland's economy depends on the export of fish, the Commission feels that, as a matter of policy, consideration should be given to the encouragement of a Newfoundland based motor carrier fleet for the primary purpose of export of fish products to Mainland and United States markets. While this fleet will be required to operate under the extra-provincial jurisdiction of the Federal Government, it is essential that at least a minimum provincial capacity be established with appropriate licenses, in order to meet fluctuations of demand which might occur from time to time. Such provincial capacity does not mean that the vehicles themselves must be owned by Newfoundlanders. Rather, it means that sufficient vehicles must be stationed in the Province to provide a minimum reserve capacity in the event that problems arise at any particular time during the peak shipping season. Should carriers based outside the Province be unwilling or unable for economic reasons to provide such a fleet, then the Commission feels that careful consideration must be

given to the possibility of licensing on a preferential basis if necessary, of sufficient carriers based within the Province to satisfy this need.

Turning from the regulatory aspect of motor transport, the Commission points out that its previously recommended improvements to the highway system should do much to reduce the costs of transportation, through lower maintenance costs and perhaps slightly increased fuel efficiency through more economical speeds being attainable on secondary highways. It is anticipated that in the competitive market now existing in the trucking industry, this will have the result of lessening the rate of increase of tariffs and charges. This fact in itself is yet another justification for implementation of a highway upgrading program.

In the Labrador region, it is clear that in the absence of any substantial paved or first class gravel road system, there cannot be developed at the present time any appreciable trucking industry. Nevertheless, the Commission has recommended implementation of a road construction program in order to establish a Trans Labrador Highway. Once such a system is established, government will be faced with the licensing and regulation of both intra-provincial and extra-provincial traffic on that system. Obviously, the same criteria should be used as for the Island portion, with the exception that it must be recognized that operational costs will undoubtedly be considerably higher in the Labrador area due to extra costs of maintenance, severe weather and the like. Because of the small population in Labrador, the development of a full system of truck transport may not be spontaneous, and the Commission recommends that positive steps be taken at the earliest opportunity to encourage and support the development of a Labrador trucking industry.

Again, in connection with fees and tariffs, the Commission recommends the immediate implementation of an "assumed use" fuel tax to motor carriers entering the Province, similar to that in effect in several other provinces. The Commission feels that the implementation of this tax would increase provincial revenues and would ensure that motor carrier operators contribute a fairer proportion of expenditures within this Province related to contracts for carriage arising out of Newfoundland operations. Such a requirement should not prejudice local carriers since they presumably would use a higher proportion of fuel bought in Newfoundland. Furthermore the Commission notes that trucks entering Newfoundland with full main and reserve tanks are not contributing to the tax base in Newfoundland. Certainly, from the point of view of contributing toward overall highway and infrastructure costs, the fuel tax generally in the Province is a substantial source of revenue. To allow a large segment of the trucking industry to reduce the payment of such tax is to reduce the user's share of maintenance cost. To do this results in an unfair picture of hidden subsidies and costs. The Commission feels it unlikely that the imposition of such a charge would reduce to any significant degree the willingness of non-Newfoundland based carriers to operate into and out of the Province. In any event, any such reduction could easily be offset by an increase in the Newfoundland based extra-provincial motor carrier fleet which has only started to develop over the past three or four years and which has certainly not yet reached its full potential.

The purpose of imposition of such a tax is to create additional funds to support the highway infrastructure. Such imposition would necessarily be accompanied by the requirement that revenues earned from this source be specifically allocated to maintenance and upkeep of the highway network, and not for general expenditure in the Province.

The Commission also recommends that careful consideration be given to construction of general warehousing facilities at St. John's, the west coast and central Newfoundland, to serve as "for hire" depots for the delivery, particularly by small shippers, of freight to be carried by public carriers. Particularly in the larger centres, traffic congestion is increased by the lack of any central warehousing facility and at the same time extra costs arise to the carrier and to the shipper. The provision of such central warehousing facilities where freight could be stored and carriers based, all on a space rental basis, should assist in reducing costs to both shipper and carrier, and through efficient loading and unloading facilities, freight delivery.

As well, the regular scheduling of freight delivery services both on the corridor route across the Island and on the trunk roads to the smaller communities should be facilitated by such depots, since there will be a central location for the regular interchange of freight between smaller and larger carriers. It is currently impractical for the small carriers to be required to have their own warehousing facilities in the major centres, and this fact certainly discourages interlining at present, which in turn, adversely affects the establishment of regularly scheduled trucking services.

Because of the importance of the development of an efficient interlining system, the Commission intends to further study and report on the optimum location of such warehousing facilities, together with recommending a mechanism of optimum financing of such developments.

The Commission has considered the position of Canadian National Transportation Limited (CNTL), which is the trucking branch operated by CN primarily for the carriage of its express freight formerly carried on the railway. Because of the potential size of this carrier and its close ties with government Crown corporations, the Commission feels that a potential

monopoly situation should be discouraged, and that further expansion of CNTL routes in Newfoundland should be postponed until it is clearly shown that such expansion is warranted, either by the private trucking industry having reached such a stage of maturity that it can compete on even terms with a Crown corporation, or by clear evidence that private carriers are unable to provide adequate services to some areas of the Province. On this latter point, and as well, on the problem of the lack of scheduled services, particularly on the corridor and main trunk routes, the Commission recommends that the provincial regulatory authority investigate the possibility of requiring scheduling of some services and coverage of certain routes, as a condition of granting licenses, particularly on intra-provincial routes.

Concerning the question of currently existing subsidies for the trucking industry, the Commission has previously set out its recommendations as to the application of the selective subsidy principle to the various modes, including the trucking industry, and will not restate these recommendations here. It should be noted that processing delays in Ottawa result in high carrying charges and considerable inconvenience and other expense to truckers. The Commission recommends that every step be taken to ensure that delays are cut to an absolute minimum since it must be realized that in the present competitive situation, the subsidy is treated as an integral part of the rate structure and any delay in receipt of subsidy payments constitutes a business expense to the trucker which must be recovered through charges to the consumer.

A large and important aspect of the trucking mode relates to the Gulf crossing. It is clear that the costs and the time factor associated with this water connection with the mainland constitute a very important segment of total trucking costs and industry efficiency. The specific aspects of the Gulf crossing affecting the trucking industry, and recommendations for improvements in this area are made in the examination of the Gulf services themselves, contained in another part of this Chapter.

1. *Summary of Recommendations*

46. That the Federal Government ensure that federal regulation of the trucking industry is carried out in such a manner as to be aware of and responsive to the necessity of maintaining an extra-provincial flow of fish products from Newfoundland.
47. That the Provincial Government ensure that its officials are available to give evidence to regulatory authorities concerning the need to ensure adequate supply of carriers licensed to transport fish products from Newfoundland.
48. That regulatory bodies immediately institute a program of required reporting by, and data gathering relating to, the trucking industry so as to develop sufficient statistics to enable the industry to be evaluated on an equal basis with other modes.
49. That provincial municipal holidays be gazetted in advance to provide information to carriers as to possible loading and unloading difficulties affecting scheduling of trucking services.
50. That a comprehensive code for carriage and labelling of dangerous goods be developed and immediately implemented.
51. That the Federal and Provincial Governments cost share on a fifty-fifty basis the provision of motor carrier inspectors sufficient to continue to adequately police the licensing and regulatory standards set by both governments.
52. That development of a Newfoundland based fleet of temperature controlled freight vehicles be encouraged.
53. That upon establishment of an adequate road system in Labrador, licensing requirements for the carriage of truck freight in Labrador be such as to encourage development of a truck freight service equivalent to that available on the Island.
54. That the Province implement an "assumed use" fuel tax similar in application to that in effect in other provinces, and that the proceeds from such tax be designated for highway maintenance and upgrading uses.
55. That consideration be given to establishment of central warehousing facilities in major centres.
56. That further expansion of Canadian National Transportation Limited trucking routes and services be permitted only after establishment of competitive services or where private trucking is not able to adequately service particular areas of the Province.
57. That the Provincial Motor Carrier Authority consider the feasibility of requiring the provision of service to certain areas and scheduled deliveries as a condition of granting licenses, particularly for intra-provincial services.
58. That every effort be made to reduce or eliminate processing delays for federal payment of trucking subsidies.

Public Bus Transportation

The Commission has felt it best to combine under this heading both the federally owned and operated CN trans-Island Roadcruiser bus system, and as well the operations of feeder bus lines in the Province.

Examination of the existing bus services in Newfoundland reveals that the system in this Province is still in its infancy. This is the natural result of the fact that it is only in very recent years that sufficient numbers of paved trunk and feeder highways have existed to make economical bus operation feasible. Studies have suggested that the percentage of poten-

tial users of public transportation including bus, in Newfoundland is relatively high when compared to the Canadian norm. This may be due to the low level of income and the long distance span between major communities and centres both on the corridor, and between the corridor and other areas.

The Commission considers that if it is a legitimate object of federal and provincial expenditure to assist in the ending of isolation and to provide for mobility of population in order to increase employment opportunities and promote industrial development, then such purposes cannot merely be achieved by the provision of roadways and physical connections which link communities. Rather, the Commission has determined that the provision of a vehicular system operating on such roadways, which would be available at reasonable cost to the general public, is an essential element if true mobilization and an end to isolation are to be achieved.

The provision of intra-provincial bus services is jurisdictionally within exclusive domain of the Province. However, the Federal Government has seen fit to replace the rail passenger service in Newfoundland with a trans-Island bus service. Since the rail passenger service was constitutionally the obligation of the Federal Government, and it has voluntarily assumed the provision of a substitute passenger service by road, this federal obligation should continue. The Commission has recommended that passenger related subsidies should be made available to *all* surface modes, and not just to rail as is now the case. On this analysis federal assistance for public passenger service networks should be encouraged. As well funding assistance from the Federal Government for the establishment of feeder bus lines and facilities will enable, eventually, discontinuance of some coastal services and through the resultant saving to the Federal Government, funding for feeder bus routes can also be justified.

Because of the infancy of the bus system in Newfoundland, there is now a unique opportunity to develop an efficient bus network, unencumbered by major existing physical plant and route commitments. It should be possible, with financial assistance from both levels of government, together with co-operation in planning and regulation, to develop such a system.

The Commission will now examine the two major elements of public bus transport in the Province.

1. *Canadian National Roadcruiser Service*

The Roadcruiser bus service operated by Canadian National constitutes the main corridor link across the Island of Newfoundland. There is no corridor operation in Labrador and such an operation cannot be reasonably expected until sufficient roads of proper standards have been constructed. When a road system has been developed in Labrador then the following recommendations would apply to that area as well.

During the course of its hearings, and from examination of surveys carried out at the Commission's request, it is clear that the equipment operated by CN on the trans-Island bus service is different from that operated practically everywhere else in North America for long distance coach travel. Surveys have revealed that the average trip length in Newfoundland is longer than typical intercity distances on the mainland. The service in Newfoundland is primarily of a long distance nature and therefore this must be the yardstick used in measuring standards and quality of service, rather than reference to intercity travel. As well, since the bus service is in substitution for a previously existing passenger train service, which combined ample seating, sleeping and dining facilities, and since by its nature, a bus service cannot have such facilities incorporated into it, extra effort must be made to provide a high level of seating comfort and travel smoothness. The Commission has concluded that the type of bus operated by CN is unsuitable for the nature of the service, being generally of too high a seating density and providing insufficient baggage and parcel capacity. In the Commission's opinion, the use of a deluxe standard long-distance type of coach would do much to provide a proper substitute for the rail passenger service and would also promote bus travel on the corridor, which would in itself add to the economic viability of the service. The Commission recommends, therefore, that if at all possible, the existing CN fleet be replaced immediately with coaches of the type generally operated in North America for long distance travel. Indeed, the Commission is aware that there are three new coaches in order to replace a portion of the fleet and that these new coaches are of the normal long-distance design. Should there be compelling reasons why complete replacement of the balance of the fleet cannot be implemented at once, then the Commission recommends that a program of replacement be instituted so that within three years, the existing fleet would be replaced. The total cost of such replacement should approximate 2.5 million dollars.

There has been evidence examined by the Commission indicating that maintenance costs on the existing buses operated by CN are higher than might otherwise be expected for this type of operation. Whether this is due to the type of bus in operation is difficult to say, but it appears that substitution of buses more commonly used in long-distance travel, combined with the recommended upgrading of the Trans Canada Highway, should result in considerable savings in maintenance.

In addition to its bus fleet, CN has as its other major fixed cost, depots and servicing facilities located across the Island. The present practice is to oper-

ate from some CN stations on the rail line where practical, and in other centres to use service stations, restaurants, hotels and airport terminals. There are few CN constructed facilities related solely to the bus mode.

Investigations have shown that the use of airport terminals and hotels appears to be generally satisfactory, in that substantial eating and restroom facilities are available at such points. However, the Commission notes that in some locations the use of these facilities causes inconvenience both to bus passengers and to other patrons of the facilities. It is therefore recommended that in any location at which the bus schedule results in crowding at certain hours, contractual arrangements be entered into to provide exclusive use to CN of facilities at certain hours, or alternatively, that other facilities be constructed by CN.

It is clear that at locations where the pattern of current operation and predictions for future volume show a relatively constant or increasing number of pick-up and drop-off passengers, facilities must be provided for such passengers, which will enable them to wait for the bus and connecting vehicles in comfort. In some locations there are no facilities whatsoever and passengers may be forced to wait at the roadside in such circumstances. In these areas the Commission recommends that CN provide adequate waiting room facilities which contain as a minimum, proper rest rooms, comfortable seating, simple refreshment facilities, and staff able to give information as to arrivals, schedules, and assistance to passengers in need. In some cases, the facilities which are now used in restaurants and service stations are also woefully inadequate, and proper stations must also be provided.

It should be noted that such facilities would also be used by passengers transferring to and from feeder bus lines, and cost sharing of such facilities by the Province should be a requirement. Indeed, the Commission is aware that by agreement with the Atlantic Provinces' premiers, certain MFRA/ARFAA funds have recently been made available by the Federal Government towards the cost of infrastructure for feeder bus lines. The Commission encourages the Province to take advantage of all monies available to it under this program, and further recommends that the Federal Government continue the availability of funds for this purpose.

In examining the existing CN operations, several service improvements are obviously required. Firstly, the Commission recommends the establishment of a program of better communication throughout the operation so that existing schedules, and present and likely delays, can be known to passengers and relatives, and can be provided at depots across the Island. It is essential that if full use is to be made of the service, which is clearly desirable from the point of view of CN as well as the public, then the public must have easy access at any depot or terminal to information as to the existing operations of the service. Again, with regard to scheduling it appears that the Roadcruiser operation in Newfoundland, together with the feeder lines, is practically the only bus network in North America which is not integrated into ticketing and timetabling on a nation-wide or continent-wide basis. There is no reason why passengers wishing to travel beyond Newfoundland points should not be able to obtain precise scheduling and ticketing services, through CN operations here, and conversely, why passengers—particularly tourists—who might wish to travel to Newfoundland using the bus system should not be able to obtain adequate information and ticketing at depots on the mainland. In this age of computers, it can only surely be a simple step to integrate this ticketing, reservation and schedule information.

With regard to scheduling itself, the Commission recommends that every effort be made to co-ordinate existing schedules with ferry and air connections and with feeder lines. Where this is not possible, then additional runs should be contemplated to service traffic offering. It should be possible, ideally, to join the Roadcruiser service directly at major airports such as St. John's, Gander, Deer Lake and Stephenville, for travel to other centres on the corridor, without having to wait a substantial period of time for the arrival of buses. This might necessitate the establishment of a corridor express service, together with regional runs between, say, Port aux Basques and Corner Brook, Corner Brook and Gander, and Gander—St. John's.

Concerning fares and charges, the Commission is strongly of the opinion that since the Roadcruiser operation is a voluntary but unequal substitution for the rail passenger service, fares on the Roadcruiser must remain at a level lower than similar fares which might be expected for similar distances on a trans-Island train service. Certainly, no increase in fares must be permitted until substantial improvements are made in the facilities being offered on the corridor at present.

Further the Commission is of the opinion that there is substantial argument in favor of recommending that the Federal Government subsidize the bus operation directly, as it does for other train passenger services in Canada. The bus operation has been considered by the courts to be an integral part of the rail service operated for the Federal Government in Newfoundland, and in these circumstances, it would seem unfair to recover losses on the bus operation fully out of its own mainland rail revenues, while providing 80% subsidies for rail passenger losses in other areas. The Commission is convinced that the implementation of

subsidy on this basis would do much to allow the necessary improvements to the service.

The Commission also recommends that every effort be made by the existing operator to encourage the development of a parcel express service, together with possible charter operation. It would appear that there is a market for both of these services, certainly in the vicinity of the major centres of St. John's and Corner Brook. If the recommendations of the Commission are implemented, the new equipment will have extra space available for parcel carriage and on the basis of interlining with feeder services, should provide a speedy and well patronized parcel delivery service throughout the Island. As well, revenue to CN will increase with the establishment of such service.

In its investigations, the Commission has also been made aware of the fact that a substantial number of passengers carried on the CN Roadcruiser service are employees of CN, particularly employees being carried to the ferry terminal in Port aux Basques. The Commission recommends that the pass system for such employees be replaced by a paying system, whereby the appropriate CN employer would be obliged to pay to the Roadcruiser operation a charge for the carriage of its employees on that service. The Commission certainly recognizes the possibility of a reduced fare based on a volume or charter basis, but nevertheless is of the opinion that proper accounting must be carried on if a true financial position of the Roadcruiser service is to be produced.

Finally, the Commission is aware of the existing proposals to have the CN bus operation in Newfoundland taken over by *Via Rail*. The Commission has discussed this matter with representatives of Via and are assured that the CN bus operation in Newfoundland would be one of several such operations carried out by that company. The Commission's major concern in relation to this proposal is that it must be certain that there is proper management of the service, with expertise in bus operations. The Commission is not in favor of transfer of the existing operation if there is any danger that the bus operation will be relegated to a secondary or tertiary role within Via operations, and will be managed at intermediate and senior levels by officials having primary expertise and dedication to the rail passenger business only.

The Commission believes that the bus operation, whether operated by Via or continued under CN, should be placed on the same basis as the Gulf ferry operation under CN Marine Corporation. That is, the Federal Government should contract with the operator for the provision of a certain level and standard of service, setting out in detail service levels and requirements, and specifying fares, schedules, routes and the like. This operation would then have an incentive to be run efficiently, and could be evaluated at the end of a 5 year trial period. At that time, if the service had substantially improved, based on the recommendations specified by the Commission, further contractual arrangements could be entered into. On the other hand, if the operations had deteriorated, then immediate attention would have to be given to development of a new scheme of operation.

The Commission is convinced that the bus operation on the corridor route in Newfoundland can, with the proper financial assistance and expertise, be made efficient and attractive to residents of the Province and tourists alike, and that the establishment of such a system would do much to promote tourism, and mobility of the population. The Commission strongly recommends that every step be taken to direct a special effort towards development of such a service.

2. *Feeder Bus Operations*

While there are several feeder bus lines operating from areas off the corridor, to and along the corridor route, an examination of such services reveal that they are poorly co-ordinated both between themselves and with the corridor operation. Some of these services, such as the Fleetline bus operation from Conception Bay, operate completely independently of the CN operation. Others operate to bring passengers from the major peninsulas to the central corridor, but again do not have any formal link with the CN operations. The Commission believes that planned implementation of a network of feeder bus lines in the Province would do a great deal to assist in the development of population mobility.

As mentioned above, the Commission is aware that certain federal funding has already been made available to the Atlantic Provinces for use in public transit infrastructure. However, it is clear that the Province of Newfoundland has not yet developed an adequate public transportation policy to take advantage of these funds. The Commission therefore recommends that immediate steps be taken by the Provincial Department of Transportation and Communications to develop such a program to make full use of federal funding already offered and to negotiate future funding. In addition, the Commission maintains that the Federal Government should favorably consider funding to feeder buslines in Newfoundland, since such assistance fits in generally with the aim of ending isolation and assisting economic development and population mobility. As stated at the beginning of this section, the mere provision of roads is insufficient in this Province if mobility is to be encouraged.

The increasing number of paved roads in the Province, together with the recommendations of the Commission for completion of paving of other roads and construction of one or two major road links, should provide the infrastructure necessary to allow feeder buslines to operate. The equipment to be used on

these lines should be appropriate to the service provided, although obviously, because of shorter route length, need not be as elaborate as the corridor equipment. Nevertheless, all equipment used in public bus operations must be maintained to the highest standards. The Commission recommends in this regard that the Provincial Government rigidly enforce safety and health inspection standards currently existing, for the operation of both the corridor and feeder bus equipment.

As to scheduling, co-operation will obviously be required between the corridor operation and the feeder lines in order to ensure that maximum efficiency is achieved, while at the same time providing linkage for passengers between the two systems with a minimum of waiting time. Again, the proposed consolidated booking and scheduling system should do much to bring this about. With the coming of scheduled runs by feeder lines, it will be possible to integrate these services as well into the North American ticketing and scheduling system.

The Commission is of the view that the provision of such a network of public transport, when combined with consolidated reservation and ticketing both within the Island and on the mainland, should positively contribute to the development of tourism in this Province. The establishment of a good system of feeder lines serving, among others, the areas of St. Anthony, Bay D'Espoir, Bonavista, Burin, and Twillingate would allow tourists coming to Newfoundland by bus, or flying to the Province, and indeed tourists arriving by motor vehicle, to make full use of such transport services, to provide comfortable and economic side trips away from the major centres.

The Commission has also recommended the institution of parcel delivery services on the corridor and feeder line operations. From its investigations, the Commission is satisfied that while the provision of such a parcel service is not now considered profitable or desirable by major trucking operations, the provision of a service on the public bus system would increase revenue for the operator, thus enabling provision of better equipment and encouraging entry into the market, and as well would provide faster and equally or less expensive transportation for small parcels.

The Commission has also considered the desirability of establishment of central bus depots in the city of St. John's, and other centres. These depots would serve not only the corridor operation, but feeder operators and municipal bus lines as well. Establishment of such depots at central locations would do much to eliminate current crowded conditions in the downtown areas of the major centres, while at the same time providing comfortable and convenient rest and waiting facilities for out of town passengers. The linking of these facilities to urban or regional transit systems would enable passengers coming from outside the major centre to travel to work or shopping locations within the centre, through the urban network. The reverse flow would, of course, also be facilitated. It is also clear that some major feeder lines currently operating, and which might be expected to be developed under a Province-wide bus network, would also use such depots directly, thus enabling their passengers to link up either with the corridor service or with urban or regional bus services. The Commission believes that this should encourage increased travel, particularly on feeder operations, since commuting for work or shopping, would be considerably eased.

Funding for such depots should be cost shared between the Municipal, Provincial and Federal Governments concerned, since the facilities would provide benefits and infrastructure to the three levels of public transportation.

One final area of concern to the Commission is the existence of a duplicated regulatory authority for the existing bus operations in Newfoundland. At the present time, the Federal Government has chosen to regulate the Roadcruiser operation directly through the CTC, thus leaving the Newfoundland Board of Commissioners of Public Utilities to deal with the intra-Island bus network. Originally, after implementation of the Roadcruiser service, the Newfoundland Board regulated that operation as well. The Commission is concerned about this dual regulatory authority, and at the possibility for conflict in regulation, licensing, fare setting, and control, which could result. It seems undesirable to create a duality in this way when every effort must be directed to provide a co-ordinated, integrated service. The Commission therefore recommends that consideration be given to transferring regulatory control of the CN bus operations back to the Provincial Board.

In summary, the Commission considers the provision of an expanded and rationalized public transit system in Newfoundland to be one of the easiest and least costly steps which can be taken, and at the same time, one which will provide considerable immediate and direct benefits to the Province. The Commission therefore proposes to undertake a more detailed study of a rationalized public transport system for the Province and to report on this matter in the Second Volume of its report. It is hoped that when this supplementary report has been completed, the specific guidelines contained therein will enable implementation of the major recommendations contained in this report in the most efficient manner.

3. *Summary of Recommendations*

59. That federal financial assistance be provided to corridor bus service and considered for the feeder bus operators.

60. That the operator of the corridor service immediately implement a program of replacement of the existing Roadcruiser buses with deluxe long distance coach vehicles having increased capacity for parcel express and baggage.
61. That CN and the Federal Government co-operate in development and financing of adequate bus terminal facilities on the corridor route, containing adequate rest room, seating and eating facilities, together with ticketing and schedule information.
62. That the corridor operator establish an integrated reservation ticketing and scheduling service at all centres linked with the North American system.
63. That corridor services be co-ordinated with air and Gulf connections and with feeder lines.
64. That Roadcruiser fares be maintained at a level less than fares for equivalent rail passenger mileage, and that no increase in fares take place until substantial improvements in service have been effected.
65. That the Federal Government directly subsidize the corridor operation on the same basis as for rail passenger services.
66. That development of parcel express and charter services on the corridor be encouraged.
67. That CN employers pay for pass passengers carried on the corridor operations.
68. That the proposed operation of the corridor service by Via Rail be monitored to ensure that proper levels and standard of service are maintained and that the Via operation be assessed at the end of five years.
69. That the Province of Newfoundland immediately establish a program for development of feeder bus lines, taking full advantage of federal funding already available, and which may be negotiated in future.
70. That the Province ensure that proper safety and health standards are enforced for both corridor and feeder bus operations.
71. That establishment of a parcel express service by feeder operators, interlining with the corridor service, be encouraged.
72. That central bus depots be considered for major centres, to be used by municipal, feeder and corridor operations, and to be cost shared by the three levels of government.
73. That regulatory control of the corridor bus operation be transferred back to the provincial regulatory body.
74. That a co-ordinated system be developed between CN and other Newfoundland bus services to provide a common source of schedule information and an interlining (through ticketing) service to the general public.

Gulf Services

Analysis of the Gulf service provided by CN can be separated into four segments: 1) passenger and related vehicles, 2) truck freight, 3) rail freight, and 4) fares and tariffs. The recommendations which will follow will be divided, for ease of reference, into these four categories. It should also be noted that due to the use of common facilities to service several types of traffic, some overlapping of recommendations will be unavoidable.

Under this heading the existing North Sydney-Argentia service will also be included.

1. *Gulf Freight*

Considerable representation has been made to the Commission, both during the public hearings and otherwise, concerning improvements required to the Gulf freight service for truck traffic. It is clear that truck traffic will form an increasingly important segment of the transportation system to and from Newfoundland. As has been examined in the section on highway freight services, particularly with regard to outgoing shipments of fish, every effort must be made to ensure that this flow is unimpeded.

From its investigations, it seems clear to the Commission that it is impossible to reconcile completely, without tremendous additional expense and redundancy, the complaints and desires of passengers and of truck traffic on the Gulf crossing. For this reason, the Commission has concluded that it is preferable to institute a "dedicated" night crossing service, using the existing Gulf ferries for truck traffic. This would take place by the provision of a certain guaranteed space allotment for truck traffic on these ferries, although unused space could be sold on a space available basis to passengers. Doubtless, the exact mechanics would have to be worked out based on loads and related factors, but the Commission is firmly of the opinion that during the peak summer period, say from June to September inclusive, night crossings should be dedicated to truck traffic.

The result of this would be to provide a more definite schedule for truckers, allowing them to plan more efficient delivery schedules, and as well to speed loading for passengers on the day routes. It would, of course, to some degree preclude passengers from crossing in the night, but the Commission feels that in the circumstances, this is unavoidable and indeed desirable.

Related to the provision of a speedier and more efficient night crossing service for trucks in the peak period, the Commission recommends that every effort be made to reduce turn around time. Due to the reduced cabin occupancy in a dedicated truck crossing, this should be achievable.

With regard to loading and marshalling in the North Sydney and Port aux Basques yards, the Commission

has received conflicting complaints that loading is irregular and out of sequence. The Commission believes that a strict policy of first-come-first-served loading for truck traffic should be implemented, except in cases of clear extreme emergency. While it can be argued that perishable goods should always receive preference, the problems inherent in any such program and the abuses to which such a plan is open preclude recommendation of the implementation of such preference.

The Commission also recommends that every step be taken by CN and by the truckers' associations to promote the use of "trailer only" crossings. That is, truck trailers without the truck power unit, would be loaded on the ferry at North Sydney and would be removed in Port aux Basques by power units based in Newfoundland. Of course the reverse situation would also be true. The Commission realizes that because of the imbalance in freight loadings, such a program might be impractical for the small trucker. However, for the larger operators the Commission believes that it can be made sufficiently attractive, through price reductions and other conveniences, to result in a space saving on the ferries, and as well in development of a Newfoundland based tractor fleet which will stand the Province in good stead in times of emergency such as peak summer periods, and will also increase employment. Savings to the carrier on vehicle licensing should also be possible.

The Commission realizes that because of matters related to insurance and risk, there may be some dispute as to who should be responsible for loading trailers on the ferries. However, the Commission believes that in order to promote the service, CN should both accept the responsibility to load the vehicles, and should also accept responsibility for provable loss or damage occasioned by the loading procedure.

With regard to the Argentia service, which is subsumed under this heading as a Gulf service, the Commission is not convinced, on the basis of present statistics, that there is sufficient demand to warrant a dedicated truck ferry. However, the Commission wishes to further investigate this matter, especially since the announced intention by the Provincial Government to develop frozen fish holding depots at Argentia. This study will also consider the desirability of a stop on the Burin Peninsula, as has been requested by some truckers to facilitate movements of fish from that peninsula to the mainland. Again, because of volumes, and because of reservation and scheduling problems which would result, the Commission cannot immediately recommend the implementation of such a program but will further investigate the matter and report.

Concerning the existing schedule of the ferry service to Argentia, the Commission considers that a trial implementation of a year round service is warranted with twice-weekly service during the off season. While costs and volume of traffic are difficult to predict, the experience on the St. John's-Goose Bay service provided by the *'William Carson'* suggests that public and business acceptance may indeed be greater than predicted, and that a year-round Argentia service might be warranted.

2. *Gulf Passenger Services*

A great deal of representation, both from organized groups and individuals, was received by the Commission concerning the standard of passenger services offered on the Gulf. It is impossible, and it is not desirable, for the Commission to deal specifically in this report with each requested improvement. Nevertheless, some of the areas of concern have been investigated by the Commission and are of sufficient importance to warrant recommendations.

It is the Commission's belief that the Gulf passenger service, and to a lesser degree the Gulf freight service, is in effect a substitute for a ninety mile road link with the rest of Canada. Other provinces, except Prince Edward Island, are linked border-to-border by roads, and the Commission believes that it should be an operating principle that, to as great a degree as possible, the Gulf service for passengers should be treated as a road link.

This being the case, it is clear that the Gulf service should be directed toward the provision of simple transportation for a vehicle and its passenger load, while matters of overnight accommodation, restaurant facilities, entertainment and the like, should be viewed as an extra service, rather than as an essential part of the crossing. The Commission accepts the fact that CN is not in the business of providing a luxury cruise, and while it is arguable that provision of certain extra facilities might promote tourism into Newfoundland and should therefore be continued and expanded, the Commission feels that such facilities can be identified and either subsidized directly, or paid for by the user.

Related to its recommendations concerning truck traffic, the Commission recommends that during the peak summer period, passenger traffic be placed on a dedicated, day time crossing basis. The provision of quick turn around service should be expanded to provide as much capacity for passenger traffic as possible during the peak summer months. Cabin availability will undoubtedly not be in full demand during daytime crossings, or at least not in as much demand as for night time crossings. This should decrease cleaning responsibilities and perhaps some staffing, resulting in some slight saving to the operator.

The Commission is satisfied that, generally speaking, the staff and crews on the Gulf crossing are

friendly and courteous, but notes that considerable variation in the provision of basic customer services does occur. Therefore, some fundamental improvement in the provision of basic training, including first aid training appears to be needed. The Commission is also concerned with the level and quality of supervision which is provided. Efforts should be made to insure that inadequate service on the part of any staff member is noted and dealt with in an appropriate manner. As well, the Commission will be further studying and recommending in detail on the implementation of a tourist-orientated information service on the Gulf crossing. Concomitant with this is the necessity to ensure that the crew members are fully trained in passenger relations and are oriented to treat all passengers as tourists, regardless of origin or destination.

The Commission is of the strong view that terminal facilities at Port aux Basques and to a lesser degree at North Sydney, must be immediately upgraded and improved to provide a proper setting for passengers entering or leaving the Province. The existing facilities are dull and uncomfortable, and in some cases dingy, and can do little to encourage tourism and to promote a sense of enjoyment among passengers. The Commission recommends the immediate expenditure of sufficient funds to upgrade terminal facilities to provide bright and cheerful rest and eating facilities, adequate lawn and garden areas for children and families waiting to board the ferry, proper policing to ensure that facilities are not vandalized or abused, and generally an emphasis by the operator on the provision of pleasant surroundings. It will be argued that this does not fit in with the Commission's acceptance of the Gulf crossing as primarily a road link. Nevertheless, the Commission believes that certain minimum levels must be achieved when it is realized that, while it is desirable from a cost point of view to treat the crossing as a road, nevertheless there are delays and other factors inherent in a water crossing. Indeed, one of these factors is the novelty of a water crossing to many people and to others, the fear and unease surrounding water travel. Therefore, expenditures on pleasant terminal facilities is, in the Commission's opinion, justified.

The Commission believes that a full reservation system must be implemented in all CN stations and centres in Newfoundland and on the mainland, in order to encourage advance booking and to promote the service as much as possible. A boarding pass method of seat allocation should also be established to ensure that all passengers will have a seat assigned to them, as for airline travel, which should avoid the rush and scramble to acquire seats, and as well avoid the discomfort, inconvenience and ill feeling occasioned by certain passengers taking advantage of vacant seats to spread out their possessions and their persons.

The Commission will undertake a feasibility study of implementation of a summer crossing by ferry at night from North Sydney to Port aux Basques and a continuance along the south coast to the Bay D'Espoir/ Terrenceville area, and return. This would provide a night crossing dedicated to passengers which would accommodate those passengers who, for various reasons, require to be able to sleep on the ferry crossing. As well, it should promote tourism in opening up the south coast for a trip by larger vessel, and might include certain additional freight facilities not now available.

3. *Gulf Rail*

As has been stated elsewhere in this report, it is clear that the Gulf rail operation, with the marine/rail interface at Port aux Basques, is a very large factor in the tremendous cost of the movement of freight between the mainland and Newfoundland. The Commission has investigated the facilities and makes the following recommendations:

Firstly, the Commission believes that while the rail service continues to carry current freight volumes, and those to be expected in the future, this freight will be sufficient to require the operation of one rail car ferry only, operating on a load-and-go basis. A backup vessel will obviously be necessary for peak demand and mechanical problems.

The Commission recommends that every effort be made to direct as much rail traffic as possible through the truck to truck transfer procedure, rather than car to car. Agreements should be sought with other rail lines operating in Canada to allow truck to truck transfer for their equipment.

The Commission also recommends that the railway operation be charged the regular freight rate for the return of empty rail cars on the Gulf service. Regardless of the rationale which may have existed in the past for allowing free return, the splitting of CN into separate corporations and the absolute necessity of developing sufficient statistical information to be able to keep a record on actual costs of the various services, makes it imperative that all proper charges should be made between interrelated companies.

4. *Rates and Fares*

The Commission has left, until this point, the recommendations relating to Gulf rates and fares. It is recognized that rate making is a complicated procedure and that there are many factors which would themselves justify the establishment of a separate commission simply to report on this aspect. Nevertheless, the Commission is not satisfied that in the past a full rationale has been worked out and developed on which rates and fares have been based and revised.

Indeed, it is clear that upward rate revisions have been retarded for various factors, including political. In the operation of an efficient transportation system, and one which will ultimately be able to serve the Province in the best fashion, rates must, in fact, follow a logical pattern.

In keeping with its analysis of the Gulf crossing as ninety miles of road, the Commission recommends that rates for passenger vehicles together with complement of passengers for simple crossing space, should be based on the equivalent full costs of driving ninety miles of road. The additional cost of cabins, foods and entertainment should be charged on a cost basis or, where such would be prohibitive, then on some basis which will promote an acceptable rate of return.

As far as the Argentia service for passengers is concerned, once the above recommendation for the Gulf crossing is implemented, it should be fairly easy to compute the actual subsidy required to transport a vehicle and passengers on that crossing. The Commission would recommend that this same dollar subsidy could be applied to the Argentia service, with the rate to the user making up the difference between the subsidy and the actual cost of transport. It is, however, recognized that because of the nature of the vessels now used, implementation of this rate structure for the Argentia service may have to be postponed until replacement vessels especially constructed for this service are provided.

For accommodation and other "extra" expenses, the Commission recommends the establishment of a family plan which would allow members of a family travelling to obtain a reduced rate based on numbers. This would not, of course, apply to the basic transportation charge for the vehicle and its passenger load. In this latter connection, the Commission recommends that an advance reservation system be implemented so that the ferry operator would obtain in advance an indication of the number of passengers travelling in the vehicle in order that planning could be made for accommodation. Additional passengers arriving in the vehicle over and above those previously notified to the carrier would be charged on a separate basis.

With regard to freight rates, the Commission again believes that truckers should be charged a rate based on the equivalent cost of operating on ninety miles of road. Similar subsidy mechanisms could be applied to the Argentia run as for the passenger service above specified.

The Commission further recommends that all rates should be reviewed on a regular, accepted basis to take into account increasing costs.

With regard to foot passengers and those not travelling with vehicles, the Commission feels that there is a good rationale for treating these individuals for rate purposes as if they were bus passengers. The Commission believes that passengers not obviously travelling other than by bus (that is, passengers who arrive on foot, or by bus), should be given the benefit of being treated as bus passengers on an equivalent road journey. The rate should therefore be computed as for a bus passenger rate for the equivalent distance.

5. *General Recommendations*

Before leaving the analysis of the Gulf services, there are certain general recommendations which the Commission will make relating to the Gulf service generally.

Because of the short peak period, requiring maximum vessel capacity which is then not required for the rest of the year, and because of the relatively short operational life of the ferries, the Commission recommends full investigation of the advantages and disadvantages of chartering all Gulf vessels, as opposed to having some of these vessels owned by the operator. Linked with this is the investigation of the feasibility of use of surplus capacity in the off season through sub-charters (or if owned, through charters) in the West Indies and elsewhere. It appears that from examination of practices in other countries, much use is made of this mechanism in order to provide year round activity for vessels. In any rationalized transportation system, therefore, the Commission feels that year round use will have to be an important part of vessel planning in order to allow proper cost allocation.

The Commission is also aware of the establishment of the Canadian National Marine Corporation which will, on a contract basis with the Federal Government, provide the operation of the Gulf service. It is absolutely essential that the Province have input into the standards of service to be set by the Federal Government and on which the contract will be based. The Commission is concerned that because of its past expertise in operating the service, the specifications for the service will be written by CN rather than by the Government. It is also essential to ensure that a mechanism be developed to allow, in addition, an overseeing of the levels of service actually provided. One further concern relates to the takeover of CN and government owned facilities by the Corporation. The Commission recommends that steps be taken by the Federal Government to ensure that, where such facilities are currently made available to other operators, either on a paying or free basis, and where future requirements dictate that Corporation facilities be shared for private use, such use is permitted by Canadian National Marine Corporation. While it is yet too early to determine the effect of the establishment of the Corporation on operational procedures on the Gulf, and while the Commission

endorses generally the concept of the establishment of the Canadian National Marine Corporation, the Commission does have some concern that unintentional detriment may flow from this mechanism unless sufficient safeguards are established as recommended.

In Chapter XII, the Commission has commented on the exciting possibilities for the establishment of Hovercraft services on the Gulf and to a lesser degree on the coasts of Newfoundland. The Commission reiterates its intention to implement a further study in this regard.

The Commission is aware of the increasing concern of passengers, shippers, and the Gulf operators as to the carriage of dangerous goods in vehicles. With the increasing volume carried, it is clear that on every crossing, substantial quantities of gasoline, flammable liquids, propane, oxygen, and other chemicals are being carried. In its section on recommendations for the highway mode, the Commission has recommended immediate implementation of the regulations currently being finalized to control the carriage of dangerous goods and to require their proper identification.

The Commission recognizes, however, that there is a further problem with the carriage of such goods on Gulf ferries, especially as related to chemicals used in the refrigeration process of tractor trailer units. It may be essential that certain chemical and gases be kept circulating to provide refrigeration. However, the Commission recommends that if this is the case, efforts be made by the carrier in conjunction with the trucking associations to arrive at methods of properly venting areas used for truck traffic on ferries, or to provide internal hookup arrangements to allow for the disconnecting and shutting down of vehicle-carried propane and other units. The same principles would, of course, also be applied to domestic travel trailers and other vehicles using chemicals and gases.

A final point concerning safety on the Gulf relates to the water tight doors on Gulf ferries. The Commission is aware that in recent years two CN ferries have been lost in operation, and the evidence in each case indicates that one of the contributing factors may have been failure or delay in closing the water tight doors. The Commission is aware that the design of vessels includes the division of the vessel into compartments separated by bulkheads with water tight doors. The entire purpose of having bulkheads and doors is to minimize the risk of loss. The Commission feels that the operator should take every step to ensure that all regulations are followed, and that where it is possible to interpret the regulations in more than one way, that interpretation be favoured which promotes passenger safety over and above operational efficiency and ease.

6. *Summary of Recommendations*

75. That for peak periods of travel, the Gulf ferry service be operated on a dedicated day-time passenger, and night-time truck freight basis, with facilities for unused space to be allocated to the secondary traffic on a first-come-first-served basis.
76. That every effort be made to reduce turn around times during peak traffic periods.
77. That truck freight loadings be on a first-come-first-served basis except for cases of obvious emergency.
78. That efforts be made to encourage a truck trailer-only facility for the Gulf crossing, and that the ferry operator should accept responsibility for direct loss and damage caused by its loading of truck trailers.
79. That for a one year trial period, a year round service for truck freight and passengers be implemented on the North Sydney-Argentia service, with twice-weekly service in the off-season.
80. That, in principle, the Gulf crossing should be treated as the equivalent of a road crossing, with rates for basic travel charged accordingly, and extra services provided on a user-pay basis where possible, and that this principle be applied to the Argentia service when feasible.
81. That a continued program of Gulf crew and staff training, including first aid services, be implemented, and that a high level of supervision be maintained.
82. That terminal facilities for passengers at North Sydney and Port aux Basques be immediately upgraded to provide pleasant surroundings and adequate restaurant facilities.
83. That a full reservation system for the Gulf operation be implemented in all major Newfoundland and mainland centres through existing CN reservation facilities.
84. That a program of seat allocation on the Gulf ferries be implemented by the provision of boarding passes.
85. That a feasibility study be conducted into the establishment of a North Sydney-Port aux Basques-south coast ferry run for peak summer traffic.
86. That as freight volumes dictate, one rail car ferry be operated on a load and go basis on the Gulf, with a backup vessel available as required.
87. That maximum use of truck to truck transfer facilities be made, and agreements with all railways be obtained to permit such a transfer.
88. That empty rail cars crossing the Gulf be charged a vehicle rate on a similar basis to other commercial vehicles.
89. That all rates be reviewed and revised on a regular basis, taking into account increased costs and other usual rate-making factors.

90. That vehicle rates would include driver and all other car occupants for whom a previous reservation had been made.
91. That advance reservations be required for vehicles and their passengers, with extra passengers without reservations being charged separately.
92. That foot and bus passengers be charged a rate equivalent to the charge for a 90-mile bus trip on the Island.
93. That investigation be made into the desirability of chartering all Gulf vessels, together with utilization of surplus vessel capacity on other routes in the off season.
94. That the Province have input into setting and monitoring contract requirements for the Gulf service operated by the CN Marine Corporation.
95. That where facilities, which are to be transferred to Canadian National Marine Corporation are currently made available to other operators, either on a paid or free basis, such facilities will continue to be made available for private sharing and Canadian National Marine Corporation will permit such use to continue.
96. That regulations concerning carriage of dangerous goods be implemented and that CN and truck operators co-operate to develop methods of minimizing risk from the use of chemicals and gases for temperature control purposes during the crossing.
97. That regulations concerninng use of water tight doors be strictly enforced.

Direct Water Shipping Services

The Commission has concluded elsewhere in this report that encouragement of direct water shipping to Newfoundland is the means by which the most cost efficiency can be brought to the Newfoundland transportation network. The Commission believes that much of the natural growth in freight volumes into this Province during the next ten to fifteen years will gravitate toward direct water transport because of the efficiencies of that method. In addition, the Commission has recommended that should the railway be abandoned, conscious effort should be made to direct as much traffic as possible from the railway to water transport.

The fact that the direct water mode will play such an important role in the future transportation network in Newfoundland leads to several conclusions and recommendations concerning this mode.

It is clear that facilities must be, and must continue to be, adequate to handle the increasing volumes of freight expected to arrive in this Province by water. It is likely that the ports of St. John's and Corner Brook will continue to be the major ports of entry for incoming freight, since they constitute the ports closest to the major centres of population and distribution. As well, these ports already have fairly well developed facilities for handling substantial volumes of direct water traffic and it makes sense to encourage further development of these facilities rather than to construct duplicate facilities elsewhere. The Commission envisages that Port aux Basques will continue to be the major entry point for water borne passenger and truck traffic and, of course, for rail traffic, until such time as the railway is discontinued.

The Port of Corner Brook has been the subject of a recent feasibility study concerning necessary and desired expansion. The Commission supports the general principle of expansion of the Port of Corner Brook and encourages government to examine carefully the feasibility studies already conducted for this purpose. In the meanwhile it seems apparent that additional land space will be required for cargo handling and storage if the port is to be viable, and the Commission feels that a landfill programme in the Humbermouth area is desirable.

It is envisaged that once the railway is discontinued, all or practically all, of the outgoing product from the Bowater newsprint mill will travel by water carrier from the Port of Corner Brook. In order to facilitate this, and to provide for a continuous flow of incoming traffic to the port, which will likely serve as the major distribution centre on the west coast, the Commission recommends that all necessary steps be now implemented to ensure that adequate icebreaking capacity is available to keep the port open during all but the most severe and unexpected ice conditions.

During the course of its hearings, representations were made from interested groups in the Corner Brook area that a rail and possibly truck ferry should operate between the Canadian mainland and Corner Brook. However, the Fenco Study for Harbour Development in Corner Brook indicated that the overall benefits of such a system would be marginal at best. The Commission is of the opinion that this will continue to be so under present and anticipated volumes, even with the discontinuance of the Newfoundland railway. As far as outgoing freight, particularly newsprint, is concerned, the Commission believes that the feasibility of loading the newsprint into containers or ocean going vessels for trans-shipment at Nova Scotian or United States ports should be investigated. The Commission intends to further investigate the possible alternatives for paper movement, including the one just referred to and the use of a rail ferry which would also serve to carry incoming freight to Corner Brook for distribution to western Newfoundland.

The Commission has also considered the fact that with increasing volumes of freight, and once the railway is discontinued, the area of central Newfoundland will require a new mode of transport. It appears that considerable volumes of freight for central Newfoundland are now brought by rail, and once this is discon-

tinued it would appear that a direct water shipment service to that area would be desirable. In this connection, the Commission will study the use of the Bay D'Espoir area as a direct terminus, to service the central area, *via* the highway from St. Alban's to Grand Falls. Bay D'Espoir would appear to have an advantage over the north coast ports in that it is relatively ice free year round and would require few icebreaking services. Travel times from the Montreal and Toronto markets would appear to be about equivalent for the Bay D'Espoir and north coast ports. As well, implementation of such a service to the Bay D'Espoir area would do much to encourage the economy of that portion of the Province. Also, from the information which the Commission has, it would appear that to develop the Bay D'Espoir area as a port of entry would not require a large amount of capital investment in wharfing facilities and specialized facilities.

The other major port for consideration is that of St. John's. There are several recommendations which the Commission makes in connection with this port.

Representation has been made to the Commission, and indeed to other government bodies, for the establishment of a synchrolift in the port of St. John's. The Commission considers that the port of St. John's will continue to expand in incoming freight volume and, for this reason alone, the Commission concludes that establishment of a synchrolift is warranted to take care of what may be expected to be increases in ship repairs flowing simply from increased volumes of freight landings. This fact, together with the present existing trial repair services for the Russian fleet, make it fairly obvious that when increases in vessel traffic to St. John's occur, the existing drydock facilities will be fully utilized in servicing medium to large size vessels, leaving no capacity, or only a subsidiary capacity, for the servicing of the Newfoundland coastal vessels and smaller ships. For that reason the establishment of a second facility suited directly to the servicing of smaller vessels would appear essential. The synchrolift appears to meet these capabilities and the capital cost would appear not to be unreasonable. The Commission, therefore, recommends that federal monies be immediately provided for the establishment of a synchrolift to be located in the general vicinity of the existing dockyard facilities operated by CN at the south end of the Harbour.

In making this recommendation the Commission realizes that the establishment of a synchrolift will take up valuable waterfront space which, it is claimed by some, is desperately needed to handle the container and general cargo which now arrives at the port. The Commission has considered these representations, but feels that the establishment of the synchrolift must override these considerations.

Having stated this, the Commission also recognizes that there will be an increasing need for additional waterfront space for storage and berthing facilities. The Commission is aware of existing plans to establish additional space at the northern end of the St. John's Harbour and commends the implemetation of this programme. At the same time, the Commission believes that waterfront space in the Harbour area will continue to be at a premium, and that short range and medium range planning should have, as a priority, the development of suitable space in the areas of the major docking facilities.

Relating to this recommendation, the Commission has examined the proposed routing of the harbour access to the arterial road. It appears that the most desirable routing would be to extend the access road parallel to Water Street and have it enter the Harbour area in the vicinity of the Steer's and Hickman properties, rather than in the location now suggested. This mechanism would allow additional space to be made available for freight handling. The Commission recognizes the additional cost involved in the expropriation of property and extension of the road, but feels that the expenditure of these funds, at the present time, is warranted since the additional land will clearly be required within a five to ten year period, and the cost of rerouting the road and acquiring land at such time will certainly exceed, by many times, the current cost.

Concerning the Harbour itself, the Commission believes that with the expansion of the port for the handling of further cargo, additional protection will have to be provided to the port-based fishing fleet currently located at the north end of the harbour. In this connection, the establishment of a breakwater from the northern extremity of the ship channel to the shore in the vicinity of the existing location of the fishing fleet anchorage should be investigated. Such a breakwater would greatly assist the sheltering of small vessels and the shore-based processing of their catch, protecting them as well from the entry and exit of larger vessels.

It is clear that the St. John's Harbour area is, by virtue of waterfront footage alone, constrained in the degree to which it can expand to meet increasing traffic volumes. It is not inconceivable that in the medium range future harbour facilities will, on certain occasions, simply be inadequate to handle incoming freight and vessel servicing traffic. The Commission therefore recommends continuation of the examination of the feasibility of establishing a secondary port to handle overflow traffic from St. John's. The Commission recommends implementation of a feasibility study and positive steps following that, to ensure that an alternate port will be available to handle on a simplified basis, overflow traffic from the port of St. John's. The existing ports of Long Pond, Bay Bulls, and Argentia should be examined in this connection.

Leaving the question of physical facilities for direct water transport, the question of financial assistance to this mode arises. At the present time only one direct water carrier, Newfoundland Steamships Limited, is subsidized. There have recently been established two other carriers, both of which it would appear, could substantially benefit from subsidy availability. These carriers are not now subsidized, although one has made an application for subsidy.

The whole question of subsidy has been examined elsewhere in this report. Suffice it to repeat at this point that the Commission believes in the principle of equal subsidy for common carrier services which, in the public interest, are required to receive assistance in order to make cost to the consumer low enough to create sufficient demand to support the service. The fact that the longest established direct water carrier, Newfoundland Steamships Limited, has required a subsidy since 1969 and, from all available evidence, is likely to continue to do so, leads to the conclusion that if other carriers are to survive for significant periods, they too will also approach the threshold of viability and will require subsidy assistance. While it may be true that by relying on certain specialized types of cargo, smaller operators could survive without subsidy, the Commission believes that general cargo capacity should be encouraged.

The Commission therefore recommends that the principle of equal subsidies be applied to all direct water common carriers into this Province. If it is deemed necessary to support, for example, the Newfoundland Steamships Limited operations with subsidy, then other carriers of similar commodities should also be subsidized.

The Commission sees no reason why public monies should be expended on providing a subsidy to allow one carrier to charge a rate below another subsidized carrier. The Commission recommends that subsidies should be adjusted so that rates can be established equivalent to those offered generally in other modes offering generally equivalent service. This is of particular importance in direct water transport, since it would appear that speed of delivery, reliability of service, and general cargo handling capacity are equal or superior to other modes, for example, rail. Therefore, if tariffs were on a generally equal basis, it would appear that the direct water mode could still survive and be viable, based on its service characteristics alone.

The Commission has examined the provisions of Bill C-6 currently before Parliament, and it is clear that its purpose is to establish more autonomous harbour control, certainly for major ports such as St. John's. At the same time, however, the Commission recognizes that it is also the expressed intention that, where possible, such harbours will operate on a self-sufficient basis. While it can be argued that this is, in fact, the intent and principle of the current operation of major harbours under the National Harbours Board, nevertheless, the Commission is concerned lest the implementation of the proposals in Bill C-6 have the effect of cutting off harbours such as St. John's from much needed capital investment by the Federal Government, due to the aim that harbours be generally self-supporting. The Commission therefore recommends that in establishing the port authorities under the legislation, every effort be made to ensure that federal monies will be available for assistance for major capital projects which could not reasonably be expected to be financed from port revenues.

In connection with the question of representation on the port authorities, the Commission is aware that under the principles espoused in Bill C-6 it is intended that the harbour and port authorities would have greater liaison and working relationships with the surrounding municipal authorities, in order to, hopefully, provide for planned development, availability of land and land use control to ensure that the ports do not smother from continuing encroachment, but rather are given an opportunity to expand as required to service the traffic. The Commission has, in another part of this report, recommended adherence to the principle that direct input from the Provincial Government be encouraged at all levels of advice and policy consideration for transport modes and services into Newfoundland. It would therefore appear desirable that provision be made for adequate representation from the Provincial Government at least on the advisory bodies to be established for major ports under all new legislation. The Commission believes that the use of provincial representation to provide advice and statistical information as to provincial needs, priorities and desires, can only serve to increase the efficiency and effectiveness of the transportation system as a whole. Every mechanism should therefore be adopted whereby such direct provincial input can be obtained. The Commission does not believe that such a process will degenerate into confrontation between federal and provincial authorities, but on the contrary believes that it would, in fact, encourage co-operation on a broader scale between the Province and the Federal Government, and would serve to ensure that port development fits in not only with Federal plans, but also with Provincial.

1. *Summary of Recommendations*

98. That the principle of equal subsidies for common carriers providing equal direct water service to Newfoundland be implemented by the Federal Government.

99. That subsidies should be at such a level as to prevent deliberate undercutting of rates between one mode of service and another.

100. That federal monies remain available for the construction of essential capital works within ports such as St. John's and Corner Brook, following the implementation of the proposed revisions to Ports Legislation.
101. That in carrying out the provisions of any proposed Ports Legislation, sufficient provision be made for representation from the Provincial and Municipal Government authorities on permanent advisory groups and bodies.
102. That Government should immediately begin implementation of the recommendations of the feasibility study carried out on the port of Corner Brook, and that this implementation include the necessary landfill programme in the Humbermouth area.
103. That adequate icebreaking capacity be continued to permit operation of the port of Corner Brook during all but the most severe ice conditions.
104. That a feasibility study be conducted into the alternate mechanisms for the water transport of paper products from the Bowater's mill in Corner Brook, including the alternative possibilities of the use of containerized vessels and the use of a rail ferry from Nova Scotia to Corner Brook.
105. That a feasibility study be conducted into the possible use of the Bay D'Espoir area as a port of entry for water borne cargo for distribution to central Newfoundland.
106. That the Federal Government immediately provide funds for the construction of a synchrolift in the port of St. John's. The physical location of the synchrolift should be such that it will not interfere with the other activities of the port.
107. That priority should be given in the short and medium range future to the assembly and development of suitable additional land space in the areas of the major docking facilities in the port of St. John's.
108. That the Water Street Access Road to the Harbour Arterial Road be extended to enter the Harbour area in the vicinity of the existing Steer's and Hickman properties rather than in the location now planned, and that federal funds be made available for this acquisition.
109. That in consultation with local fishermen, the Federal Government provide funds for the erection of a breakwater to protect the St. John's fishing fleet within the Harbour.
110. That the Federal Government conduct an immediate feasibility study into the development of an alternate, overflow port for St. John's traffic, and that the existing ports of Long Pond, Bay Bulls and Argentia be considered for this purpose.

Coastal Service

It is recognized that historically, the Coastal Service around the Island of Newfoundland and the coast of Labrador has provided an essential, and, in many cases, the only mode of transport available to people of coastal communities. At the same time, the Commission also recognizes that with the slow but steady expansion of the provincial road network on the Island of Newfoundland, the isolated nature of many coastal communities has been ended. By agreement between governments, this has led to the discontinuance of coastal services to such communities when road links have been established. Such a result was examined and approved by previous commissions which have examined problems relating to Newfoundland transportation. This Commission also believes that the principle is sound and should be followed. It is recognized that discontinuance of Coastal Service can cause hardship to certain residents and merchants, and indeed to the crews of the coastal vessels themselves. However, the Commission believes that a properly implemented plan of phased reduction in coastal services together with a phased increase in highway services can be adopted and so publicized as to provide to residents and business concerns sufficient advance notice to allow the necessary steps to be taken to adapt to the substitution of the road mode.

The Commission therefore recommends that as roads are established to end isolation of coastal communities, existing coastal services to such communities be phased out. The Commission also recommends that such a programme be carried out publicly, with well announced discontinuances. The Commission also endorses the principle of establishment of joint manpower adjustment committees to review the effect of such phase outs on employment levels within the Coastal Service, and to attempt to ameliorate these effects on the employees concerned.

The Commission also recommends that in cases of particular hardship concerning specific commodities, such as fishmeal, which, because of the prevailing coastal rates would suffer a serious competitive disadvantage once road transport is substituted, consideration be given to providing selective assistance by way of subsidized transportation for such commodities. The Commission believes that such subsidization can be fitted into the existing programmes under The Maritime Freight Rates Act and The Atlantic Region Freight Assistance Act, which have been referred to in other sections.

Having made the above recommendations, the Commission is aware that in some areas, particularly on the northern coast of Labrador, and as well on the southwest coast of Newfoundland, it is not likely that road development will take place in the immediate or medium range future. The difficulties of establishing

road links with present technology appear to be too great to warrant immediately the investment required. This being the case, it is clear that alternate modes of transport must continue to be provided in the short and medium range.

In the section dealing with recommendations concerning air services, reference will be made to the implementation of the Labrador Area Master Plan and the development of landing strips, together with the integration of air and marine modes to provide the optimum transport network for residents. Such a plan envisages the continuance, and indeed improvement of Coastal Service in Labrador. The Commission endorses this concept, together with the concept of continued Coastal Service to the southwest coast of the Island.

When the principles previously enunciated are applied to the existing coastal system in Newfoundland, it will be seen that discontinuance of the Coastal Service west to the Burin Peninsula in the short run is necessarily implied. However, there are two or three communities in the Placentia Bay area which, on such discontinuance, will be isolated if no alternative is provided. The Commission therefore recommends the institution of a motor launch service across Placentia Bay, possibly originating at Argentia and running to Marystown, which will service the communities of South East Bight, Monkstown and Petite Forte. The existing coastal services in that area would be discontinued.

Similarly, the discontinuance of Coastal Service northward from Corner Brook would now appear to be justified with the coming of the Northern Peninsula highway, together with the establishment of a much improved ferry service across the Strait of Belle Isle.

On the southwest coast of Newfoundland, the Commission has already recommended the study of the feasibility of an overnight passenger ferry service from North Sydney to Port aux Basques and thence eastward along the south coast. The institution of such a service would provide an additional passenger service to that now provided, and to be continued, by the 'Sprinter' boats operated by CN. The Commission envisages that with the discontinuance of the Coastal Service east of the Burin Peninsula, Terrenceville would become the eastern terminus of the southwest coast Coastal Service. A service operating between Port aux Basques and Terrenceville for passengers and freight should remain in existence until a road link is established eastward from Port aux Basques all the way to the Burin Peninsula.

On the northeast coast of Newfoundland, the Coastal Service has, to a large degree, been replaced by separate ferry services linking isolated communities with the road network. The Commission is aware of discussions between the Federal and Provincial Governments concerning the possible transfer of operational authority and control over these services from the Federal Government where it now is, to the Provincial Government. It is clear that intra-provincial ferry services are a provincial responsibility under the division of powers in The British North America Act. However, the Commission recognizes the fact that these existing ferry services are, in effect, the remnants of the previously existing Coastal Service which was taken over by the Federal Government under the Terms of Union of Newfoundland with Canada. In these circumstances, it is clear that the Federal Government has an obligation to continue to provide financial assistance to support these ferry services, at least until such time as populations or expanding road links dictate that by any reasonable examination, it can be said that demand has ceased to exist for a marine service to the communities concerned. Only at that point would the Federal Government be justified in discontinuing its assistance.

The Commission is not adverse to the Federal and Provincial Governments agreeing that the transfer of operational control be made to the Province. Indeed, the Commission is inclined to welcome this approach, since it allows the Province more direct control of a purely intra-provincial service, and at the same time should develop expertise within the Provincial Government in marine transportation matters, an area which appears to be lacking.

The one intra-Island ferry service which is partially financed by the Federal Government, and which is not in substitution for a Coastal Service, is the service between Bell Island and Portugal Cove. Nevertheless, the Federal Government has seen fit to subsidize this service and the present agreement continues until 1985. Although the Commission cannot provide a clear rationale for continued federal support, it would not seem unreasonable for such support to be continued on the basis of established practice and precedent.

In any event the service is clearly inadequate. Bell Islanders, since the closing of the mines, have had to seek employment in St. John's and other "mainland" communities. As long as this situation continues, it seems reasonable to expect that adequate provision should be made for convenient travelling to and from the Island for those individuals who work elsewhere. The Commission recommends therefore that the needs for added service which were identified in submissions to the Commission be examined and that the additional runs which are warranted by the above circumstances should be introduced. Additional funds to pay for these runs should be provided by the two levels of government concerned.

The Commission has already referred in this section to the ferry link between the Northern Peninsula and the coast of Labrador and Quebec at Blanc Sablon. While technically this service is an interprovincial ser-

vice, it is also clear that it came about to service the Labrador portion of the Province from the Island. Thus, it has aspects of both an intra- and interprovincial ferry service.

The Commission is of the view that this ferry link constitutes a vital portion of the transportation network in the Province. Indeed, with the coming of the Trans Labrador Highway, it will be vital to ensure that the cross water link remains operative on a year round basis. So long as this link is provided by surface vessels, it is, in the Commission's view, imperative that every step be taken to extend as long as possible the season of operation of such vessels. Thus, when contracts are contemplated for the replacement of the existing service, consideration should be given to the type of vessel, bearing in mind the likely increased traffic with expanded road systems both on the Northern Peninsula and in Labrador, and as well the necessity to have a vessel capable of operating in ice conditions.

The other link between the Island of Newfoundland and the Labrador portion of the Province by water is the existing coastal run from Lewisporte to Goose Bay. The nature of this run has changed dramatically within the past few years. From the Commission's examination, it would appear that the most satisfactory service was provided on the short-lived run of the *'William Carson'*. It is also clear that the service of that vessel from St. John's, Lewisporte, St. Anthony, Cartwright to Goose Bay was, in fact, a very desirable one from the user's point of view. Undoubtedly, additional costs were incurred, and scheduling problems and reservations were complicated by having interim stops. Nevertheless, the Commission recommends the investigation of the re-establishment of such a multi-port service to provide opportunity for commerce and passenger traffic between three centres on the Island and two centres in Labrador.

The Commission is convinced that it is essential to provide a roll on/roll off (ro/ro) service for residents of Labrador to the Island of Newfoundland until a year round highway link exists. Therefore, the vessels to be used on the Labrador service must have capability for passenger vehicles, and as well, in future, for tractor trailer traffic and general freight.

As to the season of operation, following the sinking of the *'William Carson'*, an inquiry was launched into the cause. While the results of this inquiry are not yet known, it has been suggested in the evidence heard at the inquiry itself that ice may have been an important operative factor. Therefore it is clear that maximization of the operating season must be balanced with safety. It will become necessary, in the Commission's view, to provide a specially designed and built vessel for this service which will have ice capacity sufficient to permit a completely safe operation during the current season and possibly even to allow extension of the season.

Once the Trans Labrador Highway is completed, and a permanent link established between that road system and the Island, the necessity for a ro/ro vessel from the eastern portion of the Island to Labrador will be lessened and it may well be that such a service can then be terminated.

With regard to the Coastal Service along the Labrador coast, the Commission recommends that immediate action be taken to implement a plan for the rationalization of such service and integration of the service with the airstrip building programme underway. Such rationalization would appear at the very least to require, and the Commission so recommends, the separation of passenger and freight services and the provision of fast links by water from isolated summer communities to permanent settlements having airstrip service, so as to provide a passenger network from the summer communities to centres in Labrador and Newfoundland. Retention of the more traditional coastal boat service for small numbers of passengers is desirable. The Commission believes that the slight additional cost of the retention of some traditional passenger services is warranted in that it would provide to northern Labrador communities a passenger service by water as well as by air, thus providing a choice of modes and a backup in case of emergency or weather difficulties with one mode.

The Commission also recommends that agents of the coastal service operator be placed in the smaller communities, linked by radio communication with the despatching areas or vessels themselves.

It is evident that the existing coastal freight service is less than satisfactory to the shipper and consignee in practically every aspect, other than rates. High rates of loss and damage are experienced. Allegations have been made before the Commission that the cause of this ranges from inadequate vessels to inadequate wharfing facilities to improper handling by shore and vessel crews. Regardless of the reason, it is clear that a high incidence of loss and damage, with concurrent high costs, exists.

If the Coastal Service is to continue, as the Commission recommends, in the short and medium future for communities which have no other mode of transport available for freight, then the service must be a good one. Surely the aim must be to provide the most efficient service from the point of view of satisfaction to the user, combining such efficiency with minimum cost, both to the user and to the general public.

It is the Commission's recommendation that the coastal operator, Canadian National Marine Corporation, now implement a five year plan for the rationalization of coastal freight services. Such a plan would obviously include some advisory capacity for residents and business people now using the service,

together with advice from Federal and Provincial Government officials and marine specialists. Areas of examination should include the establishment of optimum vessel types and sizes, together with the promulgation of requirements for charter renewals to ensure that vessels being brought into the service have the capability to handle freight in the modern sense including, where feasible, palletized and shrink-wrapped cargo, small containers, etc.

At the same time, examination must be made of shore facilities. While it may be true that in the larger communities serviced by coastal boat, shore facilities are adequate, it is also true that in some of the smaller communities they are woefully inadequate. Some solution must be found to the problem of delivery of cargo by coastal vessel to small wharves. The carrier must be provided with a receipt signifying the end of the carrier's liability and the receipt of goods in proper order, or with damage as noted. Arrangements must be provided for at least minimum protection from the elements, together with facilities for temperature control in areas where substantial shipments of cargo of that nature may be anticipated.

In addition to the implementation of a programme to upgrade coastal services, the Commission has considered the question of owned *versus* chartered vessels. It is evident that one of the reasons for the tremendous cost of the Coastal Service is the relatively short shipping season on the Labrador coast, combined with the use of a substantial number of CN owned vessels which are not fully utilized in the off or down season, but for which costs for maintenance and crew continue practically year round. It would appear essential to rationalize this process as much as possible, and consideration must be given to the implementation on a phased basis of a fully chartered vessel service for the Labrador coast. The Commission is not convinced by the arguments presented during the public hearings that the chartered vessel service operated by CN is inferior in quality to that provided by CN's own vessels. In any event, with proper contracting and chartering procedures, standards of service can be protected on a chartering basis to a level at least as good as that provided by CN itself through its own vessels.

The suggestion and recommendation that chartering be expanded for a portion of the Coastal Service, when combined with the development of a master plan for implementation of improved cargo handling and vessel construction shows that, in order to continue to obtain a portion of the CN business, the operators of Newfoundland vessels must be prepared to make the necessary investments to bring their vessels in line with standards which will be set by the CN Marine Corporation. In this connection it is obviously important that as much lead time as possible be given by CN Marine to allow the operators to make arrangements for modifications to, or replacement of, obsolete vessels and to arrange the necessary financing in order that the vessels may be available when required. Failure of the Newfoundland ship owners to respond to this will, of necessity, require that CN Marine provide the vessels.

The final point in connection with the Coastal Service concerns user rates. For reasons which have not been satisfactorily explained to the Commission, or to our knowledge, to anyone else, in general the coastal rates charged for the service now are the same as they were almost forty years ago. Such a condition is in this day and age incredible. Simple factors of inflation dictate the necessity for regularly reviewed increases in rates. At the same time, the service is, as pointed out above, in many respects woefully inadequate. It would therefore appear to be unjust to recommend immediate, substantial upward revision in rates unless and until guarantees and protections are obtained to ensure that substantially improved services will be implemented. This being the case, the Commission recommends that the principle of rationalization of the coastal boat rate structure be implemented, but only at such time as a phased program of improvements in standards and service is also implemented.

1. *Summary of Recommendations*

111. That the principle of discontinuance of coastal services to communities served by road be continued. Such discontinuance should be carried out following sufficient advance notice and planning to ensure minimum disruption.

112. That particular commodities which would be adversely affected, to a substantial degree, by the discontinuance of coastal services be considered for selective subsidies under existing legislation in order to minimize difficulties caused by the transition from coastal services to road transport.

113. That the existing coastal service in the Placentia Bay area to the Burin Peninsula be discontinued, with the substitution of a regular launch service linking the communities of South East Bight, Monkstown and Petite Forte to Argentia and Marystown.

114. That adequate wharf and landing facilities be provided for all of the Placentia Bay communities at present served by the coastal boat. These facilities are to be maintained until such time as the communities are connected by road to the main transportation system.

115. That the coastal service north from Corner Brook be discontinued.

116. That with the discontinuance of the coastal service east of the Burin Peninsula, the community of Terrenceville become the eastern terminus for the south coast coastal services, including any ferry

service through Port aux Basques from North Sydney.

117. That the transfer of operational control of the existing intra-provincial ferry services from the Federal to the Provincial Government be encouraged, with the Federal Government continuing to provide financial support for the operations of these services.

118. That additional runs be provided on the Bell Island ferry service to meet the needs of those individuals who travel to and from the Island. The funds for such additional runs should be provided jointly by the Federal and Provincial Governments on the same cost sharing basis as that which now exists.

119. That the Strait of Belle Isle ferry and the coastal service from the Island of Newfoundland to the coast of Labrador and Goose Bay be operated so as to maximize the season of service, and that vessels with sufficient ice strength to allow maximum operations with all reasonable safety be procured.

120. That the coastal service from the north east and east coasts of the Island of Newfoundland to Goose Bay be re-established with a vessel capable of accommodating ro/ro traffic, and that the route include stops at Lewisporte, Cartwright, and Goose Bay. The feasibility of including stops at St. Anthony and St. John's on the run should be investigated.

121. That for passenger services on the coast of Labrador, a plan be immediately implemented for the rationalization of coastal services with the airstrip construction programme underway. Such coastal services would include in the south, the use of fast launches to link isolated or summer communities with permanent settlements having airstrip connections with the rest of Labrador, together with the provision of the traditional coastal boat passenger service to serve the southern areas and as well the northern communities on the coast.

122. That agents of the coastal service operator be stationed in smaller communities in Labrador and placed in radio contact with vessels or despatching services.

123. That the coastal service operator commence immediately the development and implementation of a five year plan for rationalization of coastal freight services in Labrador and Newfoundland. Development of such a plan should have input from residents and users of the Coastal Service together with government representation and marine specialists. Plans should include improvement of vessel types and shore facilities to provide for more efficient handling of modern cargo types and packaging.

124. That consideration be given to providing, on a phased basis, freight services by chartered vessel, in order to achieve economies not now existing with the mixed type of service.

125. That owners of Newfoundland coastal vessels take all reasonable steps to ensure that modification of existing vessels, and replacement vessels acquired, will be able to meet the chartering requirements of the coastal service operator.

126. That coastal freight rates be rationalized and placed on a regular review basis, following implementation of a phased programme of coastal service improvements.

Air Services

The Commission feels it is significant that few complaints were made during the public hearings of the Commission concerning the operations of the national and regional air carriers. Surveys and investigations carried out by the Commission support the position that generally speaking, the services provided and rates charged by the national and regional carriers in Newfoundland are generally accepted by the public, and are, on an objective analysis, of good quality and reasonable cost. The Commission notes that more complaints were received concerning the third level air services, both on the Island and in Labrador.

Concerning the national and regional carriers, the Commission is satisfied that generally speaking, rates charged are in line with generally accepted rate-making principles for equivalent distances and services, and the Commission can find no area of major difficulty in connection with such rates.

As regards scheduling, suggestions were made for the establishment of an early morning west/east flight from the Stephenville or Deer Lake area to St. John's. However, following investigation, it appears clear that patronage for such a flight would be insufficient to make the cost of present implementation justifiable. Certainly, the Commission assumes that the regional carrier will continue to monitor this situation and at such time as implementation of such a service can become viable, the Commission is satisfied that it will be actively considered by the carrier.

Representations were also made to the Commission that the regional carrier should be permitted to serve the passenger route from Wabush to Montreal. However, the Commission recognizes that factors also exist militating against such a service. It is recommended, therefore, that the Ministry of Transport and the CTC now undertake an investigation as to the feasibility of such a service and the effect of its implementation on existing carriers.

With regard to liaison with the general public, the Commission finds that the activities of the national and regional carriers are on a general level, most satisfactory, with a high degree of customer satisfaction. The Commission does believe, however, that in the major centres, particularly St. John's, it would be

desirable to implement some mechanism of providing up-to-date and accurate information to persons awaiting arrivals and departures. One mechanism might be the implementation of a televised bulletin service at the airport itself to take the place of counter personnel following the end of the evening shift. Of course, this would be supplementary to, and not in replacement of, the existing recorded telephone services.

Concerning freight services provided by the national and regional carriers, the Commission has investigated the suggestions and complaints made during the public hearings. Again, the Commission's conclusion is that the additional routes and freight services proposed are not yet practical in cost terms. However, particularly in the Corner Brook area, which is served by two airports located at considerable distance from the community, the Commission recommends that carriers take every reasonable step to ensure that air freight is handled in the most expeditious and efficient manner and particularly that consignees have an easily accessible and accurate source of information concerning arrivals and departures of shipments.

As the Commission has indicated in various sections of this report, the Newfoundland fishery constitutes one of the brightest hopes for the prosperity of this Province. The Commission has considered the present lack of fast transport of fish products by air west to Canadian and United States markets. Such a service was implemented by Air Canada in the recent past, but through lack of regular deliveries to the airport collection point, had to be terminated because of unreliability. The Commission deplores this fact and encourages the Provincial and Federal Governments, together with the carrier and fish processors, to explore ways of implementing a regular flow of fish products in such a fashion as to support a regularly scheduled westbound run, both to serve the western markets and also, to allow use of Mirabel Airport facilities tailored to European markets.

With regard to such European service, the Commission wishes to study the possible establishment of an eastbound freighter flight from either Mirabel or Gander which could pick up fresh fish product for shipment to European points. The Commission believes that there is sufficient demand for high quality fresh fish products in the European market to provide full markets for every load carried and the considerable freight costs could be absorbed in the chargeable price. The Commission believes that implementation of such a service would do much to enhance the image of Newfoundland fish products and fish processing in Europe and might indeed provide additional impetus for sales of Newfoundland products by more direct waterbound routes to Europe. The existing terms of reference of the Commission specifically exclude such a study, however, and the Commission can only request that permission be granted for such a study.

Concerning ground facilities at the major air centres, the Commission notes the relative lack of recommendations or requests in this regard from the Gander area. The Commission also notes, however, that the Federal Government has committed itself to substantial expenditure on considerable terminal improvements there.

In St. John's, the Commission notes the availability of extensive instrument landing systems to counter the relatively poor weather factor occasioned at Torbay Airport. The Commission recommends the addition of a Category 1 landing system on Runway 11 at Torbay to increase even further the available landing facilities. Every step which can reasonably be taken and at reasonable cost to service passenger travel by air into the major centre and capital city of the Province is justified in the opinion of the Commission.

Again, in connection with St. John's and Gander airport facilities, representations were received suggesting the establishment of temperature controlled fresh fish product holding areas at these terminals to facilitate outbound shipments. The Commission, however, recognizes the position of the carrier that it should not be responsible for these additional costs. The question of the requirement for such facilities and the cost of their construction should be considered in the study of western and European markets referred to above.

In Labrador, the Commission notes the Federal Government's announced intention to substantially upgrade and expand terminal facilities at Wabush Airport. The Commission endorses this expenditure, since this airport serves the major centre of population in Labrador and provides an essential link with the Island of Newfoundland.

The Commission notes with some concern the very strong representations received from the Labrador West area concerning the necessity of proper air traffic control services at Wabush Airport. From the information available to the Commission, it would appear that the area of concern centres around a relatively high density of traffic during one particular period of each day. This is a very technical area, and the Commission feels that it can only recommend that the Ministry of Transport study the complaints of residents to decide if, in fact, a safety-related problem exists now or is imminent, and to determine what solutions can be found to alleviate the concerns of residents of the area. One possibility would seem to be a slight rescheduling of flights, but again this would have to be analyzed from the operations of carriers currently serving the Wabush area.

The Commission notes the Provincial Government program, now practically completed, for establishment of aircraft landing strips and helicopter pads at isolated areas throughout the Province. With the coming of new or better road links in the vicinity of some of these areas, particularly on the Burin Peninsula, the airstrips in question have fallen almost into complete disuse. The Commission regrets this turn of events and, at the same time, regrets the fact that when such landing strips were in the planning stages, consideration was apparently not given to establishment of such facilities on Fogo Island. Strong representations have been received from residents of Fogo Island and, as well, from the existing air carrier, Gander Aviation, concerning the necessity for some proper landing facilities to be established there to facilitate the essential air lift services provided during the winter months. The Commission notes that the Provincial Government already subsidizes the cost of passenger travel during these periods and recommends that the Federal Government give active consideration to assisting in the establishment of a proper landing strip and necessary facilities to allow safe, year-round operations to and from Fogo Island. The Commission wishes to clarify that it does not lightly make such a recommendation. Consideration has been given to the cost of establishing such a landing strip and, as well, to the claims of other communities in Newfoundland as to the necessity of establishment or upgrading of air facilities. However, the Commission also recognizes that Fogo Island encompasses a population of approximately five thousand persons and is, from all indications, one of the most viable isolated communities in the Province. The Commission feels that monies spent on establishment of at least the minimum in landing facilities on Fogo Island is a reasonable expenditure in these circumstances.

In the preceding recommendations, the Commission has not referred to the situation regarding air travel in Labrador, with the exception of the main centres. This omission has been deliberate, since the Commission believes that the situation regarding air services in the greater part of Labrador, and particularly along the coast, is of such vital importance to the well-being of residents of that area, and to the Province as a whole, that it warrants separation from considerations of other air problems in Newfoundland.

The Commission encourages the immediate implementation by the Federal Government on a priority basis of the Master Plan for air transportation services in Labrador. Linking of such air services with passenger marine services has been referred to in the section of this chapter dealing with coastal services to Labrador. It is clear that a comprehensive system of passenger services to all coastal communities must be made available and that air services by float and ski equipped aircraft will continue to be an essential part of such a system in the foreseable future. Adequate docking and passenger shelter facilities must be provided wherever such "bush" services operate. As well, scheduled air services both by wheeled aircraft and by float and ski equipped craft will be essential in the medium range, in order to provide a true network of passenger and freight services able to serve the needs of the coastal communities.

The Commission is satisfied that for whatever reason, in the past coastal Labrador has, to a great degree, been ignored in the development of basic air transportation modes and services both by the Federal and Provincial Governments. There is no doubt that the isolated nature of the communities, the vagaries of the weather and the length and sinuosity of the coastline makes costs unusually high and options unusually restricted. Nevertheless, every effort must be made to more fully integrate Labrador and its residents into the mainstream of life of the Province as a whole. Additional costs caused by the factors of isolation and geography, which are no fault of the people themselves, should not be allowed to justify the shelving of proposals or the failure to implement decisions. Indeed, the Commission believes that as a general principle, it should be accepted that transportation costs for communities in Labrador will be higher than for other areas of the Province or indeed perhaps for other areas of the country as a whole. Both levels of government, therefore, when making decisions concerning transportation services, including air services, must be prepared to accept such higher costs as a necessary incident, and not to restrict the options or services available in order to bring the total cost into line with expenditures in other portions of the Province.

1. *Summary of Recommendations*

127. That federal authorities investigate a feasibility of permitting Eastern Provincial Airways, the regional carrier, to serve the passenger route from Wabush to Montreal.

128. That in the major air centres, including St. John's, a televised visual information service be provided at the air terminals to provide up-to-date information to persons awaiting arrivals and departures at such times as counter personnel may be off shift.

129. That the national and regional air carriers be encouraged to take every reasonable step to ensure that air freight arriving in Stephenville for delivery to the Corner Brook and surrounding area be handled efficiently and that consignees have easy access to information concerning arrivals and departures of such shipments.

130. That the Provincial and Federal Governments, together with Air Canada and Newfoundland fish processors immediately explore ways of re-establishing a regular flow of fish products in order to support a scheduled westbound air service to Central Canadian and United States markets for fresh fish products.

131. That development of eastbound air services for the carriage of fresh fish products from Newfoundland to European markets be investigated. That the Gander Development Corporation be given every encouragement including financial assistance in furthering its participation in the study of the use of Gander and Mirabel airports as major transshipment airports for the transport of fresh fish.

132. That a Category 1 Landing System be installed on Runway 11 at Torbay Airport to provide maximum landing possibilities in adverse weather conditions.

133. That the Ministry of Transport study the complaints concerning inadequate Air Traffic Control procedures at the Wabush Airport and ensure that all safety requirements are met.

134. That the Federal Government contribute toward the cost of construction of air landing facilities on Fogo Island in order to assist in ending isolation of the residents of that community during winter months when air service for passengers and freight is required.

135. That implementation of the Labrador Area Master Plan for the construction of landing strips at coastal communities be continued on a priority basis by the Federal Government.

136. That the Province and the Federal Government encourage the implementation of a co-ordinated plan between air and marine services on the Labrador coast, both for passenger and freight traffic.

137. That for Labrador transportation it should be accepted by all governments, as a principle, that transportation costs are necessarily higher to provide any given level of service, and that such higher per capita or absolute expenditures are justified in order to provide acceptable levels of service.

138. That the feasibility of delivery of a greater quantity of freight by air to the major Labrador communities be thoroughly investigated.

Section 6

Minority Report
of
Commissioner E. E. Thoms

Chapter XVII

Minority Report of Esau E. Thoms, Commissioner

Because of my illness, I have unfortunately been unable to participate fully in the main deliberations of the Commissioners in order to formulate the second volume of the report of the Commission. For this reason, my fellow Commissioners have generously agreed that it is now preferable to issue an interim report dealing with those areas which we had been generally able to discuss in some detail prior to my illness.

It is the intention of the Commission to continue to meet over the next months in order to finalize all of the matters set out in the first volume of the report and as well, to reach certain additional conclusions arising from specific studies undertaken by the Commission.

While, obviously, I have not been able to fully discuss certain controversial areas of the first volume of the report with my fellow Commissioners, nevertheless I feel that I must record my disagreement with certain of the principles enunciated by them in this report. It may well be that following presentation of the first volume of the report, and when the Commissioners are able to fully discuss during the next several months all of the details of the report, certain areas of my disagreement may be able to be resolved. Of course, I recognize that this process may also result in finding that there are continuing areas of disagreement which may necessitate a further minority report at the time of presentation of the second volume of the report of the Commission.

I cannot agree with the general premises and conclusions arrived at by the majority of Commissioners in Chapter VIII, dealing with the future of the railway in Newfoundland, and in the recommendations which are based thereon.

In my view, it is not in the least inevitable that the volume of traffic offering on the Newfoundland railway will decline to a negligible amount within the next ten years. It is my belief that the decline in traffic to this date has, to a large degree, been caused by inefficient equipment and facilities, lack of local authority to deal with particular local problems, and a general lack of dedication to the viability of the railway by the operator itself and, I suppose, to a lesser degree by the employees, both management and union. On this latter point I do not blame the employees for this lack of enthusiasm. When the corporate entity exhibits the will to survive and improve, it is my belief that this will translate itself into actions by all employees.

Since I do not believe in the inevitable end of railway freight traffic in Newfoundland, I can see no basis to conclude that the optimum transportation network will develop without an important place for rail services. Indeed, it is my belief that every reasonable step should be taken to encourage the growth and expansion of the rail service, as I will elaborate subsequently.

Not only is it my belief that through proper management, rail traffic will continue to grow and form an even more important segment of the Newfoundland transportation picture, but it is also my firm conviction that there are several other major reasons for the retention of a rail freight system in Newfoundland.

1. I believe that the conscious abandonment of the remaining portions of the railway network in this Province would place Newfoundland at a disadvantage when compared to every other province of Canada, in which there continues to exist a viable

rail operation. Having already lost our passenger service, I believe that it is wrong for any conscious step to be taken to remove the remaining vestiges of the railway. Surely the citizens of Newfoundland are entitled to a mode of transportation equal to that existing in the other nine provinces and unless and until a general move is made to discontinue rail services across Canada generally, I cannot support the voluntary removal of such a mode in this Province.

2. It is my belief that there is a constitutional obligation on the part of the Federal Government to provide and maintain a rail service in this Province as long as there is any traffic offering for that service. This is the conclusion which has been reached by the other Commissioners, following legal consultation and consideration of the Terms of Union of Newfoundland with Canada. I concur with this conclusion, but I cannot concur with the subsequent decision by the majority of Commissioners to recommend that the constitutional obligation be changed or eliminated, based on certain premises and predictions as to the optimum transportation network. It is my belief that to recommend a change in the constitution is wrong. The people of Newfoundland were guaranteed a continuing rail service in this Province as one of the conditions of their agreeing to join Confederation in 1949. I do not believe that government has the authority to agree to a change in this obligation, regardless of circumstance. It is my position that one of the special conditions for having Newfoundland become part of Canada was that there be a rail service maintained, regardless of the cost. This is an obligation of the Federal Government which is unique to this Province. Therefore, it is a base position, from which all other considerations must be built, and cannot be included as part of the consideration of what the optimum system should be. In other words, given a railway system capable of meeting all traffic offering on it, I feel that this is the "zero" position from which Newfoundland is entitled to start when seeking federal assistance in transportation generally. Newfoundland should start from this position in the same fashion as the other provinces may have started from the position of having no railway services. But that is a fact of life—Newfoundland was constitutionally guaranteed a railway service, which may not be the position in some of the other provinces.

3. In the present economic position of Newfoundland, I cannot agree with any recommendation that would voluntarily throw additional strains on the employment situation. This Province has the worst unemployment picture in Canada and this is likely to continue. Regardless of mechanisms proposed to deal with the adverse effects of the abandonment of the railway, it is an unalterable fact that some three thousand persons depend directly for their livelihood on the continuation of rail freight operations in Newfoundland. Any attempt to discontinue these operations cannot help but cause much distress and misery to many of these persons, even should it be possible to place them in other job positions subsequently. I am not convinced of the effectiveness of co-operative ventures to *completely* remove the adverse effects of unemployment. I, therefore, cannot in conscience support the abandonment of the rail operation, knowing as I do the catastrophic effect it would have on many, many lives and employment opportunities in Newfoundland.

4. It is my belief that the use of fossil based fuels, particularly oil and oil products, will continue to increase in cost within the next few years. Indeed, we may reach a position in which rationing of fuel products will become a necessity from the nation's point of view. This being the case, it is obvious that the least fuel efficient modes of transport will be the hardest hit, and it will become a positive step in the national interest to encourage fuel efficient ones. It is clear that next to direct water shipping, rail transport is the most fuel efficient mode. Any step that would now be taken, therefore, to promote the abandonment of the railway at a point which may be just prior to a mandatory switching in mode priorities imposed by fuel shortages would, in my view, be most unwise and indeed disasterous. Once the railway is abandoned it is simplistic to say that it could be reactivated should the fuel situation dictate. Abandonment will bring with it decay of equipment and plant which will be extremely costly, if not impossible to rectify in the short run. Therefore, since the fuel crisis is upon us, I cannot recommend the abandonment of one of the most fuel efficient modes. Indeed, it is my belief that this mode will become increasingly attractive as fuel costs rise, and this factor alone will promote an increase in traffic offering for the railway which will go far towards making the Newfoundland railway operations more economically viable and more importantly, more economically vital to the population of this Province.

Having said, and justified above, that it is my position that the rail freight system in Newfoundland should be continued and improved in the future, I must state that it is my view that every reasonable step should be taken to improve the capacity of the railway to attract and handle freight. It is my belief that all reasonable steps should be taken to upgrade and improve the roadbed, trackage, and physical facilities of the railway to enable it to provide the speediest and most efficient service possible. While I do not go so far as to recommend the standard

gauging of the railway, nevertheless it is my belief that investigation of the possibility of standard gauging certain portions, say from Corner Brook to Port aux Basques and from Argentia to St. John's, should be investigated from a cost effective point of view to determine whether this expenditure would not, in fact, create a tremendous improvement in rail freight capability to the major points of consumption in the Province. In any event, the railway must absolutely be improved, at whatever cost, to ensure that it is able to effectively meet the traffic offering to the railway, which traffic will, in my estimation, increase in the coming years.

The other Commissioners have recommended the establishment of a Joint Consultative Committee to operate during the period of a possible phase-out of the railway. As mentioned above, I disagree with the principle of abandonment of the railway, but I feel that the work of such co-operative committees can be of great use in seeing what ways may exist to develop co-operation between management and labour, and to improve efficiency and attract traffic to the railway.

In this connection it is my view that a localization of management authority is absolutely essential if this aim is to be achieved. It is my belief that the pattern in the past of decentralization of authority out of Newfoundland and of leaving ultimate decision-making authority on many important points with officials in Moncton and points west, has only served to alienate the workforce with the railway. Furthermore, and worse, it also alienates the general public, who cannot deal with people at the local level who have authority to make decisions. I think that the institution of a local or regional manager for Newfoundland with ultimate authority on all matters of day to day importance is an absolute first step in the revitalization of the railway.

With regard to rates, I believe that it is beyond the scope of this Commission in the relatively short time span allotted to it, to come up with a definitive study on rates. The whole rate making procedure and the effect of rates on traffic and types of commodities is a very complex study. Nevertheless, it is my view that at present in Newfoundland we have certainly less than a first or second class railway service, and I am strongly of the opinion that railway rates must be adjusted to represent the service provided. If my recommendations are adopted and if the railway is upgraded and improves its position, certainly at that point consideration might be given to maintenance or increases in railway rates from the present levels. However, while we continue to enjoy a third class rail service, it is my view that railway rates should be reduced in areas where other modes have a competitive rate advantage, since the railway, by charging equal or higher rates, while at the same time providing a third class service, is being grossly over-compensated. I realize that such a position would increase the operating deficit of the railway, although I am not convinced that such deficits would not be offset by increased volumes and other efficiencies. Nevertheless, if a deficit has to occur, it is my view that it is the obligation of the Federal Government under the Terms of Union to ultimately pay this deficit, whether by direct subsidy to the rail operator or by requiring the operator to cross-subsidize the service from other revenues.

Finally, with regard to the rail passenger service, I think the Federal Government did a great disservice to the public of Newfoundland in the abandonment of the rail passenger service in this Province in 1969. I am of the strong opinion that it is a great pity that legal action was not taken then to contest the right of the Government, under the Terms of Union, to abandon a substantial portion of the rail service in this Province without the consent, at least, of the general public.

Nevertheless, it is a fact that the service has been abandoned and to a large degree, the railway operations have been changed to take into account the fact that there is no longer a rail passenger service. Passenger rolling stock and related equipment, employees and services, have all been diverted elsewhere and I recognize that it would be a very substantial investment and step to reinstitute a passenger service. Nevertheless, I feel that immediate feasibility studies of the institution of a commuter passenger service should be undertaken. It might, for example, run to St. John's from the Whitbourne area to service the Placentia, St. Mary's Bay area, and also the Conception Bay area. It is my belief that the costs of instituting a fast commuter service would be minimal when compared to the benefits to be offered to a large number of persons now using private automobile or public bus to commute daily to the capital city.

I am also of the opinion that once such a service is established, it may well be that the expertise brought back into the railway operations through the hiring of passenger related employees and the acquiring of passenger related equipment will be such as to make it feasible to institute a regular passenger service across the Island. It would be my recommendation that a study be undertaken to determine the ways and means of developing passenger traffic to support at a reasonable level the institution of such a service. This would, to a large degree, allow the discontinuance of the present CN bus service, which, in my opinion, is completely inadequate as a passenger service and will continue to be so, regardless of the monies expended on the provision of more luxurious and lavish coaches and the like. The fact is that no bus service can provide the seating and overall comfort of a train, together with the dining and rest facilities appropriate to the train mode. It is my view that because of the relatively lengthy distances travelled by the public in Newfoundland, and the high degree of reliance by the

public on publicly operated transport, a rail passenger system is of great importance and every effort should be made to provide for the reinstitution of such a service on an efficient and cost effective basis if possible.

In the preceding paragraphs of this report I have mentioned my main areas of disagreement with the interim conclusions reached by the other Commissioners as they relate to the future of the railway in Newfoundland. I am in general agreement with the analyses on decisions reached and the recommendations made in the balance of this report, except where such analyses, conclusions or recommendations conflict with the points set out above in this Minority Report. In this connection I should note that the suggestions and recommendations concerning the chartering of vessels for the coastal service seems to me to be unwise and I am in firm disagreement with them. Also, I do not agree with the recommendation that the Coastal Service be discontinued from Corner Brook to Labrador. I shall note any other specific disagreements as necessary in comments attached to Volume II.

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Glossary

Rail

Break Bulk:
The breakdown of a large shipment into smaller shipments for trans shipment

Carload:
A full rail car of freight

Express:
Small parcel service, providing transportation and (in large urban areas) pickup and delivery service

LCL:
Less than carload freight

Narrow Gauge:
A gauge of less than standard (standard is 4 feet 8½ inches between the rails). The Newfoundland lines are 3 foot 6 inch gauge lines

Piggyback:
The carrying of truck trailer units on railway flatcars

Reefer:
A refrigerated rail car

Standard Gauge:
Railway lines having a gauge of 4 feet 8½ inches between the rails

Tri-level Rail Carrier:
Rail car which accommodates three levels of automobiles vertically

Truck to Truck:
Exchanging the trucks under a railway car with another set of trucks, to accommodate gauge changes

Turnout:
A switch on a rail line

70,85,100# Rail:
The weight of a rail expressed in pounds per yard of rail

Road

Arterial Road:
Road intended to move large volumes of traffic at high speeds and connecting major economic regions and centres of a province

At-Grade Crossing:
The area where two or more roads join or cross or where a road and railway cross

Collector Road:
Road which collects traffic from local roads and feeds it to arterial roads and has a land service function of equal importance to the traffic service function

Edge Line:
A painted line on the right or left edge of a lane or highway (right on two or three lane highways)

Grade Separation:
A crossing at different levels of two roads, or a road and a railway

Half Load Limit:
A vehicle weight limit on roads allowing one half of the maximum payload to be carried (applies to trucks only)

Local Road:
Road which main function is to provide access to properties adjacent to the road

Passing Sight Distance:
The length of roadway available for passing and visible to the driver of a passenger vehicle at any point on the roadway when the view is unobstructed by traffic

RAU 60:
A designation for Rural Arterial Undivided highway with a design speed of 60 (miles per hour or equivalent kilometers per hour)

Seal Coat:
A single application of asphalt binder, followed by a single application of cover aggregate, both placed on an existing bituminous surface

Service Volume:
The maximum number of vehicles that can pass over a given section of a lane or roadway during a specified time period while operating conditions correspond to a specified level of service

Surface Treatment:
The application of asphalt binder and cover aggregate, in various combinations, on a prepared gravel or crushed stone base

Tote Road:
A temporary road used for transporting construction materials to the construction site

Weight Scale:
A site on a roadway that is used to measure the weights of trucks through the use of scales

Marine

Auto Equivalent:
The space on a ferry consumed by one automobile (average length of 20 feet). Ferry vehicle capacity is usually expressed in terms of x auto equivalents, e.g., '*Marine Nautica*' and '*Marine Atlantica*' can carry 290 auto equivalents each.

Fast Turn-Around:
A means of increasing the number of trips of a vessel by decreasing the time spent in travel and in port, e.g., reducing a Gulf ferry's time in port from a normal six hours to about two hours

Graving Dock:
A drydock used for repairing ships

Ro/Ro Vessel:
A roll on/roll off vessel where highway or rail vehicles are driven into or off the vessel on their own wheels

Side Loader:
A vessel in which cargo is loaded through doors in the vessel's side, rather than end or top loading

Synchrolift:
A lifting device used to assist in repairing vessels by lifting the vessel completely out of water instead of putting the vessel in a drydock

Air

Aerodrome:
Any area of land, water or other supporting surface designed, prepared, equipped or set apart for use either in whole or in part for the arrival or departure of aircraft

Belly:
The section of an airplane immediately below the passenger compartment and used generally to carry cargo

Class 3 License:
Specific Point commercial air service operated wholly within Canada serving points consistent with traffic requirements

Class 4 License:
Charter commercial air service operated wholly within Canada that offers public transportation on reasonable demand (includes recreational flying)

Class 6 License:
Flying club commercial air service

Class 7RF License:
Specialty commercial air service for recreational flying, i.e., sightseeing, barnstorming and parachute jumping

Class 9-3 License:
International Specific Point commercial air service operated, between points in Canada and points in any other country consistent with traffic requirements

Class 9-4 License:
International Charter commercial air service operated between places in Canada and places in any other country

Convertible Freighter:
A freight aircraft which can be converted partially to carry passengers in seats

National Primary Airport:
A Ministry owned and operated designated international or international alternate airport and other Ministry owned airports which serve population centres of over 40,000

National Secondary Airport:
An airport of predominantly national interest with an Air Traffic Demand Index over 400 operated either by the Ministry or a Municipality or other designated body

Regional Airport:
Airport of predominantly local interest with an Air Traffic Demand Index of less than 400

STOL:
Short take-off and landing

Bus

Feeder:
A bus service which feeds traffic to and from the main bus services

Passholder:
A passenger who holds a pass for free or reduced rate travel

Revenue Passenger:
A passenger who pays directly for his passage

General

Back Haul:
Freight carried on the return portion of a round trip

Cross Subsidization:
Subsidization of a service operating at a deficit by a service operating at a profit, both operated by the same company

Cunit:
1.18 cords of wood

Degree of Curvature:
The angle measured in degrees at the centre of a simple circular curve subtended by an arc of 100 feet

Easement Spiral:
A curve of which the radius gradually changes and is used between a tangent and a circular curve to ease the centrifugal force on a vehicle from zero on the tangent to full force on the circular curve

Grade:
The rate of rise or fall with respect to the horizontal, e.g., a 6 foot rise or drop in 100 feet horizontal is a 6 percent grade

Interface:
A connection between two different modes of transport such as rail/ship or rail/truck

Interline:
A car movement which originated or terminated on a railway other than one under discussion

Payload:
The maximum weight of cargo that can be carried by a vehicle, vessel or aircraft

Shrink-wrap:
A plastic film wrap for sealing cargo shipments

Traffic Zone:
A designated area of land based on characteristics of population, geography, etc., and used for origin-destination studies