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—
Chair

The Honourable Roger Gallaway

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● (0905)

[English]

The Chair (Hon. Roger Gallaway (Sarnia—Lambton, Lib.)): Good morning. This morning we have as our guests—I will call you guests— from VIA Rail, Mr. Paul Côté, Christena Keon Sirsly, and Roger Paquette. We welcome you

This visit is as a result of a request by this committee for you to appear, and I welcome you, Mr. Côté, to make an opening statement.

Mr. Paul Côté (President and Chief Executive Officer, VIA Rail Canada Inc.): Good morning, Mr. Chairman and members of the committee. Thank you for inviting us here today to talk to you about VIA's performance and business plan.

You've already met my colleagues, Madame Sirsly and Roger Paquette.

As I told you when we met last time, I value these opportunities to discuss VIA. I believe this committee is fundamental to the parliamentary process and a key source of information of the concerns and issues that your constituents have in the field of transportation.

I want to assure you that we are committed to operating in a commercially responsible manner in the public interest of all Canadians. Our goal is to provide top value to our customers for the dollars they spend and the highest possible value to taxpayers for the dollars they invest in rail transportation.

[Translation]

Let me review briefly for you what VIA is and some of the guiding principles underlying the way we work.

We operate close to 500 trains a week, with the vast majority in the Quebec City to Windsor corridor. We also provide transcontinental service and service to regions and remote areas.

Our focus is on meeting the needs and exceeding the expectations of the millions of passengers we serve each year. This constant customer focus has allowed us to make ongoing improvements both as a business and as a public service.

And I am pleased to report that our travellers are pleased with the service we offer. Our client satisfaction rate is extremely high, and we exceed the expectations of more than 40% of our passengers.

We do this by constantly exploring new opportunities to make more efficient and productive use of the resources entrusted to us. To achieve this goal, the key to our success lies in creating an environment where innovation and creativity flourish.

[English]

We take our financial responsibility very seriously. As you know, our operating funding has been set at close to \$170 million for the past nine years. Despite inflation, rising fuel costs, and collective agreements that require salary increases, we have continued to make important improvements to our service while keeping our eye on the bottom line.

We regularly work to eliminate any possible cost that does not have a direct impact on the quality of service we provide. Our customer satisfaction rate is a clear indication that we have done this well.

We are conscious of the fact that as a steward of the Canadian government's investment in passenger rail travel, we have a duty to see that customers and taxpayers receive top value for their dollar.

We also place major importance on social responsibility in our operation. The safety and security of our customers and employees are at the top of our list of priorities. So is environmental responsibility. No major operating decision is taken at VIA without consideration of its safety and environmental implication.

VIA also has a firm commitment to building respectful relationships with all of our stakeholders. We believe that constructive dialogue will create mutually beneficial relations with our partners in the travel industry and in the communities we serve.

● (0910)

[Translation]

One of our most important stakeholders, of course, is our own employee team. In the context of challenging budgets and a spate of negative publicity in the recent past, we have made great efforts to maintain the motivation of our people who do so much to create our positive relationship with customers.

Over the past year, we met 2000 employees face-to-face to help ensure that we continue to make the maximum use of our resources and to maintain the passion for quality passenger rail travel that I believe characterizes our entire organization.

That effort has paid off. Despite the difficult period that we have just lived through, employee attitudes have shown an impressive and positive shift.

[English]

To appreciate VIA's position in Canada's transportation system today, it is important to look briefly at how it has evolved since 1990. In 1990, VIA's total government funding was \$441 million. At that time we earned 29¢ of revenue for every dollar of operating expense. We employed 4,500 people.

Two years after cutting VIA's network in half, the government announced that VIA's annual operating subsidy would be reduced by a further \$100 million. It was originally thought that VIA would have to cut the network even further. Instead we decided to offset the entire funding reduction by generating growth in revenue as well as savings from operating expenses, and by postponing some capital expenditures.

We were faced with a challenge and we met it. We stopped doing anything that did not add value to the customer. Today we remain focused on customer service.

Between 1990 and 2002, VIA succeeded in cutting its total annual operating funding from government by 62%. In actual numbers, that's more than \$250 million a year. At the same time, we absorbed inflation at 30% over that period. Since then, following 2003's sharp decline in revenue, VIA's operating funding requirements have increased to \$185 million, although government funding has remained set at \$169 million.

In terms of cost recovery, we still cover close to 60% of operating costs, which is double our performance since 1990. In terms of employees, we're now down to 3,000. Management and administrative personnel were cut by more than half. At the same time, we saved \$15 million annually by modernizing our collective agreements. We also closed two of our five maintenance centres.

This was all done while modernizing our fleet, expanding and improving our services, introducing new products, and maintaining customer satisfaction. We have done this despite the major events that affected the Canadian travel industry in 2003, which you know very well, primarily SARS.

[Translation]

Before I conclude allow me to review with you our results on some of our key performance indicators.

In terms of cost recovery in 2004, VIA achieved a revenue-to-cost ratio of 59%, up slightly from a year earlier.

Our yield per passenger mile rose while our customer satisfaction levels were incredibly high, almost universal in fact, with more than 40% of our customers saying that we had exceeded their expectations.

In 2004, our total number of passengers rose slightly and if all goes well, we forecast topping the 4-million figure this year.

In one important field — on-time performance — our figures were down last year compared with the year before. On-time performance dropped to 70 percent largely due to the fact that we do not control the infrastructure on which our trains travel. CN is experiencing strong demand for freight traffic and is running longer and longer trains. We are now working very closely with CN on a regular basis

to attempt to minimize bottlenecks and VIA delays and maximize efficiencies for both parties.

• (0915)

[English]

I would like to conclude by stating that VIA believes in the strong potential of passenger rail to meet the changing transportation needs of Canadians today. We demonstrate this belief on a day-to-day basis by providing excellent customer service in the most efficient manner possible. On the important matters of capital investment and government's long-term vision for passenger rail service in Canada, VIA is actively engaged in discussion with the government and will provide its fullest cooperation.

My colleagues and I will now be happy to answer your questions.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Côté. I'm certain there are questions this morning.

We're going to start with Mr. Gouk.

Mr. Jim Gouk (British Columbia Southern Interior, CPC): Thank you, Mr. Chairman.

Thank you, Mr. Côté, for appearing before us. It hasn't been that long since we first had you here to talk to about your vision for VIA. It's nice to see that things are progressing reasonably well. It's certainly good to see your revenue per cost going up so significantly.

I wonder if you could start with a couple of things. I looked at the breakdown of your traffic between corridor, transcontinental, regional, remote, and tourist. I gather the tourist operation was the Bras d'Or operation. Is that what you're referring to where it says, "two tourism trains per week seasonally"?

Mr. Paul Côté: That's correct, sir.

Mr. Jim Gouk: Could you tell me what a regional operation is, as opposed to transcontinental or the corridor?

Mr. Paul Côté: On the definition of regional, I guess the best way to describe it is by going across the system from east to west. Regional services would include the Gaspé service, the Jonquière and Senneterre service, the Churchill service, and the Jasper-Prince Rupert service.

Mr. Jim Gouk: Okay, I just wanted to make sure I was clear on that.

You mentioned that you closed down two of the work yards. So you are consolidating—

Mr. Paul Côté: Two maintenance centres were closed, one in Halifax and one in Toronto. The Toronto maintenance centre was partly recommissioned recently due to increased workload.

Mr. Jim Gouk: I don't expect an answer today, but one thing I'd like to have, if you could get back to the committee—Mr. Paquette might be the person for this—is a general breakdown. When you talk about your operating funding...you know, some areas are obviously more successful. You are mandated to do certain things, so some are more successful than others.

In general terms, without giving us a car-by-car breakdown, I wonder if you could give us, in terms of the corridor, the transcontinental, and the regional remote operations, a relative breakdown of either profit or loss of those operations overall. I assume that the corridor does quite well for VIA Rail and helps offset some of the losses in other areas—just so we can understand the relationship of these things, and where the real mandated expense for VIA Rail is.

Mr. Paul Côté: Sure. I don't know if Mr. Paquette has the document that would speak to that today, but certainly we have a cost recovery table by type of service. We could provide that to the committee, no problem at all, sir.

The Chair: Can you pass it to the clerk?

Mr. Paul Côté: Yes, we will do that.

Mr. Jim Gouk: The other thing you mentioned in your opening remarks was developing a working relationship with others. There are some things that are currently or about to become serious issues for passenger rail in Canada, with the happening of 9/11 and the focus that gave on the aviation industry and the need for incredibly enhanced security. There have been more incidents of terrorist activity internationally in rail post-9/11 than there have been in air. Obviously, more and more attention is going to start coming to passenger rail in terms of safety.

I wonder if VIA Rail has a strategy for what they might need to do, and what their future vision is on security and safety for rail travellers. What coordination are you're doing with other rail travellers in presenting a common front to deal with this issue?

Mr. Paul Côté: That's a good question. Let me start with external relationships and partnerships.

As you know, we're a member of the Railway Association of Canada and we have cooperated and participated in all the different forums, discussions, and planning sessions with them. We've been sharing information with other railways, namely CN, CP, and commuter operations. More recently I participated in two workshops that the Minister of Transport arranged in Montreal and Toronto with other partners, where we exchanged different plans and initiatives.

At VIA Rail, after 9/11 we started the process of a specific risk assessment with international experts on the issue of terrorism and high security. We have worked with the RCMP to develop a training program in our company to increase the level of vigilance of our agents all across the system, on the front line in stations and on trains.

As I said before in my remarks, we take our financial responsibility very seriously, so we have tried to be very focused in the different mitigating measures we've implemented. Some of them include increased police patrols and security cameras in designated areas that have been identified as high risk. We've done quite a bit, and we have submitted to the minister our plans and

requirements. We're waiting for him to outline the plan he's talked about, even at this committee, for what he wants to do to increase security in transportation.

● (0920)

Mr. Jim Gouk: You mentioned the RAC. You've talked to other operators of passenger rail systems within Canada, and presumably other countries as well. Have they formed any kind of united front in coming up with a plan and working together to implement it?

Mr. Paul Côté: I'm not aware of that specifically. Our discussions with Amtrak, to be more specific, have been very helpful. Of course, our situation is relatively different from theirs because they own more infrastructure than we do, as you know well—tracks, bridges, and so forth. They've had budget allocations that we would appreciate receiving, but that's another issue.

We've tried to discuss issues of a comparable nature, namely vigilance of employees, information to passengers, and that type of thing. We don't specifically have a common plan, but we certainly exchange initiatives we've put forward, and they are very similar.

Mr. Jim Gouk: You talked about rail infrastructure and specifically mentioned bridges. Of course, VIA Rail doesn't own them; they purchase running rights from the two national rail operators. There's been a lot of talk of rail safety, particularly with regard to bridges and other things. Does VIA have concerns in these areas about the state of infrastructure they have to run on?

Mr. Paul Côté: We do not have concerns. We have maintained communication with CN. They've assured us that they are honouring their obligations in terms of rail safety and the condition of infrastructure. They keep us informed. For instance, recently Transport Canada and CN had discussions about some safety issues that Transport had highlighted to them. CN shares with us the corrective action plan that they're putting in place, and that's fine with me. I'm satisfied that the infrastructure we run on is safe.

The Chair: Thank you, Mr. Gouk. There'll be lots of time to come back to you.

Madame St-Hilaire.

[Translation]

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

Good morning, Mr. Côté.

We met not long ago. I would have liked it to be as easy to meet with the people from CN or CP, but you're much more available, and I thank you for that.

In your table on funding, I don't know whether it's an optical illusion, but it seems that federal government funding is declining quite sharply from year to year. You can confirm for me whether that's correct. In fact, we noticed that your revenue/expense ratio, growth and ridership are increasing. However, federal government funding appears to be declining.

Are you finding that there is indeed a decline? Do you have any expectations or needs in that regard?

Mr. Paul Côté: A few years ago, government funding was initially fixed at \$171 million, then cut to and maintained at \$169 million. As I said earlier in my remarks, we had ridership problems in 2003. However, those problems were not unique to VIA Rail: tourism in general was affected. At the time, we mentioned to the department that the difference between VIA Rail's cost structure, which was relatively fixed, and revenues created a gap.

However, it was in the order of \$21 million this year. As we speak, we're forecasting that we'll reduce that gap by \$10 million, which we'll fund out of a reserve that we've established over the years. So the government won't have to increase its funding.

As to whether the government should invest more, we'll have to review and talk to it about the scope of services it expects from VIA Rail and substantiate the costs associated with that. Then we'll be able to see whether or not funding should be readjusted.

Recently, in a public discussion in Calgary, the minister told us he was prepared to discuss the future of VIA Rail's rail services. Those discussions are scheduled for next year, probably together with stakeholders.

Ms. Caroline St-Hilaire: You said in your report that, in the past — I don't know whether this is still true — you had on-time performance problems. One of the reasons, I believe, was related to CN and CP. Where do your relations and discussions with them stand?

• (0925)

Mr. Paul Côté: I'm very pleased that you ask the question, since this is another piece of good news. In fact, the situation has vastly improved since our last meeting. At CN, on-time performance will break through the 80 percent barrier this year. We're hoping to reach 81 or 82 percent.

On-time performance has vastly improved in the Quebec City to Windsor corridor. I'm thinking, for example, of services that are probably more familiar to you, such as Montreal-Quebec City, which we discussed at our last meeting. On-time performance is really excellent. I'm talking more specifically about CN trains, since very few operate on CP lines.

There has been a change in management at CN. There has been an adjustment and transition period. The people in position today communicate in a positive, constructive manner, which is generating very encouraging, positive results.

Ms. Caroline St-Hilaire: Do you have any other good news for us about the Dorval traffic circle?

Mr. Paul Côté: Indeed, I would have liked to announce some good news on that subject. If communication and objective exchange are good news, things are continuing in that direction. We haven't yet

decided on the final plan. Recently, Ms. Sirsly and I met with the people from the Agence métropolitaine de transport, the AMT, who viewed the shuttle service objective as an opportunity, and the two can't be dissociated.

Of course, as the minister very specifically mentioned, VIA Rail is not a service that has been selected, or that should be selected, to provide shuttle service between the airport and downtown. However, since the nature of the infrastructure is the same, that is to say its rail infrastructure, our needs have to be aligned with those of the shuttle service.

There has been no specific progress. Discussions are ongoing between the AMT, Dorval Airport and us. Environmental studies have been conducted. Other plans have been put forward, for example, with the stations that would be situated at different locations from those initially discussed. Unfortunately, no final decision has been made for the moment.

Ms. Caroline St-Hilaire: Last time, we discussed studies on high-speed train service between Montreal and Quebec City. Is that underway as well?

Mr. Paul Côté: Earlier, I said that the minister had made a commitment in Calgary recently to talk with stakeholders about the future of passenger rail service in Canada. In the circumstances, I imagine that discussion will take place.

Ms. Caroline St-Hilaire: It's still far from a reality.

Mr. Paul Côté: Yes, it's far from a done deal. However, taking the optimistic view — and I'm an optimist — it's good news to know that the government and the various stakeholders are ready to discuss these matters in order to put forward various options.

• (0930)

[English]

The Chair: Mr. Julian.

[Translation]

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chairman.

Welcome, Mr. Côté. It's a pleasure to speak with you today. I found the presentation very interesting.

You talked about passengers. How many passengers have there been since 1990? How did passenger numbers change between 1990 and 2004? That's an important factor.

Mr. Paul Côté: If you look at the table here, you can see a line indicating changes in ridership.

Mr. Peter Julian: That shows percentages, not numbers.

Mr. Paul Côté: For the exact number of passengers, as I said in my last remark, this year, we expect to exceed four million passengers. I don't remember the number for 1990. Perhaps Roger could find that in his papers.

Mr. Roger Paquette (Chief Financial Officer, VIA Rail Canada Inc.): There were 3,458,000 passengers in 1990.

Mr. Paul Côté: So it's rising.

Mr. Peter Julian: And this year, there were more than four million?

Mr. Paul Côté: We hope to go over four million passengers this year.

Mr. Peter Julian: How many were there in 2004?

Mr. Paul Côté: There were 3.9 million passengers in 2004.

Mr. Peter Julian: All right. That's interesting. Thank you very much.

[English]

I want to come to the issue of capital funding. I'll link it up, because you mentioned an improvement in on-time performance in 2005, but we've clearly seen a certain decline in on-time performance in 2002, 2003, and 2004. Is that linked to the ongoing problem around capital funding? What's your evaluation of the capital funding needs of VIA Rail to adequately do its job?

Mr. Paul Côté: Clearly, the on-time performance problems we experienced in 2003, more specifically, and 2004 were related to the infrastructure management over which our trains operate. To appreciate it, I think we need to look at the CN picture, because this is the network over which we operate.

CN has made some significant changes in the way it operates its business. They operate more scheduled trains and they operate longer trains. The infrastructure over which these trains are operated and over which we operate was not at all times and in all locations adjusted or designed to accommodate longer trains. Thus, when confronted with a decision regarding priority of passage, a dispatcher would have no choice but to put the VIA train into a siding and let the freight train go, which would affect our punctuality.

We've had many, many discussions with CN on that. They have made adjustments to their infrastructure. Montreal is a very good example. It's a very busy piece of infrastructure for CN because it's their link to eastern Canada and central Canada. They have made adjustments. They've invested in longer sidings and in passing tracks, allowing our on-time performance to go significantly higher.

As I said slightly earlier, I'm very happy that the on-time performance on that service and others has improved, but clearly, on a longer-term basis I think we have an understanding with CN that investment in infrastructure for sustained growth and sustained improvement in on-time performance will be required because their business grows.

The extent of the investment is a subject of discussion, because it's a complex issue, given the nature of it. We need to have discussions with them to quantify it—first, where and to what extent it is required, and then how much is required.

Mr. Peter Julian: How do you define on-time performance? What's the margin?

Mr. Paul Côté: In the corridor, we define it as trains that arrive less than 15 minutes outside their scheduled arrival times. If you're at 14 minutes, we consider it on time. On the longer-distance trains like Montreal-Halifax and other transcontinental trains, it's 30 minutes, but it's 15 in the corridor, so if you're 14 minutes outside, you're on time.

Mr. Peter Julian: Getting back to the capital funding issue, I'd like to hear your evaluation of the capital funding needs.

Mr. Paul Côté: In the corporate plan summary that you have seen, we have outlined, although not requested approval of, what we anticipate or think the investment in infrastructure requirements would be. For the period of the current plan, 2005 to 2010, if such infrastructure had to be approved, it would be \$408 million. They are spread out mainly, of course, in the corridor, where the large traffic demand is anticipated.

That would be the issue, but we need to define those in the context of what I said earlier about the minister's desire to have a discussion on the long-term vision for passenger rail. What do we want to do with this business? How does it coexist with the freight operators? Then we'll be more specific.

● (0935)

Mr. Peter Julian: Would the \$408 million apply to the existing network?

Mr. Paul Côté: It's all existing network, but it's to improve infrastructure and deal with bottlenecks; it's to improve access in terms of passing tracks and longer sidings in some very specific areas, like Coteau and Oshawa and places like that.

Mr. Peter Julian: How about rolling stock?

Mr. Paul Côté: Rolling stock is a different picture. We have quantified our requirements for rolling stock at \$305 million. Mainly, in this particular case, it's refurbishment of locomotives and refurbishment of cars. It's not acquisition of new equipment, which would be substantially more expensive, but refurbishment of the existing fleet.

Mr. Peter Julian: If we take rolling stock and the infrastructure, we're looking at capital needs of about \$700 million?

Mr. Paul Côté: That's right. It's \$700 million. You add to this some station improvement requirements and so forth, but as I said, these are outlined in the summary of the 2005 plan. They were not submitted for approval. They were there for information and reference for future discussions.

Mr. Peter Julian: Do I have—

The Chair: You have one minute.

Mr. Peter Julian: I have one more minute.

That's for the existing network?

Mr. Paul Côté: That's right.

Mr. Peter Julian: It would not include the restoration of services that were cut?

Mr. Paul Côté: That's right. Exactly, sir.

Mr. Peter Julian: Is VIA currently looking at additional services, the services that were cut in the past?

Mr. Paul Côté: At the present time, no. But we would be open to look at initiatives.

I say no because we specifically are not. But we've been asked in some areas to look at and discuss the possibilities of reimplementing some services, namely in New Brunswick, for instance. The provincial minister of transport in New Brunswick has asked, and has had discussions with us, relative to reimplementing some services that were cut.

But we don't have any formal plan that you would find in our business plan in terms of restoration of services.

The Chair: Thank you, Mr. Côté.

Thank you, Mr. Julian.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Thank you.

Welcome, Mr. Côté.

I have some similar questions. One of the questions I wanted to ask is whether the services that were cut were primarily the unprofitable ones, or the least profitable lines.

Mr. Paul Côté: They were certainly not profitable. Were they the least profitable? I think it would be a generalization to say that, because one of them, the south line in western Canada, the CP line between Calgary and Vancouver, was not necessarily profitable at peak times but was close. It had higher yield numbers than other rails.

But generally speaking, they were not profitable.

Mr. Don Bell: Okay.

I had some questions on page 18 of your deck, I guess it's called, on the Renaissance capital investment program. What is waste management on older cars, for \$20 million?

Mr. Paul Côté: Waste management is insulation of retention tanks for toilets.

Mr. Don Bell: Oh, okay.

Is a new car of rolling stock a little over \$1 million a car, if you have 106 cars for \$165 million? Is that correct?

Mr. Paul Côté: Yes, those are the Renaissance cars, the recent acquisition in 2001. That acquisition is a special case; as you probably know, the Renaissance purchase was a very good deal the government made for the country. The price was right—a very, very good price. Normally passenger cars would range in the neighbourhood of \$3.5 million to \$4 million, so these were attained at a much cheaper rate, at about a third of the cost, because of a special situation at the time.

• (0940)

Mr. Don Bell: So all of these have been acquired? These are in the past?

Mr. Paul Côté: They are in place. We operate those trains now, yes.

Mr. Don Bell: And it's the same with your locomotives, where you're looking at about \$4 million a locomotive, are you?

Mr. Paul Côté: That's correct. They are in operation; they have been acquired now.

This page of the deck is a summary of what has been spent.

Mr. Don Bell: What is a locomotive prototype?

Mr. Paul Côté: When I was answering the question about capital requirements for the future, clearly the acquisition cost of a new locomotive would be much higher than refurbishing existing fleets. So what we're doing at the present time is prototyping exactly that, or prototyping the refurbishment of one of our locomotives. We've signed the contract, after a tendering process, with a supplier, who's taking this locomotive apart and rebuilding it with new environmental features and new operating features, and so on. So that's what it is: it's exactly a refunded prototype project.

Mr. Don Bell: So you're doing one to see how it works out?

Mr. Paul Côté: Exactly.

Mr. Don Bell: I see.

What would be the cost of that in terms of a project like that? I presume the refurbishment of a locomotive would have to be substantially less than a new locomotive.

Mr. Paul Côté: It's about \$3 million now. Those costs that you see are for the acquisition of locomotives four or five years ago. I think the price of a new locomotive is probably over \$5 million now, so there is a significant gain there.

Mr. Don Bell: You referred somewhere to the 12 plagues. What were the 12 plagues? I know about SARS, but—

Mr. Paul Côté: Oh, in 2003? Well, we had SARS, we had forest fires, we had floods, the hurricane, the power blackout, and stuff like that.

Mr. Don Bell: Sorry, I thought it was going to be an apocalypse.

Regarding the on-time question, you hit 68% to 70% last year, but when you have delays in your service, what does that do to your...? You talked about the interconnectivity with other private services, connections with either other rail lines or other intermodal... What does that do to connections with flights and things like that?

Mr. Paul Côté: It's a very bad situation. It's quite a good question.

We've had many discussions, and it's a challenge to maintain good relationships with partners when you don't honour your side of the deal. More specifically, big buyers like tour operators, who purchase quite a bit from us—particularly in western Canada, where they have packaged tours as one of the ingredients... If you're three, four, or five hours late going into Jasper from Vancouver, or from Toronto, and you're missing your land transfers and and so on, it's very significant. When these types of customers walk away from us, they walk away with a significant cheque. Some of them generate \$700,000 or \$800,000 of revenue per year. When they walk away, or threaten to walk away, it's a serious issue.

It's the same thing with other partners, the WestJets or the bus connections, as with Brewster in the west. So we're very concerned.

This is the type of issue we bring to CN when we talk to them. By definition, they don't operate in this environment. We have to bring this forward and say to them, consider the consequences and appreciate the consequences for us. We don't make money. We don't make profit. So when these types of things happen, they have significant impact on us.

Mr. Don Bell: Again, to clarify—I think Mr. Julian raised the question—you're saying the primary problem with this issue is the increased usage by CN of their own tracks, by virtue of longer trains and more frequency in their runs.

Mr. Paul Côté: That's correct.

Mr. Don Bell: So it's not something you can do anything about. In other words, it's not a newer fleet; it's nothing like that. Basically the problem is that you get pulled off to a siding when you have a longer train coming by, and those are your delays.

Mr. Paul Côté: That's right. Our discussions with CN are to the effect of signing up a contract and agreement that reflects the requirements of their business and our business. As you said, our line would be when you sign this document, it's a scheduled operation. Then the obligation is to honour it. If you can't do it, then the design is wrong from the start. Identify it, and we'll make adjustments. That's where we see some significant improvements in communication with them.

Mr. Don Bell: From my own knowledge, I gather the other issue is your reduction of employees, which has been quite dramatic. I presume that's been through both attrition and the actual layoff from the closing of facilities, has it?

• (0945)

Mr. Paul Côté: In 1990, when we had to reduce the network by 50%, clearly it had a major impact. Number two, as I mentioned in my remarks, we have modernized our collective agreements over time. That resulted in some productivity gains in the company. So without affecting service, without affecting the quality of service or the network design, we've been able to operate with fewer employees.

The Chair: Thank you, Mr. Bell.

Mr. Gouk.

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

Mr. Côté, there are a number of things. When you first came before us, I said that I wanted to give VIA an opportunity to plan ahead and show us what you could do with your coming in with some fresh ideas—notwithstanding the fact that you've been a part of VIA for a long time, you didn't have the control—and that it would be refreshing to see someone who rose within the ranks.

However, there obviously have to be some subjects we'll disagree on from time to time. I want to go on record with one right now, based on something you said to Mr. Bell, and that's the incredible value of the Renaissance, or Alstrom, trains. I have to go on record as disagreeing with you. I don't think it was a great value or a great deal for VIA.

People should understand that these cars were built by a company called Alstrom for the British rail system. The British rail system's needs changed, and they managed to get out of the contract by pointing out that these cars did not come up to British rail standards, which are considerably lower than Canadian standards—which is why you've had to spend so much money on them, having bought them.

They sat for 10 years after they were built—great shades of British submarines. Then VIA came along and made those purchases. They were on the verge of considering scrapping them out in order to get some salvage value out of them.

In terms of the Canadian car value comparison, yes, it's quite a bit more money to have a Canadian-built car. But had those cars been built in Thunder Bay by Canadian workers to Canadian rail standards—they're a different size and configuration on a per-seat basis—the price comes much closer together when you add on all the costs and delays of putting them into operation.

I'm not faulting you personally, because you weren't in charge. Decisions were made for a variety of reasons, some of which I'm probably not privy to. There's a lot more to it than straight value for goods. I did not then, and I do not now, consider the Alstrom cars a good value for CN.

With regards to the operation, I understand very well the other problem that was raised for VIA Rail: operating on CN track and the amount of frequency CN requires now. They obviously take into consideration the economic picture. They get so much money from VIA. It is revenue coming in for them, but they have to weigh this against any interference that might have for their operation.

In terms of the rates VIA pays to CN, would I be correct in saying it is probably in the range of 20% of the commercial market value from what other operators would pay running on the same track at similar times?

Mr. Paul Côté: I can't answer this question specifically. I would have to look into it in more detail.

Mr. Jim Gouk: Okay. It's my understanding that it's approximately 20%, or perhaps even a little less, that VIA pays.

So obviously from CN's perspective that's going to be a factor, which is why you're then trying to project some capital requirements for additional sidings with CN's infrastructure to bring yours up. Basically, it would be a capital cost offset of an operating cost that you're not paying by way of your greatly reduced running rates.

Just to go back to the some of the problems that VIA probably faces right now, you mentioned SARS and the hurricanes and everything else, but fuel costs have to be a huge factor. I have some general understanding of how much fuel a locomotive consumes. In terms of ticket prices, the airlines have gone to surcharges. Has VIA looked at surcharges in terms of their fare price?

Mr. Paul Côté: Yes, we've done two fare adjustments in the last six months. One was done sometime this summer, around July, and we've just implemented a new adjustment specifically to deal with fuel costs.

• (0950)

Mr. Jim Gouk: Does that go as a blanket adjustment on the fare rather than as a fuel surcharge on top of it?

Mr. Paul Côté: Yes, and it stays within the base.

Mr. Jim Gouk: Okay.

You also mentioned, and I started to speak of this before, a consolidation of your maintenance yards. Obviously that would result in greater use of the capacity of the existing yards.

I understand there's an operator in Vancouver that used to get maintenance work done, and you no longer accept them for maintenance work. Is that because by consolidating your maintenance yards you no longer have enough capacity to look after your own needs and contract out as well?

Mr. Paul Côté: No.

Ms. Christena Keon Sirsly (Chief Strategy Officer, VIA Rail Canada Inc.): It was our understanding that the Great Canadian Railtour Company Rocky Mountaineer wished to change its operation. As a result of that, we no longer do their maintenance. But we do maintenance for West Coast Express, as an example.

So we do continue to submit on work for third parties, as long as it fits in with the operation of our maintenance facility.

Mr. Jim Gouk: Obviously you have to look at your needs first. It would be foolish to not do so. But in the case of Rocky Mountaineer, I understand that, yes, they did change their terminal because of concerns about congestion and priorities and everything else coming in, but they have no maintenance facilities of their own whatsoever and still wish to continue that. But VIA either couldn't or wouldn't continue that contract—for whatever reason, I don't know.

That's why I'm asking if it was a matter of capacity in your maintenance yard.

Mr. Paul Côté: I would have to check for the conditions that led to this situation, and I can get back to you, if you want.

Mr. Jim Gouk: Okay, that would be good.

The Chair: This is the last question.

Mr. Jim Gouk: I have a really long one. Maybe I'll save it for the next time around.

The Chair: Then we will move to Mr. Hubbard. There's lots of time yet. Don't worry.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

Good morning.

First of all, dealing with security, questions have been asked already on that, but can we really expect that security is up to the standards that you would hope for, or do you have a great deal more to do in terms of ensuring that we don't run into problems like they had in Spain, in Japan, or in other countries with terrorists or people who might want to do something?

Are you confident? Are you satisfied in terms of saying to our travelling public that there is good security, or do we have more work to do?

Mr. Paul Côté: Mr. Hubbard, I would say absolutely yes to that. We've taken what we believe are the appropriate measures to ensure to the degree possible that passengers and employees work or travel in a very safe environment.

There's no question it's a huge challenge in the type of business we're in to guarantee full security. Our system is different from the airline system. People can board at intermediate stations and so forth. But we believe that what we've done and the efforts we've made in conjunction with partners in the industry ensure a secure environment for employees and customers.

Hon. Charles Hubbard: Is there a person responsible? For example, I would think that conductors and those who are receiving passengers onto trains would have some training. Is there a person designated to make sure these people are trained to the standard that—

Mr. Paul Côté: Sure, absolutely.

Hon. Charles Hubbard: Who is in charge of your security program with VIA?

Mr. Paul Côté: Our chief operating officer is in charge of our security program.

Hon. Charles Hubbard: And that chief operating officer is who? What is the name of the chief operating officer?

Mr. Paul Côté: John Marginson. He is responsible for this and he has coordinated with the security department the programs that I mentioned before, namely, the RCMP program. He is coordinating and sitting on committees with the Railway Association of Canada, and he's had discussions with Amtrak. So he's the person coordinating our efforts.

Hon. Charles Hubbard: Moving on to another topic in terms of opportunities, today more and more of the travelling public is getting very frustrated with air travel because of the complexities and the time it takes, for example, to go from Montreal to Ottawa, or even from Ottawa to Toronto. In terms of VIA Rail, you're really offering almost a comparable amount of time that's required. Certainly in terms of VIA, it is a much more comfortable way to travel, because there's greater flexibility. You can do work; you're not crowded. You hear business people speaking of that.

What are the problems in perhaps reducing the travel times from Ottawa to Montreal or from Ottawa to Toronto so that you would gain passengers? What obstacles do we have?

We know that from here to Montreal takes roughly two hours. The train, I would certainly hope, could travel a bit faster than it already does. Maybe you could cut that down to an hour and a half or an hour and 20 minutes; or maybe to Toronto, rather than four hours, cut it down to three, which would be very competitive. What are the impediments to your trying to increase the travel times in these and probably other constituencies too, where we should get improved travel time?

• (0955)

Mr. Paul Côté: There are two criteria: one is capacity; one is track design to allow for speeds that could reach 100 miles an hour. That's the top speed allowed in Canadian railway operations.

Over time, we've invested in an infrastructure to do both things. One is to increase speed and the length of tracks over which we can operate at 100 miles an hour. The second is investing in infrastructure so that the high level of traffic that you have can be handled and can be on time. It's fine to have all sorts of trains in the infrastructure, but they have to arrive on time and operate jointly.

So this is what we've been attempting to do. This is the direction we continue to go in, but it requires investment. This is the type of demand that we would make of government.

Hon. Charles Hubbard: How much time do I have left?

The Chair: One more question.

Hon. Charles Hubbard: We will have one more round, I would think.

The Chair: Absolutely, we've got another hour.

Hon. Charles Hubbard: Thank you, Mr. Chair.

With safety and with derailments, there are people who express concerns about track conditions, number one. There have been a lot of minor derailments and some major ones, not necessarily with VIA. I guess you could call some slippages, where cars might simply slip off the track at low speeds, and we also have derailments at higher speeds which cause personal injury and property damage. In terms of your records, for example, in the year 2004 how many in each category would you have had—slippages at low speeds, maybe just a car going off the track, or secondly, collisions, upsets, or going off the track at, we'll say, more than 10 or 20 kilometres per hour?

Would you have any statistics on that?

Mr. Paul Côté: We certainly have some. I don't have them with me, though, Mr. Hubbard.

With your permission, Mr. Chairman, I will take this under review and submit this to the clerk.

The Chair: Okay, thank you.

Mr. Gouk, and then Mr. Julian.

Mr. Jim Gouk: Thank you.

One of the things you put in your written presentation is a breakdown of your network by regional trains, transcontinental, corridor, and so on. On the transcontinental, when an airline goes we get direct flights that go from one end of the country to the other. Then we get what's euphemistically known as milk runs, where they fly from here to possibly somewhere in Ontario, then to Winnipeg,

then to Saskatoon, and work their way across, which would hardly make them a transnational flight.

In the case of the transcontinental, obviously it makes a lot of stops, I assume.

I shouldn't say I've never taken it. I've never taken it since it was under VIA. I took it away back when it was CP Rail.

How many people, of the people who travel on what you term as the transcontinental, would be actually transcontinental passengers? What is the percentage roughly, as opposed to someone who gets on at one station and rides to the next one, on the transcontinental train?

Mr. Paul Côté: Do you mean in the west?

Mr. Jim Gouk: Overall.

Mr. Paul Côté: It varies quite significantly, and by season as well. Clearly, in the summer season we have a higher percentage of people who go part of the way, to Jasper and so forth, although we've developed the end-to-end traffic quite significantly.

I would have to go back to our numbers to give you a breakdown—I'm sure we must have it—of long hauls versus intermediate by type of service, namely the Ocean in the east and the Canadian in the west.

• (1000)

Mr. Jim Gouk: For the summer operation, when you do the breakdown of your Vancouver-Jasper operation, you don't really talk in terms of passenger rail versus other types of rail, but rather of the transcontinental corridor. But you specifically mention tourism, in a very limited amount, in the Bras d'Or area.

Would you call your operation in the summer, when you get heavier usage, say from Vancouver to Jasper, part of the transcontinental still, or would you call it tourism? Would it be more readily defined as a tourist operation?

Mr. Paul Côté: I'm happy you asked this question. Clearly we have a mandate to operate transcontinental services and intercity services, and we continue to do that year-round. Tourism is a fast-growing market segment. Our trains are very attractive, and tourism organizations want to see the Rockies and want to travel on our trains. In the summer months there's a high demand for this. We accommodate them but maintain, nevertheless, accommodation space on our trains for people who are travelling intercity—travelling in between—to respect the basic mandate of the company.

Mr. Jim Gouk: I understand that.

Mr. Paul Côté: We continue to qualify it as a transcontinental train, but during periods of the year when tourism demand is high and comes to us, we accept the tourists, because they generate high yield and help us reduce our government funding requirements.

Mr. Jim Gouk: VIA interfaces tremendously with the private sector—other rail operators, and others as well. I know VIA recently looked at the possibility of expanding their summer operation, Vancouver to Jasper, and I'm sure you felt it would be good for VIA, as you just expressed it, in bringing in additional revenues, and so on. Unfortunately, from VIA's perspective, it was not approved.

Would it help everyone, VIA included, if there were some better definitions and guidelines for the interface of VIA and the private sector in terms of what is expected of each, what the responsibilities of each are, and what protections would be provided both to VIA and the other operators when they fulfilled the mandate they've expressed and that has essentially been approved, so that they would be given some level of protection within their own mandate to carry on and not be blindsided? In your case, when you express a need or desire to do something and get approval to do it, somewhere down the line you may get into some problems because you're doing the very thing you expressed and got approved for. Would it be helpful if that framework were developed so that everyone knew where they stood?

Mr. Paul Côté: Mr. Gouk, as I mentioned earlier, I was encouraged to hear the minister, when he spoke to this public forum in Calgary, express his desire to have a discussion on the long-term vision for passenger rail. More specifically, of course, at that time he was thinking of VIA Rail, because that was the subject of that particular intervention.

However, I know this would be an opportunity to address precisely what you are describing: what exactly the relationship is, who plays what role, and how each player can be given the opportunity to fully develop its potential in the context of industry development and growth—not specific, individual requirements, but the industry's—and develop partnerships that would go beyond simply rail.

Clearly I was encouraged when I heard this. We are quite willing, and we will participate actively when this happens. I think it will achieve exactly what you've been talking about, not only today but before.

Mr. Jim Gouk: Just so we understand, I would never for a moment suggest that one private sector operator should be protected against another. They should each compete on a level playing field, and that's fine. But someone in the private sector shouldn't encroach on stuff VIA has been mandated to do, but suddenly finds encroachment upon when you have done some long-term capital planning. Likewise, this principle should go in the other direction as well. I think it would be good for all players if we could develop that kind of framework.

Mr. Paul Côté: I agree.

The Chair: Thank you.

Mr. Julian.

Mr. Peter Julian: Thank you very much, Mr. Chair.

I'd like to briefly come back to the fuel cost increase. You mentioned that you've increased ticket prices twice. On what basis did you do that? What was the percentage increase generally? How did you structure that increase to ticket prices across the country?

•(1005)

Mr. Paul Côté: Fact number one was to assess the immediate impact to the bottom line of the increase to the fuel we were buying and the anticipated future increases. We quantified that, went to the revenue base, and projected or deducted a certain percentage that was required to be adjusted so that we could recoup. We did the first adjustment, and of course fuel prices then continued to go up, and we had to do another one, which we've addressed. The exact percentages were 2% and 1.5%.

Mr. Peter Julian: It was a 2% increase right across the board.

Mr. Paul Côté: Yes, it was right across the board. As I said before, we don't treat it as a surcharge per se, in that you don't see it as a different or independent element, and it's included in the fare base. It's 2%, and then 1.5%, and then there are other adjustments.

Mr. Peter Julian: Do you feel that the net impact by the end of the year will be zero, and the fuel cost increase would have been offset by the 2% and 1.5% increases?

Mr. Paul Côté: Exactly, and in 2006, given what we know now. If the price of a barrel goes way up, of course, we'll have another review. But for the current plans and assessments, we will recoup that particular increase in costs by these fare adjustments.

Mr. Peter Julian: What was your projection on the reduction and usage, given the increase in ticket prices, or did you perceive none?

Mr. Paul Côté: None.

Mr. Peter Julian: In monitoring the situation, have you seen any reduction?

Mr. Paul Côté: No, none. We're not the only ones moving; everybody else moved.

Mr. Peter Julian: Fair enough.

Mr. Paul Côté: It's more expensive to travel by air, and it's more expensive to put fuel in a car. We're following it, and we've honestly seen no attrition or diversion.

Mr. Peter Julian: Thank you.

The next question is on track usage around the country. You mainly use CN rails. I think that there are exceptions in a couple of regional cases. What is the cost of track usage per passenger in those regional cases compared to the cost of CN track usage?

Mr. Paul Côté: It's all the same.

Mr. Peter Julian: It's the same agreement.

Mr. Paul Côté: It's the same agreement. It starts with the base agreement that was established years ago with CN, as well as CP. These agreements have carried on, and the rates are the same regardless of the area of operation. These agreements come to term at the end of 2008. We're gearing up to renegotiate those, and CN is too.

Mr. Peter Julian: What are the other companies?

Mr. Paul Côté: CP is the main one between Sudbury and White River, with a small part in the Vancouver area. I believe that it's RailAmerica on Vancouver Island. We have a company called OmniTRACS in northern Manitoba.

Ms. Christena Keon Sirsly: We have RailAmerica and GEXR.

Mr. Paul Côté: GEXR is a small operator in southwestern Ontario.

[Translation]

There's the Chemins de fer du Québec.

[English]

It is a conglomerate of different companies named:

[Translation]

Chemins de fer Baie des Chaleurs, Chemins de fer du Québec, New Brunswick East Coast Railway.

Mr. Peter Julian: Les Chemins de fer du Québec - is that for the Gaspé region?

Mr. Paul Côté: Yes, it's the Gaspé and northern New Brunswick region.

Mr. Peter Julian: From Rivière-du-Loup?

Mr. Paul Côté: From Rivière-du-Loup, yes.

There are various companies: Bas-Saint-Laurent, Baie des Chaleurs and New Brunswick East Coast are the three main lines.

Mr. Peter Julian: So you'll have five companies with which you'll be required to negotiate starting in 2008?

Mr. Paul Côté: That's correct.

Mr. Peter Julian: Do you anticipate any difficulties in that regard?

Mr. Paul Côté: Negotiations are negotiations. This is a partnership, so I'm sure the railway companies have expectations. We have criteria to meet. We're going to undertake these discussions in an objective perspective, and we'll see where that leads us. I'm going to trust them, and they're going to trust us. We'll see.

I can't anticipate and be negative. I'm an optimist by nature. I'm not starting this thinking we're going to have problems.

[English]

Mr. Peter Julian: I'd like to come back to potential new routes for right of passage.

• (1010)

The Chair: This is your last question.

Mr. Peter Julian: Right of passage for Canadians is travelling through the southern passes, the original transcontinental railway, and I've been fortunate to do it a number of times, going from Halifax to Vancouver. A southern route hasn't existed from Winnipeg through to Vancouver for over a decade now. My understanding was that VIA has made an application to restore that southern route service. I'd like to get a sense from you on where you see the restoration of that particular service going.

Mr. Paul Côté: It's been a part of the company's plans for a number of years. For a partnership, it takes two at least. We've made requests of Canadian Pacific to go back on this line; Canadian Pacific has advised us they can't accommodate us, so we have decided to leave this initiative aside for the time being, until conditions change.

The Chair: Thank you.

Mr. Bell is next.

Mr. Don Bell: Thank you.

You're going to provide some details in response to an earlier question, but generally your most profitable lines are what—more or less what amounts to transit lines?

Mr. Paul Côté: The intercity lines are in the triangle we call Montreal-Ottawa-Toronto. In Montreal-Toronto you see the highest percentage of cost recovery, which you'll see when we provide you with the numbers. If we segment the transcontinental operation in the west, you would see that the mountain segment, as we call it—the Edmonton-Jasper-Vancouver segment of it—is generating a positive contribution, particularly in the peak summer months, but of course it always has to be looked at in the context of my earlier answer to Mr. Gouk. The service is not a separate service, an Edmonton-Vancouver service. It goes all the way to Toronto. We have to be careful when we address that.

Mr. Don Bell: The other question is the accommodation of persons with disabilities. I gather there have been some issues in that respect. Can you tell me how you fare in that area?

Mr. Paul Côté: I must say that I sit here very proud of what we've accomplished since the company existed. I've been part of VIA from its very first day. I was involved in this particular issue of dealing with passengers with disabilities from the start. Our track record speaks for itself. It's a very positive track record. We have done tremendous initiatives and improvements in providing accessibility of our services to this market segment, this group of passengers.

Yes, lately we've had an issue relative to the new equipment we bought. One group challenged us. As you know, we can't comment any further on this because it's in front of the courts. It's still not settled. The Supreme Court will render a decision soon. Overall, I must say I'm very proud of the record of the company on accessibility issues.

Mr. Don Bell: The final question I have is in terms of the modernization of the fleet. You made a statement here that in effect you've completed what you consider to be the modernization of the fleet and you've reduced the size by one-third. Is that correct?

Mr. Paul Côté: I'm sorry, sir, you said...?

Mr. Don Bell: In here you made reference that you had modernized the fleet and you had reduced it by one-third.

Ms. Christena Keon Sirsly: That was after the cuts in 1990.

Mr. Don Bell: I guess VIA met the challenge. You completed the modernization of the fleet and reduced the fleet by one-third. It's on page 8 of your deck.

Mr. Paul Côté: That was to reduce the fleet by one-third. Yes.

Ms. Christena Keon Sirsly: This was subsequent to the network reduction in 1990. As a result of the change in the nature of our service, we were able to retire some of the older equipment in our fleet. It had a positive impact on our cost of maintenance and it had a very positive impact on our reliability. In 1992 we completed the refurbishment of the stainless steel fleet that we use in western Canada. This project had started in the late 1980s, and we completed that project in the early 1990s.

Mr. Don Bell: Then in terms of the fleet itself, what are your needs for refurbishment going forward?

Mr. Paul Côté: The immediate refurbishment requirements are twofold. One is for the locomotives. That's a separate issue. In the current LRC fleet, we have 197 cars. We've had these cars now for 23 or 24 years. These are the cars we would be refurbishing.

Mr. Don Bell: So you're not replacing them; you're just refurbishing.

Mr. Paul Côté: That's right, refurbishing. The cost of replacement would be ideal, but it's just too expensive.

• (1015)

Mr. Don Bell: What would the ratio of refurbishment to replacement be? A refurbishment would cost what? A replacement, you're saying now, is \$3 million—somewhere in that range.

Ms. Christena Keon Sirsly: We expect the refurbishment will cost close to \$1 million a car. That will allow us to modernize our systems, replace our systems, and make the car much more modern—make it a modern car for this century.

The Chair: Mr. Gouk.

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

This is probably going to wrap me up.

There's something I'd like to know. I can envision that if VIA's corridor operation simply ceased to exist—not sold off, but simply ceased to exist—there would be tremendous impact on passengers in this area. I don't know if the airlines could handle it, and there would be the congestion it would cause and the problem for people who have to go back and forth. It would be likewise with remote areas where it's a captured system, where VIA provides a very necessary service.

I'd like, Mr. Côté, for you to tell me what you feel the impact would be on Canadians if there were no transcontinental, if it just simply stopped operation.

Other than not being able to experience that particular nostalgia and the rail tourism aspect, what other negative aspect would there be for Canadians?

Mr. Paul Côté: I think it would take away the opportunity for people who travel intercity on segments of our transcontinental operation; they're still using it. It would be wrong to think this train is only a tourism end-to-end type of train. There are a number of people who travel on it, and we will provide you with a breakdown on that. It would be taking this away from them.

The impact would be similar to what you saw when the 1990 services were reduced in similar areas on different lines. You observed, I'm quite sure, the reaction at the time. It would be taking away services to Canadian taxpayers who have it now, as it did in 1990.

Mr. Jim Gouk: So you're talking primarily about intercity travel, even though it's on the transcontinental going from Regina to Saskatoon—I'm not sure of the exact towns, but that type of thing.

Mr. Paul Côté: That's one aspect of it. And I'm sure that in the tourism industry, the absence of a train like the Canadian in western Canada as a mix and a component, an element of the tourism offered in western Canada, would be significantly noticed.

Mr. Jim Gouk: If that were to happen, those concerns notwithstanding, some of your equipment is probably very specialized for that alone, but I would have to assume that some could be integrated into the other parts—the best parts, in some cases, could be integrated. So a lot of what would be retired would be the portions of your equipment, your rolling stock, that may be in need of refurbishing or replacement to some degree.

Mr. Paul Côté: No, actually, if that scenario were to unfold—and I hope not—the equipment used on the Western Transcontinental train is the fleet that Madame Sirsly talked about before, the stainless steel equipment we refurbished in 1992. It's highly specialized for this type of service. Given the fact that we now operate an overnight train in eastern Canada with the Renaissance equipment, that fleet, other than our reassigning part of it, let's say, to a service like Churchill, would have no use at all in the current design of the operation.

Mr. Jim Gouk: Just as a final note, I heard you make reference to the follow-up that is going to be done with regard to the system breakdown in terms of profitability.

You were also going to get back to me through the clerk, I presume, on the maintenance thing with Rocky Mountaineer. You might check specifically with someone named Peter Casement, who works for Rocky. I was told—and I'm not taking sides; I'm just saying this is for you to check—that when Rocky informed VIA of the move out of the VIA station for passenger purposes, this individual was told that VIA would no longer perform maintenance for Rocky in both Vancouver and Jasper.

This is just a reference point for you to check.

Mr. Paul Côté: I will do that, sir.

The Chair: Mr. Hubbard.

Hon. Charles Hubbard: Getting back to the Renaissance fleet that Mr. Gouk displayed some criticism of, it's my understanding that while you refurbished the cars, the original fleet—and some of those cars may look like stainless steel and so forth—those cars really are 50 to 60 years old, right?

• (1020)

Mr. Paul Côté: That is correct.

Hon. Charles Hubbard: They certainly were upgraded and compete very favourably, really, with the Renaissance, in terms of what I hear passengers say. I know you've made some changes to the Renaissance fleet, but air quality in a lot of the rooms is still a concern—whether or not passengers can control the air in those cars.

Have you had complaints on that, or is it something I've heard that hasn't come to your attention?

Mr. Paul Côté: No, it has come to our attention, as other issues have come to our attention, which is not unusual when you implement a new fleet. Design is design, and implementation is another issue. We are trying to address them in priority order. The issue about air quality and air circulation in the room, including noise and the ability to control, is an issue we are addressing.

Hon. Charles Hubbard: As for your relationships with all the different lines, not only CN but the short lines, they have certain safety equipment to look at the possibility of difficulties with trains in terms of their running gear. Do you have good relationships? How long would it take? If there was a hot box, we'll say, going by a certain centre, how long would it take them to notify you that you had a problem with car number six on a certain train or whatever it might be? Is it almost immediate?

Mr. Paul Côté: It's as quick as it would be for their own operations. We operate on the same communication system. If there's a problem detected with our equipment, it comes to the attention of the dispatcher, who relays the information right away in priority to the locomotive engineer so the particular train is stopped under control. Our control centre is next to be advised, and then it follows the internal communication stream.

Hon. Charles Hubbard: So really, in terms of your computer arrangements and software with the various suppliers of track, there is a very good computer network, and within a matter of minutes, almost—

Mr. Paul Côté: No problem with that. I have absolutely no concern about that at all.

Hon. Charles Hubbard: No concern about that?

Mr. Paul Côté: No, sir, not at all.

Hon. Charles Hubbard: Does your fleet encounter many situations of what the railway people call hot boxes, and so on?

Mr. Paul Côté: I can't give you specific numbers, just as I couldn't specifically answer your question about low-speed derailments and all, but our reliability of equipment is good. We have fewer incidents of trains that get stuck on the track than there used to be many years ago, so the reliability is good. It's mechanical, of course; it's heavy equipment. Mechanical failures will occur, but they are few and are not a current significant issue in the company.

Hon. Charles Hubbard: With respect to your reporting system and the long-range needs of VIA, you have indicated here a definite program in the next five years, where you need certain capital investments and a certain amount of money. Now, if Mr. Gouk and all of us don't vote some appropriations for the upgrade and the maintenance of your fleets, what other alternatives might you have in terms of financing that would enable VIA to go beyond 2009?

Mr. Paul Côté: I think I said in my remarks that we were able to address the fiscal restraint and the change in financing reference levels in the 1990s through staff reductions; this has been done. Clearly, if such a decision were made not to finance further investment in our company, service reductions would have to be considered seriously in order for us to keep afloat. By the end of 2007 our asset renewal fund, which I referred to before, will be depleted and we'll be operating simply with this operating funding of \$169 million. If no investment is made in equipment and the maintenance costs go up, something else is going to have to give, and that will have to come through service reductions.

Hon. Charles Hubbard: Mr. Chair, I'll just conclude this line of questioning.

In the previous questioning you indicated to the committee that you would be able to provide us with your priorities in terms of what

might happen if cutbacks had to occur. Is that correct, Mr. Chair? I did hear in a reply that certain lines are not profitable.

• (1025)

Mr. Paul Côté: No, I didn't say we would come back to the committee and indicate which one should go first if cuts were to be imposed. I said I would provide the committee with a breakdown of the cost-to-revenue ratios so you'd have an objective snapshot of the system. The other level of discussion regarding which service should be cut first is another discussion that I—

Hon. Charles Hubbard: Well, Mr. Côté, you are a business person, and I guess, like anyone who's running a business, you'll start by cutting your losses, and I assume we're talking about the same thing.

We'll certainly watch that, Mr. Chair, very carefully.

The Chair: I want to emphasize that Mr. Côté was speaking in the conditional tense.

Mr. Scheer.

Mr. Andrew Scheer (Regina—Qu'Appelle, CPC): I'm looking at page 7 of the "Summary of the 2005-09 Corporate Plan and 2005 Operating and Capital Budgets". There is an item on page 7 of that document stating "VIA has benefited from a contribution holiday with respect to its pension plans since 1997". Am I correct in understanding, then, that the corporate portion of the pension for employees has not taken place for eight years?

Mr. Paul Côté: Correct.

Mr. Andrew Scheer: It goes on to say that it might be possible "that this valuation will indicate the need for VIA to recommence contributing to the unionized pension plan". I have a couple of questions.

One, is there any specific date you're looking at to resume contributions, or is this something you're hoping to avoid?

Mr. Paul Côté: This report was written in June. Since then, the issue has been addressed with the board of directors, and the board decided to review this particular issue. It instructed us to resume contributions, so for the unionized pension fund we have indeed allocated an amount of money to be assigned to this particular thing, \$5 million for this year and \$13 million in further years. Since the writing of this, we've started.

Mr. Andrew Scheer: Is there any provision for taking up the slack for the eight years there were no contributions?

Ms. Christena Keon Sirsly: The unionized pension fund is fully funded; there's no deficit. We do not see a deficit, but there was an issue of the fund getting close to going into deficit, so we began contributions.

The Chair: Mr. Batters.

Mr. Dave Batters (Palliser, CPC): Thank you, Mr. Chair.

Welcome, Mr. Côté and colleagues from VIA. Thank you for appearing before this committee.

I want to welcome our committee members back from Washington, D.C. It's nice to see they've all travelled back safely, and I trust they were treated well by the embassy in Washington in a very important study of air liberalization.

It's nice to be talking about rail and actually have a bit of a switch from the hopper car issue. We're talking about transportation of Canadian citizens today.

As you may be aware, there is a significant interest. I've received a number of letters from constituents in my constituency of Palliser, which is Moose Jaw and southwest Regina. A number of people, particularly those who belong to the organization Transport 2000, would like to bring back passenger service to southern Saskatchewan—I'm just picking up on my colleague's question earlier—the transcontinental southern route: Winnipeg, Regina, Moose Jaw. I met with Mr. Wooldridge, the vice-president of Transport 2000, and other members of Transport 2000 a few months ago to get a good understanding of the issue from their perspective.

I see that VIA's corporate vision is supported by six specific goals, including environment, growth, service, and people. Keeping all this in mind, I'm going to ask you to expand on where we are on this issue now. You've indicated that there is an interest in expanding, but then you mention that CP cannot “accommodate” you. I'm wondering if you can just expand upon that—that's my first question—and tell us how we can maybe move that forward.

The second part of the question is, how receptive has the government been? Our lone Liberal member from Saskatchewan is the Minister of Finance. I'm wondering how receptive the government has been to requests for additional funding that would help restore this southern route, which is important to a number of my constituents in Palliser.

• (1030)

Mr. Paul Côté: To answer your first question, sir, I can say the discussions we had with CP over the last few years were mainly for service restoration between Calgary and Vancouver. My reference to CP's response about not being able to accommodate us was as per what they said, and if they come to this committee, you will have to ask them then.

It is an issue of capacity. Given the design and the volume of traffic they have, they simply cannot accommodate our trains on their track at this point in time. That is the answer.

Mr. Dave Batters: Is there anything that can be done to resolve that, though? Are there discussions taking place on a regular basis as to how that might be resolved?

Mr. Paul Côté: Not that I'm aware of, sir. All I know is that CP has had discussions or at least plans to improve the capacity of their network to look after their own business. With regard to accommodating our particular requirements, I don't think there's any discussion going on.

Now, this would be a good bridge for me to answer the second part of your question. As I said earlier, I was very encouraged when I heard the Minister of Transport in Calgary in this public forum say he welcomed the opportunity to address the issue of long-term vision for passenger rail, including governance, roles and responsibility, partnerships of different components of the industry, and key players. I believe that in that context, issues such as service expansion either in the west or in the Maritimes, I made reference to requests being made to us on the possibility of restoring services that were cut in 1990.

I'm encouraged that this is going to happen. My guess is that it's going to happen some time early in 2006 and will probably go over a certain period of time. That would be the opportunity, then, to put forward these particular requests. You mentioned one. I mentioned the Atlantic. Monsieur Bonin would argue for his area too if he was here.

Mr. Dave Batters: Right.

It's interesting. I hear your comments that you're encouraged by the minister, although as we know, in this Parliament we don't know how long this government is going to be at this issue. That is something we will all follow very closely. I don't know if I would take that much comfort in news of yet another study or good intentions from a minister who recovered last week.... On air travel, for example, he's talking about basically not adjusting the rent formula for the Toronto airport and shutting out Toronto as our major hub for air transportation. So I guess the minister probably is occupied with other serious issues right now that will consume his time, but I guess we can take some comfort in the fact he's willing to study it.

Thank you, Mr. Côté.

The Chair: Thank you, Mr. Batters. Be an optimist this morning.

Mr. Julian.

Mr. Paul Côté: There you go. That's exactly what I was going to say, Mr. Chairman. Remember, I'm an optimist.

Mr. Peter Julian: In that vein, I'll follow up with comments of Mr. Batters, because I think this is a key component of overall passenger rail service. The Winnipeg to Vancouver southern route is extremely important. We're talking about service that can go to millions of our citizens. You mentioned specifically the Calgary to Vancouver trunk route. Has there been any discussion around the possibility of offering southern service from Winnipeg to Calgary? That's my first question.

The second question would be, what's your evaluation of the impact on VIA Rail's rolling stock, for example, and what capital costs would be entailed in restoring the southern transcontinental route service from Winnipeg to Vancouver through Calgary and Regina and Moose Jaw?

Mr. Paul Côté: The reference to Calgary-Vancouver is one I made because it is one you would see in.... This is an initiative we formulated within the company as a growth initiative. Consistent with it, part of the equipment acquisition we discussed before, involving the Renaissance equipment, was to free up equipment that was operating in eastern Canada, as compatible with the level of service we offer in the west.

The deal was this. We would implement additional frequencies between Calgary and Vancouver if the infrastructure owner would allow it. We would use existing equipment in Atlantic Canada, displace it to western Canada, and replace the fleet in the east with the Renaissance equipment. This is in place now. We have this fleet, and if services were to be increased in that area of the country in the west, we would have the equipment to do it.

If you then increase the expansion plan to include Winnipeg, you're increasing the length of travel. You are thus changing completely the specifications of operation and the equipment requirements. We would have to look at that and determine, with the existing fleet we have, what level of service we could provide. Would it be once a week, twice a week, three times a week? If we were asked to provide a level of service that is, let's say, compatible with current requirements—that is, three times a week on both routes—clearly there would be a requirement for fleet investment.

To what degree? I don't know that, because we have to determine the level of service to be provided. It would not be fair to try to guess a number. We'd have to first look at the design, then determine the equipment needs and quantify requirements.

•(1035)

Mr. Peter Julian: So you've only studied the restoration of the Calgary to Vancouver trunk route?

Mr. Paul Côté: Exactly. That was part of our plans, and there were never—

Mr. Peter Julian: I didn't understand that.

Mr. Paul Côté:—in the eastern part, any major studies done to restore services elsewhere in western Canada, based on the previous design from 1990.

That's the answer, sir. That's the truth.

Mr. Peter Julian: I would definitely urge VIA to undertake that impact study on restoring the route, because my understanding was that this is what VIA was looking into, restoring the southern route and linking it up to the network. Otherwise, you're basically...

Mr. Paul Côté: Right. Once again, I'll take you back to a discussion I had with Mr. Gouk a few minutes or so ago when we talked about western Canada and the frequencies between Jasper and Vancouver. These were in fact part of the corporate plan we submitted to government, and the directive we received was that rather than go piecemeal and add this and that, we would do a complete review of passenger rail in the country, including governments, route structure, and the different roles and accountabilities, as well as resources assigned to this business. In that context, I understand the minister will consult. That's my understanding: he consults stakeholders, and issues such as the one you raise would be considered.

Mr. Peter Julian: Okay.

[*Translation*]

I'd like to talk about the Eastern Townships rail line, from Montreal to Sherbrooke, about the south section of line linking up to Saint John, New Brunswick.

Have there been any discussions at VIA Rail Canada about the possibility of restoring the Eastern Townships line?

Mr. Paul Côté: In the specific case of the Eastern Townships line, no. Without going too much into detail, we've talked up to a certain point about restoring the service, particularly between Edmundston and Moncton, including Saint John, which is the more northern section in New Brunswick.

We've had two requests to that effect from the New Brunswick Minister of Transport, Mr. Robichaud, and from a senator whose name I forget, who was talking to VIA Rail at the time.

As for the Sherbrooke rail line, it hasn't been discussed.

Mr. Peter Julian: And to restore the Baie des Chaleurs service?

Mr. Paul Côté: No.

It was to restore the service between Moncton, Saint John and Edmundston.

Mr. Peter Julian: All right.

Mr. Paul Côté: That didn't concern the other sections, just those I mentioned.

Mr. Peter Julian: But it didn't involve the section going through northern Maine and the Eastern Townships?

Mr. Paul Côté: No.

Mr. Peter Julian: Are you considering restoring service on the other sections not yet discussed?

[*English*]

Ms. Christena Keon Sirsly: We've been asked to participate in a review of the possibility of restoring the Thunder Bay-Winnipeg service, which used to be part of the transcontinental. It's a regional initiative. They're looking at regional rail service.

Mr. Peter Julian: So it would come out of Winnipeg as the hub and spoke down to Thunder Bay, with the transcontinental going north of that right now through the muskeg. It's the least interesting part of the route, but still beautiful.

Ms. Christena Keon Sirsly: But you understand that we operate along that route to serve a remote community; the transcontinental train is a remote train. It goes through those communities.

Mr. Peter Julian: And it's fascinating going through that area.

But this would be the southern route, then, Winnipeg through Kenora to Thunder Bay. How far along are those discussions?

•(1040)

Ms. Christena Keon Sirsly: The group we're dealing with is local, in Thunder Bay. They're trying to interest the communities in getting involved with a market assessment. It's very early on in the assessment phase. We've indicated that we would participate with them and provide them with the historical information of what we carried prior to 1990. We can give them information about above-the-rail operation, but they would have to deal with CP to talk about infrastructure access. We're going to be giving them information as to the cost of operation and the types of operation that might be envisaged, but it's very early on in the process.

The Chair: Thank you.

Mr. Bell.

Mr. Don Bell: Just two small questions occurred to me. One is on the asset renewal fund that you mentioned. I'm wondering if you could provide me and/or this committee with a summary of what's involved with your asset renewal fund. You mentioned it would just be about depleted. I'd just like to understand how this has occurred over the last few years.

Mr. Roger Paquette: The asset renewal fund was created in 1990 when the network was cut in half. The purpose of it was to accumulate the proceeds of the sale of surplus equipment. Largely, but not solely, through the years this is what has constituted the funds in the asset renewal fund.

Until 2004 the fund was strictly used to fund capital expenditures. Beyond that, in 2004 we used \$7 million for operations, and in 2005 we had to fund all of our excess needs, whether from operations or capital, from the asset renewal fund. The same will apply in 2006. By 2007, as Mr. Côté has said, there will be no more asset renewal fund. Because we needed more than the \$169 million given us to operate, we had to dip into this fund.

Mr. Don Bell: So there were no limitations in terms of using a capital fund—in other words, an asset renewal fund—for operating.

Mr. Roger Paquette: It was not a matter of choice; that's all the funding we had.

Mr. Paul Côté: But we needed approval to access this fund in order to do it.

Mr. Don Bell: I see.

Mr. Paul Côté: We couldn't do that on our own, and this was secured.

Mr. Don Bell: In other words, the picture, then, of the financial results that you've shown us isn't necessarily a projection forward because of the fact that you've used this fund up.

How substantial was this fund? How much are you drawing this year, or did you draw last year, for operations, let's say?

Mr. Roger Paquette: The fund grew to \$139 million, but there have been various usages over the years.

Mr. Don Bell: So it's enabled you, basically, to fund the renewal of your fleet.

Mr. Roger Paquette: Part of it, but not all of it.

Mr. Don Bell: Not all; some of it has come from the federal money.

Mr. Roger Paquette: We have the specific accounting of all the dollars we've used from the asset renewal fund, but I don't have this with me here.

Mr. Don Bell: The other question I had is in terms of environmental issues. It's something I was familiar with, and I'm just curious as to whether you're involved with it.

The lubrication of the wheels on most trains is done by shooting little squirts of oil onto the wheels, and then you end up with that oil streak along the tracks, and it blows out as well. I know there was a North Vancouver company that came up with some technology, which was a dry lubricant in a kind of stick. I remember at the time it won an award. It increased the life of the wheels, apparently, by 20%. Are you familiar with this at all?

• (1045)

Mr. Paul Côté: No, I'm afraid I don't know this.

Mr. Don Bell: I see an opportunity for one of the companies in my riding. I'll have to get back up to date on that.

Mr. Paul Côté: Yes, okay. I'm not aware of that.

The Chair: Is that the end of the commercial?

Mr. Don Bell: That's the end of the commercial.

The Chair: Thank you.

Okay, I think that's the end of our questioners.

Thank you, Mr. Côté, Mr. Paquette, Ms. Keon Sirsly, for coming here today. I'm sure we'll see you again soon.

Mr. Roger Paquette: I hope so.

The Chair: We're going to suspend for just a few minutes for our guests to leave.

There are some routine business matters to deal with. We'll go in camera, too.

[Proceedings continue in camera]

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