Report of the Commission of Inquiry into Newfoundland Transportation Volume 2

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Section 1

Prologue

30 November 1978

The Honourable Otto Lang
Minister of Transport
Tower "C"
Place de Ville
Ottawa
K1A 0N5

Dear Mr. Lang:

We submit herewith Volume 2 of the Report of the Commission of Inquiry into Newfoundland Transportation.

All commissions of inquiry labour under difficulties to a greater or lesser extent. The difficulties that beset our Commission have been great indeed. We were entrusted with a major task and responsibility and were given limited time within which to carry it out. Despite the scope of the project, the work of the Commission proceeded rapidly and according to schedule until early in 1978. We had intended to submit the report of the Commission in April and a supplementary report now. By March we had been able to complete deliberations on all of the substantive matters that faced us, but the unfortunate illness of Commissioner Thoms prevented us from concluding deliberations on all aspects of our report.

Rather than delay the release of the Report indefinitely, we decided to submit the report in two parts. Volume 1 was presented in May; it contained general recommendations in virtually all the major areas that concern the development and efficient functioning of the Newfoundland transportation system. Volume 2 contains specific research reports and includes recommendations involving details of implementing the general principles contained in Volume 1.

Our deliberations and research have now been completed. Volume 2 represents the final statement of the Commission in all its areas of responsibility.

Yours sincerely,

Arthur M. Sullivan

ARTHUR M. SULLIVAN, Ph. D.
Chief Commissioner

J. Bamford Ploughman

J. B. PLOUGHMAN
Commissioner

E. E. Thoms

E. E. THOMS
Commissioner

Introduction

This second, final volume of the Report of the Commission of Inquiry into Newfoundland Transportation is intended basically as a supplement to Volume 1. As such, it presents no new concepts or principles. Rather, it presents information gathered since July 1978, together with certain conclusions based on this information.

Some of the information represents a continuation of the activities instituted by the Commission's research staff in the preparation of Volume 1. The remainder is provided by studies designed by the Commission staff and contracted to independent consultants.

Specifically, Volume 2 supplements Volume 1 in the following ways.

1. In certain areas (e.g., public bus transportation, and the application of subsidies in Newfoundland) general principles were laid down in Volume 1, where it was also noted that the specific principles to guide the implementation of the general principles would themselves require further investigation. Such specific principles, with appropriate recommendations, are presented in the relevant chapters of Volume 2. These recommendations are made within the context of those already presented in Volume 1, and do not depart from them substantially.

2. In other areas (e.g., employment patterns and the movement of specific commodities) where Volume 1 does not pursue the effect that recommendations of the Commission would have upon subsequent events in Newfoundland, the Commission examines in Volume 2 the most likely consequences of the implementation of its earlier recommendations. But, because further and more careful consideration is still required, the Commission makes no specific recommendations.

3. Some ideas were presented in Volume 1 as innovative concepts that require further study (e.g., hovercraft and year round operation of the Argentia ferry). In this volume further information is presented on these interesting matters. The intent is to analyze the available data, with the goal to recommend whether further studies (i.e., a full feasibility study) should be attempted in the future or whether the ideas are not sufficiently promising to justify the cost of further detailed investigation.

4. In certain instances in Volume 1, the Commission made recommendations on structures and functions of new entities within the transportation system, e.g., a Newfoundland Transportation Commission, joint consultative committees, a research centre, etc., along with general guidelines about their financing. Volume 2 contains, in outline form, further information on the purpose, structure, and functions of these groups and some further specific ideas concerning the necessary financing.

The writing of Volume 2 presents particular problems because it is being written after the release of Volume 1. On one hand the public response to Volume 1 has been strong. Both the Federal and Provincial Governments made some formal response. Therefore, it is tempting to modify some of the basic principles of Volume 1 in response to this reaction. On the other hand, the Commission remains convinced that the basic principles laid down in Volume 1 are valid and eventually will provide the basis of at least the guidelines for an adequate transportation system for Newfoundland in the long-range future. Therefore, even though it now appears unlikely that some of the recommendations in Volume 1 will be implemented in the immediate or near future, we shall assume that

further consideration of Volume 1, combined with changing circumstances, will cause eventual acceptance of the main principles by the appropriate levels of government. The Commission, in all important aspects, adheres in Volume 2 to the basic principles and philosophy presented in Volume 1.

Thus, in Volume 2 we assume that the major recommendations of Volume 1 will be implemented some time in the future. This means that we assume that money can be saved in one part of the system (e.g., modification of the railway or the more effective use of the coastal service) and that those savings should be used to support the development of transportation in other areas (e.g., harbours, highways, etc.).

Our recommendations and conclusions are based on the assumption that money will be available to support certain new developments that hitherto have been deferred because funds were lacking, and, further, that certain innovations will be implemented although they cannot be justified on purely economic grounds.

The cold financial realities, however, are important; therefore, the Commission endeavours in all cases to present the basic economic information essential to proper decision-making. Nevertheless, the Commission argues that, despite the necessity for fiscal responsibility, social considerations must be weighed to determine what should be done in any given case.

Having said this, the Commission does not ignore completely the public response generated by Volume 1. The final chapter of Volume 2, *In Retrospect* addresses the question of the public response and what actions, changes or modifications, especially for the immediate and near future, seem to be required by that response.

The Commissioners thank all who have worked so hard to prepare and produce Volume 2 in such a short time. As was the case in Volume 1 the fullest co-operation was received from all whom we approached for help. All the members of the staff worked extremely hard and efficiently, and the Commission is very grateful to them for their assistance.

Section 2

Specific Projects

Chapter I

Marine Alternatives

This chapter deals with various innovations that might enhance the efficiency of the transport of passengers and freight *via* the direct water mode. They are:
- expansion of North Sydney/Argentia ferry service;
- railcar ferries to Corner Brook;
- direct water ports.

A. Expansion of North Sydney/Argentia Ferry Service

Introduction

The popularity of the seasonal ferry service between North Sydney and Argentia has given rise to the suggestion that this service be expanded from its current four-month operation to a year-round one. Proponents argue that such a service would be well patronized by the trucking industry, because more than 45% of all incoming truck freight is destined for the Avalon Peninsula. Furthermore, the combined demand of passenger traffic in the peak tourist season, along with the year-round high level of truck activity, would render the service more convenient and certainly no more costly than if the same traffic were handled through Port aux Basques.

With these arguments in mind, the Commission has examined four alternatives for modification of the present North Sydney/Argentia service:

1. The existing, predominantly passenger-related service can be continued beyond its normal cessation date to become a year round one. For those periods of the year when passenger traffic is low, efforts can be made to induce commercial traffic to use the excess capacity.

2. The present service can operate without change, but a new year-round service dedicated to truck traffic can be instituted.

3. A dedicated truck service can be implemented as in alternative 2, but shall include, on either the eastward or westbound run, an additional stop at some port on the Burin Peninsula.

4. A dedicated truck service can be implemented on a circular route to include both Port aux Basques and Argentia in the same run.

The prime criteria used to assess each of these alternatives were the need for the service, the extent of the social benefits of the service, and the cost of providing the service. Although economics was not the over-riding criterion, the necessity to avoid any undue increase in the total subsidy requirement was important.

Traffic Demands

Cost is directly related to the volume of traffic; therefore the Commission in assessing the demand for a year-round service to and from Argentia, has attempted to define a basic market to which the service might be attractive. The Commission has assumed a "catchment" area to include the Avalon, Burin and Bonavista Peninsulas. Any vehicular interprovincial traffic originating from, or destined to, this area has been considered a potential customer for the Argentia ferry. Nevertheless, it is realized that the ultimate choice of users depends on variables such as fare structures, schedules, perceived costs and other service characteristics.

The demand for passenger and passenger-related service comes from two sources: the resident population and non-resident tourists. In recent years there has been, on the Argentia run, a slight decline in non-resident tourist travel and a slight growth in resident travel. The total represents approximately 14% of all interprovincial ferry traffic. Peak volumes occur

in July and August because most passengers are vacationers. This pattern is not likely to change because travel to or from the mainland by this route for other than social or recreational purposes is simply not practical because of the time involved. Therefore, it is assumed that future demand will continue to be low during most of the year with very pronounced peaks in summer.

The Commission forecasts that there is a potential Argentia market of approximately 70,000 auto trips annually by 1991, as compared with fewer than 23,000 actual trips today. However the actual demand, owing to the competition from the Port aux Basques route, probably will be just over 35,000. Of these, more than 60% will take place in July and August.

Unlike passenger traffic, truck traffic is not characterized by such pronounced seasonal peaks. As well, a large amount of freight moving by truck to the catchment area is transported through many intermediate stops where additional volumes often are dropped off or collected. The Atlantic Provinces Truckers Association estimates that slightly less than 20% of all incoming truck cargo goes directly to the catchment area without intermediate stop. Because the ability to drop off and pick up freight outside the catchment area is precluded if a trucker elects to use a direct Nova Scotia to Argentia ferry, it is unlikely that the market will include more than 20% of the total possible truck trips. It is likely, however, that with a suitable fare structure, most of that 20% could be captured and held by an Argentia ferry.

Service Schedules and Frequency – Passenger Vessels

Although the Argentia ferries currently operate at near capacity during the peak period, their utilization rate, averaged over the full operating season, is not more than 80-85% of total capacity. The '*M. V. Marine Cruiser*' provides adequate space during the off-peak months of June and September and the '*M. V. Ambrose Shea*' is added to the service to meet peak demands in July and August. If a year-round service were implemented, capacity requirements could be met, at least in the initial years, by extending the service period of the '*Marine Cruiser*' to 12 months. As additional capacity is required, the use of the second vessel could be extended.

It is assumed that when only one vessel is operating, it would be scheduled to three trips per week, but that the full-time use of two ships would permit a regular six trip per week schedule. For a dedicated truck service, it is assumed that a vessel similar to the '*Sir Robert Bond*' would be scheduled three times per week.

Cost of Service – Passenger

In 1976 the operating cost of the present Argentia ferry was approximately $5 million for the four-month season. This is $250 per auto equivalent[1] carried, compared with the Gulf service cost of $65 per auto equivalent. Because the forecast of future passenger traffic demands indicates that use in the off-peak months is likely to remain low, the only realistic foreseeable alternative for year-round service is to have the '*Marine Cruiser*' or similar vessel operate on a 12 month basis, supplemented by the '*Shea*' or a larger vessel in the summer months. Assuming current fare levels, and taking the most optimistic view of potential patronage, the Commission estimates that the revenue would not exceed $1.76 million annually in the early years. It would rise only marginally thereafter, while the annual cost would surpass $7.9 million. Thus, the maintenance of such a service would cost approximately $268 for each auto equivalent carried. This would mean a support cost of about $225 per auto equivalent.

At first glance it appears that because the cost per auto equivalent would be only marginally higher for a year-round service than for the present four-month one, it might seem to be somewhat logical to implement the 12-month one. However, two important facts should be considered. Firstly, the shorter season figure includes at least 25% to cover the cost of maintaining the vessels while they are idle or being laid up. The same kind of figure is not included in the cost of the year-round service. If the vessels were used 100% of the time elsewhere when they were not on the Argentia route, these maintenance costs would be reduced substantially. Under these circumstances the cost per auto equivalent during the shorter four month season would be about $190-$195.

Secondly, although cost per auto equivalent is an important indication of service performance, the most important and over-riding characteristic is the total amount of subsidy required to provide the service. Even though the cost per unit would be only slightly increased, the year-round service would cost substantially more than the current four month service, or if the same traffic were carried on the Gulf. This is because many more units would be carried during a 12 month period than during a four month one.

It can be argued further that traffic directed to the Argentia service from the Gulf run would cause a net saving on the Gulf, which then could be applied to the Argentia service. But the vast difference in support costs between the Gulf ($40 per auto equivalent) and the proposed Argentia service ($190 per auto equivalent) makes it virtually impossible for these savings to affect the economic viability of this proposal. On the contrary, due to the relatively high proportion of fixed costs associated with the Gulf service, the diversion of a small amount of traffic from the Gulf would only

[1] Auto equivalent is the space occupied by one car on a ferry.

add to the subsidy requirements for that service, because while costs would not increase, revenues would drop. This picture might change if sufficient traffic were diverted to permit the total elimination of one of the Gulf vessels.

The great gap between costs and revenues might be narrowed by increasing revenues through higher fares and user charges. An analysis of the current fare structure however, indicates that total user costs for journeys between the Island and Nova Scotia, *via* the Argentia ferry, now are near the perceived [2] costs for the same journey *via* the highway and Gulf route. Any increase in fares on the Argentia service without a corresponding increase on the Gulf might cause a shift of demand away from the Argentia run.

Thus, from a purely economic point of view, an extension of the existing service to a year-round operation is not justifiable. Unless there is a major shift in travel patterns combined with more cost-efficient ships, it is not likely to become justifiable in the foreseeable future.

Nevertheless, there may be justification for some expansion of the present service. It should be remembered that costs continue whether the vessels are operating or not. When not used on the Argentia run, vessels today are either used as replacements or backup equipment for other CN routes (e.g., Portland/Yarmouth) or are laid up. During lay-up, significant ownership and crew costs are incurred. The difference between lay-up and operating costs is the variable costs of operation; therefore, decisions as to extension of service should be based on the ability to recover these variable costs and not on the total cost of providing the additional service.

The extent of lay-up, and hence of lay-up costs, will vary from year to year as CN Marine attempts to maximize the use of its equipment. For instance, in 1976 there were considerable lay-up costs (more than $1 million in crew wages alone) charged to the Argentia service. On the basis of 1976 figures, if the '*Marine Cruiser*' were to be used for two extra months on the Argentia service, the additional costs during that time would amount to $100 per auto equivalent rather than the $250 normally required on the service. Even with this marked decrease in costs, the support costs still are considerably higher than those on the Gulf service. Furthermore, as mentioned above, lay-up costs vary considerably from year to year based on the use of the vessels on other routes. In view of this, it might be difficult to determine in advance the period of time for which it would be economically feasible to extend the service. The operators, however, should be required to evaluate their entire operation in light of an extended vessel timetable. When it appears that the vessels would incur large lay-up costs, serious consideration should be given to extending their operating season.

Cost of Service – Dedicated Truck

Proposals for a dedicated truck service through Argentia range from a seasonal operation to a year-round one. In completing cost analyses for these proposals, the Commission assumed that one-way fares were $250 per tractor trailer, which is slightly less than the actual total cost to truckers following the TCH/Gulf route. It has been further assumed that, because of this slight overall saving, most of the truck traffic destined non-stop for the catchment area, and 60% of that originating from the catchment area uses the Argentia ferry.

Table 1-1 summarizes the total direct and support costs per auto equivalent carried for each alternative. While there still is some disparity between the subsidy required for the proposed service and that required for the same traffic routed across the Gulf, the results are sufficiently encouraging to warrant a more detailed feasibility analysis. The proposal is especially encouraging if passenger and passenger related traffic can be used to fill the vessel when full loads of trucks are not available (alternative 3). To complete

Table 1-1 Cost of Dedicated Truck Ferry Alternatives

	Alternative #1 Trucks only April-Nov.	Alternative #2 Trucks only Feb-Nov	Alternative #3 Trucks Supplemented by P.R.V[b] Feb-Nov
Number Operating Days	209	260	260
ESTIMATED TRAFFIC			
Commercial (A.E.)[a]	20,900	25,250	25,250
P.R.V. (A.E.)	–	–	11,570
Passenger (A.E.)	450	550	5,150
Total (A.E.)	21,350	25,800	41,970
	(Alternative # 1	Alternative # 2	Alternative # 3)
ESTIMATED REVENUES	$1,154,000	$1,205,000	$2,403,000
ESTIMATED COSTS			
Vessel Operating	$2,594,000	$3,226,000	$3,226,000
Vessel Maintenance	389,000	484,000	484,000
Terminal	130,000	162,000	162,000
Administration	519,000	645,000	645,000
Other	130,000	162,000	162,000
Total	$3,762,000	$4,679,000	$4,679,000
Subsidy Required	$2,608,000	$3,530,000	$2,276,000
Support Costs Per A.E.	$122	$137	$54

[a] Auto equivalent
[b] Passenger related vehicle

[2] Perceived costs are those items that, in the user's mind, contribute to the total cost of the journey. Usually, these are direct out-of-pocket expenses such as fuel, ferry ticket, etc. Because perceived costs usually do not take into account the cost of waiting time, nor the cost of depreciation, they are usually lower than the total actual costs.

this analysis, a more accurate set of cost data must be compiled on both the existing services and those proposed. Only then can the full impact of the proposed service on the existing Gulf service be determined.

The prospect for a truck service becomes even more attractive now that the proposed fish holding unit at Argentia is to be used to hold processed fish for export, thereby assuring a large number of truckers full loads for the westward journey. Thus, the utilization rate on westbound trips now will be increased substantially and, consequently, subsidy requirements should be reduced.

A detailed feasibility study for a dedicated truck service must take into account the role of the recently announced private ferry operation proposed for the Halifax/St. John's route. This service, which is primarily designed for the transport of new automobiles from Dartmouth to St. John's will have considerable space available to truckers, especially for trailers without the tractor unit. With competitive rates, this service will undoubtedly capture a significant portion of the truck traffic, particularly on the backhaul as the ships would otherwise be returning empty. This service becomes analogous to the trucking industry itself, wherein the availability of excess backhaul capacity enabled it to capture the fish export trade. If this situation materializes, the proposed private service will have serious ramifications for both the Gulf service and the proposed Argentia service. The announcement from the operators was only very recently made; therefore, the Commission has not had sufficient time to study fully the impact of such a service. Nonetheless, it should be considered by government when any decisions about ferry services are to be made.

Economics of a North Sydney/Argentia/Port aux Basques/North Sydney Truck Ferry

It has been suggested that there would be little demand for space on a westbound ferry from Argentia, because truckers prefer to road haul across the island to improve their chances of obtaining full loads. With this in mind, a route for the Argentia ferry has been suggested that includes a stop at Port aux Basques to pick up additional traffic there.

At existing fare levels for truck traffic on the Gulf ferries, this schedule would not generate sufficient revenues to offset the extra costs incurred. The extra fuel costs, plus shore costs, would be roughly $1,200 per stop while the most revenue that could be generated would be about $800.

As there is sufficient capacity in the existing Gulf fleet to handle the current traffic, a stop at Port aux Basques seems of little value. More important than the costs, however, is the time lost to those truckers who would have boarded the ferry at Argentia. The extra distance to be travelled, combined with the port time, would cause a five-hour increase in journey time. This is a significant amount. In addition to penalizing those already on the vessel, it would tend to deter others from using the service.

Feasibility of Stop on the Burin Peninsula

The fishing industry, and hence the efficient export of fish products, is extremely important to Newfoundland. Therefore, it has been suggested that a port of call for any proposed east-coast ferry should be established on the Burin Peninsula because of this area's prominence in the fishing industry. An earlier study designated Marystown as being an appropriate port; hence the Commission has used this port in its cost analysis.

The Burin Peninsula, while contributing significantly to outbound truck traffic, is not a major destination for incoming freight because it has a small population. Therefore, the Commission considered a port of call on the westbound journey only. The prime beneficiaries of this stop would be the truckers who serve the Peninsula. A stop at Marystown would obviate the need for the current truck trip from Marystown to Argentia, a distance of 165 miles, and thus save the trucker approximately $140 per trip. It is assumed that the cost reduction could be passed along, at least in part, to the shippers. The savings to truckers operating from Marystown, however, would be outweighed by the additional costs incurred by trucks already on the vessel as it departed Argentia. These costs, plus the further costs of a larger additional shore crew, and additional fuel costs (due to a distance increase of 25 miles), are virtually prohibitive. Furthermore, an end-loading ramp and terminal facility would have to be constructed. This would boost the total cost, including depreciation costs, to nearly $8,000 per stop.

While the cost of a Burin Peninsula stop appears to be prohibitively high, there may be sufficient non-economic reasons to warrant the stop. Chief among these is the anticipated impact upon development, particularly of the fishing industry, in that part of the province. A stop on the Peninsula would undoubtedly give fish plants easier access to markets and would, at the same time, foster the development of service industries around the ferry terminal.

Although the stop would enhance the development of the area, the costs of providing the service, the inconvenience to users already on the ferry, and the existence of alternate travel from the Peninsula, must affect the ultimate decision concerning the stop.

Any delay to those already on the vessel would be regarded as unnecessary and, perhaps, would jeopardize the utilization of the ferry. A stop on the Burin Peninsula would add three to four hours to the present ferry trip. This means three to four hours of

non-productive time to truckers boarding at Argentia. If the truckers considered this to be excessive, they would use another route, thereby making the whole Argentia service less viable.

If the users on the Burin Peninsula had no alternate connection to the mainland, a stop by the Argentia ferry might be justified. However, with a good highway connection to Argentia, users have easy accessibility to the present service. Until such time that the traffic volume could fill a vessel at the Burin port, it is difficult to justify a stop on the Burin Peninsula.

However, the promise of a ferry stop on the Peninsula, if not explicit, has been implicit for some time. The Dalton Report, part of the Newfoundland/Mainland Study, suggested that Marystown be the port. Residents of the area believe that government has a strong moral commitment to implement that suggestion.

Conclusions

Although relatively well patronized, the existing passenger ferry service through Argentia could not be extended economically to a year-round operation. The travel demands are such that low utilization rates in the off-peak season would create a larger subsidy requirement than if the same traffic were handled by the present Gulf ferries.

If the Argentia vessels are idle for long periods (i.e., incurring high lay-up costs) a good case might be made for extending the operating season to six months.

The concept of a dedicated truck service to Argentia has promise. The rather constant number of trucks entering and leaving the province allows for a service that matches capacity with demand, greatly increasing the prospects of economic viability.

If the planned fish holding units at Argentia and the Burin Peninsula are used to even out the present seasonal fluctuations in fish export, more truck traffic, and hence more ferry traffic, is likely to be generated from the "catchment" area.

While a firm decision regarding investment and implementation cannot be substantiated now, the concept of a dedicated truck service is sufficiently encouraging to warrant a detailed feasibility study. It should be carried out as quickly as possible.

At first glance, stops on either the Burin Peninsula at Marystown or at Port aux Basques seem attractive. The additional costs, however, would overshadow any benefits which might be derived.

B. Railcar Ferries to Corner Brook

Introduction

The concept of a railcar ferry operating between Nova Scotia and Corner Brook was the subject of part of the Corner Brook Harbour Development Study, completed in 1976 as a joint effort by Fenco and Peat Marwick & Co. After a preliminary analysis, this study stated that, while some market potential for such a service exists, further detailed analysis was not warranted as other development opportunities, more attractive than a railcar ferry, are available to the Corner Brook area.

During the public hearings that the Commission held in Corner Brook in 1977, the Corner Brook Chamber of Commerce made the suggestion of a railcar ferry service into the port. Acting on their suggestion, the Commission has completed an economic review of the proposal. The following sections present the substance of this review.

Basic Concepts

The two basic concepts considered by the Commission were:

1. The existing railhead from Port aux Basques would be transferred to Corner Brook to serve the current and anticipated rail traffic demands.

2. The introduction of an additional railcar ferry to Corner Brook primarily to serve the paper export demand of the Bowater's Mill. This service would not offer serious competition to Port aux Basques because it would employ only standard gauge railcars and would not provide for truck-to-truck transfer. Incoming general cargo carried would be restricted to consignment for the immediate area of Corner Brook only; all other rail freight would continue to move through Port aux Basques.

Transfer of Existing Rail Facilities to Corner Brook

Except for the Stephenville area, there is a very small population that requires railway transport between Port aux Basques and Corner Brook. Therefore, one of the prime benefits of a shift of terminal facilities to Corner Brook would be the reduced length of track over which the train has to travel. This would translate into lower capital investment requirements, lower maintenance costs and lower operating costs. Based on Newfoundland railway costs for 1976, and assuming a 25% reduction in trackage, the total savings would be approximately $5 million.

Against this, however, must be considered: the reduction in revenues, because less freight traffic would be carried by the railway; the added capital cost of providing the terminal facilities at Corner Brook; and the increased operating costs of the Gulf ferry, as the sea distance is increased to approximately 250 miles.

The extra sea distance encountered by using Corner Brook as a terminus would reduce the number of trips a vessel could make between Newfoundland and the mainland in any given period. Full use of two ferries would be required to make the same number of railcar transfers now handled by one ferry through

Port aux Basques. In addition, a suitable wharf, loading ramps and yards would have to be constructed at Corner Brook, not to mention a car-to-car and a truck-to-truck facility.

Allowing for the most optimistic cost levels, the Commission estimates that the increase in annual costs for such a service would exceed the expected savings by several millions.

A more important factor, however, is the downward trend in rail freight, which started in 1975 and shows no sign of reversal. Thus, the present railway service is expected to assume a less prominent role in the transport of commodities in the future. The construction of a facility that requires external financial support, even at today's freight levels, would only increase the railway freight subsidy requirements in years to come.

It is concluded, therefore, that unless the traffic pattern changes (i.e., substantially more incoming or outgoing freight resulting in higher revenues), there is little to gain from moving the rail terminal facilities from Port aux Basques to Corner Brook.

Railcar Ferry for Prime Use of Paper Export

One major advantage of a new, direct ferry to Corner Brook is that Bowater paper rolls could be loaded onto standard gauge cars and thus penetrate the North American market without the present car-to-car or truck-to-truck transfer. By not travelling over the Newfoundland railway line, carloads could be compatible with the maximum loads permitted on mainland and U. S. tracks. Therefore, considerable transport cost savings could be achieved. If passed along to the shipper these would make the product more competitive in the market place.

The Commission has examined the logistics and costs of providing such a service. While from a ferry operation standpoint there can be cautious optimism, many questions remain unanswered. Further analysis and consulation with the shipper is required before a definitive decision on this proposal can be made.

From information given to the Commission at the public hearings in Corner Brook, it is estimated that the present output from the Bowater's Mill is about 340,000 tons annually. If a ferry service were implemented, all of the outgoing product would have to go by rail if the service were to approach economic viability.

Under favourable operating conditions, one dedicated railcar ferry, running almost continuously, could meet the demand generated by the mill at its present output rate. Because truck-to-truck transfer would not be required, considerable savings in terminal costs over the present Port aux Basques service would be achieved. Capital and operating costs for a ferry would be approximately $5 million annually at 1977 cost levels and allowing for reasonable economic life of a new vessel. Corner Brook harbour does not have an adequate wharf and ferry dock; therefore, this infrastructure would have to be provided. The cost of these facilities would be about $1 million annually, giving a total annual cost of slightly more than $6 million to operate the railcar ferry.

Ferry rates will have to be set as if the sea link were a land connection if the revenue to the ferry operators is on the same basis as that charged the railway on the existing Gulf service. It is not possible to predict these fares accurately, because the railway rates will depend on the length of the journey of each shipment as well as the volume carried. If the average annual revenues to the railways for the current movement of newsprint on the mainland are used as the basis for calculation however, revenues to the ferry operators for the carriage of 340,000 tons of paper would approximate $3 million annually. Thus, the net annual loss on ferry operations would be $3 million.

On a subsidy-per-ton basis this is well below the current amount paid to transport railway freight across the Gulf. The subsidy requirement might be reduced further if the present general cargo destined to the immediate Corner Brook area, but now moved through Port aux Basques, were brought direct to Corner Brook. This annual tonnage, however, is relatively small and would have only a minor impact on the subsidy reduction.

At first glance this proposal looks attractive, but several cautions should be noted. Firstly, the lower subsidy requirement per ton carried from Corner Brook should not be regarded as an over-all Gulf subsidy reduction, as that cargo is not now being carried on the Gulf. Thus, the Corner Brook subsidy, although relatively small, would be an *addition* to the total Gulf subsidy.

Secondly, the assumption that all of the mill output would be going to the North American market may not be strictly correct in future years. In this event, the proposed ferry would then be underutilized, causing an increase in the subsidy requirement.

Thirdly, no matter how small the subsidy requirement, it might be regarded as an assistance program to benefit a single industry. If that industry needs assistance to present a competitive product to the market, as has been indicated by the Corner Brook Chamber of Commerce, one might well ask whether transport subsidy is the best method to accomplish this.

Finally, the ferry revenue figures are rough estimates at best. Actual revenues will depend on many factors, as already indicated.

In spite of these reservations, however, this proposal has sufficient merit to warrant a more detailed analysis than that provided by this Commission. If the provision of a rail ferry service to Corner Brook, at a modest subsidy, were to be instrumental in maintaining or prolonging the life of an industry vital to the

provincial economy, the cost of a detailed feasibility analysis is a small price to pay.

C. Direct Water Ports

Introduction

General cargo today is transported to and from Newfoundland by means of three competing modes: rail, truck and direct vessel. In recent years rail has diminished in importance, whereas use of the other two modes has grown sharply. This change is due largely to the more satisfactory service characteristics of truck and direct vessel, combined with competitive price structures offered by these modes compared to those offered by rail. Although none of the modes is self-sufficient, because all require substantial subsidies, direct vessel is the most cost-effective in terms of public support required.

The rapid decline in the use of the railway to move interprovincial freight, combined with the high popularity of the marine carriers, has suggested that the insular part of the province could be served efficiently if the railway were abandoned and all goods now carried by rail were moved by sea. This makes sense from the standpoints of user satisfaction and subsidy requirement. The largest centres of population in the island are on the west and east coasts. Therefore, it has been suggested that an efficient, cost-effective method of meeting the interprovincial freight transport requirements would be to establish Corner Brook and St. John's as major ports to receive freight from mainland centres. Then, trucks would accomplish local distribution and final delivery to communities in between the major ports.

The following sections describe this proposal and identify the harbour infrastructure requirements at St. John's and Corner Brook.

Choice of Mode

In 1976, the base year for most of the Commission's data, the railway carried slightly more than 400,000 tons of inbound freight to Newfoundland. If the railway were phased out, this traffic would have to be accommodated on the other existing services.

The Commission has assumed that trucking will play only a minor role in attracting freight that originates in Montreal and points west[3], but will provide major competition to the NCL[4] service for freight originating in the Maritime provinces. It is further assumed that the costs of sea haul, plus truck distribution, will determine the port into which the goods are shipped.

The economic limit of goods moved through the St. John's harbour is approximately 140 miles. Within this radius, communities will be served from St. John's; outside, the communities will be served from Corner Brook.

On this basis the following allocation is made for the freight previously moved to Newfoundland by rail (1976 volumes used). The figures below include additional freight plus that being carried by the truck and sea modes today.

Table 1-2 Freight Destined to Newfoundland

	Destination Area (Tons)	
	St. John's	Corner Brook
Ship from Montreal	107,000	93,000
Ship from Halifax	53,000	–
	160,000	93,000
Direct Trucking	150,000	

The impact on each port would be highly significant, particularly so for Corner Brook because the inbound general cargo today is only 65,000 tons. For St. John's, the addtional volume of 160,000 tons is an increase of 60% over current volumes.

Infrastructure Requirements

The additional freight volume to Corner Brook and St. John's will require substantial capital expenditures in both ports.

In addition to the present conventional handling facilities at St. John's, storage and facilities to handle container traffic will be required. Currently, the National Harbours Board (NHB) is considering the establishment of a storage area at Maggoty Cove (Fig. 1-1) in the east end of the harbour. When complete, this project (phase 1) will cost approximately $5.5 million and should be able to handle 25,000 TEU[5] per year. This, combined with the existing container handling capacity owned by NCL, would be sufficient to meet any increase in traffic caused by the closure of the railway. As more space is required, further infilling and marginal wharf facilities would be provided in subsequent parts of the development plan.

The recent trend in marine shipping has been towards containerization; therefore, only modest growth in the use of palletized or conventional freight systems as currently used by Newfoundland Steamships Ltd. (NSL) is forecast for the planning period. Because the area now used by Newfoundland Steamships Ltd. is quite congested some modifications will be required. Furthermore, if NSL moves towards container freight (as trends already indicate), additional storage space problems might arise at the west end of the harbour. Adequate space for all container services could be provided at Maggoty Cove, but there may be some logistics problems for NSL if it is to offer a mixed service of containers and palletized cargo.

[3] The majority of railway freight to Newfoundland originates Montreal and points west.
[4] Newfoundland Container Lines
[5] Trailer equivalent unit

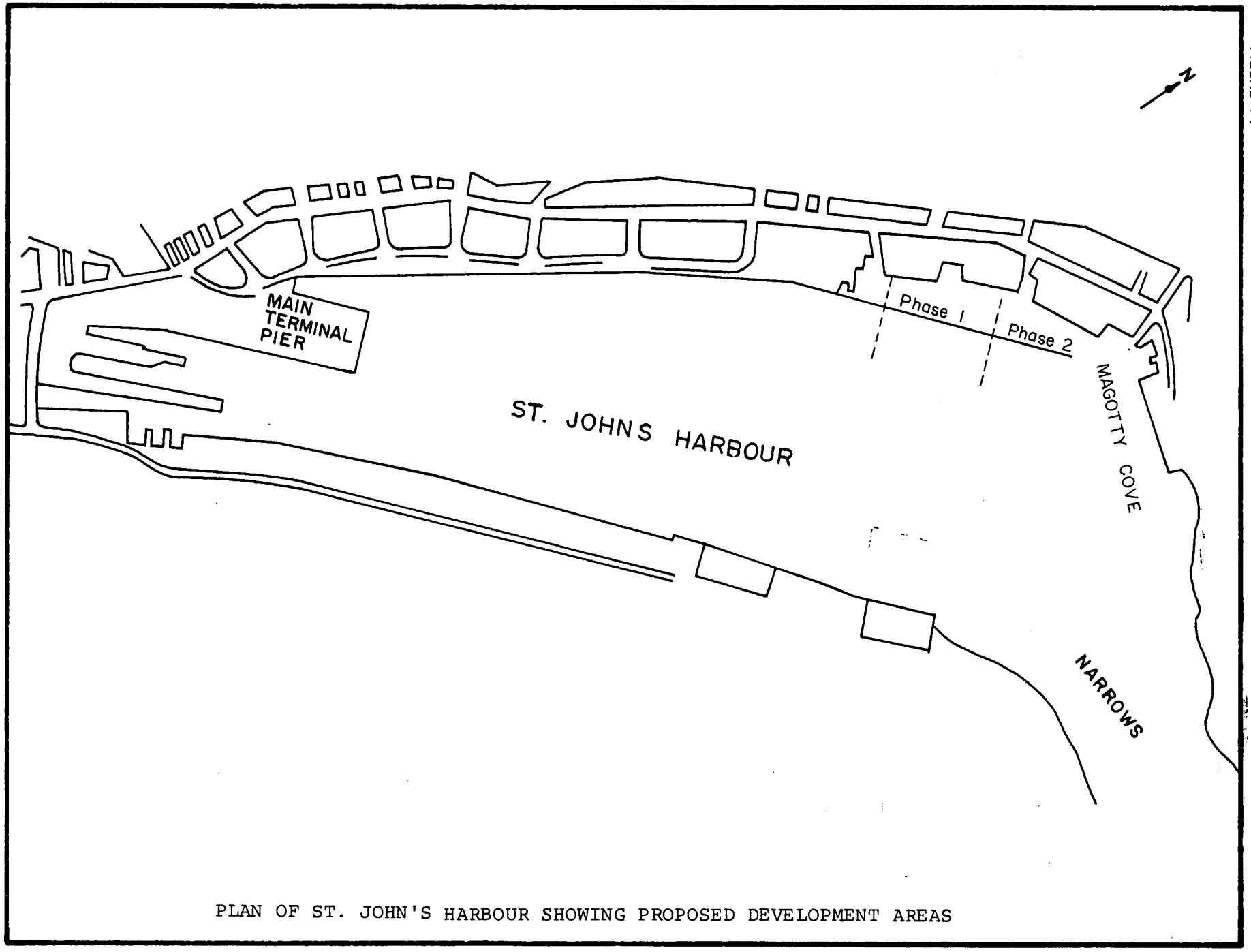
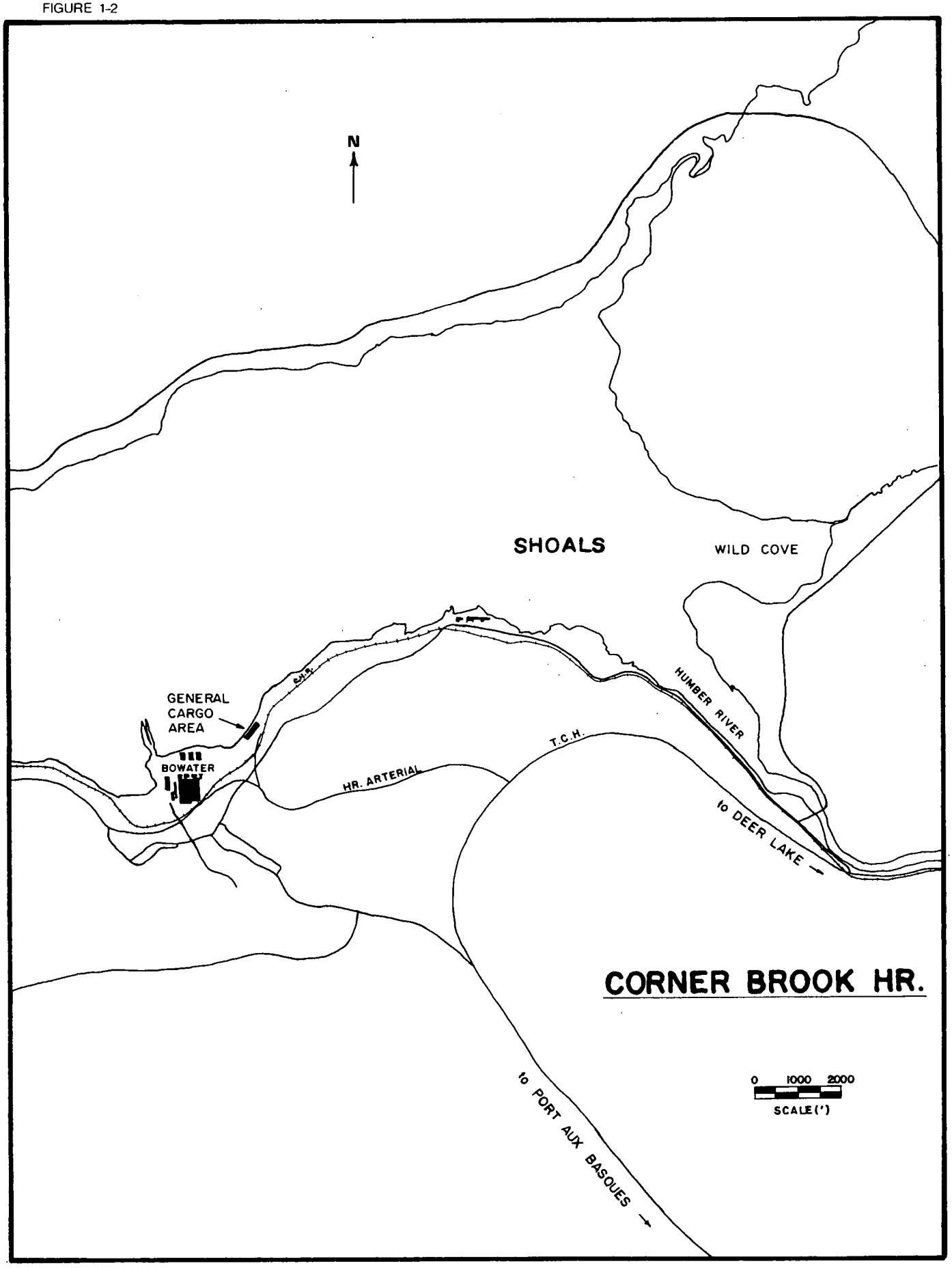


FIGURE 1-1

PLAN OF ST. JOHN'S HARBOUR SHOWING PROPOSED DEVELOPMENT AREAS

FIGURE 1-2


N
SHOALS
WILD COVE
HUMBER RIVER
GENERAL
CARGO
AREA
BOWATER
C.N.R.
T.C.H.
HR. ARTERIAL
to DEER LAKE
CORNER BROOK HR.
to PORT AUX BASQUES
0 1000 2000
SCALE(')

It is doubtful that the present traffic carried by rail could be shifted to the marine mode without expansion to the St. John's harbour.

Corner Brook (Figure 1-2) is less able to cope with large increases in waterborne traffic. There is now a small surplus of warehousing space at the Western Terminals' site but at normal growth rates this will be full by 1980. Federal officials are reviewing a proposal to extend existing wharf and terminal facilities. This extension could cost $7 to $8 million but will only increase the harbour capacity marginally. Accelerated growth, such as that which will result if the railway were closed, would require immediate implementation of the Shoals Area Development Plan. This was to cost about $21 million in 1976 and would provide adequate facilities for many years. Inflation and general price increases now are expected to boost the cost of this project to $30 million. Furthermore, projected harbour requirements at Corner Brook have to date been based on a continuation of conventional shipping services. If the trend to containerized shipping develops as in St. John's, there may be substantial changes needed in the Corner Brook harbour plan.

The Use of Bay d'Espoir

It has been suggested at Commission hearings that a port in Bay d'Espoir should serve as a marine terminal to meet the freight requirements of central Newfoundland. The Commission has not considered this proposal in detail, but notes that while the road haul distance from such a port to, for example, Grand Falls is slightly less than from Corner Brook to Grand Falls, the sea distance to the port from Montreal is greater. From a time and cost standpoint, there now would be little advantage in such a terminal.

The short-term need for a direct-water port at Bay d'Espoir does not appear to be great because most centres of population can now be adequately served by existing ports. Over the long term, the service area for a potential port in Bay d'Espoir should increase, once a highway between the Connaigre and Burin Peninsulas is built, and as the population in Central Newfoundland grows. At that time, the concept should be again reviewed and further feasibility studies carried out.

Conclusion

The importance of the suggested harbour improvements at St. John's and Corner Brook should not be underestimated. Without these, severe congestion and deterioration in service and increased operating costs will result as more and more freight is shifted to the marine mode. If this situation is allowed to occur it will negate some of the monetary and service benefits that modification of the railway and a shift to direct sea transport should bring. Because there generally is a considerable time lag between conceptual planning and final construction, it is imperative that present plans be carried to fruition as soon as possible to ensure the continuity of growth in the marine mode.

Chapter II

The Use of Hovercraft in Newfoundland

Introduction

In Volume 1 the Commission suggested that hovercraft might play an important role in the future of Newfoundland transportation. Specifically, we have considered how they might be used to (a) supplement the ferry service on the Gulf, especially during the summer months, and (b) to provide a service on the Strait of Belle Isle, between St. Barbe and Blanc-Sablon during the winter and on the Northern Labrador coast during summer.

In the months since publication of Volume 1, the Commission's research staff has reviewed all available published information and has consulted those involved in the existing operation of hovercraft. The technical report resulting from that investigation is a supporting document to the report of the Commission. The most relevant information is summarized here.

The Commission was not able to find information specifically applicable to the use of hovercraft for the Strait of Belle Isle crossing and for the Labrador coast. As far as can be determined, there is no operation anywhere in the world with a commercial craft having the capacity requirements for a winter service on the Strait. Nor is there any service that operates over such extremely long runs as those on the northern Labrador coast. Some information about problems that might be encountered was provided by a 1975 study of the Quebec North Shore. That study demonstrated the general suitability of hovercraft for that area during winter, but did not examine all of the problems that would be encountered on the Strait of Belle Isle service. Because this study was for a purely experimental operation it did not include the constraints of a full-scale commercial service.

Nevertheless, the Commission can state, on the basis of the preliminary analysis, that the Belle Isle hovercraft operation appears physically feasible. The economics of this service, however, would require detailed feasibility studies.

As for the Gulf hovercraft service, there is sufficient technical and practical information available because services on the English Channel are similar to those which may be required on the Gulf. The Channel service has operated for 12 years, and its British and French operators have provided the Commission with basic data on such matters as running expenses and day-to-day problems of operation.

These data, included in the research staff's technical report, support the technical feasibility of operating hovercraft on the Gulf during the summer. This same conclusion was reached as early as 1971 in a specifically designed study and its validity has been increased by recent advances in hovercraft technology. Indeed, the stretched Mark III by British Hovercraft and the N 500 by the French Sedam Company have markedly improved capability for operation in rough waters. Furthermore, the new larger craft provide a much smoother, quieter ride, and use fuel more efficiently.

Nevertheless, there would be occasions when hovercraft could not operate on the Gulf because of severe wave conditions although these are rare during summer. Relevant information is presented in Table 2.1.

Although hovercraft service on the Gulf is technically feasible, none of the craft now in use would be suitable in present configurations for use on the Gulf. For example, the ratio of passengers to cars on the English Channel run is now 9 to 1, while the ratio on

Table 2-1 Percentage of time that selected Hovercraft would not be able to operate due to severe waves

	Dec–Feb	Mar–May	June–Aug	Sept–Nov
SRN Mk II	12.92	7.96	2.23	6.74
SRN Mk III	11.21	7.45	1.46	5.83
N 500 (Sedam)	5.84	3.51	0.39	2.60

the Gulf ferry service is closer to 3 to 1. European type hovercraft would have to be modified for service on the Gulf to carry 50 American-Model cars and approximately 175 passengers. Table 2.2 gives technical details of the most advanced French and British craft.

Table 2-2 Hovercraft Operational Data

	SRN 4 Mk III (British		SEDAM N 500 (French)	
Length	185	ft	164	ft
Beam	76	ft	75	ft
Cargo deck area	6,790	sq ft (deck only)	10,333	sq ft
Payload	130	t	115.7	t
Total gross weight	320	t	286.6	t
Max. speed, calm water	65	k	75	k
Cruising speed	45	k	48	k
Endurance over 8.2 waves	4.2	h	5.0	h
Critical wave height	10	ft 0 in	13	ft 2 in
Normal stopping distance	915	m (from 50 k)	1,000 (from 400	m 70 k)
Capacity: Passengers	518			
Autos	60	European	65	European
Max. continuous horsepower	15,200			16,000
Max. axle loading (twin wheel)	15,000			

Carrying capacity of the various ships now used on the Gulf compared with the carrying capacity of available hovercraft is presented in Table 2-3.

Table 2-3 Comparison of Available Hovercraft and Present Gulf Vessels

Vessel—Craft	Passenger Capacity	Auto Capacity	Service Speed K
Ambrose Shea	525	130	17
Marine Atlantica	715[a]	290	19
Marine Cruiser	389	78	16
SRN 4 Mk III	416	60[b]	45
N 500	386	65[b]	48

[a] Maximum capacity at comfort level
[b] European size cars

Travel Demand Characteristics

As previously stated, passenger and passenger-related travel demand on the Gulf is low for 10 months of the year, then high during the peak period vacation months of July and August. The Commission forecasts that, while there will be a general increase in traffic, the current pattern of traffic distribution is likely to continue during the planning period to 1991. Tables 2.4 and 2.5 show the actual number of passengers and passenger related vehicles carried in 1976, as well as the forecasts for 1981, 1985 and 1991. The consistently high level in July and August should be noted.

If a supplementary hovercraft service were available and its cost were not prohibitively high (a charge of 10% to 25% above standard fares would appear to be reasonable and justifiable), it is estimated that up to 50% of all passengers would elect to use the hovercraft during the peak months, based on experience on the English Channel. During the off-peak months,

Table 2-4 Forecast of Passenger Traffic on Gulf

Year	Jan	Feb	Mar	April	May	June	July	August	Sept	Oct	Nov	Dec	Total
1976	7,480	6,070	8,420	13,080	16,500	38,960	91,850	88,650	29,240	15,100	8,040	8,290	221,680,000
1981	7,370	5,700	8,800	12,640	18,970	39,750	111,480	105,830	36,740	17,470	9,230	8,100	382,080,000
1985	8,550	6,620	10,200	14,660	22,000	46,100	129,300	122,700	42,610	20,260	10,700	9,400	443,100,000
1991	10,340	8,000	12,350	17,730	26,620	55,750	156,340	148,420	51,530	24,500	12,960	11,360	535,900,000

Table 2-5 Forecast of Passenger Related Vehicle Auto Equivalents on Gulf

Year	Jan	Feb	Mar	April	May	June	July	August	Sept	Oct	Nov	Dec	Total
1976	1,440	1,120	1,690	3,100	4,460	10,660	31,950	29,360	10,530	4,610	2,000	1,760	102,680,000
1981	1,475	1,150	1,845	3,030	4,900	11,460	32,100	29,310	9,810	4,880	2,520	2,140	104,620,000
1985	1,710	1,330	2,140	3,510	5,680	13,300	37,230	33,900	11,380	5,660	2,920	2,490	121,250,000
1991	2,060	1,610	2,590	4,250	6,880	16,070	45,010	41,100	13,760	6,840	3,530	3,010	146,710,000

however, the incentive of reduced fares might be necessary to ensure full use of the craft. Table 2-6 shows projected average load factors during the 1981-1991 period.

Table 2-6 Projected Hovercraft Load Factors (1981-1991)

	July–August Service		June–Sept. Service	
	Passengers	Auto. Eq.	Passengers	Auto Eq.
With one Hovercraft	91.0%	100%	88.0%	94.7%
With two Hovercraft	68.0%	74.4%	56.0%	61.3%

Terminal ports

In Volume 1, both North Sydney and Aspy Bay were considered as possible Nova Scotian terminals. Of the two, Aspy Bay is approximately 30 miles closer to Port aux Basques. Considering the extra time to reach Aspy Bay from most common points of origin in Nova Scotia, however, the total travel time to Port aux Basques is shorter *via* the North Sydney route.

If Aspy Bay were the terminal, the road leading to that port would require upgrading. This would not only be expensive but also would create other difficulties because much of the road lies within Cape Breton National Park. Furthermore, the choice of Aspy Bay would necessitate the construction of new, expensive terminal facilities. Finally, a terminal offering only hovercraft services would be inconvenient for travellers whenever weather or mechanical difficulties prevented scheduled departures. With no alternative service available, passengers would have to either drive to North Sydney to catch a ferry, or else to wait until the weather improved or until the mechanical fault had been corrected. Therefore, North Sydney appears to be the most logical site for the Nova Scotia terminal.

In the distant future, a competing firm might establish a service from Aspy Bay when a hovercraft operation has demonstrated its viability and when travel demand has increased significantly beyond present levels. This has happened in England, where the British and French hovercraft services between Dover and the French ports of Calais and Boulogne have been successfully challenged by a private operator, Hover Lloyd, running from Ramsgate to Calais. Certainly this type of situation is not one for immediate consideration in Newfoundland but it might be feasible in the long-range future.

Technical and Practical Aspects

At a speed of 45 knots, a hovercraft would cross the Cabot Strait in about 2.2 hours.

The time for loading and unloading hovercraft would be considerably less than for conventional ferries, which carry mixed loads of trucks, tractor trailers and passenger-related vehicles. The ferries require approximately two hours for unloading. Hovercraft operate most economically with homogeneous groupings and lighter loads, so that they likely would be restricted to carrying passengers and automobiles. With these loadings, the turn-around time probably could be as short as 30 minutes. Britrail gives an average turn-around time of only 18 minutes for its Mk III. This indicates that, without undue difficulties, three trips per day could be undertaken during daylight hours. Comparison of Tables 2-7 and 2-8 shows a suggested time sequence and a carrying capacity of one or two hovercraft versus a conventional ferry.

Table 2-7 Time Sequence for Two Way Trip: North Sydney–Port aux Basques

Load	Travel Time	Unload	Load	Travel Time	Unload
.25 hr	2.2 hour	.25 hr	.25 hr	2.2 hour	.25 hr
Total time		— 5.4 hours			
Allow		— 6 hours			
Total number of round trips per day		— 3			

Table 2-8 Capacity—Daily Totals

	Ferry		1 Hovercraft	2 Hovercraft
	1 Round Trip	1.5 Round Trip[a]	3 Round Trips	3 Round Trips
Autos	580	870	300	600
Passengers	1,430	2,145	1,050	2,100

[a] Three round trips are accomplished in two days for ferries on the fast turn-around.

The most obvious advantage of the hovercraft is speed. On the Gulf service it would reduce a journey of six hours to one of two hours. It also would eliminate the need for special areas for entertainment and dining because all the ordinary services could be delivered while passengers occupied their seats (as on an airplane).

Economic Aspects

The costs of operating the French and English hovercraft are given in Table 2-9.

The following cost analysis deals with a situation that might occur if the decision were made to use hovercraft on the Gulf as a regular part of the service.

For the predictable future, it appears that one vessel of '*Atlantica*' capacity will have to join the Gulf fleet every four years to meet growing demands. These vessels could be purchased outright or leased, and used basically on the Gulf, with assigment to other services during part of the winter.

A new ferry would have to be added as soon as the demand for space exceeds the capacity of the existing fleet but the full capacity of that vessel, assuming

Table 2-9 Summary of Estimated Operating Costs Per Year Based on One Craft Operation

	SRN 4 Mk III	SEDAM N 500
	Source B.H.C.	Source SEDAM
Purchase Price[a]	$34,997,429. (Cdn)	$32,250,000. (Cdn)
Fixed Annual Costs:		
1. Depreciation 20 yrs at 10% int.	4,108,449.	3,788,085.
2. Hull Insurance	1,049,323.[b]	483,750.[c]
Other Insurance	68,643.	
3. Crew Costs		
a. Nav. Crew (3 crews)	498,428.	488,007.
b. Maintenance Crew	398,496. (40 men)	243,165. (20 men)
Annual fixed cost	$ 6,118,339.	$ 5,003,007.
Variable Costs:		
1. Fuel	$ 824.16 hour	$ 905.94 hour
2. Engine Maintenance	330.09	227.25
3. Other Maintenance	371.62	472.78
Total operating cost per hour	$ 1,525.87	$ 1,605.97
Total direct operating cost	June–September $ 9,394,382.	(2,147 hours) $ 8,451,025.

Note: The higher cost of Mk III is associated with insurance and purchase price, i.e., Fixed Costs.

[a] Price conversions used 1 FF = 0.258 $ Cdn
1 £ = 2.186 $ Cdn

[b] 3% of mean value

[c] 1.5% of purchase price

constant growth in demand, would not be used until the final year of each four-year period. For most of each period, considerable excess capacity would have to be provided.

In this context the introduction of hovercraft can be considered. There appear to be two options. The first is the addition of two craft at the same time as the new conventional ferry would have been added. These hovercraft would operate throughout the four-year period, even though the full capacity would not be required until years three and four. The second option is to acquire one hovercraft in year one and a second in year three.

For each option, there are four possible arrangements:

(a) The hovercraft could be purchased outright, used during the summer months, and laid up for the rest of the year.

(b) The hovercraft could be purchased for use during the four summer months, then leased elsewhere for the remainder of the year.

(c) The craft could be purchased for use on the Gulf during the two peak summer months and leased for the remainder of the year.

(d) The craft could be leased from, e.g., British Rail Hovercraft Company, for two, three or four months of the year.

The Commission feels that while the fourth arrangement is theoretically possible, it is not a practical solution because it is doubtful that any company would enter into such a leasing agreement.

The most likely possibilities are presented in Table 2-10, along with the calculation of the corresponding unit cost.

The replacement of a conventional vessel with two hovercraft that would be idle during the winter months is an extremely expensive proposition. It would require a substantial increase in the Gulf Service subsidy. Indeed, this proposal could be considered only if great weight were attached to improvements in terms of speed, comfort and convenience.

If the craft could be rented or leased elsewhere for eight or 10 months each year, the idea becomes more attractive. In fact, under the arrangement proposed in Item 6 (Table 2-10), there is only a marginal difference in the cost per vehicle between the hovercraft and the conventional ferry services.

Table 2-10 Support Costs Per Auto Equivalent

Type of Arrangement	Costs per auto equivalent[a]
1. Conventional vessels added as required Vessels purchased by operator	$106.
2. Conventional vessels added as required Short term leases similar to present *Nordica*	54.
3. Existing conventional vessels with two hovercraft purchased in 1981 All hovercraft costs borne by operator	161.
4. Existing conventional vessels with one hovercraft added in 1981, another in 1983 All hovercraft cost borne by operator	148.
5. Existing conventional vessels with two hovercraft added in 1981 Hovercraft used four months on Gulf service, leased elsewhere for eight months	89.
6. Existing conventional vessels with one hovercraft added in 1981, and a second added in 1983 Hovercraft used four months on Gulf, leased elsewhere for eight months	59.

[a] Auto equivalent is the space used on a ferry by one automobile (average length of 20 ft).

The Commission, therefore, recommends that CN Marine should proceed as quickly as possible to investigate the alternate use of hovercraft in the off-season. The principal concern of this investigation should be to identify a customer to whom the hovercraft could be leased during the months when not used on the Gulf. Although the Commission has not attempted to identify such customers, the southern market, i.e., the Caribbean, might provide a good opportunity for their winter use. Certainly this proposal should be pursued with vigour. If the problem of winter use can be resolved, hovercraft should be introduced for summer service on the Gulf.

Chapter III

Rationalization of Public Bus Services

A. Inter-Community Bus Services

Introduction

In Newfoundland, with a population scattered in many small communities over a large geographic area, the need for reliable public passenger transport service is unquestionable. Indeed, the rather low level of economic activity in this province dictates that a larger percentage on the population than elsewhere in Canada depends upon public transport to meet its needs for employment, education, cultural activities and other legitimate and essential purposes. Nor is this need confined to the basic travel corridor of the TCH. Rather, it extends to every community in the province.

In other provinces, less urgent needs are being met, at least for surface travel, by a combination of bus and train services. In this province, however, the absence of passenger train service has created a total dependency on a bus service (Figure 3-1). Therefore, it is not sufficient that bus operations in Newfoundland be merely as good as typical intercommunity services elsewhere; they must be far superior if Newfoundlanders are to have the same degree of accessibility to transport as other Canadians.

The unsuitability of the present corridor bus system as a passenger train replacement was discussed in detail in Volume 1 and, as indicated therein, improvements are urgently required if that service is to meet legitimate passenger expectations. There are, additionally, a great many deficiencies in the total provincial bus system that either lie completely outside the scope of the corridor service or barely impinge upon it. Two of the most significant are the lack of services to many off-corridor communities and the complete absence of co-ordination between the CN corridor service and the off-corridor service provided by a number of private operators.

In the long term, problems such as these must be overcome through the implementation of a completely integrated bus service specifically designed to meet the needs of this province. The following paragraphs describe the goals, objectives, scope and methods of implementation of such a service. In addition, a number of operational improvements that might be implemented in the short term to correct present major deficiencies are suggested.

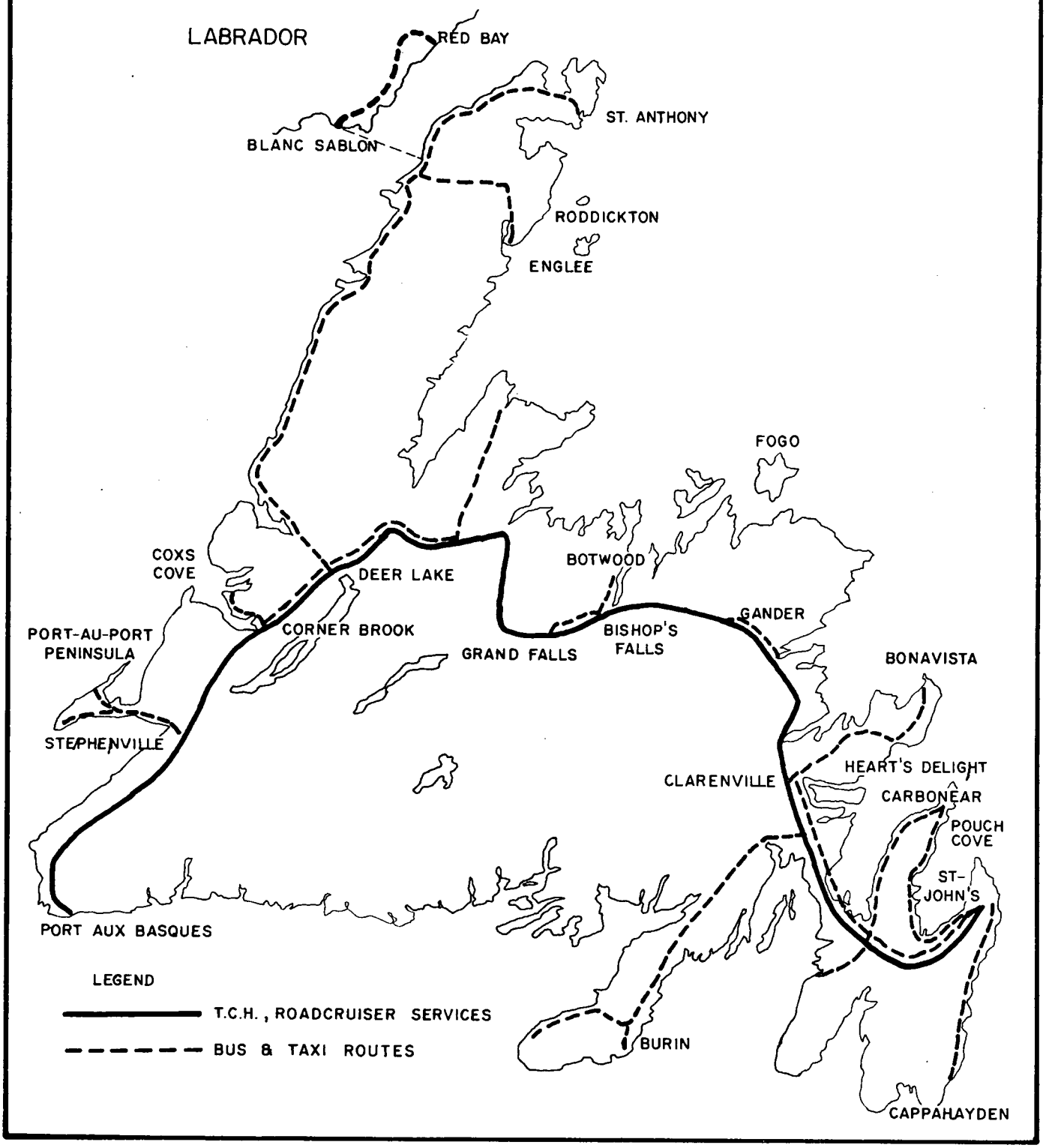
The Goal for a Future Bus System

Although it is generally recognized that conventional buses simply are not suited to the long-distance travel market, the inauguration of the trans-island corridor bus service did present a unique opportunity for the design of a service tailored to suit the needs of this province. Instead, what has evolved is an *ad hoc* system whereby CN serves the corridor route while several independent operators provide point-to-point service, mainly on off-corridor routes. There is little or no co-ordination between the various operations and, as a result, fast, efficient travel is often impeded. This is unsatisfactory, particularly because most users have no choice other than this one mode of travel.

A dependable method of ground transport obviously must be considered as a service of high priority in the provincial transport system. Therefore, the goal of the intra-provincial bus service should be to provide every resident of this province (including Labrador as highway construction proceeds) with an assured method of transport at a reasonable cost. All operations should be co-ordinated so that passengers can

FIGURE 3-1

EXISTING BUS & TAXI ROUTES



expect that once a journey has begun, transfers to other routes can be completed with a munimum of delay and inconvenience.

Therefore, the ideal system would be one in which the corridor service forms the backbone, with the off-corridor routes acting as feeders in a relationship similar to the mainline/branch line system of the railways. Adequate bus depots offering a full range of services required for passenger travel should be provided.

Ticketing services should be such that a prospective traveller could purchase from any office of the operating companies a single ticket that would carry him to his destination, whether on the mainline or feeder route. A reservation system should be set up to ensure that appropriate space is available to all travellers holding valid tickets. To minimize administrative problems and to ensure maximum viability, such a system should be run by a single company.

In addition to the integration of existing services, new routes to communities not now connected to the provincial bus system should be provided, regardless of economic viability. Indeed, it should be accepted that in areas of very sparse population subsidies are essential to adequate service.

Although not insurmountable, the major short-term obstacle that tends to make the implementation of such a system difficult is the existence of a number of private companies licensed to operate bus services. These firms have made substantial capital investments in their services. From a practical standpoint, the prime operator of the new system could purchase both the licenses and the capital assets of existing companies, or the licenses could be revoked by the appropriate regulatory body. In that case, it would still be necessary to provide for adequate compensatory payments.

In the longer term, the capital and operating costs of running the service would be a matter of concern. These difficulties, however, should not deter those responsible from working toward the goal of providing Newfoundlanders with a level of passenger service that they have a right to expect as Canadians. In practice, this goal logically might be pursued through the joint efforts of the proposed Newfoundland Transportation Commission and VIA Rail.

At least in the initial years, the costs undoubtedly will be high when compared with current cost levels. We are aware that the present operators, including CN, are not in a position to meet those costs because of lack of access to a source of subsidy. With its current mandate, VIA, however, certainly appears in a position to meet the subsidy requirement.

The amount of subsidy required has not been determined by the Commission. It is envisaged, however, that the amount required certainly will not approach the amount provided by the Federal Government to maintain passenger train services in the Maritime provinces. For instance, in 1976, the subsidy requirement of these services was approximately $30 million while the loss sustained by CN on its bus passenger services in Newfoundland was approximately $1.5 million.

Regardless of the extent of subsidy, the provision of a first class passenger service is of top priority. When such a service is available, a considerable increase in patronage is anticipated, leading to greater revenues, which should ultimately diminish the necessity for large-scale subsidies.

Improvements for the Short Term

While possible in the long term, implementation of an integrated provincial bus service does not seem immediately practical. Interim measures are required to eliminate as many of the present defects as possible.

One of the most serious deficiencies of the present bus system is the lack of a co-ordinated schedule between the major corridor operator, CN, and the many private operators who provide service to communities off the TCH corridor. It was stated in Volume 1 that the present CN schedule is centred on maintaining connections with the Gulf ferries and that no effort has been made to co-ordinate these connections with either the other bus lines or air services. This contrasts with the practice in other provinces, where, in addition to more co-ordinated schedules, information and common ticketing functions often are performed by the major carriers.

The Commission has investigated a number of alternative ways to improve the existing system. It examines in the following paragraphs the feasibility of restricting feeder bus lines to off-corridor routes; the feasibility of integrating corridor and off-corridor routes; and the feasibility of full "interlining" of bus services with Gulf ferries where "interlining" means the transfer of passengers between carriers but under a common ticket. In addition, the adequacy of present CN bus depots is evaluated and suggestions are made for major improvements to these facilities.

The Present System—CN

In 1978, CN maintained a fleet of 22 buses for use on the trans-island service. The scheduled service included two daily round trip runs between St. John's and Port aux Basques, with shorter runs between St. John's and Grand Falls and between Corner Brook and Port aux Basques. The schedule is designed so that the trans-island runs arrive at Port aux Basques in time for passengers to catch the night ferry crossing to Nova Scotia. No attempt has been made to allow for passengers who might wish to join the bus corridor from a feeder bus service or from an airline service.

Private Bus Companies

At present there are 21 private bus companies operating in the province. Of these, 16 use the TCH as part of their routes. The operations of 14 of the 16 were examined by the Commission during July, 1978. These companies are listed in Table 3-1, together with information about the vehicles employed and the frequency of service offered. Of the companies surveyed, only six attempt to maintain a regular connection with the CN Roadcruiser service.

Table 3-1 Inventory of private bus operators surveyed by commission

Operator	Area served	Frequency of service
1. Fleetline Bus Co. Ltd. 12 buses	Carbonear to St. John's Via CB Highway	Daily Return
2. Squire's Bus Line 3 buses	Sibley's Cove to St. John's Via CB Highway	Daily Return
3. John Newhook 1 sedan, 1bus, 3 minibuses	Dunville & area to St. John's Via TCH	Daily Return
4. Clarenville Trans. System 2 buses	Bonavista-Clarenville to St. John's	Daily Return
5. Edgar Marsh 2 sedans, 1 minibus	Bonavista to St. John's	Daily Return
6. Cheeseman's Trans. Ltd. 4 minibuses	Burin to St. John's	Daily Return
7. Richard Foote 2 minibuses	Grand Bank to St. John's	Daily Return
8. George Green 2 sedans, 1 minibus., 1 bus	Dark Cove-Gambo-Gander	Daily Return
9. Kevin Farrell 2 buses	St. Albans to Grand Falls	Daily Return
10. Gus Bailey' 1 minibus	Baie Verte to Corner Brook	Daily Return
11. Harold Simon 8 buses	Port au Port Peninsula to Stephenville	Daily Return
12. Seymour Cassel 2 buses, 2 minibuses	Roddickton to Corner Brook	South on Tues, Thurs, Sat North on alternate days
13. Viking Express 1 bus, 1 minibus	St. Anthony to Corner Brook	South on alternate days
14. Hancock Automotive 1 minibus	Red Bay to Corner Brook	South Monday North Wednesday

Feasibility of Restricting Feeder Bus Service to Off-Corridor Routes

In the absence of a rail passenger service, there is, as previously indicated, a great need for the public bus system to provide a high level of service. One way to achieve this is to have the corridor service act as a strong base, similar to a mainline rail service, with frequent off-corridor services provided by feeder lines making connections to the corridor service at convenient points. The restriction of the feeder buses to off-corridor routes would strengthen the corridor service, which, through gaining additional passengers, would be provided with a broadened revenue base. The feeder lines, operating over shorter distances, could in any case reduce their costs and could partially compensate for revenues lost from "main line" passengers by providing more frequent and more convenient services.

If schedules were properly co-ordinated, the user would be assured completion of his journey with minimal lost time and inconvenience. This is in contrast to the present arrangement where there is little co-ordination and where many of the feeder lines operate in the corridor in competition with CN.

Supposing that properly co-ordinated schedules could be developed, the proposal to limit the feeder buses to off-corridor routes would have severe financial implications for the feeder operators. Indeed, under such an arrangement, all but four of the companies surveyed would incur substantial losses in revenue. The companies that would not suffer losses are precisely those for which there is no possibility of a schedule merger. Table 3-2 summarizes the losses to the feeder lines and the increased revenues to CN assuming a continuation of current fare levels. It is obvious that while CN would gain more than $500,000 annually, the loss of revenue to the smaller companies would force them out of business, depriving some parts of the province of any public transport system at all.

Table 3-2

Area Served	Feeder Percentage Revenue Loss	Additional CN Revenue
Placentia/St. John's	–54.6%	$135,044.
Sibley's Cove/St. John's	–34.4%	29,120.
Bonavista/St. John's	–62.1%	296,010.
Bonavista/St. John's	–62.1%	35,880.
Grand Bank/St. John's	–45 %	62,400.
Burin/St. John's	–50.5%	24,960.
Gambo/Gander	–85.7%	9,609.
St. Alban's/Grand Falls	–10.9%	3,144.
Baie Verte/Corner Brook	–72 %	39,312.
Cape St. George/Stephenville	–	–
Roddickton/Corner Brook	–11.4%	10,920.
St. Anthony/Corner Brook	–9.8%	3,494.

Thus, there is a *prima facie* case that this alternative is impractical. On the other hand, the smaller bus companies could continue to operate under the suggested restrictions if their lost revenues were replaced by subsidies. In that case, the central question becomes one of deciding where best to apply subsidy, whether to CN or to the feeder lines. It should be noted, however, that the CN bus service receives no

subsidy at the present time from public funds. Its operating losses are being met through internal subsidy.

But even if the financial problems of the feeder line operators could be resolved, it would still be necessary to consider that the restriction of feeder bus operations to off-corridor routes would be, in many respects, unattractive to the traveller.

Firstly, once passengers have boarded a vehicle, there is a normal preference to remain on that same vehicle for the duration of the journey. For example, a journey from the Burin Peninsula to St. John's can now be accomplished on a feeder service. It would be a great nuisance to the traveller to change buses when transferring from the feeder to the corridor service at or near Goobies. Secondly, the nuisance is increased because of no highly efficient reservation system and because of no guarantee that all buses would adhere strictly to the published schedules and ensure prompt interconnections. Finally, the cost to the passenger would likely increase because the costs for two short journeys generally are higher than those for one long journey (even though the overall distance travelled may be the same) and because increased costs usually result in higher fares.

Therefore, from the carriers' and passengers' standpoints, there appears to be little merit in requiring the feeder lines to drop all passengers at the TCH.

A more realistic solution might be to allow the feeders to operate as now but to set up a co-ordinated schedule permitting the expeditious transfer of passengers to corridor buses for portions of the main route not served by the feeder. Under such an arrangement, passengers from the Burin Peninsula would continue as at present if their destination were St. John's, but would, if travelling to Port aux Basques, be able to transfer to a connecting CN bus at Goobies for the remainder of the journey.

Preliminary analysis carried out by the Commission indicates that a modest increase in CN revenues would result from implementation of such a system because it would permit CN to compete for some passengers now carried by other companies. The increase would not, however, be sufficient to eliminate the requirement for subsidy if CN were to attempt to provide a first-class bus system as described in Volume 1.

A Proposed Co-ordinated Feeder Bus Corridor Bus Scheduled with some Air Connections

The objective of a co-ordinated system of schedules is to afford prospective travellers the opportunity to avoid excessively long waiting periods. For example, the EPA flight from St. John's now arrives at Deer Lake five minutes after the departure of the westbound CN roadcruiser. Therefore, passengers travelling to communities beyond Deer Lake must hire taxis for the last part of their journey or wait several hours until the departure of the next bus.

Obviously, there will be constraints that prevent the corridor bus system from accommodating *all* possible connections. Nevertheless, the Commission is convinced that the more egregious examples of uncoordinated scheduling, such as that cited above, can be eliminated easily. For instance, a most significant change that could be readily accomplished would be to stagger some corridor bus runs to allow more flexibility in feeder connections. It would be simple to extend the present Port aux Basques/Corner Brook bus service to include Deer Lake, thereby providing possibilities of scheduled interconnection to airline passengers arriving at or departing from that airport as well as to passengers using the St. Anthony off-corridor bus service.

Table 3-3 details proposed schedules and specific stops for each run of a typical service. It should be noted that this schedule connects with at least 26 flights, 15 of which are daily, compared to the existing system that connects with only 18, eight of which are daily flights. Table 3-4 details these connections.

The proposed schedule has several advantages over the existing service. It allows greater access to airline routes and offers a greater variety of transinsular crossing times than is now available. The two "expedo"[6] runs have limited station stops. The westbound makes all stops between St. John's and Grand Falls, after which it stops only at Deer Lake, Corner Brook and Port aux Basques. The eastbound makes all stops between Port aux Basques and Deer Lake, after which it stops only at Grand Falls, Gander, Clarenville and St. John's. These crossings permit no arrival times later than 11:45 pm.

The feeder bus schedules are detailed in Table 3-5 as they could exist in conjunction with the proposed corridor schedule. In most cases the proposed feeder schedules are very close to existing schedules although they provide for more frequent connections with the corridor service and increased access to air routes. Every effort should be made, including, where necessary, the judicious application of subsidies, to encourage the development of new services not now connected to the provincial bus system.

St. John's feeder bus systems are well integrated in an area with a population of 150,000. There are a number of feeder bus companies serving the capital city several times daily; air and corridor bus connections are well developed. Even if these schedules were modified slightly by an altered corridor service, the present travelling public would experience little inconvenience.

[6] "Expedo" is a name applied by CN and is used in the study for the sake of familiarity. "Limited" is the alternative but is not used extensively in the detailed study by the Commission's staff.

Table 3-3 Outline of Proposed Schedule

St. John's	dpt [a]9:45 am	8:15 am	dpt 6:05 pm		arr [a]9:30pm	arr [b]11:15 pm		arr [a]10:00 pm
Gander	2:15–2:45 pm	1:00–1:45 pm	11:15 pm		4:10–4:45 pm	6:40–7:00 pm		4:50 pm
Grand Falls	4:20 pm		arr 12:50 am			3:15 pm		dpt 3:15 pm
Deer Lake	7:00–7:10 pm	6:25 pm		1:15 pm	10:55–11:30 am	1:45–2:30 pm	2:00 pm	
Stephenville		8:50 pm		3:05 pm	9:05 am	11:55 am	12:10 pm	
Pt aux Basques	arr 10:50 pm	11:45 pm		6:00 pm	dpt 6:10 am	dpt 9:00 am	9:15 am	

NOTE: "Limited" service stops are fewer in number than regular runs; details of the schedule are available in the original feasibility study.

[a] all stops to Gander
limited stops from Gander to Port aux Basques

[b] all stops to Deer Lake
limited stops from Deer Lake to St. John's

arr.: arrival
dpt.: departure

Table 3-4

Flight Time Gander	Connection	Time and Direction	Flight Time Deer Lake	Connection	Time and Direction	Flight Time Stephenville	Connection	Time and Direction
DPT 7:00 AM*			ARR 8:20 AM*			ARR 9:10 AM	X	W 10:25
ARR 7:30 AM*			ARR 9:00 AM*			DPT 9:30 AM	X	E 9:05
DPT 7:50 AM*			DPT 10:00 AM			ARR 1:15 PM*	X	W 3:05
DPT 12 NOON			DPT 11:10 AM*			ARR 2:00 PM		W 3:05
ARR 1:00 PM	X	W 1-1:45	ARR 2:15 PM*	X	1:45–2:30E	ARR 2:15 PM*	X	W 3:05
ARR 1:05 PM	X	W 1-1:45	DPT 2:35 PM	X	1:45–2:30W 1:15W 2:00E	DPT 2:20 PM	X	E 12:10
DPT 1:35 PM*	X	W 1-1:45	DPT 3:05 PM	X	2:00E 1:15W	DPT 2:35 PM*	X	E 12:10
DPT 2:00 PM	X	W 1-1:45	ARR 4:00 PM			DPT 3:45 PM*	X	W 3:05
ARR 2:15 PM*	X	W 2:15-2:45	ARR 5:45 PM*	X	7:00W 6:25W	DPT 4:00 PM*	X	W 3:05
ARR 3:05 PM*			DPT 9:25 PM*	X	7:00W			
DPT 3:05 PM*	X	W 2:15-2:45						
DPT 3:50 PM	X	W 2:15-2:45						
ARR 4:25 PM*	X	E 4:10/4:45 E 4:55						
DPT 4:55 PM*	X	E 4:10-4:45						
ARR 6:30 PM*	X	E 6:40-7:00						
DPT 6:50 PM								
ARR 10:55 PM*	X	W 11:10						
ARR 11:00 PM	X	W 11:10						
ARR 11:35 PM								
ARR 11:55 PM								
ARR 11:59 PM								

* Regular daily flights (4 or more per week)
X Bus connection
Dpt. Departure
Arr. Arrival
E. East
W. West

The St. John's metro area is probably the best example in the province of an integrated ground network, with multiple daily services over short distances involving relatively large numbers of passengers. Such circumstances mitigate the necessity of precise intermodal scheduling and connections because a wide range of options is available.

Feasibility of Interlining

The concept of interlining is based on access to all available transportation systems in the province from common ticketing offices. Such an arrangement would allow passengers to reserve space on different carriers and would facilitate the booking of long-distance intermodal trips by residents and non-residents. The single most important requirement for interlining is the existence of an efficient bus/ferry network as proposed here.

In Nova Scotia, Acadian Bus Lines has taken the responsibility for this function and officials of that company say that the system is working well. The *modus operandi*, which could be applied in this province as well, allows the major bus company to write a ticket in several parts, much like an airline ticket. Each part is collected by the respective bus operator. The feeder bus operator can then recover the cost of the collected ticket from the mainline bus company. A small service fee to cover administration costs is charged by the principal company. Journeys with transfers from the feeders to the mainline pose a problem because many of the smaller bus lines are not able to provide the interlining service.

With CN (or, in the future, VIA) the major operator in Newfoundland, there should be no difficulty in implementing a similar service. Discussions with CN officials indicate the proposal to be worthwhile and feasible.

Interlining without a proper reservation system, however, is only a minor improvement over the existing situation. For instance, it is of little value to a passenger travelling to Port aux Basques from Bonavista to arrive in Clarenville with a transfer ticket only to find that the corridor bus on which he should travel has no space available. With the resources of CN (or VIA) and the ability of modern computers to handle reservations, a complete reservation system could be put into service in this province. With appropriate terminal connections the service could be extended to incorporate all the feeder lines.

Standard of Service

With 21 feeder lines and the corridor bus, each operating according to individual company objectives, the standards of service and equipment vary a great deal. If Newfoundland is to have a high-level bus service it is essential that standards be uniform and that they be rigidly enforced throughout the whole province.

At the present time, the Board of Public Utilities (PUB) is the licensing and enforcement agency for the feeder buses, while the Canadian Transport Commission (CTC) has jurisdiction over most of CN's operation. This split authority does very little to ensure the adequacy of bus services. In the opinion of the Commission, all bus operations should come under the jurisdiction of one agency, preferably the PUB. As the ultimate authority, the PUB would hear applications for fare increases, establish standards for equipment and services (including scheduling), and award licenses. Moreover, the PUB would enforce all regulations within its jurisdiction and should also have the power to seek alternative operators when present operators cannot meet the established standards.

Bus Depot Requirements for the Short Term

To provide a high level of service, all corridor bus stations must adhere to prescribed standards for such facilities as waiting rooms, washrooms, confectionery stands and public telephones. In addition, station operators should be informed promptly of anticipated disruptions of schedules so that passengers, in turn, can be appropriately advised. Facilities for the sale of tickets should be available at all stations for the benefit of both corridor and feeder passengers.

Few stations now provide all of these services. A licensing system must be developed by the provincial and/or federal government to ensure that this situation is rectified. Specifically, the system should require:

1. that every individual or company wishing to operate a corridor bus station should be licensed and that the terms of licensing should require the provision of the facilities mentioned before;
2. that failure to conform to specified requirements would result in the cancellation of the license and the public tendering of the service; and
3. that if a caterer could not be found, the service should become the responsibility of CN.

Under the proposed schedule, it could be necessary to provide a maximum of seven new stations. These should be provided as quickly as possible. In the interim, services should be provided through contracts with service station owners. For example, there are auto service stations west of the Glovertown access road which could serve Alexander Bay, Glovertown and the Eastport Peninsula. Existing facilities at the Lewisporte Junction could serve as a station for Lewisporte, New World Island, Twillingate and Norris Arm North and South. Such arrangements currently would not be possible at Hampden Junction where there are no existing services. Here it would be necessary to develop a new facility immediately. A further proposal for speedier service is to eliminate all stops other than for meals except when there are flag stops

Table 3-5 Feeder Bus Schedule

Junction	Area Served	Connection Time	Basic Schedule			Corridor	Connection
St. John's	N.E. Avalon		Dp Carbonear 7:15 am, 8:15 am, 4:00 pm, 6:00 pm	Ar St. John's 9:30 am, 10:30 am, 6:15 pm, 8:15 pm		8:15 am W 6:05 pm W	9:45 am W
St. John's	N.E. Avalon		Dp Sibley's Cove 5:45 am Ar Sibley's Cove 9:15 pm	Ar Roache's Line 8:50 am Ar Roache's Line 6:10 pm	Ar St. John's 9:30 am Dp St. John's 5:00 pm	9:45 am W	
St. John's	N.E. Avalon		Dp Cappahayden 6:30 am Ar Cappahayden 7:30 pm	Ar St. John's 9:30 am Dp St. John's 5:30 pm		9:45 am W	
Holyrood	C.B. North						
Whitbourne	Trinity S/ Argentia	9:20 am 7:10 pm	Dp Dunville 8:30 am Ar Dunville 7:50 pm	Ar Whitbourne 9:10 am Ar Whitbourne 7:10 pm	Ar St. John's 10:35 am Dp St. John's 5:55 pm	9:20 am W 7:10 pm W	10:50 am W
Whitbourne	Trinity S		Dp Lead Cove 7:00 am Ar Lead Cove 8:35 pm	Ar Whitbourne 9:15 am Ar Whitbourne 6:15 pm	Ar St. John's 10:30 am Dp St. John's 5:00 pm	9:20 am W	10:50 am W
Goobies	Burin	11:15 am 8:00 pm	Dp Burin 9:00 am Ar Burin 10:15 pm	Ar Goobies 11:15 am Ar Goobies 8:00 pm	Ar St. John's 1:30 pm Dp St. John's 5:45 pm	11:50 am W 7:25 pm E	7:55 pm E
Goobies	Burin		Dp Grand Bank 8:30 am Ar Grand Bank 7/8:30 pm	Ar Goobies 11:00 am Ar Goobies 5:00 pm	Ar St. John's 1:00 pm Dp St. John's 3:00 pm	11:50 am W	
Clarenville	Bonavista Pen. E	11:00 am 8:30 pm	Dp Bonavista 7:20 am Ar Bonavista 11:00 pm	Ar Clarenville 9:50 am Ar Clarenville 8:30 pm	Ar St. John's 1:30 pm Dp St. John's 5:00 pm	11:00 am W 6:45 pm E 6:50 pm E	(2 services ar Clarenville 11 am/7 pm
Port Blandford	Bonavista P.W						
Glovertown	Eastport P	12:12 am 5:32 pm					
Gambo	Bonavista Bay W	12:30 pm 5:20 pm	Dp Gambo 12:15 pm Ar Gambo 5:35 pm	Ar TCH 12:30 pm Ar TCH 5:20 pm	Ar Gander 2:00 pm Dp Gander 4:15 pm	12:30 pm W 5:20 pm E	5:15 pm E
Gambo	Bonavista Bay W		Dp Badger's Quay 2:00 pm Ar Badger's Quay 7:30/8 pm	Ar Gambo 4:00 pm Ar Gambo 5:30/6 pm	Ar St. John's 7:30/8 pm Dp St. John's 2:00 pm	5:15 pm E	5:20 pm E
Gander	Gander Bay	2:15 pm	Dp Carmanville 8:30 am Ar Carmanville 4:30 pm	Ar Gander 10:30 am Dp Gander 2:30 pm		1:00 pm W	2:15 pm W
Lewisporte J.	New World Isld.						
Bishop's Falls	Bay d'Espoir &	3:50 pm (B.F.)	Dp Bay d'Espoir 8:00 am	Nil	Ar Grand Falls 11:00 am	3:00 pm W	3:35 pm E
	Botwood	3:30 pm (G.F.)	Ar Bay d'Espoir 6:00 pm	Dp Bishop's Falls 3:50 pm	Dp Grand Falls 3:30 pm	2:20 pm E 3:20 pm W 4:55 pm W	2:55 pm E 3:15 pm E
Grand Falls							
Badger	Millertown						
South Brook	Pilley's Isld, etc						
Springdale Jct	Springdale & Area						
Baie Verte Jct	Baie Verte Pen	5:15 pm	Dp Baie Verte 9:00 am Ar Baie Verte 6:15 pm	Ar TCH 10:00 am Ar TCH 5:15 pm	Ar Corner Brook 11:30 am Dp Corner Brook 2:45 pm	5:15 pm W	
Hampden Jct	White Bay	11:00 am Jct 6:15 pm Jct	Dp Jackson's Arm 9:00 am Ar Jackson's Arm 8:15 pm	Ar Jct 11:00 am Ar Jct 6:15 pm	Ar Corner Brook 12/12:15 pm Dp Corner Brook 5:00 pm	12:05 pm E	5:50 pm W

Table 3-5 Feeder Bus Schedule—Cont'd

Junction	Area Served	Connection Time	Basic Schedule			Corridor	Connection
Deer Lake	Gt Northern Peninsula	12:30 pm 6:30 pm	Dp Roddickton 5:45 am Ar Roddickton 1:15 am	Ar Deer Lake 12:30 pm Ar Deer Lake 6:30 pm	Ar Corner Brook 1:00 pm Dp Corner Brook 6:00 pm	6:25 pm W 1:15 pm W	2:00 pm E 1:45 pm E
Deer Lake	Gt Northern Peninsula		Dp St. Anthony 10:35 am Ar St. Anthony 2:00 am (Next day return)	Ar Deer Lake 6:25 pm Ar Deer Lake 5:30 pm	Ar Corner Brook 7:25 pm Dp Corner Brook 4:45 pm	6:25 pm W	
Deer Lake	Gt Northern Peninsula		Dp St. Barbe 8:00 am Ar St. Barbe 4:00 pm	Ar Deer Lake 1:00 pm Ar Deer Lake 7:30 am	Ar Corner Brook 1:30 pm Dp Corner Brook 7:00 am	1:45 pm E (connections with 2 eastbound at Deer Lake) 2:00 pm westbound at Corner Brook	2:00 pm E
Corner Brook	Bay of Islds		Dp Cox's Cove 8:00 am, Dp Cox's Cove 11:15 am Dp Cox's Cove 12:30 pm Ar Cox's Cove 4:30 pm Ar Cox's Cove 6:30 pm Ar Cox's Cove 12:30 pm	Ar Corner Brook 9:30 am Ar Corner Brook 12:30 pm Ar Corner Brook 2:00 pm Dp Corner Brook 11:00 am Dp Corner Brook 3:00 pm Dr Corner Brook 5:00 pm		10:10 am E 1:00 pm E	2:00 pm W 1:15 pm E
Stephenville	Pt au Pt Peninsula	4:30 pm 7:45 am	Dp Cape St Geo 6:00 am Ar Cape St Geo 6:15 am	Ar Stephenville 7:45 am Dp Stephenville 4:30 pm		9:05 am E	3:05 pm W
Robinson's Jct	St. Geo Bay						
Doyles	Codroy Valley						
Port aux B.	South Coast						

for passengers wishing to board or request stops for those wishing to disembark.

Conclusions

While the concept of restricting feeder bus lines to off-corridor routes does not appear feasible at this time, a co-ordinated schedule that would allow interlining between CN roadcruisers (to be operated by VIA Rail) and the feeder lines certainly seems possible. VIA as the largest operating firm in the province, should take the initiative and see that everything possible is done to provide not just corridor, but province-wide, high-level service.

A workable schedule for such a service has been presented here. The trans-island market, as well as the local market, has been considered. Most operators with whom the Commission has discussed this proposal not only say it is possible, but that it is also practical. Initiative for implementation is all that is required.

B. Urban Bus Operations

Until recent years, St. John's was the only Newfoundland community with a requirement for an urban bus system. Today an increasing urban population indicates a necessity for such systems in Corner Brook, Grand Falls and Labrador City/Wabush. In addition, the problem has expanded beyond municipal boundaries to include regions in which urban commuters reside, e.g., the St. John's metropolitan area.

Urban and regional systems are the responsibility of municipalities, which have a relatively small tax base. Therefore, with the extremely limited funds available to them, there is a major problem for towns and cities to acquire the funds required for the purchase and operation of bus systems.

Other provinces, which recognize these problems and are convinced of the benefits of bus systems, have developed financial aid programs to help municipalities acquire equipment. In addition, federal funds are available through the Provincial Government to assist towns and cities in solving problems linked to public bus transport.

Although the Newfoundland Government provides grants to municipalities for various purposes, there is no firm policy to encourage investment in bus systems. Such a policy is urgently required.

Among the projects that need immediate consideration are a regional bus service for the St. John's region, a major bus depot for St. John's that could serve urban as well as rural routes and, perhaps,even the TCH corridor bus, and a bus service for Corner Brook.

Chapter IV

Central Warehousing

The Commission recommended in Volume 1 that careful consideration be given to the construction of general warehousing facilities at St. John's, on the West Coast and in Central Newfoundland. These would serve as "for hire" depots for freight destined for the small communities located off the main highway corridor.

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 aided by such depots which would provide a central location for the regular interchange of freight between smaller and larger carriers. The inability of the small carriers to provide their own warehousing facilities now adversely affects interlining* and regularly scheduled trucking services.

The development of an efficient interlining system is of great importance; therefore, the Commission indicated that it would study further the question of central warehousing facilities.

Initially, the Commission was interested in considering the use of these facilities to redistribute freight for shipment to smaller communities off the main corridor. This freight originated either from outside Newfoundland or from the larger distribution centres in the province. During the course of its investigation, however, the Commission found that the Newfoundland Government had begun a program to construct cold storage depots for fish.

Furthermore, in July 1978, the Provincial Government signed an agricultural development subsidiary agreement with the federal Department of Regional and Economic Expansion (DREE) that included the financing of storage facilities in Newfoundland for vegetable products. This agreement includes the establishment of on-farm storage facilities and the establishment of marketing and/or processing facilities in designated agricultural areas which would wash, grade, package and *store* the ready produce for market. Existing central storage facilities will be converted for this purpose and new facilities will be constructed in areas without facilities or where it is deemed impractical to renovate existing structures.

A program to upgrade livestock facilities may be considered later when a study by government of the requirements of that sector is completed.

These recent developments prompted the Commission to expand its original concept of central warehousing and to consider the possible advantages of combining these various operations. Certainly the similarity of these operations would permit common management, accounting systems, clerical and warehousing staff, and common handling equipment. It would eliminate duplication in a number of other areas, leading to increased efficiency and considerable savings.

The most significant benefit of consolidating these operations is to achieve maximum use of both the facilities and the trucking services that handle cargo moving through these facilities.

Use of the Facilities

Extremely high capital and operating costs would be incurred if a facility were constructed to accommodate a large volume of traffic for a very short period of the year, such as the storage of fish during periods of excessive supply. (For example, the high cost of operating the Gulf ferries primarily is due to the fact that

* Movement of goods by more than one carrier under a single bill of lading

accommodation has to be provided for a high volume of traffic during a very short season.) High costs would also occur if the volume of traffic moving through the facility were small yet fairly even throughout the year. If there were a high, continuous volume of traffic moving through that facility, the costs assigned to that traffic would be reduced considerably.

The flow through these warehouses would increase substantially if these operations were consolidated. This increased use should reduce costs accordingly. The facilities include refrigerated storage, which is costly both from a capital and operational standpoint; therefore, the need for maximum use becomes all the more significant.

Truck Use

Trucks serving these central warehouses would be used to a much greater extent if the various operations were combined because there would be far more opportunities for backhaul and fuller loads than would be available if each facility were operated independently.

For instance, a truck could deliver a load of fish to the central warehouse from a fish plant on the Burin Peninsula and on the return run it could deliver freight awaiting transfer from the central warehouse to customers on the Burin Peninsula. Tractor trailers originating from outside the Province could deposit their cargo at these central warehouses. Without having to leave the main corridor, they could pick up fish awaiting a transfer to the United States market. (Incidentally, this setup would also provide a partial freight haul to Newfoundland truckers. The tractor trailers now go directly to the fish plants to pick up their cargo.)

The Commission also envisages a truck delivering freight to these central warehouses from major distribution centres such as St. John's or Corner Brook and the same truck taking back Newfoundland vegetables for distribution in these major markets.

The Commission feels that this increased truck use will correspondingly reduce costs for this service.

The Commission realizes that other factors must be considered before concluding that such a concept is practical and feasible. There must be a detailed origin and destination study; an assessment of the economic benefits that would accrue to Newfoundland industries if such facilities were used; an estimate of the size, cost and location of these facilities; and an estimate of the costs and revenues involved in such an operation. It was indicated in Volume 1 that the Commission would examine and report on some of these areas in Volume 2. Because of the broader concept now envisaged by the Commission, however, it is recommended that the proposed Newfoundland Transportation Commission, with the support of its research department, study this proposal and make appropriate recommendations to the Federal and Provincial Governments.

Chapter V

Tourist Information and Exit Survey Project

Newfoundland now receives a smaller number of tourists than either Nova Scotia, New Brunswick or Prince Edward Island. It seems likely, however, that this number will increase in the foreseeable future, and that any increase will have implications for transportation both to and from Newfoundland as well as within.

During the summer of 1978 the Commission tried to determine general levels of satisfaction with ferry crossings and tourism in Newfoundland. The Commission endeavoured to establish, insofar as possible, which considerations weighed most heavily on visitors' satisfaction or lack of it. The Commission also wished to discover whether the presentation of more information concerning Newfoundland, either actively in a dramatic and visual form, or more passively in response to specific requests, would increase visitors' satisfaction. Accordingly, with a research consultant, the staff of the Commission planned and carried out the Tourist Information and Exit Survey Project.

Ferry transportation to Newfoundland during the summer months is provided by five ferries. The '*Marine Atlantica*', '*Marine Nautica*' and the '*Stena Nordica*' operate between North Sydney and Port aux Basques, the one-way run taking approximately 5½ hours. Most crossings are made during daylight. Although there is at least one nightly crossing, only limited berth accommodation is provided. Two other ferries, the '*Ambrose Shea*' and the '*Marine Cruiser*', run between North Sydney and Argentia, taking approximately 18 hours, with berth accommodation provided for all passengers. For each of the five ferries, the loading and unloading process requires approximately two hours and one hour, respectively.

During the summer months the provincial Department of Tourism provides an information officer on each ferry. The officer, usually a student employed for the summer, has visual and published material for distribution and is available to answer specific questions during the voyage.

The project supported by the Commission included a more intensive attempt to make additional information available on certain crossings during a six-week period in July and August. Specifically, the following materials were prepared:

1. videotape presentation concerning travel to and within Newfoundland;
2. specific videotapes concerning topics of interest in Newfoundland, e.g., folk songs, arts and crafts;
3. information concerning roads, accommodations, etc., which would be useful to travellers;
4. a display consisting of a map and supporting material so that the information could be presented in a comprehensive, interesting manner.

Between July 15 and August 15, 1978, one member of the Commission's research staff travelled on a number of day ferry crossings between North Sydney and Port aux Basques. During the crossings this person supplemented the work of the regular tourist information officer. She showed several videotapes during the crossing and was readily available to present information and answer questions concerning specific aspects of travel within Newfoundland.

During August, 1978, a tourist exit survey was carried out by an independent consultant. A random sample of 1,271 vehicles leaving Newfoundland through Argentia and through Port aux Basques was selected for the first 19 days of the month. An interviewer administered a questionnaire to the driver of each vehicle. Excellent co-operation was received by the interviewers, and virtually all of those who were

approached completed the questionnaire willingly and answered all the questions.

The research consultant prepared a report that includes a detailed analysis of all interview and questionnaire material. This report, together with copies of all documents used, constitutes one of the supplementary reports of the Commission. A summary of the most relevant information is presented below.

Of the 1,271 vehicles surveyed, 275 (21%) entered through Argentia and 851 (78.1%) through Port aux Basques. (Fifteen vehicles did not report a point of entry). See Table 5-1. Further information is presented in Tables 5-2, 5-3 and 5-4.

Table 5-1 Port of Entry and Departure on Ferry Crossing

Entering and departing Argentia	179	
Entering Port aux Basques and departing Argentia	266	
Total departing Argentia		445
Entering Argentia and departing Port aux Basques	94	
Entering and departing Port aux Basques	714	
Total departing Port aux Basques		808

Table 5-2 Average Expenditures on Visit to Newfoundland

	Average Expenditure	Percentage Sample Spending Nothing
On Visit (Total Expenditure)	$487.03	2.1
On Transportation	133.61	6.5
On Accommodation	63.12	41.4
On Food and Beverages	125.68	14.1
On Souvenirs and Crafts	39.29	37.8
On Other Purchases	92.41	63.6

Table 5-3 shows the place of origin of all visitors.

Table 5-3 Location of Respondent's Hometown

	Number	Percentage
Prince Edward Island	15	1.2
Nova Scotia	313	24.6
New Brunswick	79	6.2
Montreal Area	29	2.3
Quebec—outside Montreal	29	2.3
Toronto Area	205	16.1
Ontario—outside Toronto	303	23.9
Western Canada	82	6.5
Northeast United States	128	10.1
United States—other areas	82	6.5
Other countries	5	0.4
Total	1,270	100.0

Table 5-4 shows the primary destination of all visitors.

Table 5-4 First Destination

	Number	Percentage
St. John's	301	25.1
Other Avalon Peninsula	141	11.7
Burin Peninsula	40	3.3
South Coast	22	1.8
St. George's Area	59	4.9
Corner Brook	104	8.7
Humber Area	25	2.1
Central Newfoundland	95	7.9
Bonavista/Trinity	44	3.7
Notre Dame Bay	26	2.2
Northern Peninsula	76	6.3
Labrador	7	0.6
Other and Touring	261	21.7
Total	1,201	100.0

In general, the respondents expressed a high level of satisfaction with their visit to Newfoundland (see Table 5-5). The average level of satisfaction was 8.8 on a 10 point scale and more than 85% of respondents rated the visit 8, 9 or 10.

Table 5-5 Level of Satisfaction with Visit in General

	Number	Percentage
10 Completely Satisfied	577	45.4
9	218	17.2
8	288	22.7
7	96	7.6
6	20	1.6
5	45	3.5
4	8	0.6
3	6	0.5
2	3	0.2
1 Completely Dissatisfied	5	0.4
Total	1,266	100.0
Average	8.779	

The level of satisfaction was related (a) to the number of previous visits (with those having visited most often being most satisfied); (b) to place or origin in Canada (with those from Central and Eastern Canada and northeast United States being most satisfied, and those from Western Canada least), and (c) to port of arrival in Newfoundland, with those arriving through Argentia being more satisfied (9.0) than those arriving through Port aux Basques (8.7).

The general level of satisfaction with the ferry crossing (7.9) was considerably less than that with the visit (see Table 5-6).

Table 5-6 Level of Satisfaction with Ferry Trip

	Number	Percentage
10 Completely Satisfied	497	39.6
9	138	11.0
8	204	16.3
7	120	9.6
6	61	4.9
5	97	7.7
4	38	3.0
3	28	2.2
2	33	2.6
1 Completely Dissatisfied	39	3.1
Total	1,255	100.0
Average	7.869	

It should be noted, however, that some ferries were generally regarded as more satisfactory than others (see Table 5-7).

Table 5-7 Arrival Ferry and Level of Satisfaction with Crossing

	Number	Level of Satisfaction
'Ambrose Shea'	178	8.45
'Marine Cruiser'	106	8.36
'Marine Atlantica'	307	7.49
'Marine Nautica'	362	7.42
'Stena Nordica'	221	7.67
Don't Know	77	
Other	8	
Total	1,259	

As expected, because of the lack of cabin space for night crossings, the level of satisfaction with the Port aux Basques ferries varied with the time of crossing. Those crossing on the day runs expressed a higher degree of satisfaction (8.1) than those crossing at night (7.1).

Somewhat surprisingly, however, and perhaps reassuringly, the degree of satisfaction with the crossing (except for the Argentia crossings) did not have any effect on the level of satisfaction with the whole trip (see Table 5-8).

Table 5-8 Type of Crossing Compared with Satisfaction

	Degree of Satisfaction with Visit	
	Crossing	Visit
Argentia	8.4	9.0
Gulf (day)	8.1	8.7
Gulf (night)	7.1	8.7

The slightly higher level of satisfaction among visitors arriving through Argentia is interesting. Perhaps this arises from the visitor having to make early and detailed plans for the trip and from having to hold an early, advance reservation. In contrast, the trip *via* the Port Aux Basques service can be planned late because the service is frequent and the run is relatively short. It may be that *ad hoc* arrangements are rarely as satisfactory in their consummation as planned ones. Whatever the reason, however, the visitors coming by way of Argentia should certainly continue to be encouraged. One way to do this would be to extend the length of time during which the Argentia service is offered.

The availability of information about Newfoundland is particularly important for non-residents who have not visited the province before and who have not received appropriate information from friends or relatives.

Of 1,271 surveyed, 437 (or 34.7%) had lived in Newfoundland at some time, 349 (or 37.2%) had visited previously, while 525 were visiting the province for the first time.

These figures suggest that a high proportion of visitors to Newfoundland are returning home or are visiting friends or relatives. Some 41% of visitors spent no money for accommodation in Newfoundland.

Many of the visitors (546) including 320 (or 61%) of those visiting Newfoundland for the first time had sought information concerning Newfoundland before beginning their journey. The most popular source of information was the Newfoundland Department of Tourism (see Table 5-9), whose work was performed so adequately that the attempt by the Commission staff to supplement the service produced only a marginal improvement.

Table 5-9 First Place from which Information Sought and Received

	Sought		Received	
	No.	%	No.	%
Travel Agent	13	2.4	14	2.8
Newfoundland Department of Tourism	238	43.6	220	44.3
Canadian Government Office of Tourism	29	5.3	25	5.0
Auto Club	54	9.9	42	8.5
Friends or Relatives	68	12.5	65	13.1
Previous Visits	41	7.5	41	8.2
Magazine Advertisements	5	0.9	5	1.0
Other	98	17.9	85	17.1
Total	546	100.0	497	100.0

Except for those getting information from auto clubs, the percentage of those reporting satisfaction with the information received is consistently high (see table 5-10).

Table 5-10 Proportion of Respondents Reporting Satisfaction with Information Received

Source of Information	Number	Satisfied Yes %	Satisfied No %
Newfoundland Department of Tourism	164	89.0	11.0
Travel Agent of Cdn. Govt.	30	86.7	13.3
Auto Club	35	80.0	20.0
Friends or Relatives	44	95.5	4.5
Previous Visits	28	96.4	3.6
Other	94	83.0	17.0

A high proportion of visitors (36%) sought information from tourist officers on the vessel. A high proportion of those seeking information (88%) reported that they were satisfied with the information.

Travel in Newfoundland—in common with travel everywhere else in the world—includes positive and negative aspects. Comments concerning these are presented in detail in the consultant's report; it is sufficient to note here that the positive comments generally refer to scenery, hospitality, provincial parks and historic sites, while the negative references are to services such as accommodations, gas stations and restaurants.

Most respondents reported that they were satisfied with the information they had received concerning those aspects of their trips which turned out to be pleasant (see Table 5-11).

Table 5-11 Respondent had Sufficient Information

	About Trip	About Pleasant Aspects of Trip	About Unpleasant Aspects of Trip
(a) All respondents			
Yes	88.2%	84.9%	48.1%
No	11.8%	15.1%	51.9%
(b) Those who consulted Tourist officers			
Yes	88.9%	83.6%	43.8%
No	11.1%	16.4%	56.3%

By contrast, many visitors, especially those who had consulted tourist officers, reported that they had not been given sufficient warning of those aspects of the trip which, in retrospect, were unpleasant.

This probably is because those knowing the least about Newfoundland, including the unpleasant aspects of travel in this province, are the ones most likely to seek information from tourist officers. That is, the relationship between seeking information and lack of knowledge about the unpleasant prospects is correlational rather than causative. Nevertheless, it illustrates the desirability of providing sufficient information concerning all aspects of travel in Newfoundland—both pleasant and unpleasant—so that unpleasant surprises can be minimized. The most appropriate place for giving the information appears to be on the ferry or in tourist chalets close to the ferry terminal, i.e., after the individual has made a firm decision to visit Newfoundland, but before the actual visit has started.

Finally, the Commission examined the question of whether the provision of additional information and materials adds to the visitors' level of satisfaction. The research was unable to provide a conclusive answer to this question for two reasons. Firstly, the level of satisfaction with the information provided by regular sources was high. Secondly, a relatively small number of individuals in any outgoing sample had been exposed to the additional materials and information.

Only a small portion of those who travelled on the ferries when visual materials were shown actually saw the presentations. Only 174 (or 13.7%) of those interviewed on departure had been on a crossing on which the research officer of the Commission travelled. Of these, only 54 (approximately 30%) had seen the presentation. Although 46 of the 54 offered positive comments concerning the presentations, the number is too small to be of any great significance.

As may be seen from Table 5-12, respondents who were potentially exposed (i.e., who travelled on a crossing on which the research officer also travelled) to the Commission's special presentation showed no significantly different levels of satisfaction or patterns of expenditure or length of stay from those respondents who had not been potentially exposed. Table 5-12 (b) indicates, however, that persons potentially exposed to the presentation were more likely to indicate that they had received sufficient information on pleasant aspects of their trip than were those without similar opportunities to be informed.

Table 5-12 Information Sufficient by Potential Exposure to Special Presentation

		Potentially Exposed (174)	Not Potentially Exposed (1097)
(a)	Mean level of satisfaction with:		
	Visit	87.4	87.9
	Information	89.4	88.8
	Ferry	77.8	78.9
(b)	Satisfied with information		
	Yes	88.5	88.1
	No	11.5	11.9
	Sufficient information on pleasant aspects of trip		
	Yes	92.0	83.0
	No	8.0	16.2
	Sufficient information on unpleasant aspects of trip		
	Yes	45.7	48.5
	No	54.3	51.5

Major Conclusions

1. The level of satisfaction among tourists to Newfoundland is relatively high concerning their visits in general and the information which they had prior to their visits, but is considerably lower with respect to their ferry trips to the province.

2. Approximately 35% of the respondents were former residents of Newfoundland. This group generally expressed higher levels of satisfaction with the visit and with the information which they had before their visit.

3. Very few tourists appear to use the tourist films on the ferries as a means of obtaining information about Newfoundland, although almost 37% consulted the tourist information officers on the ferries. Among first-time visitors, more than 50% consulted the tourist officers.

4. Although respondents generally were satisfied with the information which they had about Newfoundland prior to their visits, the most satisfied were those who had visited Newfoundland before. Clearly, first-time visitors felt the information which they had was lacking in certain respects, especially about certain unpleasant aspects of their trips.

5. A relatively high percentage of tourists (41.4%) spend nothing on accommodation while in the province. Presumably a certain small percentage are campers, while many find accommodation with friends and relatives.

6. Tourists who enter Newfoundland through Argentia are generally more satisfied and tend to stay longer than those who enter through Port aux Basques.

7. Tourists to Newfoundland from Ontario, Nova Scotia, and the northeastern United States were generally more satisfied and tended to stay longer. The lowest level of satisfaction was expressed by those from western Canada.

8. Those tourists who expressed the highest levels of satisfaction stayed longest and spent the most money.

9. Most tourists (71.2%) left the province through the same port by which they entered.

10. The lowest level of satisfaction with the ferry was expressed by those tourists who had entered Newfoundland through Port aux Basques on a night crossing.

11. The most frequently mentioned unpleasant aspects of the visit to Newfoundland concerned transportation problems, including problems with the ferry service, inadequate road signs, poor roads in general and the Trans-Canada Highway in particular.

It appears, then, that those who are providing information concerning travel to and within Newfoundland are accomplishing their task in a very satisfactory manner. Nevertheless, further efforts are required in two directions if the over-all level of satisfaction is to improve:

1) Further information must be provided, at the appropriate time and place, concerning unpleasant aspects of travel to and within Newfoundland.

2) Efforts should be made at reducing these unpleasant aspects (e.g., information concerning prices, difficulties with reservations, inadequate service in gas stations, restaurants, insofar as possible).

Chapter VI

Further Aspects of the Subsidy Question

In Volume 1 of this report the Commission concluded that freight subsidies sometimes fail to attain their intended purpose, and, indeed, are occasionally accompanied by disadvantages that outweigh the benefits they bring. The Commission is particularly concerned to determine whether subsidies act as a deterrent rather than as an advantage to local industry. The specific question that must be asked is whether subsidies give outside companies an unfair competitive advantage over local industry with respect to products that could be manufactured in Newfoundland.

In examining this question, we must consider:

a. the general circumstances in which the removal of a subsidy could be justified;

b. those subsidies that have the greatest adverse effect on local industries;

c. the problems that might be encountered in effecting the removal of those subsidies;

d. the criteria that should be applied to determine which subsidies, if any, should be removed; and

e. the best method of administering the removal of subsidies.

Justification for Removal of Subsidies

Newfoundland is now experiencing the highest rate of unemployment of any province in Canada. The Commission feels that this in itself is sufficient justification for considering the removal of subsidies on products that can be produced in Newfoundland. However, there are other persuasive arguments to support such a policy.

There is, for example, the enormous imbalance of trade between Newfoundland and the other provinces of Canada, including the Maritimes. For while this province is a large consumer of Canadian goods, practically everything it produces is for export rather than the domestic market. For this reason, the Commission could find very little evidence of benefit to Newfoundland, in terms of economic development, from either the intra-regional or the westbound subsidies. Yet, the prime reason for introducing these subsidies was to promote economic development in Atlantic Canada and that still remains the primary justification for their continuance. Until there is a more equitable balance of trade between Newfoundland and the other provinces, the argument in favour of selective removal of subsidies will be a powerful one.

It may be argued that such a policy smacks of protectionism, that it would result in restraint of trade with the other provinces, and would have the effect of a tariff against products produced outside the province of Newfoundland. However, such arguments are incorrect and misleading; indeed, similar charges with respect to the existing system may be advanced. When, as at present, a freight subsidy is provided on the movement of a product to Newfoundland from Ontario, for example, and no comparable subsidy is provided on the movement of the same product from Ontario to Nova Scotia, the Ontario manufacturer has *ipso facto* easier access to the Newfoundland market than to the Nova Scotia market.

Consequently, if plants in Nova Scotia and in Newfoundland manufacture the same product, the plant in Newfoundland has greater competition in its local market from the Ontario manufacturer. If, for example, that product moves by Newfoundland Steamships, the Ontario manufacturer would have an advantage of $15.64 per ton when he ships to New-

foundland that he does not have when he ships to Nova Scotia. If that same company were given the equivalent of $15.64 per ton for goods manufactured exclusively for the Newfoundland market, but in the form of a subsidy on wages, on raw materials, or on any other operational costs, it could then be argued that such a subsidy would discriminate against the Newfoundland manufacturer of the same product. Yet the freight subsidy has, essentially, the same effect.

Indeed, we must ask whether the Federal Government should provide a transportation subsidy on any commodity moving from one province to any other province that produces that same commodity. For example, it appears totally illogical to provide a subsidy on the movement of potatoes between Prince Edward Island and New Brunswick, considering that each of those provinces is more than self-sufficient with respect to that particular product. Nevertheless, potatoes are now eligible for subsidy under the Intra-regional Subsidy Program.

In addition, and importantly, it should be noted that the continuance of any subsidy which is not serving a useful purpose (or indeed, the purpose for which it was designed), is wasteful and an unwarranted imposition upon the taxpayer.

Subsidies Having the Most Effect

Although detailed descriptions of freight subsidies applicable to Newfoundland have been given in Volume 1, Chapter X, we will recapitulate at this point the essential features of those which have the most significant impact on local industry. They are:

a. the intra-regional subsidy,

b. the direct water subsidy to Newfoundland Steamships Ltd., and

c. the Gulf subsidy.

The intra-regional subsidy, now known as the "Atlantic Regional Special Selective Subsidy", applies at a rate of 15% on certain commodities that move within the select territory and are native to the region. This particular subsidy developed from the Maritime Freight Rates Act (MFRA), which was introduced in 1927 to promote economic development in eastern Canada, and was extended to the Island of Newfoundland when it joined Canada in 1949.

The direct water subsidy is paid to Newfoundland Steamships Ltd. (NSL) at a present rate of $15.64 per ton on all traffic moving from Montreal to St. John's and Corner Brook. This subsidy, initially $7.00 per ton, was introduced in 1969 after NSL had persuaded the Government of Canada that existing levels of traffic and revenue did not permit a profitable operation, that NSL could not continue indefinitely to operate unprofitably, and that the proposed subsidy would still be far less than the subsidy required to move freight across the Gulf.

The Gulf subsidy, which is the highest of the three, applies on the movement of freight between North Sydney and Port aux Basques, and is now averaging approximately $60 per ton for rail, and $40 per ton for truck freight. The Federal Government was, in effect, committed to this subsidy under the Terms of Union in 1949, because of the obligation to maintain the Gulf service and to bring Newfoundland within the Maritime region for the purposes of rate-making.

Whilst the intra-regional subsidy is, as of September 1, 1978, on a select commodity basis, the Gulf and direct water subsidies are "blanket subsidies" because they apply on all freight moved by these two services. In all three cases, the subsidies are paid by the Federal Government.

Problems Involved in Administering the Removal of Subsidies

Removal of the intra-regional subsidy would have the least effect because it applies, at the relatively low rate of 15%, only to those commodities that originate in the select territory for shipment to Newfoundland. Moreover, its removal would not be administratively difficult, requiring merely a modification of existing regulations to exclude designated commodities from the list of those now eligible for subsidy.

The removal of the direct water subsidy on select commodities would also be simple to administer. Newfoundland Steamships Ltd. would merely keep a record of the tonnages of excluded commodities, and would deduct them from total cargo volumes when applying for subsidy on the remaining cargo.

The Gulf subsidy would have the most significant effect on local industries because it is the highest of the three in question. Furthermore, the removal of this subsidy would be more difficult to administer because the present subsidy is on neither a tonnage nor a select commodity basis. Rather, it covers the total deficit incurred on the Gulf and, at present, there is no separate cost accounting for the rail, truck, passenger, and passenger-related services that altogether comprise the Gulf operation.

The Commission, nevertheless, contends that both from the aspect of sound business practice and for the purpose of rational planning such a system of accounting is essential. With its implementation, it would be relatively easy to take the next logical step of costing out both the rail and truck service for each commodity designated for subsidy removal. At present, the rate for tractor-trailers on the Gulf is a fixed rate per foot, regardless of the cargo contained in the trailers. Similarly, railway cars are assessed a fixed rate regardless of the cargo being carried.

The implementation of a selective subsidy policy to accommodate the Newfoundland producer would require a declaration by the carriers of the contents of each shipment as it arrives in North Sydney for fur-

therance to Newfoundland. The selected products would then be charged a rate equal to the full cost of the service and the remaining cargo would be charged the subsidized rate.

Criteria for Determining Subsidy Removal

There are several criteria which should be applied in determining which subsidies should be removed. The foremost consideration should be whether the product can be readily and practically manufactured or produced in Newfoundland.

Sensitivity to freight costs would be an important consideration and the removal of a subsidy should only take place when it could be established that freight charges represented a reasonable share of the cost of a product. Certainly it would be pointless to remove the subsidy on a product where freight was a minor part of the total cost.

The capacity of Newfoundland industries to supply all, or a reasonable share, of local demand for a particular commodity would also have to be considered. It would be unfair to the Newfoundland consumer to remove the subsidy on any particular commodity if it were determined that the local supply fell far short of demand.

Another consideration would be the quality of the product produced in Newfoundland. Again it would be unfair to the Newfoundland consumer to remove the subsidy to encourage the sale of an inferior Newfoundland product. Similarly, the Commission would not advocate the removal of a subsidy that would result in the consumer having to pay a substantially higher price for an indigenous product.

Other considerations would undoubtedly emerge in time but it is the Commission's view that those specified here cover the basic criteria to be considered in implementing a program of subsidy removal.

Effect of Subsidies on Local Industries

To determine whether a subsidy removal program would in fact assist local industries, the Commission decided to investigate the effects these subsidies have on a group of local industries. Three cases have been selected for analysis here.

1. Atlantic Gypsum Ltd.

Atlantic Gypsum Ltd. is located in Corner Brook and now employs 90 people. Its present annual production is 30 million square feet of gypsum board, which weighs approximately 25,000 tons. The Company supplies nearly 90% of the Newfoundland market representing 68% of the Company's total production. The remaining 32% of its product is shipped primarily to Cape Breton, with a small quantity going as far as Halifax.

The product is highly sensitive to freight charges which, including freight on both raw materials and finished product, account for 25% of total costs.

Atlantic Gypsum's two major competitors are located in Quebec. If they were to ship their product from Montreal to Newfoundland by Newfoundland Steamships they could avail of the $15.64 subsidy, which is extended to this carrier. The significance of this subsidy on this particular product may be ascertained easily by using as a representative example the ½" standard size board. One thousand square feet of this board sells for $107.00 and weighs 1,800 pounds, so the direct water subsidy would amount to $14.07 per thousand square feet, or in this case, 13% of the total selling price.

While Atlantic Gypsum's share of the Newfoundland market is substantial at the moment, this could quickly change if its competitors' present markets were to become soft and if they decided to take full advantage of the freight subsidy to push their sales in Newfoundland. This could result in a decrease in Atlantic Gypsum's sales in this market, which, in turn, could necessitate reduction in its work force. If the competition were to capture a major share of the Newfoundland market, the consequences to Atlantic Gypsum could be much more severe. On the other hand, if the $15.64 per ton subsidy were removed on this particular commodity, it would be virtually impossible for this situation to occur.

2. Standard Manufacturing Co. Ltd.

Standard Manufacturing Co., a manufacturer of paints, is located in St. John's and has 75 full-time employees with an additional 25 people hired during the summer months. It enjoys a major share of the local market, selling 75% of its total production in Newfoundland and the remaining 25% in other Atlantic provinces. It does not ship its product west of New Brunswick. Freight, both incoming and outgoing, accounts for 15% of the total cost of the product. Its major competition comes from national companies located in Ontario and Quebec.

The average selling price for this product is approximately $12.00 per gallon and the average gallon weighs 12 pounds. Consequently, if a supplier in Ontario or Quebec were to ship this product from Montreal to Newfoundland by Newfoundland Steamships, the subsidy of $15.64 per ton would represent .75% of the selling price. The Gulf subsidy would amount to either 3% or 2% of the selling price depending upon whether shipment were by rail or by tractor trailer.

3. Newfoundland Margarine Co. Ltd.

Newfoundland Margarine Co. employs 60 people and is located in St. John's. It also enjoys a major share of the local market selling practically all of its product in Newfoundland. Freight accounts for approximately 15% of its total cost. Its major competitors are located in Ontario and Quebec, and, like

Standard Manufacturing, consist of national companies.

A ton of margarine would sell for $1,330.00, so the $15.64-per-ton direct water subsidy would represent 1.2% of the selling price. If it were shipped by rail, the Gulf subsidy would be 4.5% and, if by tractor trailer, 3% of the selling price.

In the opinion of the Commission, these examples demonstrate clearly that the freight subsidies in relation to the selling prices are significant in certain cases. (These percentages would be even higher if the subsidies were related to the *manufactured* costs of these products.) The Commission therefore feels that the removal of these subsidies would greatly benefit existing industries in Newfoundland and would encourage the development of new ones.

The Commission does not advocate removal of the subsidy on all commodities produced in Newfoundland, but only in cases where it can be shown that a viable existing or potential local industry can meet local demand according to the criteria specified above. The Commission recognizes that if the subsidy is removed on a product shipped to Newfoundland, it might necessarily have to be removed on that same product when it is shipped from Newfoundland.

In short, each specific case would have to be examined on its merits. When all the ramifications had been examined, the subsidy should be removed when it had been determined that local industry would benefit from the removal and when there were no obviously countervailing disadvantages to other segments of the local economy.

If a subsidy removal program is adopted, the Commission recommends that monies saved through this program be used to subsidize freight costs on raw materials required by local industries in Newfoundland. Atlantic Gypsum Ltd. informed the Commission that the new program of selected subsidies (intra-regional) excludes the raw gypsum which is shipped from Flat Bay to Corner Brook. Since the Company moves approximately 50,000 tons of raw gypsum annually, their costs for freight alone will increase by $30,000 to $35,000 per year. Another manufacturer, Newfoundland Margarine Co., reported to the Commission that the bulk freight rate on a 70,000-pound car from Montreal to St. John's was higher than the rate on a 30,000-pound car of finished product. These are but two examples where a different form of subsidy could be very beneficial to local industries.

Administering the Removal of Subsidies

The Commission considers that the agency best suited to administer a program of subsidy removal would be the Newfoundland Transportation Commission (NTC), referred to in Volume 1 and elsewhere in the present volume of this report. With the support of its research facility this organization would be able to undertake such comprehensive studies that would lead to appropriate decisions respecting the industries that could benefit from the removal of subsidies. Nor should those studies be confined to products now being manufactured in Newfoundland. Additionally, they should be addressed to potentially viable industries not now established in the province, but which could be assisted to develop through an imaginative re-assessment and re-application of subsidy programs.

As the Commission envisages its role, the NTC would play a vital part in examining the advantages and disadvantages of all subsidies that apply on products that are, or might be, manufactured or produced in Newfoundland. It might, for example, study the effect that transportation subsidies have on the production of potatoes in this province, with the object of determining whether the removal of subsidies for a certain period of each year would allow local farmers to develop viable operations. Similarly, the NTC might study the sawmill industry to determine whether the removal of the subsidy on certain types and sizes of lumber would greatly benefit that industry.

In short, the NTC should be charged with the responsibility of maintaining a continuing analysis of all freight subsidies and their effect upon Newfoundland industry, and with the obligation to provide a forum for appeal to which local industry could address their real or perceived grievances. Additionally, it should provide a consulting service to those industries contemplating location in Newfoundland, particularly with reference to transportation problems and to the issue of subsidies where these might well represent the marginal difference between success and failure.

Finally, the NTC should have the task of designing sound subsidy programs aimed clearly and definitively at encouraging the development of viable industry in this province. For that objective, together with the over-riding necessity to fulfill constitutional obligations and to provide the Newfoundland consumer with the protection of his status as a Canadian citizen, constitutes the three-fold rationale for all freight subsidy programs.

In the long run, though neither constitutional obligations nor consumer protection can be overlooked, we must look to the wise use of subsidy programs to encourage local development if we are to face the future with hopeful confidence.

In Volume 1, the Commission indicated that it intended to identify in Volume 2 specific commodities to which no subsidy should apply, and by inference those commodities that, in the Commission's view, should continue to receive subsidy support. In the preceding paragraphs of this chapter the Commission has identified the parameters and considerations which should guide the selection process in this area. We have, however, deliberately left the question of

exact commodity definition to the proposed Newfoundland Transportation Commission (NTC).

In this way, the necessary, detailed and exhaustive research and investigation can be carried out most efficiently and cost effectively. As well, the decision to remove a subsidy from certain, currently subsidized commodities then will be made only after examination of all ramifications and after those persons and groups interested and affected, both positively and negatively, by a proposed change, have been consulted and given ample opportunity to present their views.

Chapter VII

Employment Impacts of Technological Change in the Transportation Industry

Introduction

The major recommendation of the Commission contained in Volume 1 concerned the gradual phasing out of the railway on the island of Newfoundland, combined with a proportionate strengthening of the other modes, particularly direct water services. Implicit in such changes would be major shifts in employment patterns; there appears to be no indication, however, that the end result will provide any fewer employment opportunities than now exist.

Since the release of Volume 1 to the public, there has been widespread comment that the loss of the railway would bring with it massive unemployment and great social upheaval. The Commission now attempts, on a factual basis, to put the problem into perspective and to illustrate the kinds of employment shifts that would likely take place if its previous recommendations were to be implemented.

Shifts in Mode Utilization

In 1976, the railway carried approximately 400,000 tons of freight into the province, 70,000 tons out of the province, and another 250,000 tons within the province. Eventual closure of the railway would necessitate the transfer of this traffic to other modes. Thus, in addition to the normal growth in the other modes, there would be a gradual transition during the proposed railway phase-out period that would see a continuing decline in rail traffic, combined with an increase in the use of the other modes. For some of this traffic the end result is predictable. Firstly, it is reasonable to expect that over the planning period all of the intra-provincial freight would go to the trucking industry, as it would be virtually impossible for either the air or marine modes to compete for this freight. Secondly, as far as traffic originating east of Montreal is concerned, trucking plays a major role in moving this freight. On the other hand, the costs of long haul trucking are increasing at a rate faster than that of the marine mode. For freight originating in Montreal and westward, therefore, the marine mode is likely to capture a large portion of the volume available.

It is estimated that, owing to the possible closure of the railway, additional traffic demands will result, leading to increased employment opportunities in both the inter and intra-provincial trucking industries, as well as in the marine transport industry.

Changes in Employment Patterns

It is difficult to accurately determine the rate at which jobs will be lost in the railway mode and that at which jobs will be created in the other modes as freight is gradually transferred. An analysis of past employment statistics, however, does give some indication, at least as far as order of magnitude is concerned, of the extent of these changes.

In addition to the normal growth that will take place in the truck and marine modes, closure of the railway would result in additional volumes being carried by these modes. Because existing employment levels are geared to the volumes of freight being handled, extra freight, such as that which would be transferred to the truck and marine modes from the railway, would result in the expansion of the labour force in these two modes. Table 7-1 shows the amount of extra tonnage that might be transferred each year and the number of additional jobs created as a result of the gradual decline in interprovincial railway freight. In addition to the 530 jobs created, there should be a slight increase in truck-related jobs in Port aux

Basques and Argentia, as the number of trucks using the Gulf ferries increases. While accurate figures indicating the number of jobs connected with the movement of interprovincial railway freight are not available, an analysis of the total CN employment figures indicates that, on average, the railway mode is more labour intensive than the trucking and sea modes. Thus, as far as interprovincial freight is concerned, the number of new jobs created will not be immediately equal to the number of railway jobs lost.

Table 7-1 Changes in Freight Volumes and Employment as a Result of a Decline in Interprovincial Railway Freight During Phase-Out Period[a]

	Additional Tonnage (x 1000)		Additional Jobs	
Year	Truck	Sea	Truck	Sea
1978	18	29	23	32
1979	44	72	33	47
1980	82	113	48	68
1981	90	148	10	17
1982	110	179	30	35
1983	115	188	6	10
1984	95	156		
1985	88	144		
1986	98	161		
1987	133	217	23	32
1988	152	250	47	69
		Totals	220	310=530

[a] based on steady decline in railway freight of 10% per annum and trucking limited to 38% of excess freight available as result of closure

In addition to interprovincial freight, however, employment will be created in the trucking industry with the movement of intra provincial freight, as well as in the pickup and delivery functions associated with the marine mode. These factors, combined with normal growth in both the truck and marine modes necessitating an expanded work force, indicate that, after the railway had been phased out, the *total* number of positions in the transportation industry will, in fact, be marginally higher than today.

Some Impacts of Employment Shifts

While, in theory, there is every indication that the net employment in terms of number of jobs available would not be lower in ten years than now, if the railway were phased out over that period of time, practical reality points out that some individuals and communities will be adversely affected.

The reasons for these adverse consequences are obvious. Some of the employment positions created in the other modes will not be suited to the training of those individuals leaving the railway. On a geographical basis, the locations of the new positions will not always coincide with the location of the unemployed individuals. To take advantage of the new jobs would require that the individual move his place of residence, and, for many involved, such a move might not be very attractive for either personal or financial reasons.

Despite these problems, a number of things can be done to minimize the impact of change. The crucial role of the Joint Consultative Committee (JCC) has already been referred to, both in this and the previous volume of the Commission. Retraining, transfers to other positions within the CN organization, and within other modes of transportation, will greatly lessen the potential impact of the proposed changes. In addition, normal attrition will play a major role.

Railway Employment

In Volume 1, the number of people employed with the railway in 1976 was estimated at 2,000. Recent statements by union officials in the local press have estimated the figure to be closer to 3,000. Part of the difficulty with trying to estimate accurately the total number actually employed in the railway operation stems from the fact that a relatively large number of people work indirectly for the railway, although officially classified under some other CN division. For instance, those individuals who work on the car-to-car and truck-to-truck transfer in Port aux Basques are actually involved in railway-related jobs, although officially they come under CN Marine and not CN Railway. Closure of the railway would result in the loss of such positions, nevertheless.

Discussions with CN officials now place the current, most accurate, estimate of railway-related employment in this province at 1,400. This includes 1,120 employed directly in the railway, 200 in railway-related jobs within CN Marine, and 70 in other railway-related jobs elsewhere in the CN organization.

A closure of the railway would, in theory, result in all these positions becoming redundant, thus resulting in unemployment of the 1,400 individuals involved. An abrupt closure of the railway, however, cannot be contemplated at this time. Any phase-out over a prolonged period of time, while yielding, in the final analysis, the same net result (in that all the present positions will be eventually lost), will not have nearly the same social impact. A phase-out period would provide an opportunity for absorption of many of the existing employees either into some other division of CN or into positions in other transportation modes.

Further analysis of the employment figures within the CN organization reveals other information which suggests that the impact of railway closure would be less severe in terms of the actual number of individuals who would eventually lose their jobs. Although there are no data readily available to indicate the age distribution of railway employees, figures for the total CN operation in Newfoundland indicate that 10% of the total work force is 60 years of age or older and 19% is 55 years or older. If the same distribution is applicable to railway employees (and there is every indication that these percentages are, if anything, even higher), 140 railway workers are over 60 years of age and 266 workers are over 55.

This means that, if the railway were to be phased out over a ten-year period, at least 266 positions would be lost through normal retirement at age 65. If early retirement were to be offered to those individuals who, at the end of the phase-out period, were 60 years of age, a further 180 employees would be affected. Thus, without lay-offs and if only retirement is considered for which no replacement would be made, the present work force of 1,400 could be reduced to approximately 950 by the end of the phase-out period.

In addition to retirement, normal attrition will play a major role in depleting the number of redundant positions while the railway is being phased out. In recent years, normal attrition within the railway has been approximately 6% per annum. It is difficult to say whether this will be accelerated once any final announcement concerning eventual closure is made. The most probable reasoning is that this rate would increase as individuals, when there was any chance of employment opportunity elsewhere, would be likely to avail themselves of it, rather than face the uncertainty of railway employment. If the current rate holds, however, it is expected that as many of 500 persons will leave the railway of their own volition before it is eventually closed. This then would leave 450 positions that would be lost at the end of the phase-out. Previous sections of this report have shown that it should not be difficult to find an equivalent number of positions within the other two modes to replace those lost, or indeed elsewhere within the CN operations.

Some Cautions

It has been estimated that increased traffic in the truck and marine modes, as a result of the railway phase-out, should result in a net increase in employment, but a number of cautions should be noted.

Firstly, the employment estimates, as earlier presented, have been based on the assumption that marine container traffic will, in the future, continue to play only a minor role in the total freight movement. At present, container traffic accounts for only 10% of the total incoming freight volume. There are indications that this form of transport is gaining in popularity, however. If the container method were to grow rapidly enough to assume a major role in the movement of freight, it would have a great impact on the numbers of new employment opportunities, as fewer workers are required for this method of freight handling and transportation than for either the truck or conventional marine mode. The end result could then be that fewer workers could handle more goods; thus, the opportunity to employ workers displaced by the railway phase-out would be considerably reduced.

Secondly, as freight shifts from railway to truck, Canadian National Transportation Limited (CNTL) is expected to obtain a relatively large share of the new truck freight. This should provide some opportunity for the transfer of some existing railway employees to CNTL. There may be, however, existing collective agreements within the various divisions of CN that would provide an impediment to the smooth transfer of workers. If this were the case, many opportunities for transfer, such as from the railway to CNTL, might be lost.

Finally, there is at present no provision for giving a displaced railway worker priority in seeking employment in other modes. In theory, any new positions created as a result of increased traffic could be filed by any individual, regardless of whether or not he is at present a railway worker. If the impact of the railway phase-out is to be minimized, the JCCs should attempt to ensure that truck and shipping companies give priority to displaced railway workers.

In conclusion, it appears that, even if a definite decision were made to phase out the railway over a ten-year period, the resulting changes in employment could be dealt with primarily through retirements and normal attrition during that ten-year period. Retraining and relocation of workers within CN and the transportation industry generally would minimize the difficulties encountered.

It is vitally important to take a long-term view and to attempt to solve the problem over the entire ten-year period. If the problem is perceived and dealt with only over the short term, major lay-offs may be necessary at specific times. Short-term re-allocations would produce unfortunate social consequences, in terms of uncertainty, disruption and financial upheaval. Such re-allocations should be avoided, therefore, if at all possible. If the long-term objectives are kept in mind, there is every reason to believe that the total re-allocation can be accomplished with a minimum of disruption to the individuals concerned.

Chapter VIII

Some Administrative Structures

Newfoundland Transportation Commission (NTC)
The Commission believes that much of the past difficulty with Newfoundland transportation arose from the absence of any formal sructure designed to promote and develop adequate interprovincial and intraprovincial systems.

Both Federal and Provincial Governments, particularly the former, have established departments and agencies to manage particular aspects of transportation, both from a regulatory and from a financial viewpoint. Nevertheless, the Commission feels that, at best, there is insufficient liaison among these groups to ensure optimum results and, at worst, that they work at cross purposes. The Commission believes that the establishment of the NTC, as proposed in Chapter XI of Volume 1, would be of practical and immediate assistance.

There must be one body with a mandate encompassing the total transportation system affecting this province. There must not be a multiplicity of agencies, each acting in a specific area without regard to the impact upon other jurisdictions. Just as this Commission of Inquiry conducted an overview of the whole transportation system, so the NTC would conduct the exercise on a continuing basis, with resulting efficiencies in time and savings in expenditure.

Furthermore, the Commission believes that statistical analysis and research, which in *theory* is being done by existing departments and agencies, is not *in practice* accomplished in any regular, co-ordinated and effective manner. The NTC would be able to obviate this difficulty.

The role of the Newfoundland Transportation Commission would include the following primary activities:

a. to make recommendations, after appropriate study, to government departments and agencies on standards of intra- and interprovincial transportation services, and to monitor *actual* service levels in comparison with set standards, and to report deficiencies in performance to the controlling government agencies;

b. to monitor transport regulations and to recommend changes and additions—where appropriate, the NTC may assume direct regulatory and service control over modes of transportation (e.g., public bus network) that as are not now fully controlled or integrated into the transportation system of the province;

c. to hold public hearings on proposed major changes in transportation services, the establishment and monitoring of level of service, and other important problems in the transportation field; to prepare reports on these hearings and forward them to the governments and agencies concerned, and to monitor the implementation of policies resulting from these reports;

d. to provide for the co-ordination of transportation services, particularly within the province, but without interfering substantially with the regulatory control of other bodies;

e. to evaluate the effectiveness of existing subsidies, and to make recommendations on subsidy allocation, both on the total amount to be provided by government in a given period, and the division of that total among the various transportation modes and services; to make recommendations on the establishment of new transportation services, including the nature, level and duration of any subsidy or other assistance required; and

f. to establish and maintain current data files on all aspects of transportation relating to the province, to

evaluate all proposed new methods and services, to monitor economic trends in Newfoundland, and to conduct, co-ordinate and direct continuing research into specific questions referred to the Commission by government or raised by the Commission itself.

The following paragraphs describe these activities in more detail.

a. Standards of Service

Today, there is no mechanism by which achievement of service standards in various transportation modes can be continually and effectively evaluated, except for a theoretical capacity in some federal departments. Yet there is a greater need than ever before to establish appropriate service levels and suitable procedures to monitor the carriers' achievement as measured by these levels. This need is increased by the establishment of a separate marine service operation on the Gulf, by the expansion of the trucking industry, by the proposed development of a public intra-provincial transit system, and by the continuation of substantial public expenditure through subsidies.

An additional benefit of a single agency such as the NTC monitoring all standards of service is that these standards would be compared to each other. The result is to ensure that standards would not vary substantially from service to service within a mode, nor from mode to mode.

b. Development and Monitoring of Regulations for Services and Carriers

The Newfoundland transportation system currently is regulated by federal agencies, such as the Canadian Transport Commission (CTC), and by the provincial Board of Commissioners of Public Utilities (PUB), with jurisdiction over both provincial and federal motor vehicle legislation. In Volume 1 we recommended that regulation of the CN bus operation, now exercised by the CTC, should be returned to the provincial agency (PUB) so that there is only one regulatory authority for public transit within the province. The Commission nonetheless recognizes the practical difficulties involved if a single body assumed all regulatory authority for both intra and interprovincial transportation.

The PUB now controls motor transport within and without the province and also regulates electrical and telephone services and rates, and other "public utilities", in Newfoundland. As this latter function becomes increasingly complex, it may well become desirable or necessary to separate the transport related authority of the PUB from its "public utility" regulatory function. At such time, this regulatory authority should pass to the NTC.

In any case, the Commission maintains that consciously planned and phased development of transportation services within and to the province will require the imposition of new regulatory schemes in areas not now fully regulated. These include a public bus network and possibly certain aspects of trucking, intra-island ferries and coastal shipping. The time seems most appropriate for the proper co-ordinated, and carefully planned implementation of such a system of regulation to ensure optimum transportation services within these areas. The NTC should be assigned this function, and, indeed, should be empowered to license operators in areas where unrestricted competition might be harmful, as in the motor carrier field.

c. Public Hearings

During its information sessions, and later during the formal hearings, this Commission saw that many Newfoundlanders generally are dissatisfied with one or more aspects of the transportation system as it affects them directly. The Commission believes that government must respond to the needs and wishes of the population, insofar as these can be reconciled with good economic principles. Moreover, government must establish mechanisms through which these needs and wishes can be articulated. We suggest, for example, that formal, regular public hearings would not only provide appropriate information, but also would reduce the constant stream of criticism, and improve the view of transportation held by the general Newfoundland public.

The Commission proposes that, whenever it believes that public input is desirable, the NTC should have a continuing responsibility for conducting public hearings related to transportation. Proposals to abandon services, to change rates, or to establish new routes are examples of areas in which formal solicitation and consideration of public opinion are essential to wise decision-making.

It would not be sufficient simply to provide a forum for public input. The NTC also would be responsible for the recording and transcription of hearings, the compilation of recommendations and proposals received, and forwarding these to the government concerned. The NTC virtually could function as a "continuing Commission of Inquiry" with power not only to receive public input, but also to make formal recommendations to governments and agencies as appropriate.

This Commission further proposes that the NTC should be responsible for public dissemination of information on matters of transportation policy and service. Once again, we believe that this process of providing accurate advance information would decrease public suspicion and distrust of new policies or procedures introduced by carriers and government.

We propose that the NTC should hold annual or bi-annual series of public meetings at appropriate

centres throughout the province. These meetings might be conducted formally by the full commission, or informally, through a schedule of regular visits by one or more members of the commission, or through a combination of both approaches. At these meetings, representatives of smaller and more isolated communities that ordinarily lack the organization, resources or the experience to make their views known, would have the opportunity to bring their concerns forcefully to the attention of the proper authorities.

d. Co-ordination of Transportation Services

The Commission believes that the NTC should perform a useful role, particularly with respect to a public bus system, as outlined in Chapter III. A formal co-ordinating function will be necessary to ensure development of the optimum service. Co-ordination between all modes would also be a function of great importance.

e. Subsidies

The question of subsidies was examined in detail in Chapter X of Volume 1, and Chapter XI of the same volume outlined the function of the NTC in this area. In Chapter VI of this volume the Commission makes specific recommendations on NTC involvement. We reiterate that subsidies are and will continue to be of major significance in any assessment of the Newfoundland transportation system.

This Commission has considered the practicality and desirability of transferring subsidy funds from federal and provincial subsidizing agencies to the NTC, and of making the NTC solely responsible for the distribution of these funds. After careful consideration, the Commission has concluded that this system would not be practical now. Nevertheless it is a major goal toward which both levels of government should work. The advisory role of the NTC should be taken most seriously. We submit that the recommendations of the NTC concerning subsidies should become the most powerful and influential input into the subsidy allocation process. This approach would give Newfoundland through its representation on the NTC, the means of participating in the allocation and expenditure of federal transportation subsidies.

f. Continuing Research

In Chapter XI of Volume 1 we dealt fully with continuing research. We now reiterate that it is absolutely necessary to establish a Centre for Research into Newfoundland Transportation, located in the province and staffed by a director, one or two assistants and the necessary clerical persons. Ultimately under the direction of the NTC, this centre would examine specific projects and problems, and continually gather and update information. The absence of such a co-ordinating centre has meant that much of the excellent work done in previous years by other studies and commissions has been left to become quickly outdated. The effort required to update these studies to present-day conditions sometimes equals or exceeds the initial effort of the original studies themselves.

The establishment of a research centre would eliminate this "catch-up" problem and would provide decision makers, including the NTC, with ready access to currently accurate information. We assume that the research centre would make use of the material, statistics, and expertise available in federal, and to a lesser extent, in Newfoundland departments and agencies.

The Commission estimates that the cost of establishing and operating a research centre would be about $365,000 per year (See Table 8-1). It recommends that funding should be shared equally between the Provincial and Federal Governments, each of which would benefit from the services provided. Because the Federal Government is responsible for the provision of most major transportation services between Newfoundland and the rest of Canada, it is necessary and proper that this government should support the work of the research group. At the same time, information developed by this group would be of particular and perhaps unique usefulness to Newfoundland, while perhaps being of lesser importance to the rest of Canada. Thus, Newfoundland should assume an equal share of the funding.

Table 8-1 Summary of Structure and Annual Cost Estimates for Centre for Research into Newfoundland Transportation

STAFF		
Director	$40,000	
Administrative Assistant	25,000	
Clerical/Secretarial	20,000	
Transport Planners (2)	60,000	
Research Assistants (4)	60,000	
	$205,000	$205,000
OTHER		
Office Expenses (includes rent, utilities machines and supplies, computer time, library)	$60,000	
Contracted work	100,000	
	$160,000	$160,000
		$365,000

The research centre should be overseen by a full-time director who would report to the Executive Director of the NTC, and through him to the NTC members. Annual or semi-annual reports might be required in addition to *ad hoc* reports on specific projects. A substantial portion of the centre's work could be contracted out; therefore, sufficient funding would have to be provided for this.

Structure of the NTC

In Chapter XI of Volume 1, the Commission referred to the proposed structure of the NTC. It should consist of two representatives appointed by the Provincial Government, two appointed by the Federal Government, with a Chairman acceptable to both parties. An executive director would report directly to the Commission and the support staff would be organized in functional groups, each with sufficient clerical staff.

To promote cross-fertilization of ideas, effective liason should be encouraged between the NTC and its functional sub-groups, and also between researchers with similar interests in government, in industry, and at the university. Sometimes there may even be cases for shared funding of specific projects. The substantial funding of the NTC, however, would be the responsibility of the Federal and Provincial Governments, with federal support dominant in the organizational years or until provincial expertise and involvement warranted a larger contribution from Newfoundland.

The Commission suggests that the likely annual cost of the NTC, at least for the first five- to 10-year period, would be $520,000, as detailed in Table 8-2.

Table 8-2 Summary of Annual Structure and Cost of Newfoundland Transportation Commission (NTC)

Chairman and Commission Members(4)	$200,000
Executive Director	40,000
Clerical—Secretary	40,000
Sub-Division Heads (3)	80,000
Staff Assistants	60,000
Office Expenses	50,000
Travel	30,000
Publication	20,000
	$520,000

Joint Consultative Committees

In Chapter XIV of Volume 1, the Commission outlined the general functions and duties of Joint Consultative Committees. It recommended the establishment of these committees in areas where implementation of its recommendations would substantially affect employment levels and practices. The Commission was aware of the useful function already performed by such committees, particularly within the Canadian National Railway and Marine operations in Newfoundland, to alleviate problems arising from changes in employment patterns.

A Joint Consultative Committee would have two co-chairmen, and would be supported by a research director to conduct specific research projects as requested by the committee. Research costs, however, would probably not be high because the director would be able to call upon the services of the Research Centre established under the NTC. Sufficient clerical and administrative staff would be needed to prepare agenda and materials, to keep minutes and financial records, and to prepare research reports. Sometimes, temporary research assistance would be required.

In addition to the chairman, the principal committee would have 24 members representing equally the 12 unions (identified in Volume 1), and management. Each union or management representative would also have an alternate.

General meetings of the committee would be held at least yearly, and at other times deemed necessary by the chairman. From past experience, it appears that no more than four meetings yearly would be required under any but the most extreme circumstances. The meetings would be held in varying locations but with every alternate meeting held in St. John's.

Under the principal committee would be three sub-committees in the CN system, one for the CN Rail, CN Marine Corporation (Gulf) and CN Marine Corporation (Coastal). Each would consist of six union and six management representatives. The chairman or co-chairman of the principal committee would serve as chairman of the sub-committees to ensure consistency of policy and continuity of action.

Sub-committees would share clerical and administration facilities and staff with the principal committee. As many as six meetings each year might be required for each sub-committee.

Concerning research, the Joint Consultative Committee should deal primarily with new or improved methods of freight handling, customer service and the like. The Committee should visit locations where innovative procedures already have been successfully introduced, sponsor research in Newfoundland designed to introduce and evaluate new approaches or procedures, and commission specific research papers from acknowledged experts. This latter role would be co-ordinated with activities of the Centre for Research into Newfoundland Transportation. The Committee also should investigate the characteristics and prospects of present work forces in consultation with the manpower consultative services of the Federal Government. Additionally, the committee should identify alternative employment opportunities and the necessity for additional training programs. It also should guide these programs' development.

The Commission estimates that the annual operating cost of one joint consultative committee (e.g., the one on CN operations) would be approximately $178,000 as outlined in Table 8-3.

While the CN example is chosen for illustrative purposes, it is clear that Joint Consultative Committees also should be established when the need arises in other transportation modes and services. As the Commission recommends in Volume 1, the committees should deal both with decreases in employment

and changes in employment practices, and with increases in certain areas caused by shifting transportation emphasis.

Table 8-3 Summary of Structure and Annual Cost of a Joint Consultative Committee

Main Committee (per meeting)		
Chairman (+ Co-chairman)		
Stipend and expenses	$ 600	
Travel (24 × $100)	2,400	
Accommodation (24× $50)	1,200	
Wages (12 × $100)	1,200	
	5,400	
Four per year		$ 21,600
Sub-committee (per meeting)		
Chairman (+ Co-chairman)		
Stipend and expenses	$ 600	
Travel (12 × 100)	1,200	
Accommodation (12 × $50)	600	
Wages (6 × 100)	600	
	3,000	
Six per year	18,000	
	X 3 committees	
		$ 54,000
Research		
Visits to Projects (3 × 7,500)	$22,500	
Research Projects	20,000	
Sponsored Research	30,000	$ 72,500
		$148,100
Administration and Secretarial (approximately 20% of $148,100)		29,600
		$177,700

Local Autonomy and Responsibility

In Volume 1 the Commission drew attention to the widespread public dissatisfaction with, and even distrust of, the decision-making process in some of the larger transportation companies, Canadian National in particular.

Newfoundlanders, in common with many others, often are suspicious of large impersonal organizations with many divisions and departments. This feeling is intense toward the transportation systems in the province. In many instances these are controlled by large, complex national corporations where executive direction comes from outside Newfoundland. The Commission heard repeated concerns on this account, particularly about Canadian National and especially the railway.

The Commission is sympathetic to the consumer who seeks the solution to an apparently simple problem, only to run into a maze of bureaucracy. Rarely does he find a single authority with a definitive answer to his question. Rather, he is sent from official to official, each concerned only with one facet of the problem. In some instances, the consumer has to take his case outside Newfoundland to a regional centre. Sometimes he must go all the way to the national head office. This very process creates delays and frustration, and the consumer feels that there is no one in Newfoundland who really is in contact with, or responsible for, the situation. Perhaps this impression is heightened in Newfoundland because Confederation is such a recent phenomenon. Many people remember when all aspects of Newfoundland transportation were controlled by internal authorities. The system necessarily changed dramatically after Confederation. Several modes of transportation were turned over to Federal authority, causing a shift in decision-making. The development of several privately-run, nationally based carriers has increased this shift.

Therefore, it is understandable that Newfoundlanders, previously able to deal with their own problems through their own government or at least through officials based in the province, find it frustrating to have to deal with decision-makers outside Newfoundland.

Whether or not the reaction is *reasonable*, these experiences tend to reinforce the *perception* that the province and its people are ignored or given only passing attention when policy decisions are made. The suspicion lingers that when decisions affect other provinces as well as Newfoundland the priorities of this province will receive a low value, even though this feeling may have no real foundation.

The Commission recognizes that this reaction by Newfoundland consumers and shippers largely is a *perceptual* one. The Commission believes that many decisions affecting Newfoundland *are* made within the province. For example, Canadian National Railways has an area manager in Newfoundland, whereas railway operations in the three Maritime provinces are centralized under regional control at Moncton. This shows at least that some special effort has been made to have separate management structures for Newfoundland.

Nevertheless, the Commission believes that more could and should be done to consciously seek local advice and consent before development, and particularly before *implementation*, of policies having major local effects. Local consultation would ensure that mainland decision-makers received insights that might not otherwise be available. These might well result in sounder policies and procedures and better timing of their implementation.

The Commission has considered this matter thoroughly and has discussed it with unions, shippers and carriers. We maintain that some decentralization of decision-making is inevitable and necessary to the proper development of a transport system. It may be argued that Newfoundlanders ought not to be con-

cerned with nationwide systems but rather with the optimum system for their own province. But such a position is not tenable. Newfoundland depends on nationwide transportation systems as do other provinces, and, as a province of Canada cannot take a purely parochial view of its requirements. Indeed, the Commission believes that some decisions that might be desirable for Newfoundland must be modified, perhaps substantially, in the national interest.

The Commission sees no merit in the simplistic proposition that *all* decisions on Newfoundland transportation should be made within the province. This approach would be unworkable for major national corporations, and undoubtedly would have adverse effects on strictly provincial services in terms of uncoordinated services, differential rate structures, etc.

On the basis of current evidence, this Commission cannot conclude that any carrier now is guilty of wilful refusal to establish a proper system of local communication. The Commission rather accepts that all carriers intend to serve the Newfoundland market as well as they can. But this is not necessarily the *perception* of the Newfoundland public. Therefore, all carriers should ensure, as far as possible, that the public also *perceives* them as aware of local problems and realizes that the carriers take local advice before making important policy decisions. To do otherwise would be to court continued mistrust and ultimately the loss of patronage.

One way to accomplish this is for all private and public carriers, that are not locally based, to establish the post of local or provincial manager. This person would live in the province and have the authority to make decisions. Where regional or national considerations override local circumstances, the manager would provide a direct channel to the decision-making centres on the mainland. The local manager also would be the channel for transmitting local information and opinions to national decision-makers. A step in this direction was recently taken by the Canadian National Marine Corporation when it decided to locate a Newfoundland manager for the Gulf service in Port aux Basques, and a manager for the coastal operations in St. John's.

The Commission cannot overstress the importance that major transportation companies should attach to reducing public suspicion of their motives. Even if the suspicion is unjustified, the solution is *not* merely to assert that fact, but rather to attempt to remove the underlying causes of the distrust. In the establishment of the optimum transportation system, the *perceived* level of satisfaction is as important as the actual level. Therefore, the Commission recommends that local carriers make every effort to ensure that decisions regarding such matters as rate-making, scheduling, implementing of service, changes in service, and labour-management problems be taken after consultation with the public and, insofar as is practicable, be based on local needs.

Chapter IX

Summary of Recommendations

A summary follows of those new recommendations that have resulted from the Commission's investigations in the areas reported in Volume II. These recommendations are intended as a *supplement* to those of Volume I, and should be considered *in addition* to the recommendations that appear in Chapters XV and XVI of that Volume.

139. That detailed market and economic feasibility studies be immediately undertaken to ascertain the prospects for a dedicated truck ferry service between North Sydney and Argentia. Such studies should take into consideration the possibility of competition from private ferry operations as well as the effect such a service would have on the existing Gulf ferry service.

140. That consideration be given to originating a vessel from a Burin Peninsula port, when the volume of traffic originating from the Burin Peninsula is sufficient to provide high load factors.

141. That a detailed study be done to determine the feasibility of the implementation of a railcar ferry service to Corner Brook.

142. That, in order to accommodate increased direct water traffic to the port of St. John's harbour, facilities be expanded, particularly for the handling of container freight.

143. That, similarly, Corner Brook harbour facilities be expanded probably by implementation of the Shoal's area development scheme.

144. That, while present circumstances do not appear to warrant development of a Bay d'Espoir port as a major direct water shipping terminal, this concept be reviewed and studied further with any new highway development and substantial population increase in central Newfoundland.

145. That CN be encouraged to pursue, with all possible dispatch, the possibility of finding an alternate off-season use for hovercraft. If an alternate use can be found, hovercraft should be introduced on the Gulf route.

146. That, for the short term, initiative be provided for the implementation of a co-ordinated schedule cf existing bus operations, both for the corridor and the feeder routes.

147. That, for the long term, a completely integrated bus system be provided in Newfoundland.

148. That the proposed Newfoundland Transportation Commission study the broader concept of central warehousing as envisaged by this Commission and report to the appropriate levels of government.

149. That the Federal Government adopt a selective subsidy removal program for the purpose of encouraging and promoting economic development in Newfoundland.

150. That this program be administered by the proposed Newfoundland Transportation Commission.

151. That short-term re-allocations be avoided and long-term planning undertaken at the outset, where substantial changes in employment within transportation modes are contemplated.

152. That efforts be made by Joint Consultative Committees to ensure that displaced railway employees are given priority for employment within

other modes, where consistent with long range goals.

153. That a Joint Consultative Committee and sub-committees be structured as outlined in Chapter VIII of this Volume.

154. That financing for the Research Centre for the Newfoundland Transportation Commission be cost shared equally by the Federal and Provincial Governments.

155. That financing for the Newfoundland Transportation Commission also be cost-shared equally, except for majority federal funding during the organizational years.

156. That all carriers, particularly nationally based companies, ensure that the Newfoundland public perceives that local circumstances, opinions and advice are considered when decisions affecting Newfoundland transportation are being made.

Section 3

Epilogue

Chapter X

In Retrospect

In July of 1978, Volume 1 of the Report of the Commission of Inquiry into Newfoundland Transportation was released. Public reaction was swift and, to some extent, predictable. Despite our efforts to point out that the Newfoundland transportation system is a complex entity which must be examined in its entirety, and despite our hope that specific recommendations would not be separated and viewed in isolation, practically all forms of public response centred on the small number of recommendations concerning the future of the Newfoundland railway.

The Commission cannot ignore the public and official response to Volume 1, as this is now part of the fabric of events and circumstances that must be taken into account in planning the future of transportation in Newfoundland. In consequence, this chapter will be concerned primarily with the Commission's response to the public and official reaction to its recommendations concerning the railway. The other important aspects of transportation in Newfoundland, e.g., transportation in Labrador or the public bus service, will not be considered here because these have already been dealt with in Volume 1 or in other chapters of this Volume.

The almost exclusive concern with the railway recommendations was unfortunate, though perhaps inevitable, in part because the recommendations concerning the railway service were distorted and misinterpreted.

Firstly, for example, it has been said that the Commission has recommended changes in the transportation system that would lead to the consumption of substantially more fuel than at present. Reference is made to the amount of fuel consumed by tractor trailers in comparison with trains. In fact, the Commission recommended that as much freight as possible should be brought into the island by direct water, the mode consuming the least fuel of all. Trucks would be used primarily for movement from some Atlantic province origins, for local delivery from ports and, of course, for out-going movement of fish. The largest portion of incoming freight originates west of Montreal and the distances from mainland origins are large in comparison with local distances; the transportation system proposed by the Commission, therefore, would lead overall to the consumption of less, rather than more, fuel.

Secondly, it has been said that the Commission did not give sufficient consideration to the problem of employment and to the amount of unemployment that would result if its recommendations were accepted and implemented. The Commission indeed gave very careful consideration to the problems of workers whose jobs might be affected by the proposed changes; it indeed emphasized the establishment of joint consultative committees which would safeguard workers' interests. The Commission pointed out in an earlier chapter of this volume that the problem of reduction of CN employees can, to a large degree, be resolved over a ten-year period, primarily through retirements and normal attrition but without massive layoffs. Furthermore, the Commission was concerned with the *total* employment picture in the province, and not simply with CN employment. The mandate of the Commission was, specifically, to examine and make recommendations concerning all aspects of transportation in Newfoundland, not to examine or be concerned with the railway exclusively. Thus, although the Commission was concerned with the movement of goods by the railway and with the employment of

workers within the railway sytem, it was additionally concerned with the movement of goods by other modes of transport and with employment in those modes. The Commission was also concerned with increases or decreases in employment prospects in industries, particularly the resource industries, as they relate to changes in transportation.

Thirdly, it has been said that the Commission recommended that the railway be abandoned in return for specific repairs to the Trans Canada Highway, to be carried out over a five-year period. The Commission recommended, in fact, that the repairs and upgrading necessary for the TCH in Newfoundland over the next five years be paid for (at least 90%) by the Federal Government, without any significant reduction to the railway service in Newfoundland during that period, and without any formal or informal trade-off.

With regard to the future after the initial five-year period, the Commission maintained that it might indeed be possible to arrange a transfer of responsibility, whereby the Federal Government assumed responsibility for the highway in Newfoundland in return for being relieved of the responsibility for the railway system. The Commission pointed out that, if such an arrangement were made, the Province should ensure that the Federal Government assumed full responsibility for the TCH (i.e., the full construction cost of a vastly improved highway together with all maintenance costs) for all time. The Commission did, in fact, recommend a more complex and comprehensive arrangement between the two levels of government to ensure that the Province would not lose if the railway were abandoned. This recommendation is referred to again in detail later in this chapter.

Another unfortunate aspect of public response involved the railway recommendations *in isolation*. The Commission is concerned with the total pattern and complexity of the Newfoundland transportation system, rather than with any one individual part. The contention of the Commission is that no one part of the transportation network can be looked at in isolation, but rather that all parts must be considered together. This position is important because, logically, the Newfoundland transportation system can only be improved, to any significant extent, if all modes and aspects of transportation are taken into account. The primary concern must be to attempt to foresee what combination of modes can provide the most effective and efficient system of transportation in the future. This process may involve some deletions and modifications, but it will also involve some enlargements and additions. The system can only be evaluated if *all* changes are considered. It is inequitable and illogical to concentrate on one specific deletion or addition.

Finally, the exclusive concern with the railway recommendations has resulted in an almost complete absence of public response to many of the other major, vital recommendations of the Commission. The recommendations, for example, concerning Labrador, port facilities, bus networks and the like were largely overlooked. Public silence and the absence of constructive criticism in those areas may prove a hindrance to formulation of a considered governmental response and decision-making.

Despite the hope of the Commission that the transportation system would be looked at in its entirety, the recommendations concerning the railway have been singled out for considerable public response. As well, both levels of government have made a formal response concerning the recommendations about the future of the railway, but not, as yet, concerning the other major recommendations.

In September, the Provincial Government announced that it would neither support nor co-operate with any move to abandon the Newfoundland railway system. Subsequently, the Federal Government indicated that it would respect the decision of the Provincial Government and would not attempt to act in any unilateral fashion. The response of the Provincial Government was understandable and the response of the Federal Government was to be expected. As the Commission itself suggested in Volume 1, the Federal Government had no practical option but to accept the decision of the Provincial Government.

It is, however, most unfortunate that the Federal Government has not, as yet, indicated in a positive manner the full decision that it has made and the actions that it intends to take with regard to the railway and other aspects of transportation in Newfoundland. It is not sufficient for the Federal Government to simply and passively accept the general decision of the Provincial Government. It must, in the near future, produce a positive statement concerning its intentions regarding the total report of the Commission, in view of the Provincial Government's decision.

The Commission considers that, insofar as the future of the railway and of the total transportation system in Newfoundland is concerned, it would be extremely unfortunate if the release of Volume 2 of the report were followed by the continuation of the existing railway system within the present financial constraints and in the absence of positive decisions and plans. If, when this final volume of the Commission has been released, the railway continues as it has in the past, with no innovations and with the only obvious change being a drastic reduction in the number of jobs, considerable and irreparable damage will have been done and the work of the Commission will have been seriously undermined.

Both levels of Government have decided that the railway will continue in Newfoundland for the immediate future. The Commission is not in any fundamental

disagreement with this decision, since, in fact, the Commission recommended in Volume 1 that the railway be maintained for a specific period of time (five years) before a final decision was confirmed. The Commission also recommended that during the five-year period efforts be directed toward finding whether a more effective and efficient use for the railway system could be developed.

There are, however, two aspects of the present situation that the Commission considers important.

Firstly, the Commission cannot accept the statement that the question concerning the Newfoundland railway has now been settled once and for all. This position seems short sighted and illogical. With changing circumstances and in the light of new evidence, the decision concerning the railway must be reviewed periodically. Thus, it may be necessary at some time in the future for the Provincial Government to change its decision concerning the railway (e.g., to decide to abandon the full railway system in Newfoundland, or to modify the system drastically). An opportunity for re-examination and re-evaluation must be provided and a review of the decision should be undertaken formally and regularly, say, at five-year intervals.

Secondly, even interim continuation of the railway system should not be simply a continuation of the system that has endured during past years. There must be an honest and sincere attempt to experiment with the railway system to discover whether genuine improvements can be made. Significant and substantial innovations should be introduced in an attempt to see whether they will produce any improvement. Such innovations might very well deal with new methods of freight handling, of arranging rate structures, of sales promotion and of customer relations, etc., as outlined in Volume 1.

Undoubtedly, in the near future money must be spent on equipment and upgrading required to permit the necessary experimentation. Reasonable (but not excessive) sums of money should be allocated for this purpose.

In this regard the Commission makes the following observations:

1. Prior to, or in conjunction with, the release of Volume 2 of the report of the Commission, positive and definite plans will have to be made for the future of the railway in Newfoundland; these plans must be agreed to by both levels of government and announced publicly.

2. Drastic employment changes within the system must be delayed until plans have been made and the necessary committees and structures have been established and have had an opportunity to function. Unless the recommended committees are set up in sufficient time to have a definite and positive effect on changes that are being considered before decisions are announced, their potential effectiveness will have been impaired.

3. It will be necessary, in Newfoundland, to make provision for major departures from current CN practices and procedures, when such are deemed desirable and essential. Two considerations are of paramount importance here. Firstly, in order to effect improvements, the Newfoundland railway system must be granted a certain degree of autonomy. It might then be possible to arrange for innovations in freight handling, customer relations, etc., without direct reference to national policies or precedents. However, such an arrangement is difficult with the existing division of responsibility and limited local control that characterizes the CN operation in Newfoundland. Secondly, the Newfoundland railway system would have to be separated from the total CN financial package. For a period of time it would be necessary for certain and specific amounts of money to be spent on the Newfoundland railway, without expectation of an immediate return. This situation will not be possible if the deficits of CN railway operations in Newfoundland have to continue to be recovered through cross-subsidization from other parts of the system. If this arrangement continues, the pressure to minimize the deficit in each year will be overwhelming. A more appropriate arrangement, as recommended in Volume 1, would be for the Federal Government to assume direct responsibility for the Newfoundland railway deficit.

It has been suggested that the institution of a separate Newfoundland Rail Authority, with responsibility for all Newfoundland railway operations, under the authority of a manager who would report directly to head office in Montreal, would be one possible administrative arrangement that might permit the required level of flexibility and satisfy the concerns above. (The complete, administrative separation of the Newfoundland railway from the mainland operations would, however, also produce difficulties and problems, especially with regard to the allocation of costs and the determination of deficits, and certainly should not be undertaken without a comprehensive study.)

4. The Commission maintains that all innovations should be evaluated in a rigorous and systematic manner. The objectives that the innovations should attain must be specified in advance. Arrangements must be made for gathering all data relevant to judging the success of innovations. These evaluations might be carried out under the auspices of the Research Centre of the Newfoundland Transportation Commission, to which reference has been made in Chapter VIII of this volume.

The objectives of any improvements or changes are of extreme importance, and all aspects must be carefully considered before valid evaluation can be made.

For example, simply increasing the amount of traffic on the railway is not, in itself, a satisfactory objective. The impact of this increase on the other modes must also be considered.

From a practical point of view it appears likely that dramatically lowered railway rates in Newfoundland would produce an increase in traffic. (The increase might not be as great as publicly expected however, because the Newfoundland portion of traffic movement is a relatively small part of the total journey of most interprovincial commodities that originate in central and western Canada. Furthermore, decisions concerning modes of transportation are frequently made by the national head offices of shippers, rather than by the local consignees).

Effects of increased railway traffic obtained by a reduction in rates might be predicted, as follows:

Firstly, the total amount of money lost by the Newfoundland railway system would increase because, even if the financial situation on the Newfoundland portion of the railway changed in a positive direction, the deficit in the Gulf operation would increase significantly. The Newfoundland railway system is linked inextricably with the Gulf crossing. The movement of railway freight across the Gulf is an expensive undertaking requiring $60 per ton in subsidy (in comparison with $40 per ton for truck trailer traffic).

Secondly, increases in railway traffic would be at the expense of tractor-trailer traffic, because lower railway rates would make tractor-trailer traffic less able to compete than at present. Fewer tractor-trailers would enter Newfoundland and some local companies would go out of business altogether; other companies would cease to operate in Newfoundland. This would, in effect, mean that the backhaul of fish, both fresh and salt, by tractor-trailer would be seriously curtailed. Since the fishing industry depends almost completely upon this tractor-trailer backhaul service, which the railway and other modes have been unable up to the present time at least to provide, the effect on the fishing industry in Newfoundland would be extremely serious and might place that industry in jeopardy, both in the short and long run. This very point has been made in various submissions to the Commission. It is of fundamental importance and cannot be emphasized too strongly. All factors must be considered, therefore, in determining what will be beneficial not only to the railway, but also to the total Newfoundland transportation system and to the industries dependent upon it.

Investigation by the Commission suggests that, in general, experimentation and innovation should be directed toward providing results and information relevant to the following:

(a) A determination whether there is a particular type and volume of freight that can travel by railway in a truly cost effective manner, that is, whether there is some kind and level of traffic that would maximize gains and reduce losses so as to reduce deficits significantly. It should be noted that the movement of railway freight on the Gulf as well as on the railway must be considered.

(b) A determination whether there are *parts* of the system that could in themselves function in a reasonably efficient and cost effective manner. Could, for example, certain types of traffic move between Port aux Basques and Corner Brook, or Central Newfoundland, providing an important service without incurring excessive losses?

From its investigations made during work on preparation of Volume 1, the Commission has concluded that innovation is not likely to produce positive answers in the areas specified above. The Commission has recommended, however, that innovations should be encouraged within financial limits as the current railway operations are to continue, whether indefinitely as stated by Government, or for at least five years as recommended by the Commission. It is possible that new circumstances and technologies might arise which, combined with appropriate innovations, might produce a brighter picture for the railway.

Again, the Commission emphasizes that any evaluation of the railway which would determine the long range future must include an examination of the financial benefits and that the eventual and long-term aim should be to reduce deficits on the railway.

There are those who will argue that financial matters are irrelevant in any consideration of the railway and the other constitutional services in Newfoundland. The argument is that these services are constitutionally guaranteed and should therefore be maintained *regardless of cost.* This point of view is obviously very popular and and well received in Newfoundland. It is also one that would be easy for the Commission to accept, were there no glaring inadequacies in the Newfoundland transportation system, or were there ample money readily available to correct the deficiencies that do exist. In fact, however, there *are* glaring deficiencies in the Newfoundland transportation system, the two most obvious being the lack of a good highway system and the lack of freight-handling facilities in the major ports. While the less dramatic and most obvious deficiencies, e.g., substandard sections of the TCH, might be corrected with the infusion of relatively modest amounts of new capital, complete and satisfactory removal of all major deficiencies would require, as has been elaborated in detail in Volume 1, an immediate expenditure of several hundred million dollars and, in addition, considerable future annual expenditures. We are not considering, therefore, modest amounts of money that could be obtained by minor re-arrangements, but, rather, relatively huge amounts.

Further, it will not be easy to obtain large amounts of new capital through requests to the Provincial and Federal Governments. The major expenses required are in areas not within the unique obligation of the Federal Government toward Newfoundland. It seems logical that the Provincial Government provide a significant portion. In the present financial climate, however, it is extremely unlikely that the Provincial Government could provide the necessary funds. The request for funds would, in any event, have to be passed on to the Federal Government, which, although it has the power to do so, has no clear constitutional obligation to provide specific facilities or levels of service other than those for the railway and other guaranteed operations. The Federal Government is not likely to gratuitously provide substantial new funds, if Federal funds, which are at present being spent on constitutional and other services, are not spent effectively and efficiently.

It is unlikely that funds can be found to maintain the full railway service (including the railway ferry services on the Gulf) and, at the same time, to provide needed improvements. If the railway is to continue in its present form, then, for the foreseeable future, it will likely be *at the expense* of some essential improvement to the transportation system.

It may be that part of the money required to provide *some* of the essential improvements, can be found through savings within the system, thus reducing the amount of new capital required. As far as long-range goals are concerned, there is a need for careful re-evaluation of the financial aspects of the transportation system and of the cost-effectiveness of each mode.

In any consideration of these long-range objectives, the rationale of the Commission, which was presented in Volume 1, is still relevant. In essence the basic questions asked therein were as follows.

The first and most important question is whether the railway is *essential* to transportation in Newfoundland. If it is determined that the railway in its existing role is essential, then there is no choice but to continue the railway, even if, under other circumstances, the cost would be prohibitively high. On the other hand, if it can be determined that the existing role of the railway is not essential, then modification can be considered.

It must be noted that the first question is not whether the railway is *desirable*, but whether it is *essential*. There are few who would deny that the railway is desirable. The members of the Commission, without exception, agree that it would be extremely *desirable* to have the railway continue in Newfoundland indefinitely. Thus, the desirability of the railway in Newfoundland is not in dispute, but rather its essentiality. The majority opinion of the Commission is, and has been, that the railway in its present role is not essential, because traffic is flowing from the railway to other modes everywhere in the world, not *only* in Newfoundland, and because there is no commodity that is captive to railway (i.e., that cannot be carried by some other mode).

It may also be noted that railway movements are highly effective and efficient in only two contexts in today's world.

a. The movement of *unit* trains over long distances of many hundreds and thousands of miles (e.g., ore movements from Labrador City—Wabush to Septlles, or grain movements from the Prairies to the Lakehead).

b. The movement of passengers in very dense population areas (e.g., in London and Tokyo).

Next, it was necessary to determine whether modifications to the system would be desirable. The majority of members of the Commission were of the opinion that considerable benefit would result if some or all of the money, now being used to support the railway, were used instead to support transportation in other modes. A sparse and geographically diffused population, such as Newfoundland has, gives rise to the movement of small quantities of goods over large distances. If the amount of money to be spent is finite, efficiency in such a system can only be achieved by reduction in the number of alternate modes, and by concentration of efforts and financial input in those that are truly viable. Any attempt to continue with all modes within the present context is likely to ensure that all modes remain inadequate.

It must be emphasized that continuation of the railway system will *not* reduce the need for improvements in other segments of the transportation system. Newfoundland needs increased port facilities and vastly improved highway facilities. The extent of the need for these improvements is very much the same, whether the railway continues or not. For example, the Newfoundland highway system will still have to be improved to carry ever-increasing loads of passengers and traffic. Port facilities likewise must be improved substantially. In the long run, therefore, the continuation of the railway does not eliminate or reduce the necessity for spending money in other parts of the transportation system.

The Commission reiterates the basic conclusion reached and presented earlier in Volume 1: the long-range solution to the problems of the Newfoundland transportation system requires that the role of the railway be re-evaluated and that any modifications must, after a period of adjustment, eventually result in substantial savings if decisive and permanent improvements are to be made. This does not mean that the railway would be expected to show a profit or indeed break even, but simply that the amount of the deficit would have to be reduced. For this reason, the Commission has again concluded that it is not justifi-

able to continue the full railway system in perpetuity in its existing form, because ever-increasing amounts of money will be required to support a mode of transport that does not provide an essential service. The Commission has concluded that the most attractive alternative to continuing the railway in perpetuity is to use the constitutional railway obligation as a bargaining tool to obtain a more effective transportation system for Newfoundland. That is, the constitutional obligation of the Federal Government to maintain the railway and other transportation services can be modified, provided that sufficient guaranteed returns and trade-offs can be obtained.

Obviously, any major change or modification to the constitutionally guaranteed transportation services would require a change in the Terms of Union between Newfoundland and Canada. Certain clauses would have to be modified or eliminated and replaced by others. This procedure would require the formal consent of both levels of government and ratification by appropriate bodies; there is no reason why this could not be done, provided that both parties agree that changes were necessary and acceptable.

Such a change could take essentially one of two forms. A service could be exchanged for a service. The Federal Government's responsibility for the railway could be exchanged in return for its assumption of responsibility for the Trans Canada Highway in Newfoundland. This exchange would include, as stated earlier, full responsibility for construction and maintenance of the Trans Canada Highway.

The Commission did not recommend such an exchange, however, because it concluded that a more favourable exchange could be attained by a second option, namely a guarantee that the Federal Government will continue to spend a specific amount of money (in real 1978 dollars) for transportation in Newfoundland. Within this total amount, specific sums could be re-allocated, on the recommendation of the proposed Newfoundland Transportation Commission. This re-allocation would ensure that the money continue to be spent within one or another of the areas of transportation in Newfoundland. Money saved in one area, e.g., on the Gulf or Coastal Service, could be re-allocated for use in another area, e.g., highway construction, harbour development, or improvements in the transportation system in Labrador.

How is the total amount to be spent in Newfoundland to be determined? The Commission is of the opinion that assurances must be given that the total amount to be spent in future years must be sufficient to provide for the development and maintenance of the essential structures and services. The specific amount would be determined in accordance with Newfoundland's special needs and circumstances, and would, under no circumstances, be less than the amount, in real 1978 dollars, being spent annually at present.

Table 10-1 shows the total amount spent or incurred by the Federal Government in Newfoundland for transportation during the year 1977. It can readily be seen that the amount is large. The actual amount to be used for calculation might well involve an average of expenditures over a three-year period as significant annual fluctuations occur.

Table 10-1 1977 Federal Transportation Expenditures in Newfoundland

	Operations and Maintenance[a]	Capital Outlay	Total
Gulf	$48,603,000	($6,900,000)	$48,603,000 6,900,000
Argentia	2,221,000[b]		2,221,000
Intra Ferries	2,059,166		2,059,166
Railway[c]–Carload			
Freight	(13,200,000)		13,200,000
Express	(7,200,000)		7,200,000
Bus	(2,100,000)		2,100,000
Coastal Boats	25,484,000		25,484,000
Airports	12,809,400	4,133,600	16,943,000
Coast Guard	(8,392,000)		8,392,000
Marine Navigational Aids	(2,107,106)		2,107,106
Nfld. Steamships	3,780,963		3,780,963
MFRA	(1,200,000)		1,200,000
ARFAA	(300,000)		300,000
Feed Grain Assistance	500,000		500,000
DREE (1978)	27,736,100		27,736,100
			$168,226,335

[a] 1976 figure in brackets.
[b] Small, due to limited service, as a result of the sinking of the *William Carson*. The usual figure is approximately $5,000,000.
[c] Losses on CN railway in Nfld. met through cross subsidization from within CN.

It should be noted that part of the money spent in Newfoundland maintains unique and constitutionally guaranteed services the subsidy requirements of which are in excess of $100 millions annually, i.e., the Gulf, coastal and railway services, and part maintains services not unique to Newfoundland, e.g., airports, Coast Guard, etc. The guaranteed services do not apply to other provinces generally, while the other services are shared by all Canadian provinces. The guaranteed services are important because any change in them would require a constitutional change or amendment, and because the greatest opportunity for savings will come from within these services.

The Commission has recommended, therefore, that changes in the constitutional service be permitted, provided that the money saved be used for other transportation services in Newfoundland. Only in this way can the large amounts of money required for necessary development in Newfoundland transportation be obtained. Although the constitutional obligation carries a special status, there is no reason why the total amount spent by the Federal Government in Newfoundland should not be used as the basis for any calculation and re-allocation, as greater flexibility

would be provided by that approach. Assurance would have to be given, of course, that the total amount would, in the event of rapid and unexpected increases in costs necessary to maintain guaranteed services, continue to include a proportional or per capita amount (as related to other provinces) to maintain those services that the Federal Government provides in all other provinces in Canada, i.e., the "non-constitutional" services.

The actual re-allocation of resources would be based on recommendations of the Newfoundland Transportation Commission (NTC). Newfoundland would appoint 50% of the members to the NTC and would agree on the choice of a chairman. Provision would be made to ensure that Newfoundland's best interests are well protected. The arrangement really represents a unique opportunity for Newfoundland to have an important input into the allocation of money for transportation services in the Province. In terms of funds to maintain essential transportation services, Newfoundland would lose nothing, but could gain a great deal from the arrangement that the Commission recommends.

Questions concerning savings must also be asked in all areas of transportation in Newfoundland and not simply the railway. For example, it may well be possible to save a substantial amount of money by modifying the coastal service, and making it more efficient. Substantial amounts of money could perhaps be saved by modifications to air and direct water support services as well.

One further point concerns the ultimate assumption of CN railway assets in Newfoundland, should the railway eventually be drastically modified or phased out. Because of time constraints, the Commission has not been able to consider this matter in detail; nevertheless, it has noted that there is proposed legislation concerning the assets relating to the rail operations in Newfoundland and elsewhere which, when enacted, will cause substantial changes in the ownership and control of these assets.

The Commission is of the opinion that, in essence, the transfer of the Newfoundland Railway and related assets from Newfoundland to Canada in 1949 was made in consideration of the Federal Government's agreement to operate and assume the costs of the Newfoundland Railway. The Commission does not believe that it was then intended, nor that it would now be proper, for the Federal Government to retain all of these assets should it decide, with the agreement of the Province, to discontinue the railway operations. The Commission, rather, is of the view that the fixed and non-depreciable assets turned over by the Province in 1949, at no cost, to the Federal Government should be returned, at no cost, to the province. This would mean, for example, that assets, such as railway rights-of-way, railway stations, non-depreciable land, and the like, turned over in 1949 should be returned to the province or, alternatively, that their present dollar value should be repaid. This would require a present day inventory evaluation so that there will be no doubt about the true value of any assets which may be disposed of between now and the time of possible railway abandonment. As well, where land may have been disposed of and replaced by equivalent property, then the replacement property should be returned to the Province. The Commission recognizes, of course, that some original railway assets may still be required to provide for the continuation of other CN services such as marine, bus and CNTL operations. The Commission maintains, nevertheless, that there is a substantial volume of other assets that would not be used for any continuing transportation mode should the railway be drastically modified.

The Commission recognizes of course that, with regard to rolling stock and other depreciable items transferred in 1949, most, if not all, of these assets have likely long since been fully depreciated, and in fact, replaced with superior equipment at full cost to the Federal Government or Canadian National. It is not envisaged that these assets be returned to the Province.

Should at some time in the future the Newfoundland railway operations be discontinued by agreement between governments, certainly the assets as identified above should be returned to the province. It is essential that, regardless of the internal arrangements contemplated between the Federal Government and CN, or other agencies regarding the railway assets in Newfoundland, the Federal Government must always be ready and able to transfer back to the province, in the event of the final abandonment of the railway service, proper, unencumbered title to real estate and similar assets.

Finally, with regard to the total transportation system in Newfoundland for the long-range future, the Commission concluded that the rationale presented in Volume 1 is still valid. This position will therefore be restated. It is assumed that, after the major and most obvious deficiencies in the present system have been corrected, the total annual amount now being spent on transportation in Newfoundland will not be substantially less than the amount required to develop an effective and efficient transportation system. The fundamental change required is the agreement that money saved in one area or mode would be available to support other areas or modes. In addition to the monies required for on-going services, the monies available from such savings would, with relatively moderate amounts of new funds, be sufficient to develop and maintain an adequate transportation system for Newfoundland.

The Commission stresses again that the changes and re-allocations above are intended only to support normal developments within the existing transportation system in Newfoundland. Extraordinary developments, such as the building of a trans Labrador highway, or the introduction of an entirely new service, would require new capital; hence new and separate agreements would have to be negotiated between the Federal and Provincial Governments to support such developments.

It must also be realized that it will be some time before savings can be generated, and, therefore, certain expenditures will have to be made in the immediate future to correct deficiencies in the present system.

The Commission recommends that, within the next five years, before any savings will be available, the necessary improvements to remove deficiencies in the present system, especially those in the Trans Canada Highway and port facilities, should be instituted. These would have to be effected without trade-offs and with the major share of the necessary funds contributed by the Federal Government.

Once the deficiencies have been removed and it becomes possible to save money in certain areas, there should be a re-allocation of funds within the Newfoundland transportation system. For example, money saved by the removal or modifications of the railway service can be used for construction of a modern highway system or maintenance, or for other transportation-related areas.

In the long run, there is no doubt that transportation to and from Newfoundland should and will depend more heavily on direct water movement. Direct air movement will also be a vital part of that system. The Commission wishes to stress again that the work of the Gander Development Corporation is crucial in this area, and that this work should be encouraged and supported by all levels of government. From its work following Volume 1, the Commission is satisfied as to the potential of both intra and international air freight movements, particularly in the essential fishing industry. The Commission has not been able to study independently and report on this aspect of fish movement but it has participated in preliminary studies, and consulted with relevant Newfoundland and mainland groups. The Commission concludes that studies directed toward the assessment of the feasibility and practical implications of all aspects of freight movement by air are of considerable importance. The Gander Development Corporation should be encouraged to complete its study and be provided with the funds necessary to do so.

Future distribution of goods within Newfoundland will, undoubtedly, be heavily based on truck movements, although this would not in itself preclude local use of the railway in certain areas, if the criteria for viable local use can be met.

In conclusion, we believe that such a development is more than simply a recommendation to abandon the railway service in Newfoundland. It is a recommendation to develop a new framework for transportation in Newfoundland in which a railway system may be of limited, or of no, importance. The approach is positive rather than negative, and it provides an opportunity for Newfoundland to have an important say in the future allocation of transportation resources, and in future economic development.

We also believe that these changes must be made in the near future. The longer the time allowed to elapse before decisions are made, and the more precarious the role of the railway becomes, the weaker the bargaining position of the province becomes and the more difficult it will be to arrange for the improvements that are so urgently needed.

Chapter XI

Dissenting Comments by Commissioner Esau E. Thoms

In Volume 1, I expressed my dissent from the view of the majority regarding the future of the railway in Newfoundland. Nothing has occurred since the release of Volume 1 to cause me to alter the position I stated there.

In Volume 2 I find that I cannot agree with the majority in those specific areas that are supportive of the majority railway recommendations in Volume 1. In this area, my dissent should be noted particularly with the chapters or sections dealing with the increase in direct water shipping, and those basic premises of the majority as restated in Chapter X—In Retrospect. The specific and detailed reasons for my inability to accept the views of the majority in these areas are set out in my dissenting remarks in Volume 1, and I urge the reader to examine them there.

I can also state that, again as in Volume 1, I am in general agreement with those portions of the report and recommendations of the majority of the Commissioners in Volume 2 that do not conflict with my basic views and principles as expressed in Volume 1.

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