



DECISION

IN THE MATTER OF an application by Acadian Coach Lines LP for approval to amend its routing and scheduling for its inter-city scheduled services within the Province of New Brunswick.

July 16, 2010

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New Brunswick Energy and Utilities Board:

Mr. Raymond Gorman, Q.C., Chairman
Mr. Cyril Johnston, Vice-Chairman
Ms. Constance Morrison, Member
Mr. Yvon Normandeau, Member

Ms. Lorraine R. Légère, Secretary to the Board

Ms. Ellen Desmond, Board Counsel
Mr. Doug Goss, Director of Regulatory and Finance
Mr. David Keenan, Advisor

Applicant:

Acadian Coach Lines LP

Solicitor:

Mr. John Stringer, Q.C.
McInnes Cooper

Mr. Sylvain Langis, President and CEO
Acadian Bus Group

Ms. Manon Piché, VP Marketing, Sales, Communications
Acadian Bus Group.

Ms. Nancy MacRae, Accounting Manager
Acadian / Orléans Express, Maritimes

Intervenors:

Mr. Justin Sweeney, NBCC St. Andrews Campus

Mr. Lui Greco, Premier's Council on the Status of Disabled
Persons

Ms. Christyne Allain, Premier's Council on the Status of
Disabled Persons

Mr. Ian Stewart, St. Stephen Development Board Inc.

Ms. Ella Henry, St. Thomas University Students' Union

Mr. John Ferguson, Town of St. Stephen

Parties wishing to observe:

Ms. Tammy Paradis, NB Department of Transportation

DECISION

INTRODUCTION

This matter arises out of an application filed by Acadian Coach Lines LP (the Applicant or Acadian) on November 6, 2009 for approval to amend the routes and schedules of its inter-city scheduled bus services within the province of New Brunswick. The formal hearing on the application commenced in Fredericton, New Brunswick on March 17, 2010, concluding on March 18, 2010. In addition, the Board held public sessions in the communities most affected by the proposed changes. These sessions were held on three consecutive evenings in Miramichi, New Brunswick (March 15, 2010), St. Stephen, New Brunswick (March 16, 2010), and Fredericton (March 17, 2010).

Prior to the hearing, the Applicant filed financial documents including Balance Sheets, Income Statements, and other financial information. The Applicant also provided spread sheets for each route in Acadian's network showing the existing routes and schedules alongside the proposed changes. In addition, the Applicant provided a PowerPoint presentation detailing ridership information, the results of a consumer survey, details of the proposed "corridor" strategy, and financial and ridership data in support of the discontinuance of certain routes. At the request of the Applicant, portions of the financial information were determined to be confidential and a redacted version of this information was prepared for the public hearing. The redacted information was in accordance with the Board's ruling on the filing of confidential information in the Acadian rate decision of June 13, 2008.

Six groups/agencies registered to be intervenors and were present at the hearing. Additionally, the Board heard representations from twelve individuals at the public sessions in Fredericton, Miramichi and St. Stephen. The Board also received fifty written submissions/letters of objection from interested parties and members of the public.

LEGISLATION

The Board's authority with respect to this matter is derived from the *Motor Carrier Act* (the Act).

Section 22 of the Act reads:

22 *Every licensed motor carrier shall be deemed a public utility under Part 3 of the Energy and Utilities Board Act.*

Section 22 of the Act gives the Board broad authority over the activities of licensed motor carriers.

Section 8 of the Act gives specific authority regarding the subject matter of this application. It reads:

8 *Except as provided in section 9 no licensed motor carrier shall abandon or discontinue any public motor bus service comprised within its licence without an order of the Board which shall be granted only after a hearing upon such notice as the Board may direct.*

While the Act provides the Board with the responsibility to determine issues relating to the discontinuance of motor bus service, it provides relatively little guidance as to how these matters should be determined. Section 4(9) of the Act sets out factors for consideration in the granting of a license and states that the Board:

4(9) *...shall grant the application unless it appears, on a balance of probabilities, that the granting of the application would likely be detrimental to the interests of the users of public transportation services, to provincial economic or social development, or to intraprovincial, interprovincial, or international commerce.*

Section 4.2(1) also provides some useful context for this decision. The section sets out the Board's ongoing authority to set minimum service levels. The section reads as follows:

4.2(1) *The Board, upon the application of any licensed motor carrier or of its own motion and upon publication of the time and place of the hearing thereof as the Board directs, may, after the hearing, designate minimum service requirements in respect of any point, points or geographic areas within the Province.*

THE APPLICANT

Acadian Coach Lines LP is the New Brunswick subsidiary of the Acadian Bus Group. The Acadian Bus Group is itself a wholly-owned subsidiary of Groupe Orleans Express Inc. of Montreal and operates an integrated intercity bus network in New Brunswick, Nova Scotia and Prince Edward Island. Line-run bus service in Nova Scotia is provided by Acadian Intercity Coaches LP, the Nova Scotia subsidiary of the Acadian Bus Group. The Acadian Bus Group provides uniform fares and a standard bus schedule across the Maritime provinces. All Acadian buses are plated to operate in both New Brunswick and Nova Scotia. The main difference between the two subsidiary companies is that Acadian Intercity Coaches LP operates almost exclusively within Nova Scotia, only extending its route network as far west as Moncton. Acadian Coach Lines LP, by contrast, provides service not only within New Brunswick but serves a route network that extends into the State of Maine, Prince Edward Island and the Province of Quebec.

THE PROPOSED CHANGES

Acadian has proposed to amend its routes and schedules by increasing the frequency of service along the more heavily travelled “corridor” routes (also referred to as “core” routes) in order to increase ridership and make its Maritime operations financially sustainable. However, concomitant with this increased frequency of service along the “corridor” routes (Moncton – Fredericton, Fredericton – Saint. John, Saint John – Moncton, and Moncton – Halifax), Acadian has proposed to reduce the frequency of service along two routes (Rivière-du-Loup QC – Fredericton and Moncton – Charlottetown PE) and eliminate service along two other routes (Fredericton – Miramichi and Saint John – Bangor ME).

Corridor Routes

Combined line-run ridership figures for Acadian Coach Lines and Acadian Intercity Coaches fell by 17% in 2009; from 410,847 trips in 2008 to 341,036 trips in 2009. The drop in ridership was slightly larger in New Brunswick (18.8%) than it was in Nova Scotia (15.1%) This drop in ridership directly impacted the combined line-run passenger revenues of the Acadian Bus Group, which declined by 13.2% from \$12,452,000 to \$10,815,000. For the affiliated companies, passenger revenue declined

by 14% for Acadian Coach Lines while Acadian Intercity Coaches experienced a drop of 12.4%. In terms of expenses, total line-run kilometres driven were effectively unchanged for 2008 and 2009 despite the decline in ridership. Overall the Acadian Bus Group saw its fuel expense decline by \$792,000 (from \$2,479,000 in 2008 to \$1,687,000 in 2009), while its non-fuel expenses increased by \$224,000.

In an effort to increase ridership and improve the profitability of its Maritime operations the Applicant has proposed to re-engineer its bus network around four “corridor” routes; three in New Brunswick and one, primarily, in Nova Scotia. Under the proposal, the “corridor” routes would have more resources, in terms of drivers and buses, to increase the frequency of service and reduce travel time between the three major New Brunswick cities (Fredericton, Moncton and Saint John) and Halifax. By making bus travel more reliable and convenient for passengers, the Applicant believes it can increase ridership and make its operations profitable.

Under the “corridor” proposal, service on the Moncton – Saint John run and the Moncton – Fredericton run would be increased to four round trips each day, from the current three per day. For the Fredericton – Saint John run, the “corridor” proposal would increase the round-trip service between the two cities from the current two runs daily, to four runs. Additionally the Applicant has proposed to increase the round-trip service between Halifax and Moncton from three trips per day to five trips per day. In order to reduce the travel time between the “corridor” cities, the Applicant proposes to convert the current “local” service on the “corridor” routes to Express (non-stop) and Semi-Express (limited stops). Each “corridor” route will continue to have one dedicated “local” run (in both directions) each day stopping in the communities currently being served.

As the proposed “corridor” strategy requires a reallocation of resources, the Applicant has proposed to reduce or eliminate service on several other routes in order to make buses and drivers available to serve the “corridor” routes. In its submission to the Board, Acadian proposed to redeploy four buses from its current New Brunswick routes to support the “corridor” strategy. The routes affected would be:

1. **Route 1 – Saint John to Bangor ME** – elimination of all service to Charlotte County and Maine (Trips 11 and 16) would release two buses for redeployment.
2. **Route 2 – Fredericton to Rivière-du-Loup QC** – cancellation of Trips 23 and 27 (northbound) and Trips 20 and 26 (southbound) would release one bus for redeployment.

3. **Route 3 – Fredericton to Miramichi** – elimination of direct service between these communities (Trips 30 and 33) would release one bus for redeployment.

In her testimony before the Board, Manon Piché, VP of Marketing, Sales, and Communications for the Acadian Bus Group stressed that to implement the re-engineered schedule, including the “corridor” strategy; all 39 buses in the Acadian fleet would be required.

Route 1 – Moncton to Bangor ME

Acadian currently provides service between Moncton and Bangor ME each day; a 2:00 PM departure from Moncton (arriving in Bangor at 6:10 PM, EST) and a return run departing Bangor at 11:45 AM (EST) the following day (arriving in Moncton at 8:05 PM). Prior to 2006, Acadian had provided service between Saint John and Bangor three days a week. In 2005 the Applicant applied to change this to daily service for operational efficiency and to improve its inter-connections with Greyhound Lines in the United States. Daily service between Saint John and Bangor was approved in January 2006, although in its evidence the Applicant reports that the inter-connection with Greyhound Lines (at Bangor) is no longer efficient for passengers due to schedule changes in the United States.

Acadian has proposed to discontinue the Saint John to Bangor segment of Route 1, a one-way distance of 266 kms. In its evidence Acadian stated that ridership for Trip 11 (Moncton – Bangor), including all segments, had declined by 23% between 2008 and 2009 (January through November) while ridership on Trip 16 (Bangor – Moncton), including all segments, had declined by 12% over the same period. Acadian further segmented its ridership data for 2009 indicating that of the 24.6 passengers (on average) on Trip 11 each day, only 14.4 passengers rode the Saint John – Bangor segment and, of these, 7.4 passengers departed the bus at St. Stephen or sooner. Accordingly, based on this evidence, only seven passengers rode the St. Stephen – Bangor segment on a daily basis.

For Trip 16 (Bangor ME – Moncton) Acadian’s evidence indicated that, of the 22.5 passengers using this route on a daily basis, only half (12.5 passengers) rode the segment west of Saint John, with 6.9 of these trips being for passengers travelling between St. Stephen and Saint John. Accordingly, based on this evidence, only 5.6 passengers (on average) travelled the segment between Bangor

and St. Stephen. In its evidence Acadian reported that, based on its 2009 passenger volumes, it was realising annual revenues of \$155,153 on the Saint John – Bangor segment while incurring expenses of \$517,580, producing a loss of \$362,427 along the route.

In response to NBEUB IR#5 Acadian provided an analysis of the passenger levels required for its Saint John – Bangor segment to operate on a break-even basis. According to the analysis, passenger levels would need to more than double to an average of 39 passengers per trip (in both directions) in order to reach a point where revenues and costs were reasonably in balance.

Three of the six registered intervenors (NBCC St. Andrews Campus, St. Stephen Development Board Inc. and the Town of St. Stephen) opposed the Applicant's proposal to eliminate bus service west of Saint John. Additionally, the majority of the written submissions received on this matter were opposed to eliminating scheduled bus service between Saint John and Charlotte County. Several correspondents noted that the Acadian Lines' bus, although not ideal, remains a necessary transportation link for Charlotte County residents requiring health services in Saint John, and for students travelling from post-secondary educational facilities in Saint Andrews and St. Stephen to other parts of the province. The Board also notes that several participants, including Mr. Jeff Holmes of Saint Andrews (whose company, HMS Transportation, provided five-day-a-week line-run service between Saint John and Charlotte County from September 2007 to October 2008), argued that, over the long-term, any reliable line-run service between Saint John and Charlotte County would prove impossible without some form of government subsidy. Nonetheless, at both the public hearing in Fredericton and the public session in St. Stephen, no party argued the necessity of maintaining service all the way to Bangor. The primary focus of the participants was on maintaining service between St. Stephen and Saint John.

As noted above, serving Route 1 currently requires the use of two buses. In addition Acadian currently bears the cost of keeping a driver overnight in Bangor. By discontinuing service west of Saint John (the route between Moncton and Saint John would become part of the "corridor" service) Acadian proposes to eliminate a money-losing route, while releasing two buses for more profitable deployment elsewhere. However, during cross-examination Ms. Piché testified that a modified New Brunswick-only service on Route 1, between Saint John and St. Stephen, would only require the deployment of one bus, whether that service was provided daily, or several days each week.

The Board takes note of one other issue regarding the proposed changes to Route 1. In response to questions from NBCC St. Andrews and the Board (NBCC STA IR#3h, NBEUB IR#15), Acadian reported its parcel express revenues for Route 1. In 2009 Acadian generated \$25,671 in net sales along this route, all but \$400 of which was generated in Canada. The Board notes that although this revenue was not included in Acadian's Profit/Loss projections for Route 1 (response to NBEUB IR#5), it does represent revenue that would be lost if the route changes are approved as proposed.

Route 2 – Fredericton to Rivière-du-Loup QC

Route 2 currently runs between Halifax and Rivière-du-Loup QC, where passengers may connect to the Groupe Orleans bus network for travel in Quebec or to points west. There are three runs (in both directions) per day along this route. The Applicant proposes to increase the number of runs on the Halifax – Moncton segment, and the Moncton – Fredericton segment, as part of its “corridor” strategy.

On the Fredericton – Rivière-du-Loup segment the Applicant proposes to eliminate Trip 23 (the evening bus between Fredericton and Edmundston) and Trip 27 (the morning run between Edmundston and Rivière-du-Loup). It also proposes that the departure time for Trip 21 (“local” service between Fredericton and Rivière-du-Loup) be moved from the afternoon to the morning. There would also be minor adjustments in times for Trip 25, the semi-express evening run between Fredericton and Rivière-du-Loup. For the Rivière-du-Loup – Fredericton segment, the Applicant proposes to eliminate Trip 20 (the morning bus between Edmundston and Fredericton) and Trip 26 (the evening run between Rivière-du-Loup and Edmundston). Trip 22 (the early-morning semi-express) and Trip 24 (afternoon “local” service) would remain essentially unchanged.

None of the intervenors at the formal hearing addressed the changes proposed for the Fredericton – Rivière-du-Loup segment. The Board did receive written submissions from residents and businesses in Madawaska County expressing concerns about the proposed changes.

As noted above, the proposed changes on the Fredericton – Rivière-du-Loup segment of Route 2 would, if approved, release one bus for redeployment to the proposed “corridor” service.

Route 3 – Fredericton to Miramichi

Route 3 currently provides service between Saint John and Campbellton, through Fredericton and Miramichi. Under the proposed changes, the Saint John – Fredericton segment would become part of the “corridor” service, increasing from two to four (round-trip) runs each day. It is also proposed that the one-run-per-day Campbellton – Miramichi segment be retained as part of Route 4 (Moncton – Campbellton). Regarding the middle segment, Acadian currently provides one daily round-trip run directly between Fredericton and Miramichi; an 11:30 AM departure from Fredericton and a 2:15 PM return trip from Miramichi. The one-way distance along the route is 171 kms. Acadian has proposed to eliminate service on this segment. If approved, passengers travelling between Fredericton and Miramichi would be required to connect through Moncton.

In its evidence Acadian showed that ridership for Trip 30 (Fredericton – Miramichi) had declined by 20% between 2008 and 2009; from an average of 13.9 passengers per trip in 2008 to 11.1 passengers per trip in 2009 (January through November). Over the same period ridership on Trip 33 (Miramichi – Fredericton) declined by 24%, from 16.4 passengers per trip to 12.4 passengers per trip. In its evidence Acadian stated that, based on its 2009 passenger volumes, it was realising annual revenues of \$154,824 on the Fredericton – Miramichi segment while incurring costs of \$331,269, producing a loss of \$176,445 along the route.

In response to an information request by the Board (NBEUB IR#5) Acadian provided an analysis of the passenger levels required for its Fredericton – Miramichi run to operate on a break-even basis. According to the analysis passenger levels would need to double to an average of 25 passengers per trip (in both directions) in order to reach a point where revenues and costs were reasonably in balance.

Several of the intervenors at the public hearing, and participants at the public sessions, opposed the elimination of direct service between Fredericton and Miramichi. Additionally the Board received more than a dozen written submissions opposing the proposed change. In its response to NBEUB IR#15 the Applicant reported its net parcel express revenues (2009) on the Fredericton – Miramichi segment as \$4,570.

As noted above, the proposed change on the Fredericton – Miramichi segment of Route 3 would, if approved, release one bus for redeployment to the proposed “corridor” service.

Subsequent to the close of the public hearing the Applicant indicated that it would be revising the proposed connections between Fredericton and Miramichi (through Moncton) in order to reduce the wait time for passengers connecting through Moncton.

Route 4 – Moncton to Campbellton

Acadian currently provides once-daily, round-trip service between Moncton and Campbellton, stopping in Miramichi. The Miramichi – Campbellton segment is common to Route 3 and Route 4 and is served by a 29-passenger minibus, running in both directions. At Campbellton passengers may connect to the Groupe Orleans network on the Gaspé Peninsula. A full-size 51-passenger motor coach serves the Miramichi – Moncton segment. No changes are proposed to the schedule or communities served on this route.

Route 5 – Moncton to Charlottetown PE

Acadian currently provides twice-daily, round trip service between Moncton and Charlottetown PE, with one additional run (both directions) on Friday and Sunday evenings. Currently the morning buses between Moncton and Charlottetown (both directions) provide “local” service to Sackville NB and Amherst NS. The afternoon buses are semi-express and do not stop in these communities. As part of its re-engineered network the Applicant proposes to eliminate the Friday and Sunday evening runs, while changing the morning runs to semi-express and converting the afternoon runs to “local” service. Minor adjustments would be made to arrival and departure times. The proposed changes would see direct service between Sackville NB and Charlottetown PE move from the morning to the afternoon.

No intervenors at the public hearing, or participants at the public sessions, opposed the proposed changes to Route 5. Additionally, the Board received no written submissions on the changes proposed for Route 5.

ANALYSIS

The changes proposed by Acadian would provide improved service for certain customers, particularly those travelling between Moncton, Fredericton and Saint John. On the other hand, customers in Miramichi would no longer be able to travel directly to Fredericton and vice versa. The most seriously affected region of the province would be Charlotte County, which would lose all service.

While ridership numbers have been dropping, public motor buses remain an important part of the lives of many people. Students often take the bus and during the hearing the Board heard how the proposed changes would negatively impact students studying in Charlotte County and those from the Miramichi area studying in Fredericton. Elderly persons, persons with disabilities and recent immigrants are among the other groups that would be negatively affected by these changes. The changes proposed would certainly be detrimental to some users of public transportation services, particularly in the Miramichi and Charlotte County areas.

The Board must also consider the impact of the proposed changes on Acadian and the public transportation system as a whole. Acadian has been losing money system-wide in New Brunswick for a number of years, and has argued that it is currently sustaining operating losses on all its New Brunswick routes. It should be stated that this information is consistent with regulatory information Acadian has filed with this Board in preceding years.

Acadian's financial losses are a relevant consideration for the Board. If Acadian continues to lose money in New Brunswick, without some opportunity for profit, it is doubtful the company will continue to operate here over the long-term. As a private company Acadian has an obligation to provide a return-on-investment to its owners. As a private company operating in a regulated environment, the Board has an obligation to allow Acadian the opportunity to earn that return.

The Board must also consider that the regulatory structure of the motor carrier industry has, historically, relied upon profitable routes subsidizing those routes which lost money. With the right to operate on a popular and profitable route came an obligation to serve more remote areas which might be less profitable or, indeed, lose money. Where, in years past, the Board may have refused a proposal to discontinue service on money-losing routes on the grounds that they should be

subsidized by profitable routes; in an environment where a motor-carrier is losing money on all routes, this cross-subsidization model is not available to the Board.

That said, as a regulator the Board must also ensure that any motor-carrier seeking approval to discontinue line-run service has made reasonable efforts to reduce its costs and return to profitability before granting that approval. The Board addressed this matter in an information request (NBEUB IR#4) to the Applicant:

4. Question

Acadian was experiencing a decline in “total passages by month” in early 2009. What did Acadian do in the early part of 2009 to address this decline?

The Applicant responded that it had taken no steps to address the decline in passengers in early 2009, with reasons, but added in part:

What could have we done from an operational point of view if we were not working within a regulated framework?

- *Frequency reduction on some corridors – elimination of some departure times.*
- *Frequency reduction per week – reduction in the number of days per week instead of offering a daily service.*
- *The bus would not leave without a minimum passenger load.*

The Board notes that, in its submission, the Applicant has proposed to increase the load factor on some routes (Routes 2 & 5) by eliminating departure times. The Applicant has not, however, proposed to reduce the frequency of service by adopting a partial-week schedule (not even as an interim measure) on Routes 1 & 3 in order to increase the load factor on these runs. This approach would, in the Board’s opinion, be a reasonable step towards reducing losses and making those routes profitable. This issue will be dealt with in greater detail below.

Corridor Routes

Acadian’s proposal to increase the number and frequency of runs between the “corridor” cities in its network (Fredericton, Halifax, Moncton and Saint John) reflects a strong commitment to inter-city bus travel within the Maritimes by the Applicant. The Board acknowledges the Applicant’s efforts to

increase ridership despite a long-term downward trend over many years. The Board also recognises that implementing the “corridor” strategy will require the Applicant to redeploy some buses from other routes.

Route 1 – Moncton to Bangor ME

The future of Route 1 is the most significant issue before the Board in this proceeding. Although the Applicant has presented a strong case that the entire route operates at a significant loss; the discontinuance of Route 1 would mean the end of scheduled bus service in southwest New Brunswick. By contrast the proposed discontinuation of direct service between Fredericton and Miramichi would not prevent travel between those communities, bus passengers could still travel by connecting through Moncton. Moreover, the Applicant has only proposed to discontinue service on the route segments west of Saint John.

For the segment between Moncton and Saint John, the Applicant proposes to make this part of the “corridor” service, increasing the number of daily trips between these communities. The Board finds this to be a reasonable and positive approach to improving its profitability.

For the segment between St. Stephen NB and Bangor ME, the Board notes that this is a costly segment for the Applicant to operate, requiring a second bus and accommodation expenses to keep a driver overnight in Bangor. The Applicant has also demonstrated that ridership on this segment is insufficient to recover its costs and that ridership would need to multiply several times over in order for the line-run service to reach its financial “break-even” point. Moreover, as noted above, the Board heard no specific argument in support of maintaining line-run service between St. Stephen and Bangor, be it daily or on a reduced schedule. The Board agrees that the Applicant’s financial losses on this segment are substantial and could not be reversed through adjustments to the schedule or other interim steps.

Regarding the middle segment of Route 1, between Saint John and St. Stephen, the Applicant’s proposal to discontinue service was opposed by intervenors, participants at the public session in St. Stephen, and by those who provided written submissions that addressed inter-city bus service in Charlotte County. However, in coming to a decision on the Application, the Board must balance the interests and needs of passengers and their communities with the financial health of the motor

carrier. In this matter the Applicant has persuaded the Board that Route 1, as currently constituted, is not and will not be financially viable. Without changes Route 1 would continue to generate several hundred thousand dollars in losses for Acadian each year. That said, the public interest would not be served were the Board to endorse the end of scheduled bus service to Charlotte County without considering alternative solutions.

In its evidence to the Board the Applicant has maintained that the high fixed costs of having buses dedicated to certain routes (particularly the average annual “bus fleet cost” of \$48,758 per bus) make routes like Saint John – Bangor and Fredericton – Miramichi unprofitable. As it noted in its response to NBEUB IR#5 even reducing the number of days of service on a route, to increase the load factor (the average number passengers on each bus) and reduce the operating costs for each trip, annual route costs would remain high owing to the fixed cost(s) of the buses dedicated to that route (\$48,758 in the case of Fredericton – Miramichi, \$97,516 in the case of Saint John – Bangor). During the public hearing, the question of reducing these fixed costs by dedicating a single bus to multiple routes, on reduced schedules, was raised by the Chairman:

Q.237 - I do want to ask you to try to clarify for me however a response to a series of questions put to you by Ms. Desmond with respect to the fixed cost of a bus. And the discussion involved the fixed cost of a bus from St. Stephen to Saint John as opposed to say Bangor to Saint John. And as I recall that discussion, if you are only going St. Stephen to Saint John, you would only need one bus, not two, is that correct?

MS. PICHE: Yes.

Q.238 - And the cost for a bus I think you put at \$48,760. That is essentially the depreciation costs for a bus to dedicate to that route, is that –

MS. PICHE: Not to every route. In other words, we take all the leasing and costs in our financial statement and we divide them into the number of buses we have in our fleet. So the average cost per bus is 48,000.

Q.239 - So if you ran a bus between St. Stephen and Saint John two days a week or if you ran it seven days a week you would still be looking at a fixed cost of \$48,760?

MS. PICHE: Yes.

Q.240 - And you did that same analysis for the Miramichi. And I believe there was one of the analysis you did on the Miramichi was a Friday-Sunday run. And I think the numbers indicated a loss of a little over \$65,000. And I think in your evidence today you talked about if you ran -- and I don't think you were sure whether your scenario was a two-day or a three-day run from St. Stephen. But the loss was about 62,000. And really where I'm going with this question is that if you were running on different days would it be one bus that would have to be allocated between those two runs? And therefore would it be half of the \$48,000? In other words, would it be \$24,000 on each one of those scenarios, thus having an overall -- between the two, if you ran such a scenario, a cost saving of about 48,000? In other words those are stand-alone proposals. But if you –

MS. PICHE: Mmmm.

Q.241 - -- had only two or three days a week on each run, and they were different days, would you be able to allocate perhaps half of the cost of a bus to one and half of the cost to a bus to the other?

MS. PICHE: We would have to do deadhead mileage between Saint John and Fredericton. Because we are talking about a St. Stephen-Saint John and then a Fredericton-Miramichi. So we would have to consider the deadhead mileage. But it would have to be a scenario that needs to be analyzed more deeply.

Q.242 - No. I appreciate there would be other costs. But essentially that fixed cost of \$48,000, if you were to allocate that bus somehow between two different runs, not on the same day then the fixed cost could in a sense, in some manner, be split between the two?

MS. PICHE: We could.

Prior to this questioning at the public hearing, the Applicant had not been asked to consider the impact that dedicating a single bus to multiple routes, on alternating days, could have on costs and its profitability in New Brunswick. Consequently the Applicant provided no formal analysis of this alternative solution. In its response to NBEUB IR#5 Acadian states that, at current ridership levels, it is sustaining a combined annual operating loss of more than \$530,000 to provide once-per-day service between Saint John and Bangor, and between Fredericton and Miramichi. However, using the cost model provided by the Applicant, the Board has determined that serving these same routes on alternating days (three-days-per-week) with a single bus would, even at

current average ridership levels, reduce that loss by more than 80%; to less than \$100,000, exclusive of “deadhead mileage”. These are, potentially, substantial cost savings for the Applicant on two of its most costly routes. Additionally, by maintaining at least partial service on these routes, the Applicant would avoid having to forego approximately \$30,000 in “complementary” revenues it currently receives from its parcel express service along these corridors.

It is the Board’s opinion that the public interest requires the Applicant to take reasonable steps to reduce its losses along Route 1 before it moves to discontinue service, thereby disrupting the passengers and communities it serves in Charlotte County. Prior to 2006, the Applicant provided service between Saint John and Bangor three days each week. The Board finds that the Applicant could realize substantial savings along Route 1 were it to condense the route to the Saint John – St. Stephen segment only, and reduce its daily service to a minimum of three-days-per-week. Fixed costs on this revised route would be reduced by deploying the bus on a second route for those days it is not needed on the Saint John – St. Stephen run. The Board notes that this reduced service would still generate a loss if the Applicant only maintains its current average ridership levels between Saint John and St. Stephen (7.4 passengers per run westbound, 6.9 passengers per run eastbound). However, in its evidence the Applicant indicated that ridership levels were higher on certain days of the week than on others. As each additional passenger above the current daily average represents a step closer to profitability, the Board is confident that a properly prepared schedule, running no fewer than three-days-per-week, presents the Applicant with its best opportunity to eliminate its losses and start generating profits in New Brunswick.

Route 2 – Fredericton to Rivière-du-Loup QC

The Applicant has proposed to make two segments of Route 2 (Fredericton – Moncton and Moncton – Halifax) part of its “corridor” network, with more runs and faster service between communities. As with Route 1, the Board finds this proposal to be a reasonable and positive approach to improving profitability on its New Brunswick routes.

Regarding the proposed changes to Acadian’s line-run service between Fredericton and Rivière-du-Loup, the Board notes that these changes were not opposed by participants at the public hearing in Fredericton, nor at the public sessions in communities around the province. The Board did receive several written submissions however, primarily concerned with the loss of the morning bus between

Edmundston and Rivière-du-Loup; making travel potentially less desirable for passengers travelling past Rivière-du-Loup to Quebec City, Montreal and points west. The Board notes that the revised schedule, submitted by the Applicant, has a daytime bus departing Fredericton at 10:00 AM and arriving at Rivière-du-Loup at 4:30 PM each day. The Board finds this change in schedule to be reasonable.

Route 3 – Fredericton to Miramichi

The Applicant has proposed to discontinue the once-a-day direct, round-trip service between Fredericton and Miramichi. As noted above, were the Board to approve this change, passengers would still be able to transit between Fredericton and Miramichi, by way of Moncton, but service to the communities of Renous, Blackville, Doaktown, Boiestown, and Nashwaak Village would cease.

As noted above, in the costing model presented to the Board (in response to NBEUB IR#5) the Applicant indicated that in 2009 it sustained an operating loss of \$176,445 on this route. As with Route 1, however, the high fixed costs of having a bus dedicated to this route is a contributing factor to its unprofitability. Further, using the Applicant's cost model, the Board has determined that a single bus serving the Fredericton – Miramichi segment on an alternating schedule with a revised Charlotte County service (Saint John – St. Stephen) would, even at current average ridership levels, reduce that combined loss on the two routes from more than \$530,000 to less than \$100,000, exclusive of "deadhead mileage".

As with Route 1, it is the Board's opinion that the public interest requires the Applicant to take reasonable steps to reduce its losses along the Fredericton – Miramichi segment of Route 3 before discontinuing service. The Board is not prepared, at this time, to approve the discontinuation of service on this segment of Route 3 until the Applicant has demonstrated reasonable efforts to reduce its losses and make the route profitable within the larger New Brunswick line-run network. The Board finds that the Applicant could realise substantial savings along this route segment by reducing its daily service to three-days-per-week and deploying the bus on an alternate day schedule with the revised Charlotte County service. Accordingly the Board directs the Applicant to prepare a revised schedule for the Fredericton – Miramichi route segment, based on a minimum of three-days-per-week, round-trip service.

Route 4 – Moncton to Campbellton

As noted above, no changes were proposed to this route.

Route 5 – Moncton to Charlottetown PE

As noted above, the Board received no correspondence or argument opposing the proposed changes to Route 5. Additionally the Board notes that the schedule changes, if implemented, will only affect those New Brunswick passengers travelling between Sackville NB and several communities on PEI. Moreover, three daily (round-trip) runs on the Halifax – Moncton route will continue to stop in Sackville NB, raising the total number of buses stopping in the community (in each direction) to four-per-day.

DECISION

The Board had the benefit of a number of well informed participants both at the formal and informal portions of the hearing process. The hardships certain users of public transportation services would face if the proposed discontinuances were allowed were clearly expressed. At the same time Acadian presented persuasive evidence of its financial challenges. While some participants suggested things Acadian could do to improve ridership, no one suggested that the routes proposed for discontinuance could be run without a loss unless they were subsidized.

On the question of subsidies, several parties urged the Board to maintain the status quo and to recommend that the provincial government subsidize the intercity bus system. There was no evidence at the hearing that such subsidies would be forthcoming and the Board must decide the application on the evidence before it. This decision cannot be postponed in expectation of a possible change in government policy.

The Board has concluded that Acadian's application should be granted, in part, subject to the conditions spelled out below. The Board finds that Acadian's proposed "corridor" network is in the best interests of users of public transportation in New Brunswick and agrees that Acadian be permitted to implement the network it feels has the best chance of creating a profitable and

sustainable network. Accordingly the Board approves the following changes to Acadian's New Brunswick network.

Corridor Routes

The Board approves Acadian's proposal to increase the number and frequency of runs between the four "corridor" cities in its network (Fredericton, Halifax, Moncton and Saint John).

Route 1 – Moncton to Bangor ME

The Board approves the Applicant's proposal to make the route segment between Moncton and Saint John part of its new "corridor" service.

The Board also approves the complete discontinuance of service on the route segment between St. Stephen NB and Bangor ME.

For the route segment between Saint John and St. Stephen, the Board directs the Applicant to revise its proposed schedule to incorporate a minimum three-day-per-week, round-trip service between these communities; with stops in Pennfield, St. George and Saint Andrews. The Applicant is further directed to keep a record of the daily passenger counts on this route, in each direction, from the date the new schedule comes into effect. The Applicant will provide the Board with its passenger counts for the revised route six months after the new schedule comes into effect; and at six-month intervals after that, until further notice.

Route 2 – Fredericton to Rivière-du-Loup QC

The Board approves the changes to those segments of Route 2 designated to become part of the "corridor" service (Fredericton – Moncton and Moncton – Halifax).

The Board also approves the proposed reduction in service for the route segment between Fredericton and Rivière-du-Loup QC.

Route 3 – Fredericton to Miramichi

The Board approves the Applicant's proposal to make the route segment between Saint John and Fredericton part of its "corridor" service.

The Board approves the Applicant's proposal to discontinue service on the route segment between Miramichi and Campbellton, noting that this service will still be provided as part of Route 4.

The Board does not approve the discontinuance of direct, round-trip service between Fredericton and Miramichi at this time. Instead the Board directs the Applicant to revise its proposed schedule to incorporate a minimum three-day-per-week, round trip service between the two communities; with stops in Renous, Blackville, Doaktown, Boiestown and Nashwaak Village. Additionally the Applicant is directed to keep a record of the daily passenger counts on the revised route, in both directions, from the date the new schedule comes into effect. The Applicant will provide the Board with its passenger counts for the revised route six months after the new schedule comes into effect; and at six-month intervals after that, until further notice. The Applicant is also directed to keep a record of the "deadhead mileage" involved in moving buses between Fredericton and Saint John in order to accommodate the alternating day schedule.

Route 4 – Moncton to Campbellton

The Board approves the current schedule as filed.

Route 5 – Moncton to Charlottetown PE

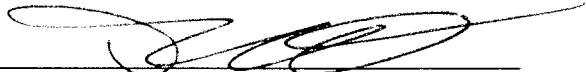
The Board approves the proposed reduction in service and changes to the schedule between Moncton and Charlottetown.

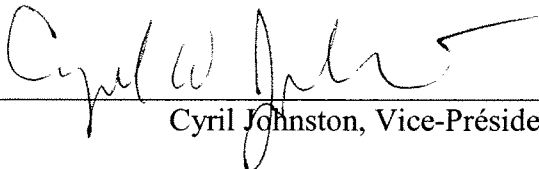
CONCLUSION

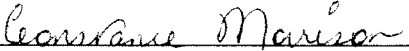
In its evidence for this proceeding the Applicant also noted that further adjustments to the proposed schedule may be made before the implementation date (on or after October 1, 2010). The Applicant is directed to file its final schedule with Board, incorporating the changes approved above, no later than thirty days prior to the implementation date.

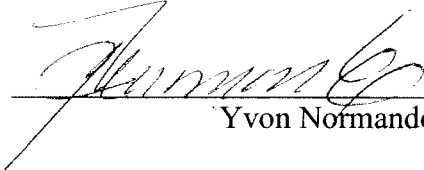
The Board approves that Acadian implement its proposed routes and schedules on its New Brunswick routes, subject to the changes noted above, commencing on or after October 1, 2010.

Dated in Saint John, New Brunswick this 16th day of July 2010.


Raymond Gorman, c.r., Président


Cyril Johnston, Vice-Président


Constance Morrison, Membre


Yvon Normandeau, Membre