



Owner-Operator's Business
Association of Canada

Association professionnelle des
routiers autonomes du Canada

*...from the
director's chair*

Membership has its privileges *If you belong to the right club*

So, Long Combination Vehicles (LCVs) are finally coming to Ontario, and with them comes a new twist on the old economic regulation theme.

In days gone by, the Public Commercial Vehicle Act (PCV) kept up-and-coming carriers from encroaching on lanes dominated by established carriers; now we've got Ontario's new LCV pilot project. The Ministry of Transportation (MTO) unveiled a program that could quite possibly be advantageous to any number of carriers (and shippers) in the province – large or small – but only a select few will get the chance to compete.

MTO bills the pilot program as a private sector initiative led by the Ontario Trucking Association (OTA) and the Private Motor Truck Council of Canada (PMTTC), and if you don't belong to either organization, you won't be pulling LCVs anytime soon.

MTO will grant up to 100 LCV permits to as many as 50 carriers who have demonstrated proven commitments to safety, have at least five years trucking experience, carry at least \$5 million liability insurance, and have a safety rating of 'Satisfactory' or better – which could prove interesting.

A couple of the carriers one might assume to be shoe-ins for the program currently have only 'Conditional' ratings, and many others are rated 'Satisfactory-Unaudited.'

MTO claims that the initial 10 participants in the pilot program will have at least one previous year's experience operating LCVs: I can't imagine where we'll come up with 10 Ontario-based carriers with a year of LCV experience, but I guess OTA, PMTC, and MTO know something the rest of us don't. Subsequent entrants will be chosen by a lottery, with each winner granted only two operating permits.

That, MTO says, will maximize participation and prevent any carrier from gaining an unfair competitive advantage.

How ironic that MTO is worried about carriers gaining a competitive advantage in the market, when the pilot project, by its very nature, limits participation to just a small portion of the province's carrier population.

I can think of a number of small "non-member" carriers – and owner/operators even – who might do well pulling LCVs.

There could be a real niche market opportunity, for example, for a small operator to run a "tractor service" pulling doubles from drop yard to drop yard for other small carriers.

Though it's a viable business model in other jurisdictions, Ontario-based carriers who don't belong to the right club will never get that chance.

There's another twist here that further limits the pool of potential applicants to those with very deep pockets.

Prospective LCV haulers will have to pay for engineering studies of public thoroughfares leading to and from terminals and drop yards to the primary highway system.

The way it was described to me, if Carrier X completes a study, it remains the property of that carrier. In the name of "fairness," if Carrier Y then comes along and applies to run an LCV over the same route, it will have to satisfy MTO's requirements by paying for another study of that same route.

That's just plain silly, but it gets better.

If any work is required realigning an intersection to allow for the wider turning radii of these 40-metre long (131 ft.) combinations, the carriers will have to pay for that too.

So, once a consortium of carriers has bought itself an intersection, what happens to subsequent entrants who want to use that access way? Tolls? Rent? Pro-rated payments on the work – in perpetuity?

Another possibility, I'm told, is dedicated drop-and-hook facilities, located near enough to the primary highways that roadway alterations would not be necessary.

From what we have been able to ascertain, MTO won't be paying for anything here, so the door is obviously open for carriers who own the facilities to charge rent or fees for drop-and-hook operations.

Either way, this sounds like a cash-for-life scheme to me.

If I was a carrier trading along the Quebec City

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to Windsor corridor, and hadn't paid my dues to the right association, I'd be quite concerned at this point.

Among the benefits of LCVs – touted by MTO, OTA, and a prominent shippers' group – are reduced transportation costs, and ultimately lower prices for consumers.

What do you think that means for freight rates in this highly competitive corridor?

Competing with two-for-one specials could prove an insurmountable challenge for the other players in that market.

I'm deeply troubled that MTO has structured the LCV pilot as a "permit" program, rather than writing regulations that would apply to anyone wishing to engage in this type of business – and could come to the table with the infrastructure investment to support it.

Given the public concern surrounding LCVs, it's sensible to proceed prudently and safely, but I just don't see the connection between the best operators for the job and membership in certain associations.

This program should have been open to any carrier with the safety rating to back up their "commitment to safety."

Had MTO limited participation to only carriers with 'Excellent' safety ratings, like the more than 500 listed in their database – most of them small companies and owner/operators, by the way – I'd have very little to complain about.

Instead, we're likely to see a large number of 'Satisfactory-Unaudited' carriers pulling LCVs around this province.

For a program with qualification requirements that depend heavily on paper documentation, it bothers me that an MTO audit of a carrier's facility isn't even part of the package.