

XI. EXCLUSIVE PERMITS TO COMMON CARRIERS ON THE HIGHWAYS

64. Since the Joint Committee of the Railways in their report recommended against the granting of exclusive permits or franchises to operate common carrier coaches and trucks on highways and against minimum tolls and charges, and in favour of the free play of competition in these transport activities, an examination of the principles underlying the granting of these exclusive permits and the fixing of tolls seems desirable.

65. All provincial authorities agree in the policy of giving exclusive rights to operate motor coaches over specified routes and between fixed termini on rural highways under provincial control. In the case of the carrier truck there is not the same uniformity, but there is a general acceptance of the principle that here also there must be regulation and that regulation can only be made really effective for its chief end, that of producing a dependable service if the operations are in the control of one responsible party over a given route. Ontario, Quebec and Manitoba have definite regulations to this effect and in all provinces permits are required and the tendency is to grant these only to one operator. This has the effect of eliminating competition from other common carrier trucks and sets up a monopoly in this form of transportation.

66. The reasons for these permits are set forth in the brief of the Gray Coach Lines, Limited.

67. Previous to the entry of this company, a subsidiary of Toronto Transportation Commission, into the field of suburban and inter-urban coach traffic, motor bus operations were in the hands of irresponsible operators, many of whom were not financially stable. Equipment was poor and there was a lack of spare vehicles for peak service. Wages paid were low and drivers worked long hours. Schedules were not dependable and services were often interrupted.

68. The entry of Gray Coach Lines, Limited, backed by a responsible authority, resulted in an immediate improvement. Equipment is now fully modernized and service is maintained on a high efficiency basis. Labour conditions are satisfactory to employees both in rates of pay and hours worked. As a result there has been a marked increase in public confidence and this is reflected in increased patronage by the travelling public. In turn, the financial outcome has been profitable to the operator. Gray Coach Lines, Limited, could not have attained this position if it had been open to competition by any individual who might choose for a time to carry passengers for hire over any one of the routes assigned to them.

69. Counsel, in his submission for the Ontario Association of Motor Coach Owners, gives the policy of the Department of Highways in issuing of permits. The principles are stated to be three in number:—

- (a) Present traffic offering in the province does not warrant the issuing of more than one permit for local travel between any two points, and the public interest, therefore, is best served by permitting one responsible operator only to furnish such service.
- (b) Every permit-holder who continues to operate to the satisfaction of the department as tested by standards prescribed by it, can make the necessary investment and maintain the required service in the confidence that he will secure a renewal from time to time.
- (c) The department exercises a real supervision over permit transfers and endeavours to see that no transfer is made except to an operator of substance and reliability, preferably to an existing transportation agency in the vicinity.

70. The Chairman of the Public Utilities Board, which issues the permits in Manitoba, in his able submission puts the case for permits thus:—

The monopoly phase of the matter is only incidental. It is in the public interest that this form of transport should be dependable and to be dependable it must be in the hands of a reliable operator who can make his investment and give a service of the standard required without fear that he will suffer loss of business by a division of traffic. If permits were granted to many operators over the same route, it would be impossible in practice to enforce observance of regulations. The threat of cancellation of the permit is a real check on faulty operation where the permit is valuable and the grantee is operating at a profit or can see a profit in future operations. Maximum tolls can be fixed to protect the public and if insufficient or indifferent service is given the permit can be revoked and granted to another applicant. It is not a case of regulating a monopoly by conditions annexed to a certificate of "convenience and necessity", such as pertains in the "Public Utility" field, in the strict use of that word, but rather the grant of a monopoly for the purpose of more effective regulation.¹

71. The exclusive permit has resulted, in the case of the motor coach, in securing to the public good service and the main defect in a monopoly, that of excessive rates, has been kept in check by departmental supervision. Indifferent service is not to be feared to the same extent as in the case of a natural monopoly like a street railway or a power or light company, for the permit can be revoked and granted to another where the capital in fixed and unrealizable plant is comparatively insignificant.

72. If the free play of competition does not produce good results and makes regulation of motor transport more difficult and the attainment of satisfactory standards of service impracticable, then the provincial authorities would seem to be justified in introducing the exclusive element into their permits to operate, not for the purpose of creating property rights, but for the purpose of better regulation and control of the traffic.

73. There would seem to be little doubt that when motor truck regulations are in process of development the exclusive permit to common carriers will be found of value, but there will remain to be devised, satisfactory regulations for the control of contract carriers and of the privately-operated truck and it will then clearly appear that the permit is only an incident in the process of regulation, helpful in the case of the common carrier, but only a means to an end, and that the principles to be applied by the regulating authority to the problem in hand, must be found in characteristics which are inherent in the motor vehicle as an agency of transport and cannot be adapted from regulations which have been successful in the case of "public utilities" such as street railways, gas or power undertakings. Experience of the traffic alone will indicate the principles to be applied.

74. The following observations made by Mr. Loree, a member of this commission, on the operation of highway carriers in the United States of America call for consideration in any plan or plans which may be devised for solution of the problem in Canada:—

75. "There has been some absorption of freight traffic by motor trucks. For the most part it has been the taking over of less than carload or package freight. The cost of this movement to the railroads has been very heavy. It

¹ The evidence has been summarized. The words are those of the editor, but it is believed that the ideas are correctly stated.