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—
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The Honourable Roger Gallaway

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• (1535)

[English]

The Chair (Hon. Roger Gallaway (Sarnia—Lambton, Lib.)):
Good afternoon.

We have with us this afternoon Paul Côté, who has been proposed as the president and chief executive officer of VIA Rail.

Colleagues, you will know that on February 2 a certificate of nomination dated February 1 was tabled in the House, and pursuant to Standing Orders 110 and 111, this meeting is being held to—I shall say to Mr. Côté that this meeting is being held to meet you. Members, I'm certain, will have questions about your view of the operations and policies of VIA Rail.

This is a process that is not used frequently in this place, because your appointment is not yet confirmed. This is part of a process in the House of Commons that has existed on paper for a long time but has not been carried out frequently. You're part of a new wave, if I can put it in those terms.

I welcome you today on behalf of all colleagues here. I'm certain you know you're entitled to make an opening statement. We certainly would welcome that, if you wish to do so.

I invite you to open our discussion.

Mr. Paul Côté (Acting President and Chief Executive Officer, VIA Rail Canada Inc.): Thank you very much, Mr. Chairman.

Good afternoon, members of the standing committee.

[Translation]

Thank you for the invitation.

[English]

I am very happy to be here to appear before you today, and I'm honoured to be considered for the position of president and CEO of VIA Rail. I view this in no small part as a recognition of the entire VIA Rail team.

Committees such as this are a fundamental part of the parliamentary process, and I'm very proud to participate. The honourable members at this table bring forth the concerns and interests of constituents from coast to coast and help to ensure that the government's mandate is being followed in a transparent manner and that the best interests of Canadians are being served. I offer you my full support and commitment.

The parliamentary process is not entirely new to me. I have been with VIA Rail for 26 years and as such have been involved from time to time with your committee.

As you are considering my nomination today, I will provide you with a very brief overview of my personal commitment and professional involvement in passenger rail over recent years.

I have been in the Canadian rail industry for more than 30 years. After spending six years with Canadian National Railway, I joined VIA Rail when it was created in 1978. I have been involved in almost every aspect of the operation. Early on I served customers directly on the station floor and moved up through the organization to customer service operations and marketing to the responsibilities I hold today. I have served as chief operating officer for VIA Rail for three years prior to my additional appointment as acting president and CEO on March 5, 2004, almost a year ago.

I have gained broad experience and enormous respect for the people I work with. As chief operating officer, I hold the responsibility for running trains and delivering service, always with an eye to being efficient and to improving VIA Rail's on-time performance and reliability and the cost-effectiveness of our operation, and above all ensuring that we deliver the best in customer service.

[Translation]

I strongly believe in the principle that running trains and serving customers are one and the same. Canada's national passenger rail service cannot deliver high-quality without an unrelenting focus on meeting the needs and expectations of our customers.

It didn't always work this way. If I may reflect for just a moment, I remember a time when I first started with VIA Rail where the concepts of running trains and fostering excellence in customer service were looked upon as two separate functions. In fact, customers were far from being a central preoccupation of the company.

But the past decade and a half has seen a period of transformation at VIA Rail. Working closely with my colleagues, I have stewarded and been a central contributor to the many innovations linked to safety, security, and new ways to serve our customers that have resulted in the achievements that make VIA the recognized leader in passenger rail it is today.

We led the way in customer service in the 1990s by merging our on-board services personnel and our operating crews under one umbrella. This proved to be a successful and cost-effective way to operate passenger rail service — by keeping our focus on the fact that customers come first.

[English]

We continue to champion the need to strengthen our ties to the communities we serve. By changing the way our operations, marketing, and customer service functions work together, we reconfigured our teams to better understand and respond to the needs of our communities and our customers. The sound stewardship of Canada's national passenger rail service depends, I believe, on VIA's commitment to meeting these demands every day by providing a safe and reliable service, being proactive on security, protecting the environment, and being committed to the best in customer service in our stations and on our trains. We will continue to deliver on this by encouraging innovation and creativity in everything we do, while at the same time maximizing revenues and controlling costs.

At VIA, we take pride in our approach to cost-effective, customer-focused management. Should I be formally appointed as president and CEO, I look forward to collaborating with the new chair, VIA's board of directors, and our management team to deliver accountable and responsible leadership to our shareholder, the Parliament of Canada, this committee, and your constituents.

Finally, my experience at VIA has taught me that passenger rail remains close to the hearts of many Canadians. I look forward to working closely with this committee and its members and to continuing to assist in building a responsible and relevant role for passenger transportation in the future.

Merci. Thank you very much, Mr. Chairman.

The Chair: Thank you, Mr. Côté.

We'll move to the most interesting part of the day, which is always the questions people have, and I would invite Mr. Gouk to speak on this subject.

Mr. Jim Gouk (British Columbia Southern Interior, CPC): Thank you, Mr. Chairman, and thank you, Mr. Côté, for appearing before us today. Let me first offer you congratulations on being nominated for this high position.

Mr. Paul Côté: Thank you.

Mr. Jim Gouk: It's actually very good to see somebody rising through the ranks. I worked for the civil service for twenty-two and a half years in traffic services, and I've seen the bum rap civil servants get in trying to do their jobs because people have impressions of what they're like, and what the civil service and various components of it are like, that are often very incorrect. I prefer to see somebody rising through the ranks like you, instead of a political appointee, and I would hope this means we have somebody there who understands the rail system well and is going to make decisions based on providing the service VIA is supposed to be there for, instead of political expediency.

I wonder if you could tell us, with regard to VIA Rail's operation, your general priorities if you take this position. Where do you propose to take VIA Rail, let's say, over the next five-year period?

• (1540)

Mr. Paul Côté: First of all, Mr. Gouk, thank you very much for your kind comments; I appreciate them very much. I am very proud of my accomplishments and very proud to be here today. I think the impact this will have for the company, as well as on the people of VIA, will be great.

Under the current circumstances, since we're still waiting for an appointment of the chairman and thus waiting to craft a bit the future of the company in terms of investments and direction, my immediate view about VIA and the future is pretty much along a continuity stream. That is, we have over time focused quite a bit on service excellence, bringing a common focus on the customer and making sure that we indeed provide exactly what you said, the best service that customers and taxpayers are entitled to.

Clearly, our company over time has significantly improved in terms of financial responsibility and performance. When you look at the evolution of the financials of the company you see a tremendous improvement in that regard. I intend to continue to focus on efficiency and productivity. We have implemented significant productivity initiatives over the last few years, as I said in my speech, and we will keep looking for that.

I also think, on the issue of environment—today is day two of the Kyoto accord—we need to perhaps gear up a little more as a company on environmental issues. We have made progress on environment, but this will certainly be a major issue and a major priority in the coming years, obviously.

Finally, I'll go back to point number one, where I talked about the current situation we're in concerning long-term direction—which is fine, because we're in a transition period: as the minister said when he came here on November 4, the year 2005 will be a transition year for VIA Rail. I think it will be very important to tap into the creativity and innovation of our staff. The main focus will be on the customers, productivity, efficiency, and the environment.

Mr. Jim Gouk: Given the priorities you've outlined, maybe you could tell us a little with regard to VIA Rail's resources.... Are the resources sufficient to carry out your plans for such things as equipment for your scheduling, general funding, cashflows, access scheduling for the railroad—all those types of things? Are the resources there to make your plan work? What resources are you lacking, and what, specifically, do you see you would need to bolster those resources?

Mr. Paul Côté: Mr. Gouk, in terms of growing the business, we've said in previous studies and submissions that we will need to analyze the possibility of adding routes, adding frequencies, and having faster trains. These, inevitably, will have to come through investment.

I can't tell you the type and level of investment. I don't think it's my role, at this point in time, to determine that. Certainly it would be my role to provide input to the process with the minister, but if we want to grow the business—increase market share—eventually we're going to need faster trains and more trains.

On the equipment side, when I met with the department early this fall, we discussed the priorities exactly the way you just asked the question. Clearly we have equipment that has been around for 25 to 30 years—our LRC fleet in the corridor, our GM locomotives, and so forth. These will soon represent a challenge in terms of reliability.

In terms of what we have as resources at this point in time, for the longer term I think we need to sit down with the minister and clearly outline what our requirements will be, once he's ready to sit down with us and do that. Once again, I will refer to his appearance here, when he said his priority is to go with the appointments of the chair, president, and board members, and then ask us to come forward and outline what our requirements would be. I'm hoping the process will come through soon, so we can formulate that.

Mr. Jim Gouk: From your point of view as someone who has risen up through VIA Rail, how would you define the various segments of VIA Rail's operation? It's right across the country; it has different types of services. When I say types of services, I'm talking about commuter rail, passenger rail, and tourism. How would you break out those different parts into the different parts of the country? What types of services do you provide in different regions of the country?

• (1545)

Mr. Paul Côté: In central Canada we have our intercity travel. We're not in the commuter business, as you know, although in some areas we have parallel operations with the GO Transit system in Toronto. So we have our intercity travel in the corridor.

In eastern Canada there is a traditional market of family visiting friends, relatives, and so forth. That is gradually shifting because of the presence of low-cost airlines, which have had a significant impact on our ridership and revenue stream. We are in the process of redefining this product.

In western Canada, as you know, we are in the intercity long-haul transportation system. We operate from Toronto to Vancouver three times a week, regardless of seasonality, and so forth. It is an expensive proposition; you know that very well. Thus, in the early 1990s, we redefined part of our product offering, so that from a cost-effectiveness point of view, we could generate a higher yield. If you take, for instance, the western long-haul train, which I know is of interest to you, the people travelling on these trains are 60% Canadian, 20% American, and 20% from overseas.

The Chair: Thank you, Mr. Gouk.

Madame St-Hilaire.

[*Translation*]

Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ): Thank you, Mr. Chairman.

Thank you, Mr. Côté, for appearing before us today. I'm very pleased to meet you. I want to congratulate you and to wish you good luck.

Mr. Paul Côté: Thank you.

Ms. Caroline St-Hilaire: First I would say I'm both concerned and reassured at knowing you're the new President and CEO of VIA Rail because you've been a part of that business virtually since it began.

In fact, I looked at what you said, and I quote: "I have been involved in almost every aspect of VIA's operations." So you'll probably allow me to ask you a few questions on VIA Rail's past. I don't want to attack VIA Rail because, as a regular customer, I think it's one of the types of transportation we should favour as a society.

However, I would like you to elaborate on two things. Following the appearance of the Transport Minister, Mr. Lapierre, before this committee when we were considering estimates, we saw that there was a budget cut.

As the new CEO, and in view of the smaller budget, even though 2005 is a transition year, what can you do in the near future to improve rail transport, at a time when, as we know, VIA has come in for some tough criticism? As the new CEO, how will you be able to improve passenger service with less resources?

Mr. Paul Côté: It must be said that the resources we have are nevertheless significant. The subsidy has been set at the same amount for the coming year as for the past year.

As I explained a moment ago, investment will obviously be required in the medium and long terms so that we can really increase our market share and market presence. The rail lines on which we operate are trains, and which belong to the freight rail companies, are saturated. The fact that we've had certain operating problems is of course related to their success. It has to be recognized that they've made efforts to achieve that. There have also been changes in the operation of their system, as a result of which our trains are put at a disadvantage in their day-to-day operations.

I believe we can do better with the resources we currently have. The insufficient resources argument shouldn't prevent us from improving. I'm thinking, for example, of the issue of rolling stock reliability. We've made enormous progress this year, relative to last year, on reliability, mechanical equipment performance and delays, and we have to continue along those lines. I don't think quality is necessarily determined by investment. However, the company's growth and development to achieve better objectives is conditional on investment, subject, as I said, to a discussion with the minister.

I read Mr. Lapierre's comments. He said that, once the appointment process was complete, he expected the new management to go and see him to discuss studies that have already been conducted. He also said there was no need for new studies, that we already had some. I know you've discussed this, that you've raised this point. Now we need only use the best option for the business, but also based on the political context.

I still say it's possible to do better with the resources we have, and, since I've been acting in this position, I've been reminding people that this commitment has to be an everyday commitment. We have to encourage innovation and creativity and seek out ways to do better with what we have.

• (1550)

Ms. Caroline St-Hilaire: What's being done about the Renaissance cars? Are you aware there were problems, misfires? How are you solving the problem?

Mr. Paul Côté: First, we're going to keep them and continue improving them.

I was there in the early eighties when we bought the LRC cars from Bombardier. We travelled the same hard road to introduce the new equipment. I've often spoken with David Gunn, the President of Amtrak, who told me he also experienced all kinds of problems in introducing the Acela trains. We'll overcome them. I'm confident those problems will be solved. We've already solved a lot of problems attributable to the Renaissance cars since they were introduced. We had expected and anticipated certain problems that would require changes, but unfortunately there were certain other problems that we had not anticipated. We're trying to correct them. I can tell you that train performance will improve. We're going to keep them, and customers will be satisfied.

Ms. Caroline St-Hilaire: Do you intend to submit the Montreal-Quebec City high-speed train proposal to the minister?

Mr. Paul Côté: What I propose to do, Madam, is to explain the available options to the minister, in accordance with his request. The studies are there; they've been done. All the studies have been done, on high-speed trains, on trains that can travel up to 125 miles an hour, on the status quo, on the North Shore and the South Shore. What we understood from the minister's message is that he wants us to sit down with him and explain these projects, costs, advantages, benefits and, after that, depending on the government's policy, which I'm not familiar with, he'll make a decision and make a recommendation that will no doubt be submitted to you for discussion.

Ms. Caroline St-Hilaire: Based on the studies you already have in hand, don't you have a specific recommendation to make on the high-speed train between Montreal and Quebec?

Mr. Paul Côté: No. I don't, precisely for the reason I gave you, Madam. If I had the time to learn the government's policies and priorities—which one day I'll no doubt have the privilege of knowing by talking to the minister—I could focus more on the initiative we should put forward. Right now, however, I have no ideas on the subject. We're going to proceed in stages, as the minister requests, and I hope we can present the selected options as soon as possible.

Ms. Caroline St-Hilaire: Thank you very much, Mr. Côté.

[English]

The Chair: Thank you, Mr. Côté. Thank you, Ms. St-Hilaire.

Mr. Martin.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair.

I like the order of things in this committee.

The Chair: We're very civilized in this committee.

Mr. Pat Martin: Thank you, Mr. Côté.

I'm not a regular member of this committee, but I'm happy to be here.

I do have a specific interest in the whole process of the appointment of officers of crown corporations. I know that tomorrow the President of the Treasury Board will in fact be tabling a document on the reform of crown corporations in the realm of accountability and transparency. One of the elements will be a clarification, at least, of the appointment process.

I believe that in April 2004 Minister Alcock did table a new set of guidelines that were to be fairly rigid in terms of how the appointment process should unfold. But a lot of us were taken aback when the very first high-profile appointment made shortly thereafter was Gordon Feeney to Canada Post, which was completely contradictory to the very guidelines the President of the Treasury Board had just laid out in April 2004.

I'm relieved to see, and I compliment this committee and the minister, that the process we're going through today is more in keeping with what Canadians would like to see. That is, we don't have the cart before the horse here but have an opportunity as a committee to vet this nomination prior to the actual appointment. I think that's to be complimented; that's pretty much what we would like to see. What we're trying to avoid is this whole public perception that there is cronyism, that these appointments are made through some good old boy connection more than being based on merits and skill.

In your case I can't imagine a more qualified person. I personally am delighted to see people actually coming up through the ranks from the shop floor, as it were, to senior levels. I don't think you'll find anyone around this table who would find fault with or be able to poke holes in this particular nomination.

But what we're concerned about as opposition party members is the political patronage element of cronyism, of appointing people who have specific ties to the ruling party, as it were...no matter who is in power. In the case of Feeney, the minister used to sit on the board of directors at the same bank Feeney did. While the minister was a chief economist at that bank, Feeney was on the board of directors, and then the president of the nominating committee of Canada Post, Mr. Ritchie, also sat on the same board. So you have these three guys from the same board of directors appointing each other to senior positions in crown corporations, and that's just fundamentally wrong from everybody's point of view.

What was more wrong about that appointment was that the appointment was made first, then the committee was notified about it, and then we were allowed to reconsider it, as it were, something that had already been done. That's my interest in watching this today.

First of all, there are motions being moved at virtually every standing committee to put in place an appointment process of our design that would mandate that the government list the qualifications of the person in the *Canada Gazette*, any possible connections the person may have to the ruling party, and any possible conflict of interest. In other words, there would be the justification as to why this appointment was a good appointment. The onus would be on the minister to provide that information first rather than on the committee to go on a fishing trip to try to reveal that information.

• (1555)

Hon. Jim Karygiannis (Scarborough—Agincourt, Lib.): Ask a question.

Mr. Pat Martin: I beg your pardon?

The Chair: I didn't say anything. We're getting some static on the side.

Mr. Pat Martin: Is there some rule in this committee that the period for questions and comments must be strictly for questions, Mr. Chair?

The Chair: No, not at all.

Mr. Pat Martin: Well, then, whose idea is it that I should stop what I'm doing? Is it you, Karygiannis?

Hon. Jim Karygiannis: Are you referring to me, sir?

The Chair: Let's just proceed.

Hon. Jim Karygiannis: If you're referring to me...I just thought you might have a question somewhere.

The Chair: Just one moment. Just proceed, please, Mr. Martin. You know that sometimes there are catcalls.

Mr. Pat Martin: Thank you.

I will. I thought I had the floor.

My interest in this now is in where it goes from here. Now we're operating under the old process for the appointment of officers. I don't know when this was established. If we're in compliance now with the April 2004 guidelines or if those were thrown out the window when the minister started to design new guidelines...but as it stands now, it's for the committee to review the résumé and the nomination.

I would ask, specifically, what is the next step in this process after the committee has finished meeting you, interviewing you, and then vetting the nomination? As you understand it, how do you then become appointed to the position for which you've been nominated?

The Chair: I don't know. Are you able to answer that, Mr. Côté? That's a very technical question, and the answer, in my opinion, lies in the Standing Orders.

Mr. Paul Côté: I'm sorry, I didn't understand you, Mr. Chair.

The Chair: The Standing Orders are the procedures of the House.

•(1600)

Mr. Pat Martin: Have you been given any indication as to a timeframe for when you may be expected to actually be appointed as opposed to just being nominated?

Mr. Paul Côté: No. I was just called to appear here today, and I don't know what's going to happen after that.

Mr. Pat Martin: I notice that in your résumé or employment history one of the things you cite—and rightly so, because I would put it in my CV as well if I were you—is that one of the things you did in 2004 was to prepare for the minister the 2005-2009 business plan.

Mr. Paul Côté: Yes.

Mr. Pat Martin: The process there is that you simply submit that to the minister, or does it go through a process as well after the business plan has been developed?

Mr. Paul Côté: Well, we have to submit our five-year corporate plan annually to the minister within certain timeframes, which we did, and we met the timelines. There is discussion going on within

the department and between Transport, Finance, and Treasury Board on the initiatives.

As we speak, we haven't received final approval, so as far as we're concerned, our plan is still with the minister's office and we're waiting for instructions.

The Chair: Thank you, Mr. Côté. Thank you, Mr. Martin. We'll come back.

Mr. Karygiannis.

Hon. Jim Karygiannis: Thank you, and I really appreciate the fact that you did address me as "Mister".

Mr. Côté, having worked for CN at the time VIA was...I was inspired and moved along.

I looked over your résumé, and I'm really impressed with your moving up the ranks and everything else. However, there are a few questions in my mind I'd like to ask you, and it's better we put them on the table for everybody to know.

Concerning the last difficulties VIA Rail was going through, can you describe your role in the management and tell us if you had any play with the particular difficulties VIA was going through?

Mr. Paul Côté: For clarification—

Hon. Jim Karygiannis: The sponsorship.

Mr. Paul Côté: —you're referring to 2004?

Hon. Jim Karygiannis: To 2003-04 and the whole gamut of the hoopla, if you want to call it that, of the media.

Mr. Paul Côté: First and foremost, when I arrived on the job about a year ago, my concern was that all these preoccupations would take focus away from the customer and that people on the front line, people in the mechanical department, and people in different activities would lose sight of the fact that VIA is not a subject for controversy. VIA is there to serve customers. We deliberately established strategies to keep everybody focused.

The message, sir, was basically this. There are difficulties and problems the corporation is going through right now. We don't need more problems. So I ask you, as front-line employees and people in different areas, to continue to do your job.

We are very proud of how people reacted to that. They did a really good job and kept us going. However, we also took the report from the Auditor General very seriously. I can assure you that from an internal governance point of view we addressed it very quickly.

For instance, we talked about the issue of sponsorships. How do we evaluate sponsorships before we sign on? How do we estimate the value or assess the value of sponsorships afterward? Let's have a process to do that and document it.

For administration of contracts, it's the same thing: let's make sure our contracts are competitive, that they are in place before services and products are being delivered or received, and that they are timely.

So we took this very seriously and we addressed it. We started right away to develop a code of conduct in the company and established the parameters to put in place a position that we call a compliance officer but that for reference may be called an ombudsman position.

I'm very happy to report to this committee that next week we have a board meeting: the committees are on Monday, the board on Tuesday. We will table our final version and proposal to the board for a code of conduct that would be applicable to everybody in the company, including with this proposal the establishment of a compliance officer position, for people who may have the impression or perception that there are wrongdoings in the company to have a place to go to report it. And it'll be followed up; this was an issue within the report.

I'm very happy with the progress we've made, both on keeping focused and as well on addressing the issues of the Auditor General.

The committee should know as well that when the Gomery commission was established, instructions were given to fully cooperate with the commission, and we did. Everything the commission asked for we submitted and filed and gave to them. We held nothing back. We had absolutely no resistance whatsoever. We addressed this and viewed it very proactively and positively.

I'm sure some of you have seen our witnesses testify. I can assure you that we have cooperated. We will be expecting and reading carefully the results of this inquiry. But we've been collaborating with it.

• (1605)

Hon. Jim Karygiannis: I'm going to ask a tougher question, if I can, Mr. Côté. Certainly I appreciate your thoughtfulness, as well as the answer and everything you've done to bring the crown corporation up to date.

Between 2001 and 2004 you were chief operating officer, and from 1998 to 2000 you were vice-president of customer service and operations. At the given point in time that you were working in those capacities, and through your years in VIA—I'm sure you bring to the table a lot of knowledge, and VIA will certainly benefit from it, and the next four or five years that you're probably going to be there will probably be a few of the best years VIA's going to have—did you have any contact with anything to do with the sponsorship inquiry or anything to do with the sponsorship “difficulties”?

Mr. Paul Côté: No, not at all, sir. My job was totally disconnected from that. I think you put it the right way. As I said in my speech, my preoccupation and my job was to run trains, provide service. That's it. I was never directly involved in any of those files at all.

Hon. Jim Karygiannis: Thank you.

The Chair: Mr. Scheer.

Mr. Andrew Scheer (Regina—Qu'Appelle, CPC): Thank you very much.

I'd like to pass on my greetings and congratulations. I appreciate you spending the time here today.

In an appearance before the committee a couple of years ago, the transport minister admitted there had been an overrun in the retrofit costs of the Renaissance cars. This was in part because of the need to

upgrade accessibility standards. There was quite a large amount of ballooning, from \$135 million to \$165 million, and that was only going to be for a partial number of the cars—106 out of 139, I believe.

Since that time, the CTA has issued an order to VIA Rail on what accessibility standards must be met. As well, there have been several publicized events of equipment failure due to our harsh winter conditions—doors not closing, frozen pipes, etc. This raises the possibility that there will be further overruns on the \$165 million project budget before the successful integration of these cars into VIA Rail's fleet is completed.

How much more funding does VIA Rail need to spend in order to meet the accessibility requirements recommended by the CTA in order to winterize the Renaissance cars, and is it still VIA Rail's equipment projection that only 106 of the 139 cars are needed in service?

Mr. Paul Côté: Thank you, sir.

I'll answer the last question first. Yes, we are still on 106 cars required. There are 33 stored, and at this particular point in time they are not required. The number you quoted, \$165 million, is still the number. We have not gone over that number with regard to the modifications related to issues that have come forward since the implementation of the equipment, and those are issues such as the steps, the diaphragms, different things like that. These have been factored into this number of \$165 million.

With regard to the CTA issue, of course, this is an issue before the courts, and it hasn't been settled yet, or there is no resolution of this issue. It would be improper I think for me to comment on that or speculate on what exactly will be the outcome of that and what the requirement will be for us, if any, to modify the equipment. So I would like to park this item because it's in front of the courts. I don't want to compromise myself.

So it is \$165 million.

The last point is this. There are going to be, as for any type of equipment, additional modifications that will come forward from our regional teams who operate this equipment, either in the corridor or in eastern Canada. These will be treated as separate budget allocations, as we do for any other type of equipment. The equipment is in service, and for whatever is required in order to achieve some customer satisfaction levels or product definitions, these will be independent and will be accounted for separately.

• (1610)

Mr. Andrew Scheer: I'd like to talk about the future capital subsidy requirements for VIA. It has been suggested that the \$170 million subsidy cap is insufficient to support both VIA's cash operating losses as well as its normal capital replacement needs. On the other hand, VIA Rail has other avenues of approach for reducing its funding dependency. VIA Rail's annual report reveals that VIA has about \$50 million annually in depreciation and amortization expenses.

Is \$50 million sufficient to fund the normal capital replacement needs of VIA Rail on an ongoing basis, or is there a deferred capital reinvestment overhang that must also be funded?

Mr. Paul Côté: In a previous answer to one of your colleagues, I said that at this point in time with the resources we have we can deal with that and we can operate for a while. I am encouraged when I hear the minister say he's open to listening to other alternatives for future development and expansion of the company. What will that be? I don't know. As I said, we have plans. We've done studies in the past. There are different alternatives, and the level of funding, of capital injection in the company to support the initiative that will be selected, will then of course depend on the option we select.

So I don't know exactly what level of funding we will come to the minister with in our recommendation. We'd need to discuss that further. And as I said, it's not a question of me deflecting the answer; it's simply that I'm following the process set out by the minister in his priorities.

My appointment and the appointment of the chair—not in that order, obviously—and the board.... The Auditor General's report yesterday indicated that there are 8 of our 13 board members whose mandates have expired, so maybe the minister will want to deal with that. I don't know. When that happens, we will get on with the tasks.

Mr. Andrew Scheer: Would you be able to comment on how much of the subsidy cap of the \$170 million is for capital replacement needs?

Mr. Paul Côté: To be honest, I don't remember the number. I'll have to check it out. I can get back to you, this committee, with your permission, Mr. Chair. I just don't remember, nor do I have it here. I'm sorry about that and I apologize for it.

The Chair: Thank you.

Thank you, Mr. Scheer.

Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chairman.

Good afternoon, Mr. Côté. It's a pleasure for me to see you here. We thank you.

Earlier you said you had already taken environmental protection measures. I'd like you to give us an overview of those measures.

However, I'd especially like you to tell us about your contribution to reducing greenhouse gas emissions, in view of the fact that today marks the start of the Kyoto Protocol.

I'd like to know whether you'll be asked to contribute or whether you intend to propose a strategic plan for developing passenger gas transport in order to take part in the reduction of greenhouse gas emissions. We know that public transit could help reduce greenhouse gas emissions. I'd like to know what you anticipate in this area.

Mr. Paul Côté: Thank you for your question. With regard to the environment, I'll try to summarize the situation for you as follows. First, we started by overseeing the establishment of a corporate environmental policy, which did not previously exist. That dates back to early 2000 and 2001. As a result of that policy, our maintenance centres have been certified ISO14001. I believe that's the environmental standard. So our maintenance centres in Vancouver, Winnipeg, Montreal and Toronto are certified.

We installed toilet systems on board our trains. We'll complete that program this year, in 2005. As you know, railways were not historically recognized for being very advanced or modern in this regard. All the new equipment that has been purchased, such as the Renaissance cars, have a retention system for the toilets. The entire fleet will therefore be modified. We anticipate that this will be complete in late 2005.

In 2001, we bought 21 new locomotives from General Electric which, compared to the locomotives bought 20 years ago, have different gas emissions characteristics. I couldn't give you any exact figures, Mr. Carrier, but I could come back and tell you about them another day. We currently have plans to overhaul our fleet of General Motors locomotives that we purchased more than 20 years ago.

In our discussions with the minister of VIA Rail's future and investment needs, we'll raise the need to conduct a thorough study of the options before us: overhauling existing locomotives or purchasing new locomotives equipped with systems that meet the new standards.

Obviously, once again, we're back in the debate over how much money will be available. At that point, my role will be to present this alternative to the minister to see what funding will be provided in order to do that.

Until three years ago, we at VIA had no vice-president for the environment; we have one now. We've also developed employee awareness programs in the corporation. We also have recycling programs. We also have what's called the Green Teams program. These teams are spread out through the corporation, and we celebrate their successes, no matter how small, in order to encourage people. So we have a lot of environmental activities at VIA. Of course, we still have a lot of work to do, somewhat like everyone, but we've nevertheless done positive things in this area over the years.

●(1615)

[*English*]

The Chair: I'm sorry, Mr. Carrier.

[*Translation*]

Mr. Robert Carrier: Do I have any time left?

The Chair: No. Your time is up.

Mr. Robert Carrier: All right.

[*English*]

The Chair: Mr. Scarpaleggia.

[*Translation*]

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you, Mr. Chairman.

I too congratulate you on your appointment. You have a very impressive CV. You have a lot of experience. I think experience fuels vision. It gives us a clear vision of things.

I have a few brief questions to ask you, first concerning some of your remarks. If I correctly understood, you said that corporate profitability had improved.

Did I understand correctly?

Mr. Paul Côté: Yes, completely. In fact, that depends on the period of time. If we go back, for example, to 1995-1996, government funding for the corporation was \$400 million and more. It was cut to \$170 million, but we maintained the same system and even more trains.

Mr. Francis Scarpaleggia: What factors contributed to that?

Mr. Paul Côté: We completely rethought the corporate structure; we completely changed our way of doing things. The exercise was traumatizing, of course, because we attacked the very culture of a railway.

When we joined VIA Rail, 90 percent of the staff had come from railway companies. So the culture followed. At CN, there have been cultural changes over the years; at VIA as well. But we noticed that the traditional way of doing things was not necessarily the most effective. In fact, in the changes we made between 1996 and 1997, we cut two-thirds of management, administrative personnel. Those people were dismissed. That's quite a lot of people. I think there were approximately 1,000 persons. Roughly 600 of them lost their jobs. So we refocused those activities around 300 persons.

There were also other initiatives. In my opening remarks, I talked about changes in the organization of work on board the trains. This aspect was completely rethought, which also resulted in major savings.

Mr. Francis Scarpaleggia: I have a question on the terminal project at Pierre Elliott Trudeau Airport in the context of the traffic circle reconstruction. I know that matter is not entirely in your hands, but rather in the Quebec government's hands and, to a certain degree, in those of the federal government. Where does that project stand?

If I've understood correctly, that would involve a shuttle between downtown Montreal and the airport. Would the train from Ottawa do a detour to stop at the airport train station? If so, do you intend to go pick up passengers from Ottawa who, instead of taking the plane, would take the VIA Rail train to Montreal?

Have you made changes to your security plan? Do you have a crisis management plan?

Lastly I have two minor suggestions to make regarding service between Montreal and Ottawa. I think the biggest mistake that was made in the 1960s was to move the Ottawa railway station out near Saint-Laurent Boulevard. I've noticed a number of times that there are never enough taxis to pick up people when the Montreal train arrives in Ottawa around nine o'clock.

Would you be open to the idea of establishing a kind of shuttle or bus service between the Ottawa train station and downtown?

• (1620)

Mr. Paul Côté: First I'll talk about the train station project in Dorval. Two studies are under way. When you and I met with the minister and the various stakeholders, we told them about them the study by BAPE, the Bureau d'audiences publiques sur l'environnement. The project we submitted at the time had gotten to the stage of determining the environmental effects of building rights of way, the various changes to be made to Highway 20 and access to the airport.

The purpose of the second study under way is to validate the cost estimates that have been prepared. We discussed this at that meeting, but briefly, since we weren't yet necessarily at that stage. The specifications, general plan and major parameters of the project are quite well known. People are generally in agreement on that, at the Department of Transport, VIA and CN. For the moment, CN's right of way is being favoured.

However, I'd like to clarify one point. You mentioned the shuttle. What you referred to at that time did not really fall into the context of the shuttle, but rather the context of airport access. The 20-minute shuttle project that the airport or the AMT would like to introduce was the subject of an entirely different debate with CN. For the moment, it's not included in this project. That point was clarified at the meeting. What we're talking about is a train station built on the present parking lot of Dorval Airport near domestic arrivals, where VIA Rail trains would stop, both those en route to Toronto and to Ottawa or elsewhere. It would be an available access route for returning to the main roads.

Your concern about Ottawa is legitimate, but I would emphasize, as we also mentioned at that meeting, that the priority is to give access to people in eastern Ontario, in markets like Belleville, Kingston and so on, who have less easy access to major airports. The idea is to provide them with access to Pierre Elliott Trudeau Airport by means of VIA Rail trains. Those are the general parameters of the situation at Dorval.

As regards the Ottawa shuttle issue, with your permission, I'll take note of that and I can come back later. Would we be prepared to do that?

Mr. Francis Scarpaleggia: That's not necessary; it was only a suggestion.

Mr. Paul Côté: We'll take into account what can help increase traffic. I simply wanted to tell you that I've taken note of it.

As for security, we have an emergency plan at VIA Rail that has been tested but that is unfortunately not infallible. We recently had some incidents that showed us we had to avoid being complacent. We have to update the plan regularly.

We've made enormous security efforts since September 11, first on board our trains, in our stations and in our environment. That would provide the subject matter for a slightly longer presentation. I don't know whether time permits, but I want you to know that we have taken this matter very seriously. I know some people are concerned that they're not seeing the same security system as is found in another transportation area, in airports. It should be understood that the characteristics and parameters of our system are different. However, the basics are the same: vigilance and presence of mind among employees, who can report incidents to us to enable us then to conduct our investigations. There are a number of factors I would be prepared to discuss, but that might take a lot of time.

• (1625)

Mr. Francis Scarpaleggia: So that's still a priority.

[English]

The Chair: Thank you, Mr. Scarpaleggia.

Mr. Gouk.

Mr. Jim Gouk: Thank you, Mr. Chairman.

Mr. Côté, it was interesting hearing some of your ideas on potential for growth in VIA Rail in the future, and these are some of the things that many of us who have travelled through those airports have looked at and wondered if something would happen on them. Could you expand on that a little further? You must be looking ahead and seeing VIA Rail in terms of growth potential in a variety of areas. Maybe you could tell us about a few of those. We've touched on a few in answer to the last question. Maybe you could expand on that and on what other areas you think there is potential for growth.

Mr. Paul Côté: There is potential for growth; there is no doubt about that. There are, however, as I said before, limits to what we can do, because we have a certain set of parameters within which we operate. We have access to certain windows on the infrastructure. Trains go a certain speed and must go at a certain time. We would like to have more trains, we would like to have faster trains, we would like to have trains that perhaps leave at different times, but we don't own the infrastructure.

The relationship we have with CN is a good relationship. We've had difficulties, in terms of performance and reliability, on time performance issues. I will not hide and say it's not true. We have had problems. I'm encouraged by the recent dialogue we have with the new management team at CN, and I'm confident these will be restored.

This is fundamental. Reliability is fundamental to build on growth, but there's a limit, as I said. To what extent should we grow the market? To what extent can we add trains? What can we do in terms of speed, and so forth? This will be the subject of our discussions with the minister when we address the issue of the future. We have, in the office, as he said himself, VIA libraries full of studies. I was happy when he said no more studies, because I don't want to do more studies. I think we have the options—the status quo option, the middle option of this and that, up to the very high-speed option—so let's sit down and look at the benefits of each, the characteristics of each, and with the help of the minister, who has a vision and understanding of government policies, and so forth, and with the assistance and expertise of this committee, discuss what the best option is.

Mr. Jim Gouk: I think I can honestly say one of the most unpopular pieces of legislation that came forward in the previous Parliament, by the previous minister, was Bill C-26. A significant portion, almost half of it, dealt with VIA Rail. It was taking VIA Rail from a corporation registered under the Canada Corporations Act and actually pulling it backward into a crown corporation.

Could you comment on the pros and cons of such a move, notwithstanding the fact that nobody seemed to like it? What is your opinion of it? You must have looked at it at the time. Did you see it as beneficial to VIA Rail? If so, how?

Mr. Paul Côté: Mr. Gouk, I take it there would be benefits in having a VIA Rail act, if only on the basis of the existence of the company and its legal framework. It would be nice to have a VIA Rail act, because it would have its own entity in itself, and a mandate, and so forth.

Since I have been in the acting position, I have had discussions with officials when this issue was raised again. I'm a candid person and will answer you candidly: whether we have it or not will not prevent us from achieving what we want. If you ask me if I would prefer to have one, sure. I think it would make people feel more comfortable to know this corporation has a certain legal status and that it would require a certain process if anything significant would have to be done to it.

I'm not aware of the extent and scope of the act to be discussed or proposed. What is in the heads of the department now I can't tell you. But this is my operating side, you see. This type of framework is nice to have, probably, and there will be benefits to it, probably, but in terms of achieving our mandate and what we're in business for, to me it is not—

• (1630)

Mr. Jim Gouk: We had a nice short conversation when you came in, and probably a lot of people are surprised that I'm actually very encouraged about your nomination, as opposed to, as I say, a political appointment. What we discussed, very briefly, was the hope that we can work together, find some common goals, and help you achieve that.

As for pulling you backward into a crown corporation, our experience with crown corporations is they would make you more arm's-length; it would create a bigger gap, a chasm, if you would, between VIA Rail as a crown corporation and this committee and us as parliamentarians. It would actually move you in the opposite direction. Instead of working together, we'd be driven further apart, and there would certainly be potential for more misunderstanding.

Do you think that perhaps it's not such a bad deal—that we can find ways to work together, instead of moving the other way?

Mr. Paul Côté: As I told you before, now that you've made reference to our conversation, I am looking forward to working with this committee. I've said that in my remarks, and I'm very sincere about that. I've read the comments from the minister; we've had brief discussions about his views relative to this committee and how the company should work, in terms of transparency, and I'm for that. I'm for that.

Mr. Jim Gouk: That's good.

The Chair: Thank you.

Madame St-Hilaire, and then Mr. Martin.

[*Translation*]

Ms. Caroline St-Hilaire: Thank you, Mr. Chairman.

Mr. Côté, I want to come back a bit to what my colleague said so that you can clarify the situation at Dorval. I always had the impression that, when the Minister of Transport referred to links for Dorval, he was talking about links between Dorval and downtown. That's not what you seem to be saying. That's the first thing I'd like to know.

I'm going to ask you all my questions together to be sure I can ask them all.

My second question concerns the Renaissance cars. I understood earlier that you intend to invest more to ensure they operate properly. I'd just like you to go back and provide some background. How is it that equipment deemed obsolete by the British was considered entirely appropriate by VIA Rail? Was it solely a question of money? Was there any pressure from the minister or the previous minister? I'd like to have some clarification from you.

My other question concerns regional transport. Do you want to maintain links with the regions, or do you intend to reduce them, all depending on the resources at your disposal, of course?

Earlier you referred to the fact that the rail lines assigned, among other things, to freight transport, where trains are increasingly long, were saturated. That said, how do you go about increasing traffic so that passenger transport continues despite the increase in freight transport?

Since my colleague has opened the door to suggestions, I'm going to offer my own as a user of the rail service between Montreal and Ottawa. I've always wondered why, when you go from Ottawa to Montreal, the train doesn't go to Saint-Lambert to free up the bridges? The train always stops in Montreal.

As for frequency, that has to be increased, of course. That way, people would travel more by rail.

Mr. Paul Côté: You'll allow me a bit of humour.

Ms. Caroline St-Hilaire: Yes, go ahead. We don't get enough of it here.

Mr. Paul Côté: The reason why we don't have a stop in Saint-Lambert for trains from Ottawa is that I live in Saint-Lambert and people might think I'm doing it for myself.

Ms. Caroline St-Hilaire: So that could happen, Mr. Côté.
[English]

Mr. Paul Côté: A conflict of interest: it's in my backyard.
[Translation]

That's not the right answer.

We're considering these kinds of situations. Here in Ottawa, we have a project concerning the Fallowfield station. We want to move the Ottawa station departure and arrival point to the Fallowfield station in view of the extent of demographic development. This was done in the case of Oshawa, for eastern Toronto. It was also done in the case of Oakville. I take note of it. That's definitely the kind of thing we can talk about. We've often talked about trains from Quebec City to Dorval. Now, with access to the airport, that could be an alternative for the Quebec City market.

Do we have any specific plans in this regard? Not really. However, since you have a lot of other questions and this requires a revision or an in-depth study, I take note of it and I'll get back to you on it.

I've explained the Dorval situation. The shuttle plan is still there. It exists. It's one of the things that must be done. We intend to promote access since, when the minister spoke, he spoke specifically about traffic and congestion problems in getting to the airport.

What I said earlier is that the meeting your colleague referred to earlier had been called to sum up the situation. At the time we did that, the project we discussed with the minister and with the AMT, CN and the others was the one involving the train station and the joint AMT VIA Rail project. The shuttle project was mentioned. The AMT people were present and they said they were still interested, but the studies on it were less advanced than those for the VIA Rail station project in Dorval. It's still there, but it's not as advanced as our project. However, it's still an objective we want to achieve.

The problem is very simple: shuttles every 20 minutes in each direction will overload the available infrastructure between Central Station downtown and Pierre Elliott Trudeau Airport. That will require the construction of additional rights of way, etc., which is not the case of VIA trains, in view of their "modest" frequency compared to that of the shuttles.

As regards the Renaissance equipment, I mentioned the possibility of investing more in that area. Thank you for asking the question; that enabled me to clarify the matter. As a product is developed, whether it be in the Maritimes or in the rail corridor, the people responsible for marketing and developing the product always submit ideas to us. They suggest, for example, doing such and such a thing in the dining room, offering such and such a service, changing the definition of "dining car", and so on. That's normal. That was done in the west; that was done in the rail corridor with the LRCs. That's what I was referring to.

The initial \$165 million and the changes under way are one thing. That's to ensure reliability and good performance and to prevent the problems you referred to that have arisen.

These are two completely different things. These additional investments will be subject to the same rigorous analyses as any other investment, whether it be to build a station, to modify locomotives or whatever. These are two completely separate things.

You used the adjective “obsolete” in your supplementary question. Those cars were new. The reason those cars were available at that time was that the consortium that sponsored the project had been dissolved. The people and organizations in the consortium had projected traffic, return on investment and revenue based on certain criteria. But what happened there is what has happened here in aviation: price wars. Suddenly the revenue benchmark completely changed. Then it was impossible for the consortium to achieve its objectives based on those new parameters. The project was dropped and the cars turned up unused on a lot belonging to the British Army. We heard about them at the time ALSTOM announced that it was going to dismantle them completely and dispose of them. That's where our interest arose. They were new, not obsolete cars, and their technology was advanced.

The regional services issue is not currently part of the service reduction plans. We have a mandate, as we have for the rest of our services in the west, in the corridor, and so on. That mandate provides for the provision of regional services in seven isolated areas. We'll continue offering those services. Obviously that's government policy. If that were to change, we... But we don't intend to do so.

•(1635)

Lastly, the final point is rail line saturation. You mentioned it, so I see you're monitoring the matter closely. The rail infrastructure is saturated because CN has undergone quite impressive growth. So there are more trains. CN has changed operating specifications for longer trains. So when those changes were made, the existing infrastructure was not necessarily adapted to them. CN couldn't wait, so it took advantage of that business opportunity. I must say that, in a number of cases, between Montreal and Quebec City, for example, CN invested in longer sidings to help reduce saturation. That had an immediate effect on VIA. We noticed an immediate impact on punctuality. It's largely related to that.

•(1640)

[English]

The Chair: Thank you very much.

Mr. Martin.

Mr. Pat Martin: I'll be brief, Mr. Côté. One of the things I'm quite interested in with the minister's announcements tomorrow—one of the things we think he's going to announce—is a change in the number of crown corporations that are subject to access to information requests.

Is VIA Rail currently subject to access to information legislation?

Mr. Paul Côté: No, sir, it's not.

Mr. Pat Martin: I think there are quite a few of the high-profile, larger crowns currently.... I believe there are only, if I'm right, about 46 crown corporations and agencies that are subject...out of 250, or numbers to that effect.

I'm interested in your views if you do, as I'm sure you will, get the appointment to this job. Will you be seeking exemptions to access to information should you become the chief officer there? Do you welcome ATI? What are your views about how this access to information may affect VIA Rail? I'll put it that way

Mr. Paul Côté: We have asked for exemption. That was before I arrived. I agree with it. The argument put forward is simply an issue of commercial sensitivity of the information to be disclosed. We are in competition and in the same market as other carriers of different types and different modes. They are not subject to this same requirement. We are anxiously waiting for the release tomorrow of the report you refer to, to find out if VIA will continue to be exempt from the Access to Information Act.

You're not the regular member, but maybe the next time we speak we'll discuss that. I don't know what the end result will be.

Mr. Pat Martin: Do you see any way that aspects of VIA Rail could be subject to access to information while those areas of your operation that are commercially sensitive are exempt?

For instance, there can be the maladministration of funds internally, and the public has a right to know, in the interests of transparency and accountability, if something we're investing in is being run well. Do you think there's a way? Is there a formula or a method whereby we might have access to those parts of the business we care about and still leave you the privacy to operate the commercially sensitive side of things?

Mr. Paul Côté: Mr. Martin, with due respect, the issue of the Access to Information Act is technical and has not been a top-of-mind subject recently for me personally. I was awaiting the tabling of this report to review the file, depending on the outcome of the decision of the Treasury Board. I would suggest to you, with due respect, that we wait until we have this decision. If it goes one way—that is, we are subject to the Access to Information Act—then this is to a certain degree academic. If not, then perhaps we can explore this a little bit further.

Right now I could not give you a more detailed answer to this question, with due respect.

Mr. Pat Martin: Thank you.

The Chair: We have a final word from Mr. Gouk.

Mr. Jim Gouk: Thank you, Mr. Chairman.

Mr. Côté, it's been very informative, and I'm glad you've had this chance to come before us. But there is one area I have to touch on, just to follow up on the question by Madame St-Hilaire, regarding the Renaissance cars.

I've developed quite a bit of documentation over the year, and I guess technically they are new cars, but they were new insofar as they weren't used, yet they were 10 years old at the time VIA bought them. They were built for the British rail system, which has much lower standards than the Canadian standard, and they rejected them in part because they didn't come up to standards in several areas. Since we got them there has been a problem with the couplings. The couplings had to be cut off and new ones that conformed to Canadian standards bolted on, to prevent the rollover problem, amongst other things. There have been compression problems in crash tests. There were a lot of concerns with them.

I'm glad you feel they are working out. I just wanted to make sure we're absolutely straight on what these cars were: the Nightstock cars were ones that, I think, the British press reported Alstom had searched the corners of the earth for somebody to dispose of before. I can't remember...they didn't refer to it as VIA Rail; it was some term they thought was polite, which I actually thought was rather derogatory.

I'm glad you feel they're working out, but I just wanted to clarify that this is what they were.

• (1645)

Mr. Paul Côté: Well, they are, and there have been modifications required to put them in service. No doubt indeed that they were not fresh out of the assembly line when we got them; I will admit to that, no question about it.

We haven't had any serious safety incidents with these trains at all. There have been some reliability issues, related namely to cold weather and to the functioning of one particular component of the car—those steps. Those cars were designed for high-level platforms, and we operate our network largely on low-level platforms. The steps were not designed for that. Did we recognize that? Believe me, when we visited the cars, just to get up there was a challenge, and we needed to carry our little step box as we were going around. So item number one on the modification list was accessing the train. We didn't think that was a sufficient obstacle to not buy the trains. We made modifications to the steps, which turned out to be relatively problematic, and now we've changed them. And so far, so good.

Mr. Jim Gouk: At least we didn't get them from the same company we got the submarines from.

Mr. Paul Côté: The submarines, no.

The Chair: Mr. Côté, I thank you very much for being here today. We appreciate your candour. Above all, we appreciate your presence here today.

I liked the closing line of your opening statement, where you said you looked forward to working closely with this committee. I want to ask you—and I really don't have to ask this as a question. I'll make it an observation as opposed to a question. I would think this committee will want to see you again, perhaps a couple of times a year now. I can say to you, would you come back if invited, but I don't have to say that, because committees can invite you back, and you know the consequences involved in committee invitations.

Once again I want to say thank you for being here today. I think this is a good beginning to a process that, as I said at the start, is little used and has always existed on paper. You're our test run today, so thank you very much for being here.

Mr. Paul Côté: Thank you very much for your kind words. You can be assured of my cooperation, and I am looking forward to coming back here to talk about my company and our results and our achievements.

The Chair: Colleagues, we're going to suspend for three minutes and invite those in attendance to leave the room as we go in camera to discuss some committee business.

Thank you.

[Proceedings continue in camera]

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