

September 28, 2012

Greyhound Canada Transportation ULC

2012 Application to Reduce Minimum Route Frequencies in BC on 15 Routes and Abandon Route X – Victoria/Mt. Washington Alpine Resort (Seasonal Service)

EXPLANATORY PAPER

This paper is designed to provide the operating and business basis for the application by Greyhound Canada Transportation ULC (“GCTU”) to reduce minimum route frequency on 15 routes in BC and abandon Route X in its entirety.

It has been prepared solely by Greyhound Canada Transportation ULC for public information.

I. Background

In GCTU’s 2011/12 fiscal year (ended March 31, 2012) the Company lost \$14.1 million on its scheduled passenger operations in BC. These losses are unsustainable.

GCTU attributes its fiscal 2011/12 BC passenger services operating loss to a number of factors including higher costs for fuel and maintenance, reduced ridership, an inflexible provincial regulatory regime that does not allow the Company to respond quickly to market and economic changes and unregulated competition from Province of BC agencies, including BC Transit and the Interior and Northern Health Authorities.

Should all of the changes set out in this explanatory paper be approved by the BC Passenger Transportation Board, GCTU plans to eliminate approximately 2.2 million operating miles in BC and generate yearly operating savings of approximately \$6.75 million. If the application is approved, GCTU will continue to operate 6.7 million miles of scheduled bus service in this Province. While GCTU proposes to eliminate route frequency on 18 of its routes in BC, the Company does not propose to abandon any of its BC routes except for a seasonal ski schedule between Victoria and Mt. Washington on Vancouver Island.

This application is submitted in light of the ongoing unsustainable passenger operating losses that are being incurred by GCTU in BC. The minimum frequency adjustments and route abandonment that the Company is applying for will, if approved, make it possible for GCTU to continue its inter-city bus passenger operations in BC.

II. Reductions in Minimum Route Frequency

The routes where GCTU proposes to reduce miles in BC are the following:

1. Route A1 and Routes A2(a) and A2(b) – Reduction in Minimum Route Frequency Salmon Arm-Vancouver

GCTU proposes to eliminate schedule 5001 westbound between Salmon Arm and Vancouver and schedule 5014 eastbound Vancouver to Salmon Arm.

(a) Westbound

Schedule	Average Passenger Load ¹	Revenue per Passenger Mile
5001	24.15	\$5.25

(b) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5014	26.40	\$5.68

2. Route A2(b) – Reduction in Minimum Route Frequency Vancouver-Kamloops

GCTU proposes to eliminate schedule 5012 eastbound between Vancouver and Kamloops.

Schedule	Average Passenger Load	Revenue per Passenger Mile
5012	24.78	\$5.09

3. Route B2 – Reduction in Minimum Route Frequency Kelowna-Penticton

GCTU proposes to eliminate a portion of schedule 5023 and schedule 5025 southbound and schedule 5021 and a portion of schedule 5094 northbound between Kelowna and Penticton.

(a) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5023 ²	11.97	\$2.93
5025	8.97	\$3.02

¹ All figures on revenue per passenger mile and average passenger loads set out in this Explanatory Paper are for the 12 month period July 2011 – June 2012. In GCTU's 2011-12 fiscal year ended March 31, 2012, the Company's fully loaded breakeven cost per mile was \$5.69. Fully loaded costs include bus operating costs, selling costs, field and corporate overhead and depreciation.

² Statistics are for the entire route between Vernon and Penticton.

(b) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5021 ³	7.95	\$2.18
5094 ⁴	13.10	\$3.21

4. Route C – Reduction in Minimum Route Frequency Vancouver-Rock Creek

GCTU proposes to eliminate schedule 5006 eastbound between Vancouver and Kelowna, schedule 5008 eastbound between Vancouver and Rock Creek and schedules 5024 and 5021, southbound and northbound respectively, between Penticton and Rock Creek. With these proposed changes, schedule 5022 will operate daily from Vancouver to Osoyoos, including one trip daily in each direction between Penticton and Osoyoos and intermediate points. This proposed set of changes will result in the elimination of route point Bridesville. In the 12 month period July 1, 2011 – June 30, 2012, a total of 74 passengers (.2/day) originated in Bridesville and a total of 181 passengers (.5/day) were destined to Bridesville. The distance from Bridesville to Osoyoos is 22 miles and from Bridesville to Rock Creek is 9 miles.

Schedule	Average Passenger Load	Revenue per Passenger Mile
5006 ⁵	22.31	\$4.27
5008 ⁶	11.58	\$2.93
5021 ³	7.95	\$2.18
5024	4.07	\$1.11

5. Route D – Reduction in Minimum Route Frequency Kelowna-Alberta Border & Highway 3

GCTU proposes to eliminate schedule 5026 eastbound and schedule 5163 westbound between Kelowna and the Alberta Border & Highway 3 (E & W Kootenays).

³ Statistics are for the entire route between Kelowna and Rock Creek.

⁴ Statistics are for the entire route between Kamloops and Penticton.

⁵ Statistics are for the entire route between Vancouver and Calgary.

⁶ Statistics are for the entire route between Vancouver and Rock Creek.

(a) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5026	12.48	\$2.68

(b) Westbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5163	11.53	\$2.51

6. Routes E1 and E2(b) – Reduction in Minimum Route Frequency Prince George-Vancouver

GCTU proposes to eliminate schedule 5015 southbound between Prince George and Vancouver and schedule 5040 northbound between Kamloops and Prince George.

(a) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5015	21.24	\$4.46

(b) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5040	11.22	\$2.33

7. Route G – Reduction in Minimum Route Frequency Dawson Creek-Alberta Border & Highway 2

GCTU proposes to eliminate schedule 5229 southbound and schedule 5064 northbound between Dawson Creek and the Alberta Border.

(a) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5229 ⁷	10.67	\$2.37

⁷ Statistics are for the entire route Edmonton-Dawson Creek.

(b) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5064	18.67	\$4.15

8. Route I1 – Reduction in Minimum Route Frequency Dawson Creek-Ft. St. John

GCTU proposes to eliminate schedule 5229 southbound and schedule 5064 northbound between Dawson Creek and Ft. St. John.

(a) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5229	10.10	\$2.62
5064	9.38	\$2.43

9. Route J – Reduction in Minimum Route Frequency Prince George-Dawson Creek

GCTU proposes to eliminate schedule 5047 westbound and 5060 eastbound between Dawson Creek and Prince George.

(a) Westbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5047	10.32	\$2.54

(b) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5060	13.33	\$3.27

10. Route K – Reduction in Minimum Route Frequency Prince George-Ft. St. James

GCTU proposes to reduce service between Ft. St. James and Prince George from 5 days per week in each direction to 1 day per week in each direction. Service from Ft. St. James to Prince George would operate on Friday and service from Prince George to Ft. St. James would operate

on Sunday. Customers in Ft. St. James will continue to be able to access GCTU's Highway 16 schedules on a daily basis at Vanderhoof (a distance of approximately 35 miles).

(a) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5054	5.34	\$1.02
5056	7.41	\$2.63
5058	7.79	\$2.78

(b) Westbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5041	9.49	\$1.04
5043	2.20	\$0.79

11. Route L1 – Reduction in Minimum Route Frequency Prince George-Prince Rupert

GCTU proposes to eliminate schedule 5052 eastbound and schedule 5039 westbound between Prince Rupert and Prince George.

(a) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5052	10.48	\$2.31

(b) Westbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5039	11.07	\$2.25

12. Route N – Reduction in Minimum Route Frequency Kamloops-Alberta Border & Highway 16

GCTU proposes to eliminate schedule 5401 eastbound and schedule 5044 westbound between Kamloops and the Alberta Border (Yellowhead Route).

(a) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5401	13.98	\$2.82

(b) Westbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5044	17.55	\$3.55

13. Route P – Reduction in Minimum Route Frequency Kelowna-Vancouver

GCTU proposes to eliminate schedule 5038 eastbound and 5029 westbound between Vancouver and Kelowna.

(a) Eastbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5038	21.17	\$5.35

(b) Westbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5029	27.11	\$6.86

14. Route S1 – Reduction in Minimum Route Frequency Between Vancouver and Mount Currie

GCTU proposes to eliminate schedules 5072, 5074, 5080, 5086 (Whistler to Pemberton) and 5088 northbound and schedules 5071, 5075, 5085 and 5089 southbound between Vancouver and Mount Currie.

(a) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5072	11.96	\$2.67
5074	6.28	\$1.00

5080	22.52	\$5.62
5086	No breakdown available for Whistler/Pemberton sector	No breakdown available for Whistler/Pemberton sector
5088	22.55	\$5.05

(b) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5071	5.57	\$1.38
5075	27.51	\$6.85
5085	15.63	\$3.51
5089	12.26	\$2.75

NOTE: Should GCTU's proposed reductions in minimum route frequency be approved, Horseshoe Bay will continue to receive service under GCTU's connector bus service between Vancouver and Nanaimo.

15. Route T – Reduction in Minimum Route Frequency Between Victoria and Nanaimo

GCTU proposes to eliminate schedules 5114 and 5118 northbound and schedules 5109 and 5117 southbound between Victoria and Nanaimo.

(a) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5114	14.63	\$5.38
5118 ⁸	10.15	\$3.38

(b) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5109	14.62	5.40
5117 ⁸	7.40	\$2.43

⁸ Statistics are for entire route between Victoria and Campbell River.

16. Route U – Reduction in Minimum Route Frequency Between Nanaimo and Campbell River

GCTU proposes to eliminate schedules 5110 and 5118 northbound and schedules 5107 and 5117 southbound between Nanaimo and Campbell River.

(a) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5110	20.21	\$6.70
5118 ⁸	10.15	\$3.38

(b) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5107	18.88	\$6.27
5117 ⁸	7.40	\$2.43

III. Route Abandonment

1. Route X – Abandonment of Seasonal Ski Service Victoria-Mt. Washington

GCTU proposes to abandon its seasonal ski service between Victoria and Mt. Washington. This service is offered by a number of other bus carriers. GCTU will continue to operate scheduled daily bus service between Victoria and Courtenay/Comox.

(a) Northbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5146	2.79	\$0.34

(b) Southbound

Schedule	Average Passenger Load	Revenue per Passenger Mile
5147	4.55	\$0.56

IV. Unregulated BC Government Competition

(a) BC Transit

BC Transit operates Health Connections Bus Service under contract to the Interior Health Authority throughout that Health Authority's vast operating area, south of Prince George and east of Hope. A link showing all such services operated by BC Transit is found on BC Transit's website at www.busonline.ca/health_connections. No doctor's referral of any kind is required to access these heavily subsidized and unregulated BC Transit services.

On Vancouver Island, BC Transit operates inter-city bus service north of Victoria to Duncan and Chemainus. It also operates inter-city bus service north of Nanaimo as far as Qualicum Beach. Further, BC Transit operates scheduled bus service between Campbell River and Courtenay/Comox and south from Courtenay as far as Fanny Bay.

(b) NH Connections

The Northern Health Authority has engaged Pacific Western Transportation of Alberta to operate NH Connections bus service on its behalf. The service is unregulated and according to Northern Health Authority's website is subsidized by the Health Authority to the extent of 80-90% of the cost of travel. Bus connections are provided from points in Northern BC to Prince George, Kamloops, Vancouver and Grande Prairie, Alberta. No policing is undertaken to ensure that only passengers with a physician referral are able to travel on NH Connections bus services. A link detailing the NH Connections bus services is found at www.northernhealth.ca/YourHealth/NHConnectionsmedicaltravelservice.aspx.