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Chair

Mr. Larry Miller

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● (0845)

[*English*]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call our meeting to order.

Today we have representatives here from CN, CP, and the Railway Association. Thanks, gentlemen, all of you, for being here to participate in our study.

We'll move right into presentations.

Mr. Bourque, you have 10 minutes or less, please.

Mr. Michael Bourque (President and Chief Executive Officer, Railway Association of Canada): Good morning, Mr. Chair and members of the committee. Thank you for the opportunity to speak with you today.

My name is Michael Bourque, and I am president of the Railway Association of Canada. I'm delighted to be here with my colleagues from CN and CP.

Our association represents most of the railways in Canada, mainline railroads like CN and CP, some 40 short-line railroads, VIA Rail, commuter railways such as GO and AMT, as well as tourist railways, including the famous Rocky Mountaineer. We also represent some 65 railway supplier members who are important partners of Canada's great rail industry.

Canada's railways know that the safety discussion has taken on an even greater urgency and importance post-Lac-Mégantic. This tragedy deeply affected every railroader and every railroad in Canada. We know we are in a different environment now, and we accept our position with responsibility and humility.

[*Translation*]

Please allow me to speak to you briefly about the concrete measures we took since the Lac-Mégantic events, that is to say what we have done up till now, what we are doing currently and what we are determined to do.

[*English*]

Prior to Lac-Mégantic, Canada's rail industry had been working collaboratively with its regulators, unions, and other stakeholders on outstanding Transportation Safety Board recommendations and watch-list items. Our success rate at clearing TSB recommendations stands at 90%, which is good, but we still have some room for improvement. Importantly, the industry's efforts allowed the TSB to remove two rail safety items from its 2012 watch list: the implementation of rail safety management systems, and the operation of longer, heavier trains.

These efforts were in addition to the significant investments in plant, equipment, safety technology, training, and process improvement made by Canada's railways, and yet, unfortunately, the Lac-Mégantic tragedy occurred.

As you know, within days of the accident, the Transportation Safety Board issued two safety advisory letters concerning the securement of unattended trains, locomotives, and equipment. Transport Canada immediately followed these up with an emergency directive that covered these matters as well as the operation of single-person train crews. Canada's railways collaborated fully with Transport Canada in order to get these safety improvements in place immediately.

Similarly, when the TSB issued safety advisory letters concerning proper product labelling for crude oil, Transport Canada followed up with a protective direction. Again, the rail industry took immediate steps to put these new procedures in place.

In short, the industry had a strong record of collaborative safety action prior to the accident, and worked quickly with government to implement the new requirements identified to date as a result of the tragedy.

In addition to the ongoing investments, training, and operating improvements I just mentioned, the industry is undertaking a number of actions, including working with the Federation of Canadian Municipalities to enhance the supply of information concerning dangerous goods movement to local emergency responders, and redoubling our efforts on safety culture development by, among other things, developing safety culture assessment tools and making a commitment to safety culture a requirement for membership in the Railway Association of Canada.

We're developing principles for the use of in-cab audio and video recording systems as part of our safety management systems, which is a TSB recommendation.

Jointly with Transport Canada and local municipalities, we're redoubling our efforts on grade-crossing safety, including closing redundant crossings, upgrades at existing crossings, and education through the operation lifesaver program. We make about 2,000 presentations per year in operation lifesaver, working with government, police, unions, the media, public organizations, and the public themselves to spread the word.

We're requiring all non-pressure tank cars ordered for dangerous goods service after October 2011 to be of the enhanced design.

We're also redoubling our efforts for emergency preparedness through first responder training, dangerous goods training and outreach, such as TRANSCAER, as well as our own safety programs at the RAC. This year, we expect to train over 2,500 firefighters, about 600 industrial plant personnel, and over 200 railway employees. In the last five years, we've trained about 17,000 stakeholders across Canada.

● (0850)

We're also working with a number of associations, including the Canadian Association of Petroleum Producers and the Canadian Association of Fire Chiefs on emergency preparedness, response training, and mutual aid.

We fully expect government action in other areas, and we're committed to working with regulators and stakeholders to put them in place. This could include accelerated removal from dangerous goods service of the legacy DOT-111 tank car fleet, enhanced insurance and compensation regimes, and regulations and measures flowing from the Railway Safety Act.

I'll just make one editorial comment, if I'm allowed, and that is that some choose to portray railway safety in Canada as deregulated or self-regulated, but I believe that nothing could be further from the truth.

The Railway Safety Act is a modern piece of legislation that has been extensively reviewed and updated since its passage in 1989. It provides for a robust regime of regulatory inspections, oversight, compliance, and enforcement actions, including recently enhanced administrative and judicial penalties against companies and individuals. In parallel with this regulatory regime, it requires each company to have its own safety management system with the attendant focus on proactive risk assessment and management, employee involvement, audit, and safety culture development. Those are requirements under the act.

With that, Mr. Chairman, I'll look forward to questions later.

The Chair: Thank you very much.

Now we move to CP. Mr. Creel, you have 10 minutes, please.

Mr. Keith E. Creel (President and Chief Operating Officer, Canadian Pacific Railway): Good morning, Mr. Chairman.

I'd like to thank you for the opportunity to discuss rail safety and safety management systems today. In the interest of time, I cannot get into all the elements of rail safety, especially the regulatory regime. However, I do understand you'll be hearing from additional witnesses specifically on the robust regulatory regime in place in Canada including the Railway Safety Act and safety management systems.

CP operates a 22,000-kilometre network through Canada and the United States. In 2013, we moved over 2.6-million carloads of traffic, with each car moving an average of 1,400 kilometres. Approximately two-thirds of that traffic moves to or from a port. The border gateway is part of Canada's global trade.

The Canadian railway industry is one of the safest in the world. CP recognizes that the best way to provide effective service to our customers and to execute our part in the supply chain is to operate as safely as possible.

I'm proud to say that CP is the safest railway in North America. We've achieved the lowest frequency of train accidents in the railway industry in each of the last eight years. In 2013 that equated to 1.8 Federal Railroad Administration reportable train accidents for every million train miles we operated.

A train accident was reportable in 2013 under FRA standards when the damage exceeded $10,000 U.S. With the locomotives costing approximately $2.5 million and the amount of heavy steel in motion we have in our business, you can imagine it's not very hard to have damages that exceed that amount. Yet we only did that 1.8 times for every million miles of train operations in 2013.

We achieved these high standards for safety through a combination of people, process, technology, and investment. The two areas I'll speak to today will focus on people and technology.

Our journey is not yet complete, but the continuous improvement in safety is evident as we better and better understand how to monitor, predict, and prevent where we could previously only search and react.

If we look at the statistics, and we do that a lot on this railroad, we see that the incidents caused by equipment and track failures are trending down. In fact, in 2012 Canadian railroads had the safest year on record. A big part of the reason for a reduction in the number of incidents caused by equipment failures is that we continue to improve our assets. This year we'll spend between $1.2 billion and $1.4 billion to improve our railroad, especially the track we operate over. In deciding where to invest, we look at the most critical areas.

Another piece of this is technology on the railroad. We now have hundreds of wayside inspection systems which look in an automated manner at the status of equipment, such as bearings, wheels, and track. These technologies are in various stages of development. Some are proven and implemented, while others are still in development.

These technologies are fundamentally changing the way we inspect infrastructure and equipment by enabling proactive identification of emerging problems. This allows the railroad to focus repair efforts on problem areas before they present risks at the operation. We'll continue to invest in safety enhancing technologies as we move forward.

Every incident at CP is taken very seriously. I personally review in detail all incident reports on a daily basis. We push very hard when it comes to rules compliance. We set expectations for people who are leaders on the ground and expect those to be met.

Training is also very important not only for current but also future railroaders. We invest significantly in training, coaching, recognition, and obtaining employee input to strengthen our safety culture. At a corporate level, we're committed but we're also focused most specifically on manager and employee accountability.

My job is to set the expectation to provide the tools, including training, so people know what's expected. I've said many, many times that no job on our railroad will ever be so important that we can't take time to do it safely. Safety enables performance.

I want every man and woman who comes to work every day to operate in a manner that puts safety first and foremost. People's lives are at risk. That must be at top of mind every day, every hour, every minute we're on the property.

Where we're seeing, however, a stubborn flat line of statistics is in an area called human factors. These are incidences essentially caused by human error. This is one area we need to focus on going forward. That's why we want to add cameras and recording devices in locomotives.

Today there's a convergence of onboard locomotive technologies occurring whereby a number of information technologies can be linked, including outward-facing cameras, locomotive cab digital recording, and various detection systems. Identifying these human factors is critical to understanding why accidents occur before they occur.

When companies cannot use voice and video recordings proactively, they're deprived of opportunities to reduce risk and improve safety, as I've said, before an accident occurs. I urge you to consider recommending changes to the statutory provisions to fully allow deployment of this technology. In my view, this is the most important step that can be taken at the immediate time to further improve safety.

In terms of the movement of dangerous goods, railroads in Canada, in North America for that matter, have what is called a common carrier obligation. That means if a shipment is presented to the railroad, we have to move it. It's the law. The customer can also instruct us on how they'd like their product moved.

The fact is, do we want to be moving some of these products? Probably not, but it's the only way some of these products would get moved. Our problem is each time we move these products, we take a significant risk that could have tragic consequences not only for the public but also for the railroad.

● (0855)

Producers of some products would argue that these products need to be made. They would submit that they drive the economy, sanitize your water, and that they are not highly substitutable. I can buy that to some degree, but not completely. That is why we are looking for some changes in government policy to ensure that the regime deals with the risks and liability in a manner that is in the broad public interest.

There is also urgency about the need for safer tank cars to move these dangerous goods. We at CP have been very vocal about this for some time.

The vast majority of railcars that carry crude and other hazardous materials are single-walled cars known as DOT-111 cars. I'm not happy with these cars for moving dangerous goods. In fact, I'm not happy at all.

There is a process that has been started in the United States, which Canada is also involved in, looking at the new tank car standards and how to phase out the older ones. I look forward to the outcome from this process that sees more new cars coming online sooner versus later.

If we can get everyone working together, adopting a higher level of safety and accountability, we are going to be able to reassure our neighbours and the communities we operate in and through that they can sleep at night.

A lot of you see trains going through your towns and you're concerned. I get that. Those pictures from Lac-Mégantic caused sleepless nights for all of us.

I would like to reaffirm to you that we do operate safely. We continue to improve our safety performance. CP is the leader in North American rail safety, and that is something I am not only very proud of, but continue to be focused on every day.

Thank you, Mr. Chairman.

The Chair: Thank you very much.

We'll now move to Mr. Vena from CN.

Mr. Jim Vena (Executive Vice-President and Chief Operating Officer, Canadian National Railway Company): Good morning, Mr. Chair and members of the committee.

I'd like to thank you for this opportunity of allowing me to present before you. My name is Jim Vena—it's actually Vincenzo Vena—from Jasper, Alberta. I'm the executive vice-president and chief operating officer with CN Rail. I'm accompanied by Michael Farkouh, our vice-president of safety and sustainability.

We understand the committee is being asked to review the safe transportation of dangerous goods and the role of safety management systems. This morning I will be touching on these very points and explaining the regulations that oversee the rail transportation in our industry and additional measures our railroad has put in place and continues to work towards.

CN has an unwavering commitment to rail safety and is continually building multiple lines of defence through people, process, technology, and investment. The CN safety record for accidents continues to see improvements. Between 2003 and 2013, CN's main-track accidents declined by approximately 50%, even with the amount of business that has increased. Since 2009, we've seen a 30% increase in business alone; I won't even go back to 2003. We are committed to continuous improvement and continue to seek and implement additional lines of defence to make an already solid safety record even better.

A lot of discussion is being heard about the self-regulation of the rail industry. This point can be no further from the truth, as Michael has spoken about before. The rail industry is very much regulated in all facets of its operation. This can be seen through the extensive Canadian rail operating rules, whereby the rules are reviewed, vetted, and their compliance monitored by Transport Canada. The inspection process for both infrastructure and rolling stock is much the same. We have stringent standards for the inspection frequency and tolerances allowed for track, signals, freight cars, and locomotives, to mention but a few.

The committee must recognize that at CN we clearly understand that the regulations in place are a minimum and that we exceed regulations on many fronts. In fact, the regulation says we only have to do a rail flaw detection four times per year, and we're doing it up to 18 times a year in places.

Concerning SMS, allow me to address an area that this committee has reviewed: the safety management system, better known to us as our SMS plan. As already indicated, the SMS is a plan that we're all regulated to have in place. It's what guides CN on all of our elements of safety. SMS is an explicit set of processes designed to integrate safety into all decision-making, planning, and operational activities. CN has taken the requirements of SMS and translated them into a plan consisting of actionable steps exercised on a continual basis with our operation's workforce and management. The steps encompass the requirements and representative involvement in safety management and safety culture development, risk assessment, safety audit and evaluation, accident and incident reporting, investigation analysis, and corrective action. In other words, it's a broad range.

The CN SMS plan is also explained in our “Leadership in Safety” brochure. If anybody wants to see it, there's a new copy of on our website. This brochure is available to the general public, and all our employees get it sent to their homes. One element that would be of particular interest to this committee is our risk mitigation work performed through our corridor risk assessments, whereby we review the amount of dangerous goods, population density, topography, and the proximity to waterways and the environment, to see what we need to do and how we operate and what secondary measures we need in place.

Auditing and monitoring are other key elements of our SMS plan. We perform audits with our 106 health and safety committees made up of unionized and management employees. We do detailed integrated audits with management to ensure compliance of policies, instruction, and operating rules. We perform daily auditing on the tasks of our employees by virtue of our efficiency testing process. We performed over 400,000 of those tests in 2013. This amounts to well over 1,000 per day. I don't know why we did that; you guys are good with math, but we had to divide it anyway. This audit is over and above the monitoring and inspections that Transport Canada would perform on our railroad in Canada.

I need to talk about safety culture because this is very important to us and it’s an area we continue to strive to get better in. A successful ingredient in the world of safety is safety culture, and CN is building strong elements to foster this safety culture. Safety culture is about creating a true belief and desire for being safe. We interact with our system health and safety committee, of which I am a member, along with our employee representatives to discuss and develop means to build on this.

● (0900)

We have developed peer engagement groups and initiated safety summits and onboarding programs for new hires to our company. We are industry leaders in measuring safety culture, which is featured on Transport Canada's website.

We have worked closely with Saint Mary's University in developing the CN Centre for Occupational Health and Safety. In fact, we'll be holding a symposium on safety culture in October at the university, where we'll be expecting interested government agencies, the railroad industry, and university academics to help further the subject of safety culture. We are committed to creating the right safety environment for our employees and management.

I'd like to talk for a minute about dangerous goods, especially after Lac-Mégantic.

To give you a bit of my history, I've been railroading since 1975. I actually started by throwing ties out of boxcars. In 1977, while I was going to the University of Alberta, I was hired on as a brakeman, when we had four or five people on trains. After that I was a conductor, and after that I became a locomotive engineer before I finished off my degree.

I've seen railroading have a number of accidents. We always have to make sure we sit down and learn, because as much as we think we've done everything we can, there comes a point when, if you have an incident, you have to make sure you haven't missed anything in all the processes you have, and you move ahead.

Rail transportation safety is about identifying, analyzing, and mitigating risk throughout our network. Dangerous goods travel in rail transportation is a subject that has come under great public interest. On a factual basis, the transportation of dangerous goods in North America is very safe. We transport without incident 99.997% of dangerous goods safely from origin to their respective destination.

However, this statistic does not provide any level of comfort when an incident such as Lac-Mégantic occurs. This truly tragic event, which claimed the lives of 47 individuals, cannot be forgotten. It has allowed us to step back and evaluate our SMS plan and review opportunities to further enhance our robust plan. We believe several lines of defence may have gone wrong for such an accident to occur in this runaway train in Lac-Mégantic. However, we await the TSB's report and recommendations on their analysis and findings on this incident.

Let's talk about a few of them. One that we know about is securement. CN has worked closely with all the stakeholders in addressing concerns in the securement of railway equipment. Transport Canada issued an emergency directive on the means, and CN had already many of the suggested changes in place. The element of securing the locomotives and the application of handbrakes was an example of some of the elements that CN had previously put in place. We felt they were strong, and added a few of the changes that were given to us and we worked with Transport Canada to put in place.

I want to talk for a minute about OT-55. Let me explain it. CN did not stop at this one element with this operation. We began reviewing other areas that we felt would strengthen our lines of defence. One such area was adoption in Canada of a speed restriction for hazardous goods, having more than 20 carloads of such cars, or one toxic or poisonous inhalation car on the train on high-volume corridors of dangerous goods to a maximum speed of 50 miles an hour. This industry-adopted approach in the United States was brought up to our Canadian rail operation. As an example, a train carrying 20 or more dangerous goods between Toronto and Montreal can now not exceed 50 miles an hour. The adoption of the OT-55 policy has been in place on our network since August 13, 2013.

Earlier this year, the U.S. Secretary of Transportation had a call to action by all the class I railroads to assist in further strengthening the lines of defence for rail transportation. As an industry, we came together and developed several commitments that we would undertake for the movement of crude oil.

The items consisted of, to name a few, speed restriction of 40 miles per hour in a high-threat urban area for trains carrying 20 or more crude oil cars having as a minimum one older-style DOT-111 car. If a train has one DOT-111 car, it's restricted to 40 miles an hour.

There's also the review of routes for crude oil. If you have options, we look at the risk assessment and how we would operate if you have options of where you operate.

As well, wayside detection allows for the inspection of moving trains at an interval of no more than 40 miles. Even though in most of our routes we had the frequency of less than 40 miles, we made sure there weren't any areas where we were not compliant.

Although there are others, I've taken the time to mention these commitments by CN, and we'll be bringing these items to our Canadian network. Everything we agreed to in the U.S., the speed restriction, the 40-mile spacing, we're going to implement on the Canadian side of the operation.

● (0905)

I also want to take a minute to talk about emergency response in communities.

CN has undertaken a number of initiatives to strengthen emergency response and to engage communities. In line with dangerous goods volumes along rail routes, resources and processes to enhance response have been strengthened. We have initiated mutual aid protocols with other railways to leverage greater response. CP and CN might be competitors, but we work together to ask, “Where do you have equipment? What do you have in place?” In case anything ever happens, we can respond.

We are engaging customers and other stakeholders, such as the Canadian Association of Petroleum Producers, to work together as a group. We are leveraging the TRANSCAER program to train external responders to augment readiness.

CN also believes that the rail industry can enhance safety by working closely with communities through the structured community engagement program that we launched last October. CN is engaging municipalities by approaching municipal officials and their emergency responders to ensure that they have contact information for appropriate CN officials, as well as targeted information. We have reached out to 1,098 communities in Canada and initiated 100 outreach meetings with our dangerous goods offices.

In these meetings we discuss CN's comprehensive safety plan, solid safety performance, and the nature of volume and economic importance of dangerous goods we transport through the communities, and we review emergency response planning. We also arrange to conduct training centres for emergency responders when required.

On technology and risk mitigation, a key area that CN has continued to leverage is its technology. Following the Lac-Mégantic accident, we have also taken a step back and reviewed our existing comprehensive network of technology. This network consists of inspection technology as we monitor the health of a moving train for wheel conditioning, bearing temperatures, and dragging equipment. The network is among the densest networks in North America.

We also reviewed our infrastructure inspection technologies which consisted of ultrasonic rail flaw detection. This looks at the actual rail to see if any discontinuances exist in the rail. We use track geometry technologies whereby we measure the gauge of the rail, cross-level alignment, and profile.

In November 2013 we announced a further $10 million capital investment that complemented our already robust investment of $2 billion in 2013. Of the $2 billion capital investment in 2013, we invested $1.2 billion in rail and signal infrastructure on our own right-of-way.

The additional technology investment consists of additional wayside equipment, inspection systems, a new track geometry test guard, an optical track inspection system, brittle bar detectors to minimize the adversity, and control signalling on certain key sidings. These additional investments will continue to layer our lines of defence and mitigate our risks.

Quickly, I'll talk about DOT-111. I think you've heard from both, and we've been very up front that we think it is time to change out the DOT-111 cars. In fact, instead of repeating it, for time, we use about 40 that we own. We don't have a lot of tank cars but we have 40 of them that we do own ourselves. We use them in the movement of diesel, which is not the same classification and packing group as the other commodities. But we think it is important enough to show some leadership on this and by the end of this year, we will have removed the 40 and replaced them with 40 new ones of the latest vintage.

In conclusion, CN believes that safety is a journey and not a destination. Our safety record continues on the right trend with decreases in accidents; however, we recognize that much work lies ahead of us. A robust regulatory framework is in place and our SMS plan is key to ensuring that we continue to operate in the safest manner possible.

Through people, process, technology, and investment we will continue to further our risk mitigation on this continuum of our safety journey.

With that, Mr. Chair and members, thank you very much.

● (0910)

The Chair: Thank you, Mr. Vena.

We'll now move to questioning, and to Mr. Mai, for seven minutes.

[*Translation*]

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

I thank the witnesses for their presence here with us.

You all mentioned that the Lac-Mégantic tragedy had a big effect on the way in which Canadians now view rail transportation.

Mr. Bourque and Mr. Vena said that they were not in favour of deregulation in the rail sector. There is still no agreement on that. Regulations are adopted and laws are amended, certainly. The government is going to propose safety-related regulations, but that is only laying the groundwork. Companies such as yours, that care a great deal about safety, as you mentioned, will apply stricter standards than those the government imposes.

You say that there are regulations, but the Auditor General and the Transportation Safety Board both say that Transport Canada does not have sufficient resources to get to the bottom of things, do things thoroughly and ensure safety first and foremost. For our part, from a political point of view, we do not agree on the fact that the government does not apply the rules or that the rules are really minimal, and that companies such as yours have to go beyond them.

On the ground, one of the big problems that people point out has to do with the transparency of information. As you know, municipalities do not always have the information on all of the dangerous products that are transported. There are safety management systems that are put in place by companies and Transport Canada, but often, the municipalities are not in the loop and are not informed. The population does not know what is being transported on the rails, which generates a certain concern. The information concerns infrastructure.

In Saint-Lambert, for instance, there is a viaduct that belongs to the CN. Even if they are not experts, people can see it and are very concerned about the state of that infrastructure.

My question is for the CN representative. When people have questions about the state of infrastructure, how can they obtain more information and ensure that there has really been an inspection?

● (0915)

Mr. Michael Bourque: I am going to answer the questions about the Auditor General's report in English, and afterwards, I am going to ask the CN representatives to reply to the question that concerned them.

[*English*]

I'm going to answer the Auditor General question, and then CN can answer the question for their company.

I just wanted to make the following point. The Auditor General's recommendation that struck me was that there wasn't a sufficient number of audits of SMS as part of their regime.

At the same time, there have been a significant number of inspections by Transport Canada, some 30,000 last year. In the wake of the tragedy at Lac-Mégantic, we found that there was a clamouring by critics and others for more inspections and more punishment, which are heading in precisely the opposite direction from relying on the safety management systems and an audit of the safety management systems which is seen.... Again, the Railway Safety Act was passed just two years ago with unanimous consent.

We have the system that we do and the construct of using safety management systems because it is accepted worldwide as being the most effective way you can manage safety within complex organizations like railways.

Unfortunately what we often get is a knee-jerk reaction that we need to inspect more and we need more regulation, but in fact, it is the safety management system that is—

[*Translation*]

Mr. Hoang Mai: I simply want to specify one thing. You mentioned the 30,000 inspections, but when we discovered there are problems, there is no follow-up in 74% of cases. That is a problem.

Since I have very little time left, I would like an update on the DOT-111 tank cars.

Mr. Hunter Harrison, the Canadian Pacific Limited Railways CEO,

[*English*]

actually said, “Stop them tomorrow.”

[*Translation*]

He was talking about old DOT-111 tank cars.

[*English*]

He said, “Stop them tomorrow. Don't wait for a study. We know the facts. You know what it comes down to, and I hate to say this, it's the almighty dollar. Who's going to pay for this?"

[*Translation*]

Mr. Vena, you mentioned that you were in a position to replace the old DOT-111 tank cars.

Will CP also takes steps to replace the old tank cars? In fact, we have known for 20 years that they have problems. Recently, the Transportation Safety Board of Canada made some very clear recommendations. Why can we not obtain a timeline about the elimination of the DOT-111 tank cars today?

My question is addressed first to Mr. Creel, from CP.

[*English*]

Mr. Keith E. Creel: He definitely intends to replace the tanker cars. As far as transition is concerned, it will take a couple of years to be able to do it. An exact timeframe we have not come to yet, but we are in the process of developing that.

A key point to remember, though, is that the tanker cars at CP haul diesel fuel. Diesel fuel is dangerous, and I'm not suggesting it's not, but it's low risk relative to other items, and it's the same fuel that our locomotives burn. It's something we're seized with, we're concerned with. But I just want to make that point known: that is the only thing that CP hauls in those cars.

Mr. Jim Vena: If I could answer, you had a question earlier about the transparency and the products that we move through the municipalities.

I think there has been a lot of misunderstanding about this whole issue. One is, on every train there is a conductor, and part of his job is to make sure he has a list of everything that's being carried on the train. It's always with the train. On top of that, to make sure that we know what's on the train, our computer system keeps track of every train, by train, by car, what's on every train. We keep track of what's at that customer siding that we spotted. We keep track of it in our yards, and where they are. At no time do we have any commodity that we do not understand what's on the train. We have automated systems that read the trains as they go by, just as you would at the grocery store, that read the bar code. Just in case a human makes a mistake we have systems in place that do that. On the train, there is no train movement today right now in Canada, on CN or CP, that we would not have a complete list of what's on the train.

Now, how do you engage the communities that you operate through? We think the best way to communicate...it's not a big change. Every day we don't get new products. We have a number of products that we handle. The flow of them might be different, but at the end of the day, it's a set number of products that go through, and if there is a new one we need to sit down to make sure we have the response and the communities have the response. That's why we have a community outreach program that is formalized. We sit down with the responders to understand exactly.

I think you have to be careful that you don't cross too far with making it completely live what we have on the trains, even though we do know live what we have on the trains. You don't want people who should not know what we're carrying on these trains as we run through North America with them.... In fact, in the U.S., for security reasons, they do not want us to tell people live what we have exactly on that train, at that moment, in the public venue so that everybody can see it.

We work closely with the municipalities. That's why we said we were going to target over 1,000 of the communications with them, and if there's something else they want for information, we're more than willing to give it to them, the numbers per day, per week, the different types of commodities, how you respond, what we need to do, and how we operate through their place.

On the infrastructure, we have regulations that tell us how many times, and we exceed those regulations because we think it's smart in areas just because of the mix of traffic and interaction of the risk assessments that we do. Perhaps somebody phones us and asks us to take a look at the track in Saint-Lambert. First of all, our chief legal officer lives in Saint-Lambert. He's the first guy to phone us if he thinks that he can hear anything different. Second of all, we're more than willing to make sure that we have a safe infrastructure and we'd react like anybody else.

I hope I answered the questions.

● (0920)

The Chair: Thank you.

We'll now move to Mr. McGuinty, for seven minutes.

Mr. David McGuinty (Ottawa South, Lib.): Thank you, gentlemen, for being here this morning.

Gentlemen, my first question is, are you prepared to come back if we need more time with you? This is an extremely complex subject. We're struggling with reconciling all kinds of different moving parts. Would you be prepared to come back if you were invited by the committee to testify again?

Yes? Thank you.

I would also begin by asking the two companies here, CP and CN, whether you can give Canadians who are watching an idea of what your gross revenues were last year.

Mr. Jim Vena: Our gross revenue was just north of $10 billion.

Mr. David McGuinty: CN's was $10 billion.

Mr. Creel, what was CP's?

Mr. Keith E. Creel: CP's was $6 billion.

Mr. David McGuinty: It was $6 billion. Okay, so we're talking *grosso modo* $16 billion of gross revenues last year.

Gentlemen, it's hard to slice this. There are so many moving parts. As I said, you're the regulated and Transport Canada is the regulator. You have the Transportation Safety Board issuing new standards. You have a scathing Auditor General's report that cannot be skated around. You have your insurance companies, and you have shareholders and shareholder value. You're under a lot of pressure.

My first opening comment would be that I'm a little bit surprised at the response by the railway companies, because I look to other examples of crises in recent Canadian history. For example, I look at the listeriosis crisis and the way McCain handled it, and it's very different from how the railways have handled Lac-Mégantic. I think McCain got out in front of their issue. I think they were extremely forthright, I think they were transparent, and I think they admitted their mistakes. They held press conferences, one after the other, and I'm not seeing that in the railway sector.

One of the issues I want to raise with you that jumps out loud and clear in the Auditor General's report, which Mr. Bourque referred to, is the whole question of audits. It is important to get on the record that the Conservative government spends more money, each and every year, on its economic action plan advertising than it does on railway safety. I've raised this repeatedly. I even went to the Minister of Finance and I asked him to stop it in a budget, which he wouldn't do. They're spending more money on advertising than rail safety. It's important for Canadians to know that.

I want to ask about the whole question of Transport Canada's role.

Mr. Bourque, you alluded to this partnership between the regulated and the regulator, the instrument being the safety management system. I think Canadians understand that it's a shared responsibility, but when you see that only 25% of the audits that Transport Canada said were necessary to keep your railways in compliance were actually performed, that's a really big problem for Canadians.

Let me ask the two corporate representatives here, what do you make of Transport Canada's performance? I'm sure from a shareholder value perspective, you want to assure your shareholders, your investors, and your insurance companies that you're putting the right amount of pressure on the regulator to make damn sure it's actually doing its job. What is your response with respect to the audits that were not performed?

Mr. Vena.

● (0925)

Mr. Jim Vena: Sure, I'll start off and Keith can jump in.

It's not my job to worry that the regulator is given enough money to regulate.

Mr. David McGuinty: It's not your job?

Mr. Jim Vena: No. My job is to run a safe railroad. My job is to live up to the regulations that are in place, use the regulations as a basis to start with, build on them, and make sure that we run the safest railway possible. You heard CP say that they have the best accident ratio in the industry. We're not that far behind. We're all very close, and we're all trying to improve and get better. That's my job. I'm not going to comment on what the government's doing. You guys have that discussion. That's your job.

What I will talk about, though, is the audits. We see Transport Canada personnel out there. We see Transport Canada safety personnel. We see Transport Canada targeting certain areas. They do a decent job, from what we see, looking at areas where we find issues. I don't know about the Auditor General's report. I've read it, but I can't really comment. That's between them and Transport Canada. For us on the railroad, we go out and do a thousand audits a day, and we do that on purpose to see what our employees are doing, trying to change the safety culture, working with Saint Mary's University to change the culture, peer to peer. We work with our unions on a daily basis. For me, that's what's important. The trend line in accidents; can we get better? Yes, we want to get better. We'd like it as low as possible and as close to zero, and we're not there. At the end of the day, that's what's important.

Mr. David McGuinty: Mr. Vena, I hear you.

Here is the report from the Auditor General, and I have to say I'm a little surprised, as a recovering corporate lawyer, that you would say that your company is not interested in finding out what the regulator is doing. Your social licence is derived. Even the fossil fuel companies in Canada now understand they can't act without making sure that their social licence is warranted. Your shareholders are asking questions.

Mr. Creel, what does your company have to say about the Auditor General's report, the lack of enforcement, the lack of inspectors, and the lack of audits that are going on? This is part and parcel of your SMS relationship with the regulator.

Mr. Keith E. Creel: Certainly. Mr. McGuinty, I would say that I am not seized day to day with the audits that have not been performed at Transport Canada. In my experience with Transport Canada, I've never had an inspector or any Transport Canada officer hesitate to issue a notice or notice of an order if they find an unsafe condition.

What we are seized with at CP is making sure that our employees, our officers, perform their inspections, that they're out daily doing testing and making sure that we maintain and create a safe work environment. That is what we're seized with at CP.

Mr. David McGuinty: Very quickly, let me ask you one last question, gentlemen.

A lot of Canadians are writing to me and many parliamentarians at this table saying that liability for this risk should be shared between the railways and between the folks who own the dangerous substances and goods.

What is your position as the two largest carriers—$16 billion last year in gross revenues—on sharing the liability? You are carrying a lot of it now, about $1 billion each in insurance liability, although that figure is not fully disclosed. Should the folks who own the dangerous substances that are shipped on your railways share in the legal liability if there's an accident?

Mr. Keith E. Creel: Absolutely. CP has been an advocate for sharing liability for some time. We've actually pushed for this. We've been a leader in the industry on this issue and this topic. We have secured all the insurance that we can provide. Some of the products that we carry, some of these catastrophic accidents that could occur, are about the company mentality.

The only way, in my mind, to provide additional liability is for shippers of those products, which we have to ship, as I've stated, to share in that liability.

● (0930)

The Chair: Mr. Vena, did you want to comment?

Mr. Jim Vena: No.

The Chair: Thank you.

We'll now move to Mr. Watson, for seven minutes.

Mr. Jeff Watson (Essex, CPC): Thank you to our witnesses for appearing today on what is an important study by this committee. We are looking at safety management systems and the transportation of dangerous goods. At the request of the Minister of Transport, we are looking to see if there are any additional ways that we can improve that regime. Our goal is to present interim findings by the summer and a full report with recommendations by the end of this year. Your testimony today helps us in that regard.

I want to ask a question right off the top. There has been a lot of talk about Lac-Mégantic. The Transportation Safety Board was here earlier this week with some very gripping images. Of course, the tragedy has left quite an indelible image on not only the railway companies but on the general public. With such an indelible image, has Lac-Mégantic become informative to our understanding of railway safety, prejudicial to Canadians' understanding of railway safety, or both? What is your opinion on that?

We can start with CN or CP.

Mr. Jim Vena: I apologize, and maybe my hearing is going, but I missed the question. Could you repeat it, please?

Mr. Jeff Watson: Has Lac-Mégantic as an image become informative to Canadians' understanding of railway safety, has it become prejudicial to our understanding of it, or both?

Mr. Jim Vena: Why don't I start with that.

Let me back up—

Mr. Jeff Watson: And if you don't mind being as brief as you can, because I have a series of questions.

Mr. Jim Vena: I'll be quick. If you're telling me that I was too long on the last answer, I apologize.

When somebody has been railroading as long as I have, you've seen all sorts of things. You can go back to February 8, 1986 when there was a tragic accident in Alberta where a passenger train and a freight train came together.

Even though Lac-Mégantic did not happen on our railroad, we woke up with absolute distress and we wanted to learn everything we could. We sent some of our own; in fact, our vice-president Michael Farkouh went out there to learn what happened and what we could do differently.

It's the last thing we want, and absolutely it's going to be in the public's mind. We have to reassure that we operate a safe railroad and we will do everything we can to learn. We learned and put all those new steps in place to satisfy ourselves and the public that we operate a safe railroad.

Mr. Jeff Watson: Maybe I should rephrase. Does it help us understand the situation of rail safety in Canada, particularly the transportation of dangerous goods, or is it prejudicial in the sense that it obscures what the reality is with respect to the transportation of dangerous goods?

I'll move on to another question.

Mr. Vena, you said earlier that you have the capability, both you and your competitor or your partner in the rail industry, to know exactly what's on each train and in each car at any moment in North America. Under the protective direction on information sharing, the information is provided to a designated emergency planning official with the following caveats, that the information is only for planning an emergency response, that information in the hands of the emergency planning official would be disclosed only to persons who need to know for the purposes of emergency planning and response, and that the information is confidential.

Why not provide proactive disclosure if you know where everything is on a day-to-day basis under the same terms, that it would be entirely confidential with an emergency planning official in a community? Why can or can't you do that?

Mr. Jim Vena: Our feedback is because it doesn't change every day. The emergency responders want to know what type, the volume, and how much so that they can respond properly, and that's the information we give them. It just does not change what you would do by knowing that second or that minute. It's more important to know what it is, and that's what we found. That's the communication we've had with the fire chiefs in all the communities.

● (0935)

Mr. Jeff Watson: As a follow-up to that, the second provision, of course, is that there has to be notice, as soon as practicable, about a significant change in the quarterly information.

If you're transporting something new, why not tell that proactively as opposed to in historical data?

Mr. Jim Vena: If it's something new, then absolutely. We sit down and tell them that we have a new product on line, and if there's a different handling for the product, then we need to let the communities know, and we'll let them know.

Mr. Jeff Watson: Can you do that proactively as opposed to after the fact?

Mr. Jim Vena: As long as we don't get surprised with the product, absolutely. That's why I can't sit here and say I'm not going to move a new product that has slightly different configuration. But if we know about it, absolutely, we want to be able to tell the people.

Mr. Jeff Watson: Safety management systems, obviously, are an important tool, building on the operating rules and regulations, sort of an additional layout to promote a safety culture. You have safety objectives every year that are part of your safety management systems.

Mr. Creel, maybe I'll start with you, and Mr. Vena afterwards.

What are your detailed safety objectives for 2014?

Mr. Keith E. Creel: As for safety, reduction in accidents, we have standards or measures in place for reduced injuries and for reduced accidents. We have investment standards. We have objectives as far as how we invest our money, why we're investing our money, and what specifically we're investing the money in.

Mr. Jeff Watson: What are they? Do you mind telling the public?

Mr. Keith E. Creel: What is the exact standard that we submitted? Was it a 15% reduction...?

Mr. Jeff Watson: More to the point, would you object to publicly disclosing those at the beginning of the year as opposed to measuring them after the fact in an annual report?

Mr. Keith E. Creel: As far as what our stated objectives are?

Mr. Jeff Watson: Yes. What your safety plan is for the upcoming year, your objectives.

Mr. Keith E. Creel: Before I spoke on the company's behalf, I'd have to consult with the company, but personally, I would not have any objection to people knowing that, no.

Mr. Jeff Watson: Mr. Vena.

Mr. Jim Vena: There's a long list of items that we have on objectives and safety. It's communication with our employees, communication with the communities that we operate through, making sure that we're advocates putting our position forward, showing leadership in tank cars, removal of the DOT-111s of our own. We have specific numbers that are—

Mr. Jeff Watson: How many DOT-111s does CN own?

Mr. Jim Vena: We own 40 of them, and the 40 are gone. We lease another 118 and we have a program to get rid of them over the next three years as we're able to put them in the mix to get them built.

As for the safety program, the numbers are already open to anybody who wants to see them. The TSB puts them out. You can see our numbers.

Mr. Jeff Watson: I'm talking about on the front end, what your safety objectives are for 2014.

Mr. Jim Vena: There's community engagement, Saint Mary's on safety culture, and in fact, if people want—

Mr. Jeff Watson: Maybe I'll be a little more specific.

Mr. Jim Vena: Do you actually want my EPS,that says what my EPS is? I'll give it to you; I have no problem with it.

Mr. Jeff Watson: These are elements that currently aren't necessarily publicly disclosed. I'm probing which aspects of safety management systems you'd be comfortable disclosing to the public, I guess. That's where I'm going. Your safety objectives for the year, in a detailed fashion, not just broadly.... We want to reduce access. By how much? From what to what? It's those types of things.

The Chair: Okay, let him answer that.

Mr. Keith E. Creel: Could I please add one point of clarification? I did not realize this, but all of our safety objectives on an annual basis are posted, submitted to Transport Canada, and posted across the property for all of the employees. Internally, it is posted already and it is provided.

Mr. Jeff Watson: But not to the public.

Mr. Keith E. Creel: Transport Canada to the public.... Our employees work in.... They live in the communities that we operate in and through. It's not broadly posted to the public, but certainly it's not confidential.

Mr. Michael Farkouh (Vice-President, Safety and Sustainability, Canadian National Railway Company): Perhaps I could just add one point.

Mr. Chair, I think we left you a copy of our leadership and safety document, which is a culture of safety that is found for the general public on the CN Internet site. I would invite you to look at that document in question on CN's Internet site, and there you will see our targets for 2014. So they are publicly available in terms of what we are striving for in terms of safety for accidents and injuries.

The Chair: Okay, thank you.

I'll now move to Mr. Toet, for seven minutes.

● (0940)

Mr. Lawrence Toet (Elmwood—Transcona, CPC): Thank you, all, for being here today because this is helpful for us. I think we're all on the same page that we want to see improvements.

I just want to pick up on the municipal issue of interchange, of what is actually on the trains, their ability to respond.

In regard to that, I understand that both CN and CP have their own responders who also respond to any incident.

How quickly are your responders able to be at the site of any incident within your network, from your shortest time to your longest time?

Mr. Jim Vena: We usually have employees who get there very quickly because we're spread out. For example, in Winnipeg we have facilities very close.

Usually if there's something, the first responder—the conductor is on site, the locomotive engineer is on site—will advise. Usually if you're within the city limit or close to it, the fire department and the emergency people from the communities can beat us to the site. They assess first, and they deal with the conductor to find out what's on the train. That's first. We have people across the country and contractors who we hold so that if we need to respond, we respond fairly quickly.

It's not something you want to have a good experience at, but we've had to deal with these things, and we feel we're very good at being able to respond, and respond quickly.

Mr. Lawrence Toet: Mr. Creel.

Mr. Keith E. Creel: I would say there are multiple layers of defence and response.

To Jim's point, the conductors are trained in haz-mat response and haz-mat handling. We have haz-mat specialists across the property that are there immediately. They're on call 24-7 to at least counsel and coach those who are on the ground. As you go up through the organization to the mechanical officers, to the train masters, all of those individuals have had training, and we're in the process of providing additional training.

As far as response time is concerned, it's immediate. The degree of response escalates as time goes on and gets stronger and stronger. It is an area that we feel is very strong. Even to that point, we've been in collaboration with CN prior to Lac-Mégantic, to decrease our response time, to increase our ability, sharing each other's resources, sharing each other's employees, sharing each other's knowledge, and our supplies in the event of a haz-mat accident.

Mr. Michael Farkouh: Perhaps I could just add to that point.

Part of our community outreach was really to reach out to those first emergency responders so we can have a direct rapport with them. When an incident happens, as Mr. Creel indicated, we also have many lines of defence starting from the conductor and going to the local individuals who are trained in haz-mat to a certain degree. Our highly skilled and trained individuals are strategically located throughout the network. We have a very vast network.

What's important to us in our community outreach with those first responders is to create that link. When an incident occurs they're on the phone immediately talking to the fire chief, if he's the emergency responder, with our dangerous goods officer, who may be coming. He'll be in a plane or he'll be in a helicopter or he'll be on the road to get to that site immediately.

Part of our training, whether it's through railroad emergency response or through Trans-Care, is to provide not how to fight a fire, but how to respond to a railcar. That's why we spend a lot of hours on the ground with emergency responders, to train them on the intricacies of a railcar, and what differs from a regular house fire or an industry fire, and so forth.

More often than not communities may have a haz-mat response, and oftentimes they do not, or they have a coalition with other communities. We've put a lot of emphasis with regard to creating that communication link, but most importantly, as a first responder, it's what to be on the look out for, how to be prepared, how we are structured in terms of our emergency response.

Mr. Lawrence Toet: Obviously, that's dealing with the after incidents. I want to turn the channel a little bit to your safety management systems and your trying to avoid the incident in the first place.

As brief as you can be, but with some detail, I would like to have a response from each of you, CN, CP, and also from Mr. Bourque, regarding the smaller rail companies you represent and their implementation.

How do you plan your SMS regime? Who is involved in that process? How do you measure internally and audit any goals you have? Who is involved in that measurement process?

Last, I would like all of you also to touch on the aspect of employee input on matters of concern that may arise. How are they protected in your safety management system to make sure that there's never a fear for somebody coming forward when they see a safety concern that there will be repercussions on them?

Could each of you address that reasonably briefly, but in some detail?

Mr. Jim Vena: I'm going to pass this off to Michael Farkouh, our vice-president of safety and sustainability, just to start off on how we measure the SMS. Before I do that, however, let me comment on employee engagement.

We engage with our unionized employees, and all our employees, on a number of different levels. We engage with them on a system level, where we sit down with the general chairman of all the major unions, the policy committee, to make sure we have the right policies in place, and we work together to enhance safety out in the field.

We have 102 health and safety committees across Canada, where we work locally with the different union members and people that operate trains, fix trains, and fix cars. We have that.

We have an ombudsman, so if people feel they don't want to talk directly to the supervisor for some reason, they can call in anonymously.

We also just started a program with Saint Mary's University, where they are collecting data for people that want to phone in and talk about safety issues and safety programs. They collate it, and they add it up in a completely anonymous manner so we get the information.

For us, our employees are the very first level of safety, and if they are not safe, that's where you have problems, if people don't tie down hand brakes even though we have a rule in place, and don't secure the train properly even though we have systems in place that should stop the train automatically. We want the employees to do that.

I think we're tied in with the unions. We work together well with them. We're always looking for ways to improve, but we have it at multiple levels, from my level right down to the local manager with the local union people out in the field.

● (0945)

Mr. Michael Farkouh: I will speak briefly on auditing and measuring.

The question becomes, why do we keep numbers? Quite honestly, it's to ensure that we are progressing, that we're on the right track, and what we have in place is effective.

When we look at our measurements, our measurements will go down to the very lowest level, to the exact yard or terminal, so we can really see whether those terminals, those locations, those geographic operations, those varying departments are continuing to improve, and that they are—no pun intended—on the right track.

When we establish fairly aggressive targets with regard to all those levels of our operation, it's to ensure that everyone is progressing, and we have that continuum with regard to our safety.

Concerning auditing, there was a comment about Transport Canada. I can't wait for an outside party to come in and audit. They do a lot of audits with regard to CN, but we have a very robust, very aggressive plan with regard to auditing.

Jim Vena talked about the 400,000-plus testing that we do on our employees. Mr. Creel talked earlier about those human behaviour elements. Those are issues we're always on the lookout for: whether our rules, our policies, and the instructions are being adhered to, and so forth. It provides a lot of feedback for the employees. We talk about that input. Those generate a lot of discussions between management and the employees, and those are very important to us. We learn a lot through our testing, from feedback from the employees as we provide feedback in coaching to those.

On auditing with regard to terminals, when I talk about ensuring that terminals are on the right track, if I see a little blip in the screen that someone is having difficulty, I'll parachute in, surgically, teams to ensure that we get a sense of what's going on, how to rightsize it, to ensure the effectiveness of what we have.

With regard to safety plans, we start out with plans at the beginning of the year. Everyone develops their safety plans in their terminals. I personally review them, but they have to be dynamic enough. If something has changed and so forth, we need to also ensure that we're shoring up those areas. That's a form of auditing for us.

We have many levels. For example, for dangerous goods I have dangerous goods officers. We also audit some of our load sites. We have very detailed inspections that we look for at the loading sites. We are very active on that.

The Chair: Thank you very much.

We'll now move to Mr. Sullivan for five minutes.

Mr. Mike Sullivan (York South—Weston, NDP): Thank you to our witnesses.

Part of the safety management system is to do a risk analysis. You must have done a risk analysis of the effect, the risk, the change in risk, between transporting 500 railcars of dangerous goods, oil, per year, to 140,000 railcars. I understand that CN wants to double it by 2015. CN currently carries about 60,000 and they want to be at 120,000.

Can we get a copy of that risk assessment?

● (0950)

Mr. Jim Vena: Did we do a specific risk assessment on...?

We do a risk assessment on the totality of what we move, and the changes and the flows. We don't tie it...because there are changes in flows. Depending on where they're headed, it makes a big difference.

We do have some risk assessments that we've performed in corridors, and we'd absolutely be more than willing to have people take a look at those risk assessments.

Mr. Mike Sullivan: Was there also a risk assessment done when you and CP both abandoned the Ottawa Valley line and therefore drove all of this stuff through heavily populated areas?

Mr. Jim Vena: I am not in the position to comment about that. I don't know what we did. I was not in that part of the—

Mr. Mike Sullivan: It was in the last three years, so....

Mr. Jim Vena: I was in the U.S. for five years before I came to Canada.

Mr. Mike Sullivan: Okay.

Mr. Creel, are you aware of a risk assessment on abandoning the Ottawa Valley line?

Mr. Keith E. Creel: No, I'm not.

Mr. Mike Sullivan: Can you find out and get back to us?

Mr. Keith E. Creel: We'll have to get back to you, yes.

Mr. Mike Sullivan: One of the concerns of the people of Toronto is abandoning those alternate routes. You're doing that again in New Brunswick. You are driving dangerous goods through heavily populated areas.

With regard to your own liabilities, James Beardsley, an executive with Marsh and McLennan, told the *Wall Street Journal* that there isn't enough insurance on the planet to safely insure a worst-case scenario involving the transportation of dangerous goods by rail. What is your response to that?

Mr. Jim Vena: We have liability and we look at what we need to carry for insurance, and we're carrying enough insurance. We have never had anything near the level of insurance that we carry—nowhere near.

Mr. Mike Sullivan: But this is a worst-case scenario, something that hasn't happened yet.

Mr. Jim Vena: I'm just telling you that we are very diligent in how we go through this process. I was asked by one of the members, and I'm sure he knew the number before he asked me, about the amount of revenues that we have. We have a responsibility as a company to make sure that we handle that part of our due diligence properly, and we're very comfortable that we're carrying enough insurance at CN. I'm sure CP is in the same boat.

Mr. Keith E. Creel: I have a bit of a different view. I don't know if the gentleman is right or wrong, but I would say that the railway has secured all of the insurance that we can secure. We can't buy any more insurance.

I would say that there's potential for certain accidents that would exceed the value of the insurance that we have. That's why we're so compelled, and we're such strong advocates that the only other people who can buy additional insurance would be the shippers of the products. This should be a collaborative effort. We secure all that we can secure. They secure all that they can secure. That has not happened. They've not been mandated to do that. It's not a regulatory requirement. We're huge advocates of that, and it needs to happen.

Mr. Mike Sullivan: We learned on Tuesday that the DOT-111 cars are unsafe, above 20 miles an hour at least. We don't know what speed they are safe at, but if, as was done with the Mississauga train derailment, your companies were limited to—that is, if you're going to continue to use DOT-111s for at least the foreseeable future because there isn't a way today to replace them all—a 15 mile an hour speed limit for travelling dangerous goods through densely populated areas, what would their reaction be?

Mr. Keith E. Creel: Sorry, what was the question again?

Mr. Mike Sullivan: What would be the reaction of the railway companies?

Mr. Keith E. Creel: I would be extremely concerned with all of the unintended consequences. If we slow trains down to 15 miles an hour through all urban centres across this country and across the United States and North America, there's a whole series of other unsafe situations that would occur. We'd have blocked crossings. We'd have people who—and they have and they will and they do—would get impatient when there are slow moving trains. They would run around gates; they would expose themselves and their families.

I don't think it's as simple as saying there's one silver bullet. The best answer is to eliminate the pre-2011 DOT-111 car. That's the best answer. That is the best way to make it—

Mr. Mike Sullivan: In the meantime, if it's unsafe, you guys are going to carry them anyway.

Mr. Keith E. Creel: Well, I wouldn't suggest....

Listen, let's be honest. Let's be realistic. It's about risk mitigation. Everything in life can be unsafe if it's not done properly. For us to be able to take a railway, where we're trying to move the Canadian economy's goods, and grain specifically.... I've spent a lot of my time talking about grain over the past couple of months.

Mr. Mike Sullivan: I'll bet.

Mr. Keith E. Creel: Could you imagine if we were mandated to do what we do and we moved all of those trains at 15 miles an hour?

There's a degree of risk in everything you do. There's a degree of risk when you get out on the highway and you drive your vehicle. You could have a flat tire. You could have a blown tire and wreck that vehicle. The only way to eliminate that risk, the only way to make an unsafe situation safe, is to eliminate the activity. That would equate to almost eliminating the activity. There would be tremendous unintended consequences.

I would be extremely concerned if that was the resolve that was to come out as a result of this.

● (0955)

The Chair: Thank you.

Mr. Komarnicki, you have five minutes.

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): You just mentioned grain, and of course in my riding in southeast Saskatchewan, grain is fairly important to both CN and CP. We need to keep up the game in moving that 100-year crop.

The other commodity that happens to occur in my riding is Bakken crude. It's in southeast Saskatchewan and North Dakota and South Dakota. One of the areas of concern, of course, is that there has been a significant increase in the number of cars or tankers being utilized for moving crude, a substantial increase, with the understanding that there will be yet a further increase, and safety, of course, is important. What I haven't heard a lot about is the fact that there are transload facilities. Some of the oil gets trucked to a transload facility and then placed on cars that are moved to various parts. I understand there will be a significant increase in transload facilities. Some of the Bakken crude, of course, is volatile, and there may be some concerns about safety responsibility and what might happen.

One of the questions I have, and of course it affects my city—I know that CP hauls the crude from southeast Saskatchewan—is that in terms of your transload facilities, the one I'm particularly concerned about is located right in the middle of a city, because you probably have track there.

I have three questions for you. One, what is the risk assessment in terms of transload facilities? Two, why would they be placed in cities when they could be placed elsewhere? It's not like a moving car. It's simply a matter of having a siding or a track where you can park cars for transloading facilities. Three, you've had transload facilities in places, smaller communities, where the local fire departments have concerns about whether they're able to respond. We see transload facilities there whether or not they're capable of responding.

Could you answer those questions, Mr. Creel?

Mr. Keith E. Creel: I'll do my best.

Let me start with the actual location of the facilities. The customers by and large determine the location of the facilities. We don't own the facilities where these transload operations are occurring.

To the second point, from a risk mitigation standpoint, that's something we've been very seized with as this crude by rail has grown. What we've done specifically at CP, and what we continue to do, is through an investment where we're taking jointed track out and we're replacing it with ribbon rail, or continuous welded rail, heavier rail, stronger rail, more ties, more ballast. We're in about a five-year process now where a lot of these territories, from a risk assessment standpoint or from a risk mitigation standpoint, that this crude runs on is where we're strategically investing additional money. Through inspection, we've purchased during the process.... Just last year we ordered three rail defect test cars that we'll own ourselves and will operate on a continuous loop in these areas where the crude moves. If there is a track defect, a rail defect, we'll find it and mitigate it and remove it before it causes a derailment.

There are multiple layers of approach that we're taking to mitigate the risk and to reduce the likelihood that an incident will occur in these areas.

Mr. Ed Komarnicki: You've answered two of the questions; we'll come back to the third. In terms of the location of the transload facility, are you saying that you haven't done any risk assessments in terms of whether it's better to have a transload facility where there are houses and people living as opposed to outside of the community, when it's a question of investing in a siding rail or a place where they can be transloaded? Are you saying you haven't done that risk assessment?

Mr. Keith E. Creel: Let me clarify my statement. I've only been at CP for 13 months, so I'm not certain of that answer. I would assume the answer is yes, but instead of my making an assumption, we'll get a firm answer and we'll come back to the committee with it. My colleagues can get that information for you.

Mr. Ed Komarnicki: Fair enough. I would appreciate receiving that because it seems to me just from a quick 30,000-foot observation, if there is any risk at all, those would be better placed outside communities than inside communities.

Mr. Keith E. Creel: Absolutely.

Mr. Ed Komarnicki: You obviously have transload facilities within cities or communities that may or may not have the capacity to respond to an emergency situation. Have you made that assessment? What plans do you have in terms of ensuring that this emergency response readiness is not only available but capable of handling whatever the risk might be?

● (1000)

Mr. Keith E. Creel: I'm going to ask Mr. Shearer to respond. That's the area of responsibility that he manages day to day.

Mr. Keith Shearer (General Manager, Safety, Regulatory and Training, Canadian Pacific Railway): To answer that specific question, sir, we have purchased additional equipment and we have it strategically located in areas of the network where we can very quickly mobilize it. We've also done training and we've helped emergency responders to make sure that they're schooled and up to speed, as my colleagues at CN have said, with respect to tank car safety and how to respond to tank cars. We've made a lot of effort on that front.

Mr. Ed Komarnicki: That's with respect to what you can do, but with respect to the communities' capacity or the local firefighters' capacity, what have you done in that respect?

Mr. Keith Shearer: It's similar. We've worked closely with the local responders, the fire chiefs, and we're helping to educate them. We're also making sure that they're schooled on the equipment that we have available and that they know where it is. Again, we work very closely with them.

Mr. Ed Komarnicki: Is there any protocol about whether or not a transload facility can be located before all of that is done or before you have the readiness necessary in case of an event?

Mr. Keith Shearer: Sorry, can you repeat that?

Mr. Ed Komarnicki: Obviously you do those assessments, but is it your policy not to locate transload facilities until all of the safety aspects that are of concern are looked after?

Mr. Keith Shearer: Yes, we do a risk assessment when we're putting a transload facility in and we understand what the risks are and we work with the communities as well.

Mr. Ed Komarnicki: I'll move to DOT-111 cars. Obviously both CN and CP don't own a significant number of DOT-111s, but my understanding is there are about 80,000 DOT-111s in circulation, and the cost of getting those either retrofitted, which is maybe not possible, or manufactured is significant. Are you aware that there are that many cars out there? Are you aware of the length of time that it would be reasonable to expect that they would, over a course of time, be replaced? I understand from one of the manufacturers that was here that it's not a simple process to simply put those kinds of numbers on track.

Would anyone care to comment on that?

Mr. Keith E. Creel: I would say as far as how long it would take to replace those cars, you're limited to the capacity of what the manufacturers that make the cars can produce. As I understand, unless it has changed dramatically in the recent past, there's capacity out there for about 15,000 cars a year. The key point is, though, that the railways do not own these cars, so the decision-makers that have to make the decision to invest the money to convert the cars are actually the shippers, or the car owners or leasing companies, so it's beyond our realm and our ability to mandate that they do that.

Mr. Jim Vena: Let me add to that. At the end of the day, we don't own the cars. At CN we're changing out the cars we own. We have a plan. We just can't get it done in faster than three years, so we're going to take the three or four years to get it done. We'll do ones this year.

Mr. Ed Komarnicki: The percentage is small in terms of the numbers of cars.

Mr. Jim Vena: I understand, but we have been clear as a rail industry that we need the cars. We've said what new type of tank car we need in place and we need the governments to step forward and say it's time to change out the DOT-111s, looking at everything and how fast it can be done. We would like the government both in the U.S. and Canada to do that.

The Chair: Thank you.

We move to Mr. Mai.

I understand you're splitting your time with Ms. Morin.

Mr. Hoang Mai: Exactly, but I'll start. Unfortunately we have to deal with procedural stuff, but I would like to move a motion. The notice was sent before:

> That, pursuant to Standing Order 108(2), the Committee undertake a study on the recent recalls by General Motors; that one meeting be dedicated to the study; that, in relation to the study, witnesses be invited to appear at the earliest opportunity, including the Minister of Transport regarding the corrective action by Transport Canada to ensure the security of Canadians, as well as representatives of General Motors; and that every effort be made to ensure that the meeting be televised.

I don't know if we can have the discussion on the motion later on.

The Chair: I would have advised you to do this at the end of the meeting, made notice—

Mr. Hoang Mai: Exactly.

So I am moving the motion and if you agree, we can have a discussion about it because I don't want to waste time.

The Chair: Instead of having that now we'll have it at the end of the meeting. I think that's good, especially when we have our witnesses here.

Do I have the consent of the committee to move it at the end of the meeting?

Some hon. members: Agreed.

The Chair: Ms. Morin, for five minutes.

● (1005)

[*Translation*]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): Good morning. I am very happy to be back with the committee, especially in the context of this study. There are a lot of railways in my riding. CN and CP are both present in Lachine. That is why, gentlemen, I am happy that you are here with us.

I will first speak to Mr. Vena.

You mentioned in your testimony that accidents were very rare. In fact, you assured us that in our country rail transportation was safe in 99.997% of cases. I understand why my colleague Mr. Watson asked you if the Lac-Mégantic disaster had had an impact on perceptions.

Since we are talking about a 0.003% accident rate, what criteria do you use to assess progress in transportation safety?

[*English*]

Mr. Jim Vena: That number comes from the Association of American Railroads which gathers all the information from all the railroads. It came up with a number of incidents out of everything that was moved. It wasn't CN or us specifically. It was the AMR.

[*Translation*]

Ms. Isabelle Morin: The figure is not a problem for me. I want to know what your criteria are in assessing improvements in rail transportation safety.

[*English*]

Mr. Jim Vena: The criteria is very simple: if you have any incidents at all with tank cars that are moving the product. If there was an incident, that gets counted as an incident. It doesn't have to be a major incident. It could be any incident that was reported, very minor, but it still was an incident.

[*Translation*]

Ms. Isabelle Morin: Mr. Creel, you talked about prevention and you said that you invest in improving technology, the human factor, training, and so forth. You mentioned changes in the culture of safety.

There are two parts to my question. I would like you to quantify your investment in the technology and in the human aspect.

As far as the technology component is concerned, you referred to cameras, but there is also the automatic braking system. You have refused to adopt that system in the past, and I would like to know why. I would also like to know how much it would cost to implement such a system.

[*English*]

Mr. Keith E. Creel: To make sure I understand the question, are you asking how much we invest in people, training, process, and technology? I don't have the number in front of me, but it's in excess of double-digit millions of dollars through technology, through people, and through training.

When you speak to PTC, it is a technology that is undeveloped and yet to be developed. It has been mandated in U.S. operations. Once it's fully deployed, we estimate it's going to be in excess of $350 million invested.

[*Translation*]

Ms. Isabelle Morin: Regarding the investments you have made, if you do not have those figures with you, could you send them to the clerk of the committee?

[*English*]

Mr. Keith E. Creel: I would not hesitate at all. Yes we will.

[*Translation*]

Ms. Isabelle Morin: Thank you.

You also talked about products that you would not want to transport.

Could you give us a list of those products?

[*English*]

Mr. Keith E. Creel: We would be happy to provide that list to the committee.

[*Translation*]

Ms. Isabelle Morin: Can you list them for me now?

[*English*]

Mr. Keith E. Creel: Any TIH and PIH, toxic inhalants and poisonous inhalants, things like anhydrous ammonia, chlorine, something that we must have to make our water safe to drink that is a very toxic chemical which, if it were to compromise itself in transit, it could be very catastrophic.

[*Translation*]

Ms. Isabelle Morin: Would you want to...

● (1010)

[*English*]

Mr. Jim Vena: May I add something to that comment, please.

In the Canadian economy, these products that we ship are necessary. We use them in a number of products in Canada, such as chlorine in drinking water. It has to get to market.

How is it going to get to market? I'm not asking it as a flippant question, but somehow it has to get there. It is going to go by truck or by rail, but it has to move from the few plants that are producing that kind of product.

If somebody asks CN, would we like not to transport it? We've been transporting those products safely for years, and we think that we can continue to transport them safely.

Now, as a business person, sometimes you'd like to say, “I don't want to handle them.” But where are they going to go? They're going to go by truck or they're going to go by another method, because we have not found a way to get rid of all those products, whether in building materials, in drinking water—

[*Translation*]

Ms. Isabelle Morin: I am going to interrupt you now, Mr. Vena, because my speaking time is limited.

[*English*]

The Chair: You're actually out of time, but he can finish.

Are you finished?

Mr. Jim Vena: I am. I'm sorry.

The Chair: Okay.

We'll now move to Mr. Braid for five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you to our witnesses for being here today and for providing us with very helpful presentations and testimony.

Mr. Bourque, I want to start with a couple of questions for you.

We have spent a lot of time today and in previous days as well talking about sharing information with municipal officials and with first responders respecting the transportation of dangerous goods. In the fall, we struck an important agreement with the Federation of Canadian Municipalities in this regard.

From your perspective, is this information-sharing process working? Is it working well? What is the reaction of municipal officials, in your experience, with respect to this process of sharing information?

Mr. Michael Bourque: Thanks for asking that question, because I think there has been a lot of misunderstanding around this. I was quite close to it, because I was involved with Transport Canada, the Federation of Canadian Municipalities, the fire chiefs, and the industry in putting together the agreement that we have.

What is very clear is that fire chiefs in this country are not asking for live information. They are looking for the kind of information that is in the directive, which is current information but from the previous year, and to be told about trends. That's why it's divided on a quarterly basis.

Short lines, if there is a significant change, have to inform the municipality immediately, so the municipalities have the information that they require to conduct training of their firefighters in the event of an accident.

To answer your question, I think it is more than adequate, because the industry has stepped up and gone beyond this with programs that the railways have rolled out, which you've heard about today, of going out to municipalities and providing additional information, opening up the dialogue, making sure that people have all of the contact names, etc.

I have heard that a couple of municipalities have seemed dissatisfied with not getting the information immediately. I think there has been a miscommunication somewhere. At the level of the Federation of Canadian Municipalities and the Association of Canadian Fire Chiefs, the folks who are experts in this area are absolutely satisfied with the construct that we have put forward.

Mr. Peter Braid: Would you agree that it's important to find with this process of information sharing a proper balance between full information transparency and at the same time safeguarding security?

Mr. Michael Bourque: It wasn't so long ago that the RCMP foiled a plot by al-Qaeda agents in this country to blow up a VIA train. We shouldn't take it for granted that because we haven't had a serious security incident in this country lately it isn't an ongoing threat.

We would jeopardize our trade relationship with the United States, who feel very strongly that we shouldn't provide that kind of live information. I think it would be very dangerous and irresponsible. I would suggest that you invite the fire chiefs here, because what you'll hear is that they are getting the information they require to conduct training. They've heard from the railways. They know what we're carrying.

We're providing them with assistance. I mentioned earlier some of the training that we provide. We also have dangerous goods specialists within the Railway Association of Canada. Those dangerous goods specialists are out providing information, training firefighters, and so on.

● (1015)

Mr. Michael Farkouh: I'd like to add one element with regard to what Mr. Bourque was identifying. When we came together with the Federation of Canadian Municipalities, this was a want with respect to the railroads.

I don't think there was any hesitation to provide the specific information to ensure preparedness for the first responders, and the Canadian Association of Fire Chiefs was at the table. We have begun rolling it out. It's detailed information with regard to how many carloads move by commodity by quarter of 2013. This enables them to ensure they have the right level of training and/or plan further training.

In the case of dangerous goods, we—CN and CP—don't get large fluctuations of the different commodities; we're fairly stable. We may see some commodities rise—crude is a little bit on the rise—but at the end of the day, whether the train has seven cars or whether it has six cars, the training preparedness of those emergency responders remains the same.

It's important that we provide that information. We're very much in agreement with providing it, and the feedback we have been getting has been positive.

The Chair: Thank you. Your time has expired, Mr. Braid.

Mr. Watson, you have five minutes.

Mr. Jeff Watson: Mr. Vena, you told us that you owned 40 DOT-111s, that they are now gone, and that you lease 118.

Mr. Creel, how many DOT-111s are in CP's inventory, both owned and leased?

Mr. Keith E. Creel: It's approximately 200.

Mr. Jeff Watson: Is that for cars owned or leased?

Mr. Keith E. Creel: Those are all owned.

Mr. Jeff Watson: Do you lease any?

Mr. Keith E. Creel: I'm not certain whether we do or don't. I'd have to get back to you, Mr. Watson.

Mr. Jeff Watson: Very good.

Are you supporting retrofitting or phasing out?

Mr. Keith E. Creel: We will do retrofitting. I'm sure we'll do some new purchases as well, but we'll retrofit. It will probably be a combination of both.

Mr. Jeff Watson: The TSB was here saying that even the new DOT-111 standards are not likely sufficient. There's a process under way to discuss new standards for containment.

Are CN and CP participating in any of that dialogue currently, on either side or both sides of the Canada-U.S. border?

Mr. Keith E. Creel: CP is actively participating on the U.S. side, where those conversations are taking place with the industry as well.

Mr. Jeff Watson: Mr. Vena?

Mr. Jim Vena: [*Inaudible—Editor*]

Mr. Jeff Watson: Is that on the U.S. side or here?

Mr. Jim Vena: It's on the U.S. side and in Canada.

Mr. Jeff Watson: Very good.

Returning to safety management systems for a moment, what would be the most effective way to place a greater emphasis on the transportation of dangerous goods in the safety management system requirements for rail transportation?

Mr. Creel, let's start with you and then go to Mr. Vena.

Mr. Keith E. Creel: In fairness, it is given full emphasis and full focus in our railway. There's always more that could be done, but it's not for lack of effort or commitment or lack of focus. I would say that we're seized of the issue and concern and will continue to be seized of it on a go-forward basis.

Mr. Jeff Watson: Mr. Vena.

Mr. Jim Vena: Because of the number of commodities already labelled as dangerous commodities that we handle, we have a very robust system. I think you could spend hours here explaining the regulations involved in the movement of dangerous goods and the speed restrictions.

We at CN sat down after Lac-Mégantic and looked at everything we were doing to see whether we needed to change. That is part of the SMS and what drives it. You have to look at everything. You look at the training for people. You look at the communities. You look at further inspections. We put more money on geometry cars.

It all adds in. We have to do it and we did it after Lac-Mégantic. I think it's very robust.

I know that all of you understand the safety management system, but the people outside may not. Numbers will drive it, and also technology will drive it, and if anything changes, there's a continuous improvement program. It's not static, whereby you put it up on the wall and say this is what you're doing with the movement of any product or safety. It's a continuous development.

So after Lac-Mégantic we had some change. If we have any incident at all, we do the change. Or if the trend line is different for somebody else, we try to find out what other people are doing to see whether we can improve on it.

That's a long answer. I apologize for it.

● (1020)

Mr. Jeff Watson: No, that's fine.

For emergency response, there is specialized firefighting equipment, obviously, because you're dealing with very different types of dangerous goods. Can you tell us what that specialized equipment may consist of? How readily is that specialized equipment available when accidents occur? Where do you position this type of equipment across your network?

Maybe we'll start with Mr. Vena, and then I'd like to get Mr. Creel to answer the question as well.

Mr. Jim Vena: Sometimes you're smart to pass it off to a guy who knows it better than you, so away you go, Michael.

Mr. Jeff Watson: That's fair enough.

Mr. Michael Farkouh: With regard to equipment, first and foremost, one of our largest assets is actually our dangerous goods officers who are qualified out of Pueblo, Colorado, to the highest level, and they are scattered throughout. What we've done is enter into a lot of agreements with companies. As an example, if we have a flammable liquid fire, we already have arrangements with Irving Oil's contractor. We have arrangements with Valero, out of Quebec. We have arrangements with railroads, in terms of equipment. We have our own specialized equipment for burying goods.

You have to understand that when it comes to dangerous goods, it's not only about crude oil. We handle about 500,000 carloads of dangerous goods and we have for a very long time. Crude oil is less than 2% of our business, so when we talk about dangerous goods, we're talking about the full facet. We call in many different suppliers who can assist from an environmental standpoint. We can't neglect that. Not everything burns; things can spill to the ground. We have environmental caches of equipment strategically located throughout our network for that first response, whether it is booms, river rafts to put booms in place, absorbent materials, and so forth.

We have multiple layers but we also have a vast network of experts. We've had incidents where I've had five planes in the air bringing in people from all over North America. It's not a five-alarm fire for us; it's a ten-alarm fire for us. We will bring in as many people as needed. As Mr. Creel said earlier, you ramp up through a situation, so if you're in northern Ontario, that time of response, you ramp up.

Mr. Jeff Watson: What is the desired time to be able to move equipment from the cached area to a location? For example, firefighters have a response time in their communities and that's why fire halls are strategically placed.

What is your response ratio for these strategically placed caches?

Mr. Michael Farkouh: In fairness to that question, we have to understand that we have some very remote locations where roads don't go in there. Oftentimes, it takes a bit more time to send in a helicopter to bring in goods and so we will just parachute in some of the first rounds of equipment. When we have road access, within hours we are fully mobilized with personnel and equipment, so they do vary. Understand that our country is fairly vast; we don't have always dense population areas.

Mr. Jeff Watson: What's your urban response time?

People in higher population areas would want to know what your likelihood of getting those resources to them would be. I appreciate the remote area discussion.

Mr. Michael Farkouh: For a densely populated area, we're talking about Toronto, Montreal, Edmonton, and so forth, within the hour, two hours, we're already there.

Mr. Jeff Watson: Thank you.

The Chair: Your time has expired.

We have to go to some committee business now so thanks very much for being here.

Mr. Creel.

Mr. Keith E. Creel: I'd be remiss not to make one important comment.

Mr. Watson had a question about how we could improve our SMS. One of the areas that we're seized with is expanding and collaborating and partnering with industry, with pipelines to improve those response times, assets resources to reduce the response times. The second point we're seized with is risk mitigation and the closing of crossings. We have a very problematic situation in Canada where Transport Canada's objective is to close crossings. However, CTA opens crossings, so Transport Canada may close, for instance, three in a year, and CTA, without collaboration, without any due process, may open six.

Every time you have a crossing, you have an opportunity for an uncontrolled situation to occur. You have an opportunity for a truck, for instance, to impale the side of a train that may be carrying these very hazardous materials, so it's in the Canadian public's best interest and safety's interest to eliminate as many unnecessary crossings as possible and to strictly control the opening of any new crossings.

● (1025)

The Chair: Thank you.

Mr. Mai, on a point of order.

Mr. Hoang Mai: Mr. Chair, I don't think we need to go into committee business. The motion that was moved, personally, I don't want to talk about it too long. We have great witnesses who are here, quality witnesses. I think we all have a lot of questions—

The Chair: Are you withdrawing the motion?

Mr. Hoang Mai: No. I would like, maybe, to have 30 seconds on the motion.

The Chair: This is what I'm up against, Mr. Mai.

If I start another round, I need to go one, two, three, four. We don't have time to do that. You should have thought of that before you tabled the motion.

Mr. Hoang Mai: I think we could do it if we only ask one question. It has happened before.

The Chair: Mr. McGuinty, go ahead.

Mr. David McGuinty: Mr. Chair, I think we can accommodate another round here.

I've seen this motion brought by the NDP and I think it can be dispatched in less than a minute. We have 20 minutes left on the clock and six witnesses here today, who I hope are to come back for another two-hour session, Mr. Chair, so I would strongly urge us to continue.

The Chair: Mr. Watson.

Mr. Jeff Watson: Mr. Chair, I don't know how long it will take us to dispose of the particular motion in front of us. If we begin down the road of another round, then we may not leave ourselves sufficient time.

Chair, I'll leave it to your discretion on that.

The Chair: Thank you.

Based on the comments, I'm going to take one question from Mr. Mai, one from Mr. McGuinty, one from Mr. Watson, or two from over here to even it out and then we'll go from there. Please don't abuse this. Make your question very direct. Gentlemen, try to make your responses as quickly as possible.

If we're going to deal with this motion, I hope it goes quickly, but we never know until we get there.

Mr. Mai, one question.

Mr. Hoang Mai: Thank you very much for your great understanding, Mr. Chair.

Honestly, I do understand how important it is that Canada has two of the best rail companies in the world in terms of safety. I understand that. The concern we have and that I hear on the ground is with smaller companies that don't have all of the resources that your companies have in terms of making sure that safety is the number one priority. Obviously with Lac-Mégantic, MMA, for instance, didn't have the same concern about safety that your companies have.

How can we, as regulators, because I think we have been failing, in that companies are inspected and Transport Canada is flagging issues but not following up on those issues....

How can you help Transport Canada to make sure that all of the inspections or issues are dealt with from the companies' side. What would be your recommendation for small companies?

Mr. Michael Bourque: Let me start with that, since there are a number of short lines in our membership.

I want to assure you that we asked ourselves all of those same questions after that terrible accident. That's one of the reasons we have instituted a new measure where we will require a commitment to safety culture as part of membership in the Railway Association of Canada.

I also should mention that for safety management systems, exactly the same rules apply for short lines as for mainline operations. In fact, and my colleagues can jump in in a minute, where they operate on CN or CP track, then they also have to follow the standard that those railways have. Typically a short line is operating over a much shorter distance, and they're operating at much lower speeds. Typically they have very experienced personnel with very low turnover. They must audit their own safety management systems. Transport Canada has developed guidelines for them in developing SMS, and employees have to be part of their SMS development.

One of the things that we did following Lac-Mégantic is that I asked our dangerous goods team to visit with every single one of our short-line members to talk to them about the lessons from Lac-Mégantic. Two of my staff were on the ground at Lac-Mégantic, helping firefighters, because they are experienced dangerous goods operators. They were there for 15 days straight providing their expertise to the personnel on the ground. They then went out to every single one of our short-line members and had discussions with them about what they learned, and re-emphasized the requirements under the act as part of their safety management systems.

I feel very confident that the short-line members in our association are absolutely committed to safety and they understand the rules, and that we're providing every support that we can to them.

● (1030)

The Chair: Okay, thank you.

To our three questioners, please withhold your statements. Ask the questions so that our witnesses can take the time needed to answer them.

Thank you.

Mr. McGuinty.

Mr. David McGuinty: Thanks, Mr. Chair.

Gentlemen, very quickly, I want to give you the number one conclusion of the Auditor General's report.

The Auditor General is saying that Canadians basically cannot trust—cannot trust—whether or not the railways in this country have a safety management system. That's what he's saying. It's written twice in the report. He cannot tell Canadians whether or not your SMS is actually in place. That's the conclusion. There are a whole series of other conclusions that he draws, but I want to put to you a proposition and ask you for your response, very quickly.

We're going to double the exploitation of the oil sands in the next 10 years. We're going to see a million barrels of excess capacity of oil that cannot go on pipeline by 2024. You have plans to build large-scale crude loading terminals in the west for capacity of 890,000 barrels a day. We know from the Auditor General, because we can't necessarily trust the government. The question I want to put to you is —and Mr. Creel, you'll recall these words originally as a U.S. citizen —Canadians would say, “We'll trust, but we want it verified.”

Please tell the Canadian people who are watching what you're going to do to help Canadians have trust in the system, and particularly, what pressure you are going to exert on the sitting government to do its job and regulate.

Mr. Keith E. Creel: At CP the best thing we can do is convince Canadians that they can trust us by our actions and by our results. We are the safest railway in the North American industry; we have been for the last eight years. Our investments, our processes, our focuses, and our accountabilities are seized with that, and the only way, in my mind, that we'll continue to earn Canadians' trust is to simply produce results, continue to be the safest railway, and continue to be seized with elimination of 100% of the accidents.

I know that's not possible, but it certainly is the objective. I believe fully if you lower the bar and you expect anything less than that, then you're never going to have a chance of achieving that. That's what we're seized with at CP.

The Chair: Mr. Vena, do you want to comment at all?

Mr. Jim Vena: Listen, I love that he went over from CN and now he's the safest railroad in North America. He keeps on saying that, but so are we. We're very good.

At the end of the day, I agree with Keith. I think he handled it right. That's exactly what we need to do as an industry.

The Chair: Thank you.

Mr. Watson, please ask one question.

Mr. Keith E. Creel: Mr. Chair, I'd like to make one comment, if I could.

I'd like to let Mr. Vena know that the first quarter of 2014 is the safest quarter that CP has ever experienced.

The Chair: I will let you gentlemen have that discussion after.

Mr. Watson.

Mr. Jeff Watson: They can continue that conversation out in the hallway a little bit later. Hopefully, it will keep to words only.

Very briefly, I want to note two things.

Looking on the TSB's website at the annual railway statistics, I note that CN, for accidents involving dangerous goods, went from 85 to 99. That's up 16%. Accidents involving dangerous goods for CP went from 29 to 34. That's up 17%.

There is a another interesting thing, and you'll have to explain this to me. Considering a dangerous goods leaker, TSB says that's an unintentional release of hazardous material while in transit. What does that literally mean? Those are both up for both companies. What is an unintentional release? Where would that happen? How would that happen?

Mr. Glen Wilson (Special Assistant to the President and Chief of Operations, Canadian Pacific Railway): I can start us off, if you like.

First of all, a DG leaker is also referred to as a non-accidental release. That really means it's a shipper-caused issue, like a faulty O-ring or a valve that's not fully closed, and there's a venting from the car. It could be an overload, and it's a pressure release. Those are the kind of circumstances that lead to DG leakers.

The other statistic you referred to is really just about involvement of dangerous goods within a train, but not necessarily that they were involved in a derailment, that there was any release.

One of the key stats in the TSB's website is accidents involving a release, and the annual average is usually in the area of two to three per year. It's actually very simple to come up with the 99.997% that was discussed earlier by simply taking the number of shipments. Combined dangerous goods shipments on CN and CP are approaching about a million a year, and yet you can see from the TSB's own statistics that there are in the area of two to three accidents involving a release. As we talked about earlier, that can be any release, literally picking up a shovelful of pellets.

● (1035)

Mr. Jeff Watson: The statistics show three each for CP and CN last year.

The Chair: Gentlemen, thank you very much for being here and participating. We'll let you go. We have some committee business.

Mr. Watson.

Mr. Jeff Watson: Chair, I was hoping we could spend the entire meeting talking about rail safety in this country. Obviously it's very important. That's why the committee is seized with this. Instead, we have a motion to deal with.

Chair, I move that we move in camera.

The Chair: I have a motion to move in camera. Is there discussion on the motion?

Mr. David McGuinty: I guess I'm just trying to get my head around the reason for it, Mr. Chairman. This is a very innocuous motion.

The Chair: I'll let you ask Mr. Watson that.

Mr. David McGuinty: I'm sorry, Mr. Chair?

The Chair: I said you can ask Mr. Watson that. He moved the motion.

Mr. David McGuinty: You just asked for discussion on the motion. Do we have something wrong?

The Chair: No. We have a motion to go in camera.

(Motion agreed to)

The Chair: We'll go in camera.

I will ask anyone who is not a member or staff to please vacate the room.

Thank you.

[*Proceedings continue in camera*]