LAIDLAW INTERNATIONAL INC
Form 10-K
November 15, 2004

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **August 31, 2004**
Commission File Number 000-13109

LAIDLAW INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**98-0390488**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

55 SHUMAN BOULEVARD, SUITE 400
NAPERVILLE, ILLINOIS 60563
(Address of principal executive offices, including zip code)

(630) 848-3000
Registrant s telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Preferred Stock Purchase Rights

10 3/4% Senior Notes due 2011

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes [X] No [ ]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at February 29, 2004 was $1,504.7 million. At November 1, 2004 there were 103,806,110 shares of the registrant s Common Stock issued and outstanding.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution under a plan confirmed by a court.

Yes [X] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement for its 2005 annual meeting of stockholders are incorporated by reference into Part III of this report on Form 10-K.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report on Form 10-K, including statements regarding the status of future operating results and market opportunities and other statements that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of terminology such as believe, hope, may, anticipate, should, intend, will, expect, estimate, continue, project, positioned, strategy and similar expressions. Such statements invo risks, uncertainties and assumptions that include, but are not limited to,

- Economic and other market factors, including competitive pressures and changes in pricing policies;
- The ability to implement initiatives designed to increase operating efficiencies or improve results;
- Greyhound Lines ability to continue operating as a going concern;
- Control of costs related to accident and other risk management claims;
- Costs and risks associated with litigation;
- Changes in interpretations of existing, or the adoption of new, legislation, regulations or other laws;
- Changes in homeland security or terrorist activity;
- Significant restrictive covenants in the Company s and its subsidiaries various credit facilities;
- Matters relating to the company s amendments to its Quarterly Reports on Form 10-Q for the quarterly periods ended February 29, 2004 and May 31, 2004;
- Potential changes in the mix of businesses we operate; and
- Increases in prices of fuel and shortages.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. In the light of these risks and uncertainties you are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures the Company makes on related subjects as may be detailed in the Company s other filings made from time to time with the Securities and Exchange Commission.

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PART I

ITEM 1. BUSINESS

Laidlaw International, Inc. is a holding company with operations conducted by its subsidiaries. Unless the context otherwise requires, references to the Company, Laidlaw International, we, our or us mean Laidlaw International and our subsidiaries. We participate in five reportable business segments that provide transportation and healthcare services in the United States (91% of revenue) and Canada (9% of revenue):

Our education services segment is the largest provider of school bus transportation throughout the United States and Canada (32% of revenue);

Our public transit services segment is a leading operator of out-sourced municipal and paratransit bus transportation within the United States (6% of revenue);

Our Greyhound segment is the largest provider of intercity bus transportation in the United States and Canada. Greyhound also provides charter bus services and package delivery services (27% of revenue);

Our healthcare transportation services segment is the largest provider of ambulance and other healthcare related transportation services in the United States (23% of revenue); and

Our emergency management services segment is the largest provider of emergency department physician services throughout the United States (12% of revenue).

Financial information concerning the Company s geographical and business segments is provided in Note 22 of the Notes to Consolidated Financial Statements included in this report.

BACKGROUND AND PARENT COMPANY RESTRUCTURING

On June 28, 2001, we, along with Laidlaw Inc., an Ontario corporation and our predecessor (the Predecessor Company), and four of our direct and indirect subsidiaries, filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code. In addition, we and Laidlaw Inc. commenced Canadian insolvency proceedings under the Canadian Companies Creditors Arrangement Act in the Ontario Superior Court of Justice (Canadian Court), in Toronto, Ontario. On February 27, 2003, the U.S. Bankruptcy Court for the Western District of New York (the U.S. Bankruptcy Court), entered an order confirming our Third Amended Joint Plan of Reorganization (the Plan). On February 28, 2003, the Canadian Court issued an order recognizing the U.S. Bankruptcy Court s confirmation order and implementing the Plan in Canada with respect to our Canadian insolvency proceedings.

We completed our restructuring when the Plan became effective on June 23, 2003. Pursuant to the Plan, more than $3.2 billion of unsecured debt, $370 million of accrued and unpaid interest and $400 million of various other liabilities were compromised. The creditor groups received a combination of $1,185 million in cash and 100 million shares of newly issued common stock in Laidlaw International in exchange for the extinguishment of all claims, liabilities and debt against the Predecessor Company. In addition, we issued approximately 3.8 million shares of common stock to a trust in connection with a settlement agreement with the United States Pension Benefit Guaranty Corporation relating to the funding level of certain subsidiary pension funds. The equity ownership of the Predecessor Company was cancelled for no consideration.

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In connection with our reorganization, we filed a certificate of domestication with the Secretary of State of the State of Delaware and became a Delaware corporation and, as part of our domestication, we changed our name to Laidlaw International, Inc. from Laidlaw Investments Ltd. We were originally incorporated under the laws of Ontario, Canada under the name Laidlaw Investments Ltd. on September 25, 1985.

None of Laidlaw International s operating subsidiaries were a party to the chapter 11 proceedings. Our subsidiaries were able to meet their obligations with their own cash flow and credit facilities, and accordingly, continued to operate normally and without interruption during the chapter 11 proceedings.

EDUCATION SERVICES SEGMENT

Services Provided

Our education services business offers the following transportation related services in the United States and Canada:

(i) *Home-to-school:* Regularly scheduled transportation of students to and from school, based on the negotiated terms of contracts with school districts.

(ii) *Extra-curricular:* Non-regularly scheduled transportation of students on field trips, to athletic events or for other extra-curricular activities.

(iii) *Charter & transit:* Transportation service provided to non-school customers.

(iv) *Other:* Leasing or sale of transportation equipment, logistical support, maintenance agreements and other support services.

The approximate percentage of education services revenue generated by type of service provided for the year ended August 31, 2004 is as follows:

Home-to-school	88%
Extra-curricular	5%
Charter & transit	4%
Other	3%
	100%

Competitive Environment

There are an estimated 500,000 school buses in the United States and Canada, serving a market of approximately 17,000 school districts and transporting over 25 million students to and from school.

Competition comes from both the school districts themselves and from other private carriers like ourselves. Approximately 67% of all school bus transportation is provided by the school districts. The remaining 33% is out-sourced to a handful of private carriers that operate on a national or regional level and to thousands of locally owned and operated small bus companies.

We are the largest school bus operator in the United States and Canada, providing student transportation services to more than a thousand school districts with a fleet of over 40,000 buses. We transport approximately two million students each weekday to and from school. The next largest provider of student transportation operates a fleet of approximately 17,000 buses. We compete based on price, service capabilities and our safety record. We believe the Laidlaw brand is recognized as the leader in the industry.

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Operations

Our education services business operates from 484 branch locations within 37 states and the District of Columbia in the United States and five provinces in Canada. In aggregate, more than 90% of our education services revenue is generated from contracts, generally with terms of three to five years in length and options for extensions. Our school bus contracts are typically with school districts, boards of education or municipalities. Contracts are customized to suit the individual needs of each district and may include managing the entire transportation system or specific components such as fleet acquisition or maintenance services. Pricing is generally on a revenue per bus, per day basis with annual increases typically specified in the agreement. The size of these contracts varies from those covering very small operations to those covering up to 400 buses. In addition to our contracted regular routes, we transport students to extra-curricular events, field trips and athletic events and provide charter services to outside groups.

Our education services business has begun to implement a business strategy designed to enhance its financial performance, maintain its leadership position and develop alternative growth opportunities.

We have identified a number of key areas of opportunity that should enable us to improve the operating performance of our business and lower our costs.

- Centralize administrative services We are developing a shared service center to centralize certain back office functions, including payroll and accounts payable, that are currently performed at the local or regional level.

- Consolidate operating support functions We are evaluating the consolidation of operating support functions in market areas where we have a large presence.

- Deploy technology to improve safety and reduce costs We have a number of tests underway using various technologies to monitor vehicle movement that we believe may reduce vehicle operating costs.

- Improve contract mix We are taking steps to improve the financial performance of underperforming contracts as they come up for renewal.

We are also developing value-added service offerings which leverage our core competencies, such as vehicle maintenance, in an effort to create alternative revenue growth opportunities.

While we believe the initiatives identified above will help us realize improved profitability, implementing these changes and achieving the desired results will be challenging and could take considerable time.

Seasonality

Our education services business is seasonal with operations following the typical school year schedule from September to June. As a result, our education services business historically experiences a significant decline in revenue and operating income in the fourth fiscal quarter due to school summer vacations. Cash flows from operations generally are significantly lower during the first quarter and are significantly higher during the fourth quarter due to the lag between the expenses incurred from providing services at the beginning of the school year and the collection of receivables related to those services.

Employees

As of August 31, 2004, our education services segment had approximately 45,000 employees, with 95% of these employees involved directly in operations, primarily as drivers, mechanics and bus monitors. Part-time employees comprise approximately 80% of all employees.

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Approximately 43% of our employees are represented by over 170 collective bargaining agreements. We believe that our relations with our employees and their collective bargaining organizations are good. The existence of many local union contracts limits the impact of any individual labor disruption on our operations.

Safety

We are committed to ensuring the safety of the school children we transport every day. Our drivers operate under very stringent safety standards. In addition to thorough background checks and testing at the time of hire, we require mandatory training both in the classroom and behind the wheel for our drivers. In addition to extensive on-going driver training and preventative maintenance programs, we have developed and implemented a comprehensive system of safety precautions and procedures that includes:

Child awareness training consisting of programs and activities to increase the awareness of school bus safety;

Daily pre-trip equipment inspection by our drivers; and

Deployment of equipment on certain of our vehicles that reinforces and monitors behavior en route and at the completion of each run.

These efforts have enabled us to reduce the frequency of accidents over the past decade to a level that we believe is one of the lowest in the industry.

Vehicle Fleet

Our education services business owns in excess of 38,000 buses and support vehicles and operates approximately 2,000 customer-owned buses. The average age of our current bus fleet is approximately 6.5 years. Fleet replacements are based on contract requirements, age and useful life of the vehicle. During fiscal 2004, we purchased over 2,500 units at an average cost of $49,000. The size and similarity of our fleet provides us with flexibility to redeploy buses to different locations to fulfill the requirements of new or existing contracts.

Fuel

Our operating costs historically have been only marginally affected by the fluctuations in the price of fuel. During fiscal 2004, we consumed 70 million gallons of fuel in the operation of our education services business. We purchased 56 million gallons with the cost of the fuel representing 4% of education services revenues. The remaining 14 million gallons used in operations were supplied by the school districts themselves. In order to mitigate the effect of price fluctuations we have incorporated two-way fuel cost adjustments or escalation provisions in contracts representing approximately 28% of the fuel we purchased last year. We may further manage the impact of price increases by entering into forward purchase contracts for fuel whereby we agree to take delivery of a set amount of fuel at a fixed price on a future specified date.

Regulation

Companies operating in the school busing industry are not subject to market-area licensing requirements in the United States. In Canada, licenses to carry passengers are granted by provincial boards upon proof of public convenience and necessity. The provincial boards exercise control over the issuance, extension and transfer of licenses and regulate the general conduct of a licensee s business.

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Within the United States there are federal and state and in Canada there are provincial regulations and licensing requirements that set standards for fleet and safety equipment, driver qualification and insurance with which we must comply.

PUBLIC TRANSIT SERVICES SEGMENT

Services Provided

Our public transit services business is a leading provider of the following municipal transportation services in the United States:

(i) *Paratransit:* We provide transportation for the mobility challenged which complies with the Americans with Disabilities Act (ADA). The ADA guarantees persons with disabilities full and equal access to the same services and accommodations that are available to people without disabilities. Public transit operators provide paratransit services to persons with disabilities that are comparable to the level of fixed-route service provided. Our service offerings include curb-to-curb and door-to-door group and individual dial-a-ride services.

(ii) *Fixed-route:* This service is comprised of public municipal transit bus systems providing scheduled fixed-route transportation. We operate municipal transit bus systems, including the recruitment, training and management of drivers, mechanics and support staff needed to provide such services.

(iii) *Other:* We provide other transportation services such as shuttle services for corporate campuses.

The percentage of public transit services revenue by type for the year ended August 31, 2004 was as follows:

Paratransit	67%
Fixed-route	29%
Other	4%
	100%

Competitive Environment

The public transit market is estimated to be approximately $13.4 billion based on annual revenue. The total municipal bus fleet in the United States is estimated at roughly 73,000 buses of which 73% are fixed-route vehicles and 27% are paratransit vehicles.

Nearly 90% of transit services are operated in-house by municipal transit authorities with the remainder out-sourced to private sector providers like ourselves. Most of the out-sourced transit services are for paratransit transportation. Typically, transit authorities provide the vehicles and facilities, but rely on private contractors to manage the operation. Transit authorities are able to receive up to 80% of the capital costs associated with the fleet and the facilities from the Federal Transit Administration. The barriers to entry for out-sourced transit services are low as a result of the minimal capital required.

There are four large private operators, including Laidlaw, all similar in scale, which we believe provide an estimated 69% of the out-sourced transit services. Two of these other transit providers are subsidiaries of large foreign-owned transportation companies. The fourth large operator is a privately held transportation company based in the United States.

Bidding for contracts has been very competitive as private contractors are seeking to increase market share. We believe the competitive environment coupled with the tightening of state and local transit authorities budgets have contributed to a general reduction in industry profitability.

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Operations

Our public transit business operates dispatch centers, brokerage operations, management contracts and total turnkey operations for both paratransit and fixed-route services from over 70 locations in 25 states across the United States. We transport more than 52 million passengers per year under nearly 150 different contracts.

Public transit s operations are largely conducted on a decentralized basis although our support functions are more centralized and include marketing, information systems, and safety functions.

We have developed proprietary software that assists with dispatching our fleet and provides route modification of vehicles in service. This software matches reservations and new trip requests with existing routes to maximize shared trips, improve vehicle productivity and enhance customer service.

All of public transit s revenues are generated under contracts, generally with three-year maturities and two-year extension options. The largest contract represented 11% of the public transit segment s revenue in fiscal year 2004.

Employees

As of August 31, 2004, our public transit business had approximately 6,300 employees, 48% of whom are unionized under 34 collective bargaining contracts. Approximately 35% of the collective bargaining agreements, representing approximately 1,000 employees, are subject to renegotiation in fiscal year 2005. Approximately 15% of our workforce consists of part-time employees.

Driver compensation is market-driven and may be specified by the local Transit Authority during the competitive bidding process. We believe that our relations with our employees in our public transit business are good.

Safety

Public transit operates under very stringent safety standards. In addition to thorough background checks and testing at the time of hire, we require a minimum of 70 hours of training both in the classroom and behind the wheel for new drivers. Additionally, we require an average of 12 hours of training annually for existing drivers.

Vehicle Fleet

As of August 31, 2004, public transit operated approximately 3,800 revenue-generating vehicles, of which we own approximately 1,700, most of which are paratransit vehicles. The remaining units were owned and provided by customers. Our fleet consists of vans, sedans, body-on-chassis small buses and transit style buses configured to the individual requirements of each contract. Vehicle life is usually tied to the contract for which the vehicle is providing services.

Fuel

Fuel price increases, whenever possible, are passed through to our customers or are subject to escalation clauses. We further mitigate price increases by incorporating language in our contracts requiring customers to provide the fuel. Of the approximately 11 million gallons of fuel purchased annually, around 62% is subject to escalation clauses or passed through to our customers. In 2004, fuel expense represented 5% of public transit s revenues.

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Regulation

Public transit is heavily regulated by federal, state and local agencies and undergoes both internal and external compliance audits. These regulations set standards for fleet and safety equipment, driver qualification and insurance with which we must comply.

GREYHOUND SEGMENT

Services Provided

Greyhound is the only national provider of scheduled inter-city bus transportation services in the United States and Canada. Greyhound offers the following services:

(i) *Passenger service:* Greyhound provides inter-city bus transportation to cities and towns in urban and rural areas throughout the U.S. and Canada. Additionally, we have interline agreements and alliances with other bus carriers. These alliances allow us to provide cross-border transportation to and from Mexico and access to smaller towns in the U.S. and Canada that are complementary to our existing service schedules.

(ii) *Package express:* Our package express service targets commercial shippers and delivery companies that require rapid delivery of small parcels, typically to locations within 100 to 500 miles. Our services include standard delivery, which is a value priced terminal-to-terminal delivery service, as well as priority and same day delivery, which is a premium priced product where parcels are typically delivered door-to-door.

(iii) *Tour and charter:* We offer charter services whereby a group of individuals can reserve a bus and driver in certain cities for transportation to and from specific events, such as concerts, sporting events, casinos and conventions. Additionally we operate meet and greet services for cruise lines at four ports in the United States. The meet and greet service consists of meeting cruise line passengers (usually at airports) and transferring these passengers and their baggage to and from cruise ships.

(iv) *Food service and other:* We offer food service and gift items for purchase in many of our terminal locations.

The percentage of Greyhound s revenue by type for the year ended August 31, 2004 was as follows:

Passenger service	76%
Package express	9%
Tour & charter	7%
Food service and other	8%
	100%

Trademarks

We own the Greyhound name and trademarks and the image of the running dog trademarks worldwide. The duration of these trademarks are indefinite as long as we continue to use them. We believe that the Greyhound name and our trademarks have substantial consumer awareness.

Competitive Environment

The intercity transportation industry is highly competitive. Greyhound s primary sources of competition for passengers are automobile travel, low cost air travel from both regional and national airlines and, in some markets, regional bus companies and trains. Price, choice of destination and convenient schedules are the ways in which we meet this competitive challenge.

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In general, travel by automobile is the dominant mode of transportation in the United States, accounting for 90% of total trips. Bus travel accounts for only 2% across all modes of transportation while trains are less than 1%. Travel by automobile is the principal choice for trips of less than 1,000 miles, while air travel is used 75% of the time for trips greater than 2,000 miles.

The typical Greyhound passenger travels to visit friends and relatives and generally has an annual income of less than $35,000. Greyhound s core customers, short-haul travelers traveling 450 miles or less, comprise approximately 80% of our total passengers.

Lower income households travel by bus at more than twice the national average and by air at less than half. Low-fare airlines impact Greyhound s revenue particularly in the higher end income demographics and for trips less than 600 miles. Based on customer surveys, approximately 20% of our customers considered air before selecting Greyhound.

Greyhound s marketing and advertising philosophy is geared toward stimulating additional travel through price awareness, improving the awareness and image of Greyhound among potential customers and inducing first-time and repeat travel. We use various means to advertise the passenger travel business, including radio, television and print media (primarily yellow pages). Additionally, we offer around-the-clock fare and schedule quotations as well as advance discount ticket purchasing via a toll-free telephone number through our telephone information centers and through our Internet website: www.greyhound.com.

We face competition in our package delivery service from local courier services, the U.S. Postal Service and overnight express and ground carriers. We continue to develop programs to meet this competition and further develop our package delivery business. These programs focus on system upgrades to improve service, billing and tracking for our customers, localized marketing strategies, and local, regional or national alliances with pick-up and delivery carriers.

A few regional carriers and several thousand local operators compete with us for the tour and charter services. Principal factors in obtaining new business and retaining existing customers include competitive pricing, type of equipment and consistency in service.

Due to the captive nature of the food service operations in Greyhound s terminals, competition is limited. In some locations, however, fast food restaurants and convenience stores located in close proximity to Greyhound s terminals can pose a competitive factor.

Operations

Greyhound offers passenger service of more than 19,000 daily departures to approximately 3,400 locations. Travelers can purchase tickets at approximately 200 company-operated bus terminals and approximately 1,900 agency-operated terminals and sales agencies. Discounts usually are offered on tickets purchased in advance of travel. However, most tickets are purchased and used within three days of departure.

Information technology is an integral component of Greyhound s operations and supports, among other things, Greyhound s website, scheduling and pricing, dispatch, operations planning, bus maintenance, telephone information center, customer service, point of sale, payroll and finance functions. Greyhound also uses a proprietary system called TRIPS to provide automated fare and schedule quotations and to handle the ticketing process.

Greyhound provides, through agreements with Mexican bus carriers, connecting service at most major gateways between the United States and Mexico. Additionally, in some of our terminals, Greyhound sells tickets for travel in Mexico on Mexican-based bus carriers, and a number of Mexican bus carriers sell tickets for travel in the U.S. on Greyhound.

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Beginning in the summer of 2001, Greyhound passenger travel declined from peak levels along with revenues. The terrorist attacks of September 11, 2001, accelerated the passenger and revenue decline and created additional burdens in the form of unprecedented cost increases for insurance and security. Future terrorist attacks or other potential disruptions in Greyhound s service could adversely affect the demand for bus travel.

The reduction of travel on Greyhound resulted in Greyhound s inability to generate a sufficient level of profitability to fund its operating and capital investment requirements to be a viable company. In response, beginning in the summer of 2003, Greyhound changed its pricing strategy, particularly for long-haul service, and began eliminating unprofitable and marginally profitable routes. Greyhound also took actions to reduce staffing levels, overhead costs, and capital expenditures. We believe that streamlining the network coupled with continued spending constraints will make Greyhound a financially viable business in the long term, increase profitability and improve return on assets. The network should become more efficient, serving areas where customer demand is greatest through a smaller, simpler network of routes that is short and medium-haul focused. Customers should experience greater convenience, faster service, fewer stops and improved on-time departures and arrivals. However, there are no assurances that our actions will be successful and result in increased profitability and return on our investment. The network transformation will be carried out in phases over the next two to three years.

Seasonality

Our Greyhound business is seasonal in nature and generally follows the pattern of the travel industry as a whole, with peaks during the summer months and the Christmas holiday season. As a result, Greyhound s cash flows are also seasonal, with a disproportionate amount of annual cash flows being generated during the peak travel periods.

Employees

As of August 31, 2004, Greyhound employed approximately 14,200 workers, consisting primarily of 5,600 drivers, 5,200 terminal employees and information agents, 1,000 mechanics, and 2,400 management and administrative staff. Of the total workforce, approximately 83% are full-time employees and approximately 17% are part-time employees.

At August 31, 2004, approximately 50% of our Greyhound employees were represented by collective bargaining agreements. Greyhound has agreements with a number of unions, however, the largest agreement is with the Amalgamated Transit Union Local 1700. This agreement covers approximately 4,400 of Greyhound s U.S. employees, mostly drivers and maintenance employees, and expires on January 31, 2007. We believe that our relations with employees at Greyhound are good.

Safety

According to the U.S. Department of Transportation, Bureau of Transportation Statistics, intercity bus travel, like Greyhound, is the safest mode of transportation as compared to cars, trucks, trains, planes and other commercial vehicles.

Greyhound has made substantive changes to its procedures to increase safety and lower risk as a result of the September 11 terrorist attacks. Our terminal employees and drivers have a heightened alertness of suspicious behaviors and prohibited items and are trained to notify local law enforcement authorities if any suspicious activities or unaccompanied packages are observed. We have increased our spending for safety and security in the bus terminals by approximately $5 million annually.

On August 20, 2003, Greyhound received a grant of approximately $10 million from the Transportation Safety Administration (TSA), to provide reimbursement for additional spending on safety and security related initiatives such as: increased passenger screening in the bus terminals, bomb detection devices, installation of protective shields in the driver compartment of buses and installation of on-board communication devices. Although Greyhound received this grant from the TSA, there can be no assurances that additional grants will be received in the future. Additionally, it possible that the TSA could mandate security procedures that exceed the level currently provided by Greyhound further increasing costs.

Vehicle Fleet

During the twelve months ended August 31, 2004, Greyhound took delivery of 46 new buses and retired 194 buses, resulting in a fleet of approximately 3,600 buses, of which approximately 2,000 buses were owned and 1,600 were leased. The average age of Greyhound s bus fleet was 8.0 years at August 31, 2004. The majority of the buses added to the Greyhound fleet in fiscal 2004 were acquired through operating leases rather than direct purchase.

We have a long-term supply agreement with Motor Coach Industries, Inc. (MCI) that extends through 2007, but may be canceled by either party at the end of any year upon six months notice. If Greyhound acquires new buses, we must purchase at least 80% of the new bus requirements from MCI pursuant to the agreement.

Fuel

During fiscal 2004, Greyhound purchased 56 million gallons of fuel and their fuel expense represented over 6% of Greyhound s revenue. Greyhound may mitigate some of the impact of fuel cost increases by entering into forward purchase contracts, although currently Greyhound has no such contracts outstanding. Additionally, rising fuel costs have at times allowed Greyhound to increase average ticket prices and declining fuel costs have at times required Greyhound to lower ticket costs, thus providing some further hedge against fuel price fluctuations. Due to the effect general economic conditions may have on the discretionary spending levels of Greyhound s customers and the competitive nature of the transportation industry, Greyhound is not always able to pass on increased fuel prices to its customers by increasing its fares. Likewise, increased price competition and lower demand because of a decline in out-of-pocket costs for automobile use may offset any potential benefit of lower fuel prices.

Regulation

As a motor carrier engaged in interstate as well as intrastate transportation of passengers and express shipments, Greyhound is registered with the Department of Transportation (DOT), and is also regulated by its Surface Transportation Board. Greyhound is also subject to state regulations that are consistent with federal requirements.

Greyhound is subject to regulation under the ADA pursuant to regulations adopted by the DOT. The regulations require that all new buses acquired by us for our fixed route operations must be equipped with wheelchair lifts. Additionally, by October 2006, one-half of our U.S. fleet involved in fixed route operations will be required to be lift-equipped and, by October 2012, the fleet must be entirely lift-equipped. Carriers are permitted to retrofit their existing buses or purchase wheelchair accessible new or used buses to meet the 50% and 100% mandates. At August 31, 2004, approximately 18% of our U.S. fleet deployed in fixed route operations were wheelchair lift-equipped. To meet the 50% requirement by October 2006, and assuming no change in current fleet size, Greyhound must replace or retrofit 818 of our non-lift-equipped buses over the next two years. Should Greyhound reduce the size of the fleet over the next two years, they would likely dispose of non-lift equipped buses which would reduce the aggregate number of buses which would need to be replaced or retrofitted. Currently, the added cost of a built-in lift

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device in a new bus is approximately $35,000 plus additional maintenance and employee training costs.

In Canada, Greyhound operates under the Canada Transportation Act (CTA). The CTA allows each province to regulate provincial scheduled service. Greyhound generally is required to file tariffs with schedule and rate information for its passenger services. The CTA does not cover package express or tour and charter operations; these segments are unregulated in some provinces.

HEALTHCARE TRANSPORTATION SERVICES SEGMENT

Services Provided

Our healthcare transportation business, American Medical Response (AMR), provides the following services in the United States:

(i) *Emergency 911 response:* Emergency response services (911) are provided primarily under long-term contracts with communities, municipalities, and other local government agencies. AMR typically must respond to 911 calls in the designated area within a specified response time determined by the communities.

(ii) *Non-emergency transports:* Non-emergency transports involve providing transportation to patients requiring varying degrees of medical care between healthcare facilities or between healthcare facilities and their homes. Non-emergency transports include wheelchair and stretcher van transports and critical care transports.

(iii) *Other:* AMR provides call center and dispatch services, event medical services, managed transportation services and other services to public safety agencies, hospitals, communities, fire departments, and other healthcare providers. These other services include paramedic and EMT training, system status management and deployment consulting and clinical data collection and reporting.

The percentage of AMR s revenue by type for the year ended August 31, 2004 was as follows:

Emergency 911 response	57%
Non-emergency transports	32%
Other	11%
	100%

Competitive Environment

The U.S. emergency and non-emergency ambulance services industry generates an estimated $12 billion of annual revenues. Nationally, emergency response services generate 65% of transports and 79% of revenues and non-emergency response services generate 35% of transports and 21% of revenues.

The market is highly fragmented with over 14,000 ambulance services providers. Of the overall market participants, 35% are fire departments, 21% are non-profits, 12% are private providers, such as ourselves, 9% are hospital-based and 23% are government owned. AMR s predominant competitors are fire departments. Firefighters have traditionally acted as the first response providers during emergencies, and at times have been able to expand their scope of services to include emergency medical care and transport.

AMR is the largest private provider of emergency and non-emergency ambulance services in the U.S. with an estimated 8% share of the outsourced market. AMR operates in 34 states and

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has over 260 operating locations across the country. AMR treated and transported approximately 3.7 million patients during the year ended August 31, 2004. The second largest private ambulance provider generated less than one-half of the revenue of AMR in fiscal 2004.

Local operators also pose a challenge to us as they tend to be single-client focused. Compared to these small, local operators, AMR has a scale advantage with the ability to bid for local, regional and national contracts.

We believe the size and diversity of AMR s fleet gives us a competitive edge. Ownership of the local emergency response contract can be advantageous when bidding for non-emergency business because the existing fleet of ambulances and the dispatching center maintained for emergency response can also be used for non-emergency business. For the same reason, the ownership of a successful non-emergency business can be advantageous to an operator trying to unseat an incumbent emergency response operator or to obtain a contract in a newly privatized market.

We also market our non-emergency ambulance services to hospitals, health maintenance organizations, convalescent homes and other health care facilities that require a stable and reliable source of medical transportation for their patients. A significant portion of AMR s non-emergency transports is provided to such facilities and organizations in competitive markets without specific contracts.

Operations

Contracts

AMR provides most of its emergency ambulance response services pursuant to contracts with counties, fire districts and municipalities. These contracts typically appoint AMR as the exclusive provider of emergency ambulance services in a designated service area and require AMR to respond to every emergency medical call within that area. Contracts are typically three to five years in length and are generally obtained through a competitive bidding process. In some instances where AMR is the existing provider, communities elect to renegotiate existing contracts rather than initiate new bidding processes. Contracts with hospitals and other facilities and organizations for non-emergency services are typically two years in length.

Revenue from AMR s contracts with communities and healthcare providers is typically collected from invoices generated by AMR for each patient transport. In some cases, revenue is based on negotiated fees paid periodically by the community, and patients are then billed directly by the community.

Most emergency or 911 contracts are granted exclusive supplier status through the issuance of a certificate of need or a public service agreement. Some municipalities divide requirements into service zones. Exclusive supplier status agreements are linked to service level measurements regarding response times and performance. Some municipalities also govern or set rates that may be charged for the ambulance services.

As of the end of fiscal year 2004, AMR had nearly 150 agreements with municipal or county public safety agencies to provide contracts for emergency 911 response and more than 3,000 client relationships to provide non-emergency, critical care and wheelchair transports. Our largest contract with a community represents less than 4% of AMR s total net revenue.

Revenue Composition

AMR derives a significant percentage of its revenue from reimbursement by third-party payors, including payments under Medicare, Medicaid, private insurance and managed care plans/contracts. AMR also collects payments directly from patients, including payments under deductible and co-insurance provisions.

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The table below provides detail of the payor mix:

Medicare/Medicaid	39%
Private insurance/contract	44%
Private pay	17%
	100%

Dispatch and Communications

Generally, ambulance units are not stationed at fixed sites, but are constantly repositioned through flexible deployment systems. Communication centers control the deployment and dispatch of ambulances in response to emergency calls. We use location and detailed system status plans to position our ambulances and medical crews within a designated service area in an effort to reduce response time.

Requests for non-emergency transports are usually made by physicians, nurses, case managers and discharge coordinators who are interested in a quick transfer of requested information and prompt ambulance arrival at the requested pick-up time. AMR uses proprietary software to determine the patient s true medical transportation needs and to assist with the dispatching of ambulances. AMR also offers on-line, web-enabled transportation ordering to certain facilities.

Billing and Collections

The collection process varies by payor. We have a collection staff specially trained in third-party coverage and reimbursement procedures. An account may move among several payor sources before final collection or resolution is reached. We may also engage collection agencies to collect delinquent accounts, primarily from private payors.

AMR, from time to time, establishes usual and customary rates for the services it provides. In certain cases, however, AMR is required to reduce these rates due to local ordinances or regulatory restrictions. In locations where we face rate restrictions and in the case of Medicare and Medicaid billing, AMR has negotiated reduced rates with payors to reflect the restrictions. In addition, AMR has established reserves to allow for services provided for which they cannot collect fees. As a result, AMR s reported revenues are equal to its gross billings based on our usual and customary rates, net of contractual allowances for restricted rates and allowances for uncompensated care.

Employees

Approximately 72% of AMR s 17,800 employees have daily contact with patients and include approximately 5,000 paramedics, 7,400 emergency medical technicians and 300 nurses. The remaining 5,100 employees perform support functions such as field administration, dispatch, billing and other administrative duties. Approximately 74% of AMR s work force is full-time and 26% is part-time.

Approximately 48% of AMR s employees are represented by 46 collective bargaining agreements with 21 different unions. Nine of the existing collective bargaining agreements, representing approximately 1,200 employees, are subject to renegotiation during fiscal year 2005. We believe that our relations with our ambulance services employees are good.

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Safety

AMR is committed to the safety of its employees, patients and the communities it serves. AMR s World Class Safety program has been recognized by the National Safety Council for outstanding performance and is built upon five important components:

- Selecting highly qualified employees;
- Providing exemplary safety policies and programs to control losses;
- Effective training and education programs;
- Accountability of management and employees for safety of the operation; and
- Continuous review of new opportunities and existing programs for improvement.

AMR s safety program includes driver qualification standards, physical agility testing, injury and illness prevention policies and procedures, a monthly safety awareness campaign, road safety monitoring devices, frequent vehicle inspections, driver and safety training, management safety incentives and review of statistics on safety activities.

Vehicle Fleet

As of August 31, 2004, AMR operated over 4,400 vehicles, of which approximately 3,300 are ambulances, 600 are wheelchair vans, and the remainder are support vehicles. Ambulances are generally replaced every eight years, or as provided in specific contracts. In fiscal 2004, we purchased 354 vehicles at an average cost of approximately $57,000. The average age of our active fleet is approximately four years.

Regulation

The operations and activities of both AMR and our emergency management services segment, EmCare (described in detail in the next section, entitled EMERGENCY MANAGEMENT SERVICES SEGMENT) are governed by numerous and complex federal and state laws, rules and regulations. Changes in health care legislation or government regulation may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs on us. Any such violation, restriction, limitation or imposition of additional requirements and costs could have a material adverse effect on our business, financial condition or results of operations.

Government Reimbursement: Both AMR and EmCare derive a significant portion of their revenue from services rendered to beneficiaries of Medicare, Medicaid and other government-sponsored health care programs. To participate in these programs, AMR and EmCare must comply with stringent and often complex enrollment and reimbursement requirements from the federal government and states. AMR and EmCare are subject to governmental reviews and audits of their bills and claims for reimbursement. Retroactive adjustments to amounts previously reimbursed from these programs can and do occur on a regular basis as a result of these reviews and audits. In addition, these programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, all of which may materially increase or decrease the payments we receive for our services as well as affect the cost of providing services.

Federal and State Anti-Kickback Laws: Federal anti-kickback law prohibits certain offers, payments or receipts of remuneration in return for either referring Medicare, Medicaid or other government-sponsored health care program business, or purchasing, leasing, ordering, or arranging for or recommending any service or item for which payment may be made by a government-sponsored health care program. The federal anti-kickback law is broadly worded and potentially subjects many of AMR s and EmCare s business arrangements with hospitals, physicians and other health care entities, to government investigation and prosecution. Many states in which AMR and EmCare operate have similar laws. Violations of these laws are punishable by substantial penalties, including monetary fines, civil penalties, criminal sanctions (including imprisonment), exclusion from participation in government-sponsored health care programs, and forfeiture of amounts unlawfully collected.

Billing Fraud and Abuse Laws: There are a variety of federal and state laws applicable to the submission of bills and claims for services rendered to beneficiaries of government-sponsored health care programs, including the Federal False Claims Act (FCA). The FCA prohibits the filing of false claims for reimbursement under federal health care programs, including Medicare and Medicaid. Whistleblower provisions permit private citizens to sue a claimant on behalf of the government and thereby share in any fines imposed under the law, and other federal and state laws, including so-called civil money penalty laws , authorize substantial administrative fines and exclusion from government programs in certain cases. Although we intend and endeavor to conduct our business in compliance with all applicable federal and state fraud and abuse laws, many of them are broadly worded and may be interpreted or applied in ways that we cannot predict, so we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or be found to violate applicable fraud and abuse laws.

Medical Records Privacy Laws: Federal and state laws and regulations govern AMR s and EmCare s collection, dissemination, use and confidentiality of patient health information, including the federal Health Insurance Portability and Accountability Act of 1996 and related rules (HIPAA), violations of which are punishable by monetary fines, civil penalties and criminal sanctions. The Department of Health and Human Services adopted so-called privacy regulations in December 2000 and security regulations in February 2003. AMR and EmCare have implemented privacy policies and procedures, including training programs, designed to ensure compliance with the privacy regulations. In addition, both AMR and EmCare are taking measures that we believe to be appropriate to comply with the security regulations, which are effective April 21, 2005.

Licensure, Certification and Accreditation: AMR and its operations are subject to various federal, states and local licensing and certification laws and regulations and accreditation standards relating to, among other things, the adequacy of medical care, equipment, personnel and operating policies and procedures. AMR s operations are also subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensing and accreditation..

EMERGENCY MANAGEMENT SERVICES SEGMENT

Services Provided

Our emergency management services segment, EmCare, offers the following services:

(i) Emergency staffing and management services: EmCare s principal activity is providing staffing and management services to hospital emergency departments. Generally, EmCare is responsible for recruiting, evaluating credentials and scheduling qualified physicians to staff the emergency departments of contracting hospitals.

(ii) Hospitalist services: EmCare recruits and schedules physicians to provide medical care and treatment of patients in hospital inpatient settings.

(iii) Other: EmCare also provides unbundled services such as billing, scheduling, recruitment and risk management. Approximately 93% of EmCare s revenue is derived from emergency management services with the remainder derived from hospitalist and other services.

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Competitive Environment

There are approximately 4,700 hospitals in the U.S. with emergency departments that receive over 110 million visits, generating approximately $10 billion in billings annually. Approximately 67% of these hospitals currently outsource physician services.

The emergency department market can be categorized into two major segments: medium to high volume emergency departments, with 15,000 or more annual visits, and low volume emergency departments, typically seeing less than 15,000 annual patient visits. Medium to high volume emergency departments represent 54% of the U.S. market and 76% of these hospitals outsource the management and staffing of their emergency departments. The hospitals with low volume represent 46% of the market and 56% currently outsource the management and staffing of their emergency departments.

EmCare is the largest provider of outsourced emergency management services in the United States providing services to over 300 client hospitals. Annually, physicians affiliated with EmCare treat approximately 5 million patients at emergency departments in 38 states. EmCare faces competition from a number of national and regional providers. Competition for services is generally based upon cost and the ability to make available physicians capable of providing high quality care. Competition is also based upon the proper utilization of the emergency department, as well as the ability to integrate the emergency department with other hospital departments and to provide value added services.

Operations

Emergency department staffing

We recruit and schedule physicians and emergency support staff for the management of emergency departments. We are the nation s leading recruiter of board-certified emergency medicine physicians. Our physician recruiters are trained to identify and pre-screen all candidates and recommend the right physician for each position. MedLink, our proprietary mapping software, allows us to pinpoint all American Medical Association members by geographic location so that recruiting efforts can be focused on the immediate region. Additionally, we recruit nationally through trade advertising, the Internet and our senior level residents education programs.

Contracts

We have contracts to provide emergency management services with over 300 hospitals. Our standard hospital agreement is usually three years in length and is awarded on a competitive basis. Depending on contractual agreements with clients, EmCare may bill the hospitals, the third party payors, including patients, or a combination of both for services provided. In all cases, the hospitals are directly responsible for billing and collecting for all non-physician-related services.

Revenue Composition

Commercial insurers are billed based on specific fee schedules and are generally discounted based on negotiated rates with the payors. We do not accept capitation fees for professional emergency services. Governmental revenue mostly comes from the federal Medicare program and state-based Medicaid programs. Government reimbursement is based on specific allowed fees for each professional procedure. Patients visiting an emergency department must be assessed and provided with necessary treatment, regardless of the patient s ability to pay. In locations with high rates of uninsured patients, EmCare receives subsidies from the hospitals.

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The table below provides detail of the payor mix:

Private insurance/contract	50%
Medicare/Medicaid	30%
Private pay	20%
	100%

Employees

EmCare retains its medical professionals as employees or as independent contractors. Currently, EmCare employs approximately 4,100 people, which include approximately 3,000 medical professionals under contract. Approximately 2,600 physicians, 200 physician assistants and 200 nurse practitioners are affiliated with EmCare as employees or independent contractors. Approximately 95% of EmCare affiliated physicians are Board certified.

Regulation

In addition to the laws and regulations governing EmCare described in the preceding Regulation section under the HEALTHCARE TRANSPORTATION SERVICES SEGMENT , EmCare and its operations and activities are subject to various state laws that prohibit or restrict business corporations such as EmCare from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians, or engaging in certain arrangements, such as fee-splitting, with physicians. In such states, EmCare maintains long-term management contracts with its affiliated medical groups, which employ or contract with physicians to provide physician services. We believe that we are in material compliance with applicable state laws relating to the corporate practice of medicine and fee-splitting. However, regulatory authorities or other parties, including EmCare s affiliated physicians, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or that our contractual arrangements between EmCare and its affiliated medical groups constitute unlawful fee-splitting, in which case we could be subject to civil or criminal penalties, our contracts could be found legally invalid and unenforceable or EmCare could be required to restructure its contractual arrangements with its affiliated medical groups.

AVAILABLE INFORMATION

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information with the Securities and Exchange Commission. The public can obtain copies of these materials by visiting the Commission s Public Reference Room at 450 Fifth Street, NW, Washington DC 20549, by calling the Commission at 1-800-SEC-0330, or by accessing the SEC s website at http://www.sec.gov. In addition, as soon as reasonably practicable after such materials are filed with or furnished to the Commission, we make copies available to the public free of charge on or through our website at www.laidlaw.com. Copies of our Code of Ethics, as defined under Item 406 of Regulation S-K, Corporate Governance Guidelines, Director Independence Criteria and Board Committee Charters can also be accessed on our website. We will provide, at no cost, a copy of our Code of Ethics upon request by phone or in writing to our corporate address at 55 Shuman Boulevard, Naperville, Illinois 60563 (telephone number: (630) 848-3000), attention: Investor Relations. The information on our website is not incorporated into, and is not part of, this report.

ITEM 2. PROPERTIES

Our education services business operates school buses and special education vehicles from 428 facilities in the United States and 56 in Canada, of which 160 are owned and 324 are leased or operated under contract. To provide these services, we operate approximately 40,000 school buses and special education vehicles. Approximately 38,000 of these vehicles are owned by us while the balance are owned by the city or municipality.

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Our public transit business operates from over 70 locations in the United States, of which five are owned and the rest are leased. To provide these services, we operate approximately 3,800 revenue-generating vehicles, including 2,300 paratransit vehicles, of which approximately 1,700 are owned by us while the remaining units are owned and provided by our customers.

Our Greyhound business provides services from approximately 2,100 locations throughout the United States and Canada. The majority of our locations are owned and operated by independent agents of Greyhound. Greyhound owns or leases 534 properties in the United States and 118 properties in Canada. Greyhound has a fleet of approximately 3,600 buses, of which approximately 2,000 buses are owned and 1,600 are leased.

American Medical Response operates out of 510 locations in the United States, of which 14 are owned and the balance are leased. We utilize nearly 3,900 ambulances and wheelchair vans and over 500 support vehicles.

EmCare leases 21 facilities to house administrative, billing and other support functions. We believe our facilities and equipment are adequate to service our present business needs.

ITEM 3. LEGAL PROCEEDINGS

General Litigation and Other Disputes

Health Care

Our healthcare businesses are subject to the Medicare and Medicaid fraud and abuse laws, which prohibit, among other things, any false claims, or any bribe, kick-back or rebate in return for the referral of Medicare and Medicaid patients. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. We have implemented policies and procedures that management believes will assure that we are in substantial compliance with these laws. Laidlaw or its subsidiaries continually undergo investigations by certain government agencies regarding compliance with Medicare fraud and abuse statutes. We are cooperating with the government agencies conducting these investigations and are providing requested information to the government agencies. Other than the investigations described in the following two paragraphs, management believes that the outcome of any of these investigations would not have a material adverse effect on us.

On May 9, 2002, AMR received a subpoena duces tecum from the Office of Inspector General for the United States Department of Health and Human Services (HHS). The subpoena requested copies of documents for the period from January 1993 through May 2002. The subpoena required AMR to produce a broad range of documents relating to Huguley Hospital and Regional Emergency Services contracts in Texas, Georgia and Colorado. The claims in Texas have been resolved pursuant to the $20 million settlement agreement described below. The government investigations in Georgia and Colorado are continuing.

During the first quarter of fiscal 2004, AMR was advised by the U.S. Department of Justice (DOJ), that it was investigating certain business practices at AMR. The specific practices at issue were (1) whether ambulance transports involving Medicare eligible patients complied with the medically necessary requirement imposed by Medicare regulations, (2) whether patient signatures, when required, were properly obtained from Medicare eligible patients; and (3) whether discounts in violation of the Federal Anti-Kickback Act were provided by AMR in exchange for referrals involving Medicare eligible patients. At this juncture, it is not possible to predict the ultimate conclusion of the investigations described in this and the preceding paragraph, nor is it possible to calculate any possible financial exposure to the Company.

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From August 1998 until August 2000, American Medical Response West (AMR West), a subsidiary of AMR, received six subpoenas duces tecum from the United States Attorney s Office. These subpoenas related to billing matters for emergency transports and specialized services. AMR West has entered into a settlement agreement with the United States Attorney s Office pursuant to which it has paid $3.5 million and agreed to enter into a five year Corporate Integrity Agreement with the HHS in settlement of these matters.

In June 1999, the DOJ began an investigation of the billing processes of Regional Emergency Services, a subsidiary of AMR, and of Florida Hospital Waterman. Regional Emergency Services managed the ambulance services for Florida Hospital Waterman. The DOJ reviewed the billing processes of the companies from October 1992 to May 2002. The DOJ alleged violations by the companies of the False Claims Act based on the absence of certificates of medical necessity and other non-compliant billing practices. The parties have entered into a settlement agreement for an aggregate of $20 million, of which AMR has contributed a total of $5 million.

Greyhound Default Judgment

On September 20, 2004, Greyhound responded to proceedings brought in Georgia state court in August 2004 (August Proceedings) seeking to enforce a default garnishment judgment on funds in a Greyhound bank account. While this action has since been dismissed, it stemmed from an October 1995 default judgment in the amount of approximately $7 million (1995 Judgment) against Gary Jones, a former consultant to Greyhound. More than four years later, in October 2000, the plaintiff who obtained the 1995 Judgment (Plaintiff) began garnishment proceedings against Greyhound in Georgia state court seeking to recover amounts owed to Gary Jones, who then allegedly owed the Plaintiff the amount of approximately $11 million based on the 1995 Judgment plus post-judgment interest. On May 2, 2001, a default judgment for $11 million (Default Judgment) was entered by the Georgia state court against Greyhound. Greyhound first learned of the Default Judgment through the August Proceedings and, therefore, was unaware of the garnishment and the Default Judgment and inadvertently failed to contest it. Had the garnishment been timely answered, Greyhound believes that the amount due in response to the garnishment summons would not have exceeded $1,500.

It is now alleged that Greyhound is liable to the Plaintiff in the amount of $15 million, based on the $11 million Default Judgment plus post-judgment interest. Greyhound has filed a Motion to Vacate the Default Judgment in the Court where such judgment was rendered. Based on several legal grounds, Greyhound believes that the Default Judgment is null and void and not enforceable. Greyhound intends to vigorously defend its interests in the litigation. Also refer to the discussion of the potential impact of this litigation on the Greyhound Facility included in Item 7 Liquidity and Capital Resources .

Other

We are also a defendant in various lawsuits arising in the ordinary course of business, primarily cases involving personal injury, property damage or employment related claims. Some of these actions are covered to varying degrees by our insurance policies. Based on our assessment of known claims and our historical claims payout pattern, management believes that there is no proceeding either threatened or pending against us relating to personal injury and/or property damage claims and/or employment related claims that would have a material adverse effect on the Company.

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Environmental

Our operations are subject to various federal, state, local and foreign laws and regulations relating to environmental matters, including those concerning emissions to the air; waste water discharges; storage, treatment and disposal of waste and remediation of soil and ground water contamination. We have incurred, and expect to incur, costs for our operations to comply with these legal requirements, and these costs could increase in the future. In particular, we have been named as a potentially responsible party under the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, at various third-party sites at which our waste was allegedly disposed. In addition, we are investigating or engaged in remediation of past contamination at other sites used in our businesses. We record liabilities when environmental liabilities are either known or considered probable and can be reasonably estimated. On an ongoing basis, management assesses and evaluates environmental risk and, when necessary, conducts appropriate corrective measures. As of the date of this report, management believes that adequate accruals have been made related to all known environmental matters, however actual environmental liabilities could differ significantly from these estimates.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Laidlaw International as of November 1, 2004 are as follows.

Name	Age	Position
Kevin E. Benson	57	Director, President and Chief Executive Officer
Douglas A. Carty	48	Senior Vice President and Chief Financial Officer
Beth Byster Corvino		