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Chair

Mr. Larry Miller

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● (0845)

[*English*]

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

I'd like to thank our witnesses for being here today.

Mr. Pryce, Mr. Stringham, Mr. Ahearn, can you hear me?

A voice: Yes, we can.

The Chair: Thanks for being with us.

We have representatives here in person from the Canadian Fuels Association, the Canadian Propane Association, and the Canadian Association of Petroleum Producers. Also, joining us by video conference are representatives from the Canadian Fuels Association and the Canadian Association of Petroleum Producers.

I'm going to turn to Mr. Boag, from the Canadian Fuels Association, for 10 minutes or less.

Mr. Peter Boag (President and Chief Executive Officer, Canadian Fuels Association): Thank you very much and good morning, Mr. Chairman and members of the committee.

My name is Peter Boag, and I'm the president of the Canadian Fuels Association. With us via video conference from Calgary this morning is Brian Ahearn, vice-president of our western division and one of our leadership people on this particular file.

First I'd like to say thank you very much for the opportunity to participate in your examination of the safety regime for the transportation of dangerous goods. It is a very important subject, and we very much appreciate being here today.

For clarity, the Canadian Fuels Association represents Canada's petroleum refining sector, that is, the companies that refine, distribute, and market the petroleum products across the country. They're the manufacturing component of Canada's oil and gas value chain, converting crude oil into transportation fuels, which is about 75% of the sector's output, as well as into a broad range of other products including home heating oil, asphalt for roads, and petrochemical feedstocks that are essential components in hundreds of consumer goods that Canadians use and rely on every day, from plastics to textiles to pharmaceutical products.

The transportation fuels that our members produce are a vital component of Canada's energy system. Of the energy that Canadians consume, 30% is for transportation. That's close to 90 billion litres of fuels such as gasoline, diesel, and aviation fuel every year. These are the fuels that keep our economy moving and enable our high standard of living.

With our vast geography and dispersed population, it should come as no surprise that Canadians are among the highest per capita users of transportation fuels in the world. Eighteen refineries in seven provinces produce the fuels that Canadians rely on for 95% of their transportation needs.

Getting fuel from the refinery to wholesale and retail customers is accomplished through a distribution system comprising a network of transportation assets, pipelines, trucks, trains, ships, 21 primary fuel distribution terminals, 50 regional terminals, and some 12,000 retail sites across the country.

Pipeline and truck are the primary modes of shipping fuels from the refinery to market. Rail service is generally used when long distances are involved and there is no pipeline. For some locations, rail may be the only mode of transportation available. For example, many of Canada's northern communities rely exclusively on the rail supply of fuels.

The majority of crude oil that is shipped into refineries is via pipeline and marine tanker, but rail supply of crude is increasing. It's a relatively recent development, a reflection of Canada's expanding oil production, which is outgrowing our oil transportation infrastructure, and of the desire of eastern Canadian refineries to gain access to western Canadian crude for which pipeline access does not exist. Rail is also an important transportation mode for the transport of biofuel inputs, principally ethanol and biodiesel, which are blended at the terminal to meet provincial and federal biofuel-blending requirements.

Canadian Fuels Association members place a very high priority on protecting the health and safety of employees, contractors, and their neighbours. They conduct their business with a dedication to safe and sustainable operation that goes well beyond companies' boundaries and extends into the communities in which they operate. They have developed an excellent safety record operating alongside Canadian communities for more than 100 years.

Indeed, the safety record of Canadian Fuels Association members' refineries is among the highest of all Canadian manufacturers, and their safety record continues to improve. Total recordable injuries for refinery, distribution, and retail employees are down nearly 80% across the sector since the year 2000. This record is the result of tight management across all facilities, systems, and processes to prevent incidents, as well as of constant attention to safety by all employees.

Five elements drive our safety management efforts: a safe work culture; integrated planning and operations; sharing resources in emergencies; continuous improvement in all our safety-related activities; and a commitment to leadership in all safety matters. Our members have a very active spill prevention and response system for the truck transport of petroleum products. We have a mature national program in place based on three critical principles: prevention, preparedness, and response.

For the rail transport of petroleum products, our members rely heavily on the rail carrier for the care and custody of our products. They expect rail carriers to conduct their operations with the same care and commitment to safety that they themselves have in their refinery operations. Thus the focus for improving the safety regime for the transportation of dangerous goods by rail must be on requirements for safer rail operations.

● (0850)

From that perspective, we support the recent Transportation Safety Board recommendations on enhancing the safety of rail operations.

But a safe TDG regime extends beyond rail operations. To that end, Canadian Fuels Association and its members are actively involved with Transport Canada in an examination of additional measures in the areas of prevention, preparedness, and response. We have been working closely with our upstream colleagues at CAPP on a coordinated petroleum industry response and input to recent Transport Canada initiatives.

We are an active member on working groups established by Transport Canada. We support recent working group recommendations provided to Minister Raitt to implement tank car design enhancements for DOT-111 cars and to enhance emergency response through expansion of the ERAPs, emergency response assistance plans, and the establishment of a cooperative single-entity response organization.

With respect to new tank car standards we support a risk-based approach to the implementation of new means of containment standards that puts a priority on high-risk substances, provides realistic timelines for replacement and retrofitting of existing cars, and maintains alignment with regulatory requirements in the United States.

Recognizing that many of Canada's northern communities completely rely on the rail supply of fuels, we really recommend that the government and this committee in its recommendations pay appropriate attention to prioritizing the competing demand of new tank cars for products versus crude to ensure that we don't unnecessarily constrain the ability of northern communities to have access to the fuel they desperately need.

On emergency response enhancements, while supporting expansion of the ERAP, which was a recent recommendation from the working group examining this issue, we have highlighted the risks of a major expansion of ERAP requirements to all flammable hydrocarbons without substantive modifications to the current ERAP framework. We see the need for a more consistent and coordinated approach to response through the development and implementation of a single national entity for response to rail incidents and rail spills. We believe that rail carriers are best placed to lead that new entity.

To that end, the Canadian Fuels Association and our colleagues at CAPP have initiated discussion with the Railway Association of Canada to further advance the concept of a single entity emergency response organization. As well, we're in close discussions with the Canadian Association of Fire Chiefs to examine how to better address the transport of dangerous goods product education and training needs of first responders.

An existing program, TransCAER, well established with our colleagues at the Chemistry Industry Association of Canada, is being actively considered as a potential platform for addressing first responders' TDG product education needs for petroleum products and crude oil.

To summarize, Mr. Chair and members of the committee, we recognize that public confidence in the safety of the transportation of dangerous goods has been shaken. We accept that improvements in the safety regime for the transportation of dangerous goods are necessary to restore confidence. Safe operations are a cornerstone of our industry, so we're committed to working with government and stakeholders to achieve the necessary improvements.

Thank you and I look forward to your questions.

The Chair: Thank you very much, Mr. Boag.

I'll move to the Canadian Propane Association. We have Mr. Marchand and Mr. Bite, for 10 minutes or less please.

● (0855)

[*Translation*]

Mr. Guy Marchand (President and Chief Executive Officer, Budget Propane 1998 Inc., Canadian Propane Association): Good morning, Mr. Chair and members of the committee.

With me this morning are Andrea Labelle, General Manager, and Andy Bite, who also sits on the Board of Directors.

Thank you for giving us this opportunity to tell you about the transportation of propane by rail.

The Canadian Propane Association is the national voice of the Canadian propane industry, a multi-billion dollar industry that impacts the livelihood of tens of thousands of Canadians.

The CPA represents over 380 members, including producers, wholesalers, retailers, transporters, equipment manufacturers, service providers and industry associates.

Our mission is to facilitate the growth and best practices of the Canadian propane industry by acting as a unified champion for the entire industry, regardless of geography or place on the propane value chain.

Headquartered in Ottawa, the CPA maintains an office in Calgary that houses a subsidiary, the Liquefied Petroleum Gas Emergency Response Corporation, which is responsible for the propane industry's emergency response plan, and the Propane Training Institute, which trains over 24,000 students annually.

Now let me talk about the propane industry.

Canada produces approximately 11 billion litres of propane per year. Eighty-five per cent of the propane is produced by processing natural gas and 15% from refining crude oil. About half of the supply is used in Canada and the rest is exported to the United States. All the propane used in Canada is produced here.

Each year, the propane industry contributes $10 billion to the country's economy, including more than $900 million in taxes and royalties. It also employs more than 20,000 Canadians.

Propane is used in a wide range of applications, including residential heating, commercial activity, agriculture and transportation.

The propane industry is regulated by a range of statutes, standards, regulations and codes at federal, provincial and municipal levels.

The transportation of propane is governed by the Transportation of Dangerous Goods Act, 1992, and its associated regulations. They specify a number of requirements about the transportation of propane, including containment, permits required, and emergency response plans.

At the federal level, Environment Canada requires propane companies and users with significant amounts of propane on their premises to have an environmental emergency response plan,

Storage and handling of propane are regulated by provincial agencies such as the Technical Standards Safety Authority in Ontario, the Régie du bâtiment du Québec and the BC Safety Authority in British Columbia. Those agencies administer the national standards and codes that establish the practices and training that are appropriate in the handling and use of propane and related material.

Canada has a well-developed propane infrastructure that transports propane across Canada and into the United States by rail, by pipeline, by road and by water. About 4 billion litres of propane are transported by rail in Canada and more than 3 billion litres are sent by rail to the United States.

The propane industry takes all necessary steps to meet and surpass regulatory requirements designed to safely transport, deliver and use propane. We are pleased to be part of the discussion on maintaining and improving, to the extent possible, the level of safety needed for the transportation of dangerous goods by rail.

[*English*]

Mr. Andy Bite (Chief Development Officer, SLEEGERS Engineered Products Inc., Canadian Propane Association): As mentioned earlier, the propane industry takes every precaution to ensure the safety of all who transport, handle, and use the product.

One important element in the safe transportation of propane by rail is the design of the railcars. Propane railcars are designed to carry as much as 114,000 litres, or about 33,000 U.S. gallons, of propane. The railcars themselves are equipped with various devices and safety systems to protect the tank and fittings from damage during an accident or a severe impact.

These safety systems include pressure relief devices, which are fittings designed to relieve the internal pressure within a tank car above a specified value that may be resulting from abnormal pressure increases.

Tank cars transporting propane are also equipped with a tank head puncture-resistant system capable of sustaining, without the loss of lading, coupler-to-head impacts of 18 miles per hour. This is usually accomplished by the installation of separate head shields or full-head tank jackets made of half-inch thick steel on each end of the tank car.

The tank cars transporting propane must themselves be equipped with thermal protection or an insulation system that provides sufficient thermal resistance so that there will be no release of any lading, except through the pressure relief device, when subjected to a pool fire for 100 minutes or a torch fire for 30 minutes. The thermal protection systems are typically protected with an outer steel jacket. Additional safety features include loading and unloading valves and fittings that are located on top of the tank car and are enclosed in a protective dome. The tank cars are also equipped with positive shut-off valves and safety check valves.

Another important element of ensuring the safe transportation of propane is the training of personnel in the proper procedures for loading and unloading a tank car. This training is offered by the Propane Training Institute, which is a division of the Canadian Propane Association, and is specifically designed for the purpose of training propane plant operators responsible for unloading railcars and for use as a reference manual while on the job.

The unloading of propane railcars can be summarized in nine steps, which include several safety measures. First, the railcar is secured for unloading. The railcar is then inspected to make sure that it is free from damage or leaks that would create a hazard during unloading operations. The contents of the railcar at this point are tested to ensure among other things that the propane has been properly odorized. To avoid accidently overfilling a storage tank, the maximum amount of propane that can be added to it will be calculated.

Then, as most plants use an unloading riser to gain access to the top openings of the railcars, the liquid and vapour hoses between the railcar and the unloading riser will be connected using special connectors equipped with emergency shut-off valves. A compressor is then used to evacuate the liquid propane from the railcar into the storage container. The compressor is then reversed, and the propane vapours are evacuated from the tank car to a relatively low pressure. Once the transfer is complete and before letting the carrier remove the tank car, the hoses will be disconnected and the valves will be shut off.

During the entire transfer operation, a qualified person is present to monitor the transfer and to handle emergencies, should they arise. Regular inspections of the facility and its operations are performed by the railroads, as well as by the provincial gas authorities, to evaluate compliance and safety.

We also have an LPG Emergency Response Corporation, LPGERC. In the unfortunate event of an incident, the LPG Emergency Response Corporation, a subsidiary of the Canadian Propane Association, has a national network of experienced and trained remedial measures advisers and response teams offering 24-7 emergency response to transportation or stationary tank incidents.

The LPGERC plan provides emergency response to support all UN 1075, or liquefied petroleum gases, and UN 1010, butadiene stabilized products for more than 250 plan participants.

The LPG Emergency Response Corporation plan is approved by Transport Canada as per the regulatory requirements listed in part 7 of the transportation of dangerous goods regulations for emergency response assistance plans. As we have said in our presentation, the propane industry takes all necessary steps to ensure the product is delivered safely to consumers as well as end users.

We are leaving you with three CPA positions and related recommendations regarding the transportation of dangerous goods as it relates to propane.

First, the CPA supports the safe transfer of propane and believes that Transport Canada should review the regulatory requirements for transfers from rail to truck. In our view, the safety requirement should be consistently applied to different types of transfers, for example, for rail to storage and railcar to truck. This is currently not the case. We believe that there is a gap in the regulations.

● (0900)

Second, the CPA supports compliance with regulatory requirements and enforcement where compliance is not achieved. Accordingly, the CPA recommends that Transport Canada consider developing, maintaining, and executing a risk-based compliance inspection program.

Third, the CPA supports the harmonization of transportation of dangerous goods regulations between the United States and Canada, as significant amounts of propane move between the two countries. The equipment designed for propane applications is also very similar on both sides of the border. Where it is practical to do so, Transport Canada should seek to harmonize the transportation of dangerous goods regulations with international regulations and national standards.

Propane is an available and abundant energy source in Canada. It provides heat and power to homes and businesses. It has a multitude of uses that include fuel for home appliances, forklifts, and heat for mines in remote locations. Propane is also an essential energy source for those in rural areas, as it is highly portable and also a cleaner burning option over heating oil and wood. In urban areas it is also used to power forklifts and fleet vehicles.

As supply continues to grow with the increase in natural gas production, the propane industry is committed to working with government and the railways to ensure the safe and reliable transportation of our product.

Thank you, Mr. Chair.

● (0905)

The Chair: Thank you very much.

Now we will go to the Canadian Association of Petroleum Producers.

Mr. Bleaney, for 10 minutes, please.

Mr. Bob Bleaney (Vice-President, External Relations, Canadian Association of Petroleum Producers): Good morning, Mr. Chairman, and members of the committee. Thanks for the opportunity to appear before you today.

My name is Bob Bleaney, and I'm the vice-president of Ottawa, and eastern and Atlantic Canada at CAPP, the Canadian Association of Petroleum Producers. With me today via video conference in Calgary is David Pryce, CAPP's vice-president of western Canada, and Greg Stringham, our vice president of oil sands.

Before I start I'd like to establish that as shippers we are not experts in rail. Therefore, we're bringing our broader expertise to bear and our views as a user of rail services.

Our industry produces and transports three million barrels per day of oil serving Canadian consumers and export markets. This year the oil and gas industry will generate over $100 billion in revenues. These revenues serve as capital investment, labour, purchased goods and services, and government revenues of royalties and taxes.

Every molecule of energy that generates this revenue and jobs for Canadians must be transported from its source to the end market. Thus, sufficient, safe, reliable, and timely transportation capacity is critical to our industry and to the Canadian economy. For our industry, this includes pipeline, rail, marine, and truck transportation.

Approximately 200,000 barrels a day of crude is being shipped by rail in Canada today. It's expected to grow by about another 100,000 barrels a day in 2014, and could grow to as much as 700,000 barrels a day by 2016, providing further impetus for enhancements to the safety and integrity of transportation by rail.

As per this committee's 2008 rail safety report recommendations, Transport Canada and the rail industry were asked to develop action plans and assessment tools to monitor progress of safety management systems. CAPP views safety culture as key to overall safety management and important in safety performance improvement.

The oil and gas industry has long recognized the role played by a positive safety culture in improving personnel safety and in the prevention of major incidents.

With respect to safety management systems, these are commonly coupled with environmental compliance requirements, and have long been used to implement policy and standards consistently across organizations in our industry. These are subject to ongoing adjustment as new hazards and challenges confront industry, new personnel join the workforce, and new regulations are introduced.

It's worth highlighting that regulatory requirements as to proof of compliance can contribute to management systems that become over-documented bureaucratic mechanisms that do little to improve overall safety. We would caution that the linkage between management systems, control of risk, and personnel attitudes to safety can suffer as a result.

Regulators are in a unique position to provide leadership, clarify expectations, and support industry as it strives to improve safety performance, and we view there is significant opportunity to examine existing regulations to identify their effect on operator safety performance.

As shippers, we rely on the transporter's expertise, and expect that they have the mechanisms in place to ensure the safe transportation of our products.

CAPP supports recent Transportation Safety Board recommendations that would advance safety enhancements for rail operations. These recommendations include setting stringent criteria for the operation of trains carrying dangerous goods, as well as requiring railway companies to conduct route planning and analysis, and perform periodic risk assessments to ensure that risk control measures work.

It is critical that railroads are running a safe system. That is our expectation and their job, and view that Transport Canada should continue working with rail towards improving safety performance in these operations.

With regard to the transportation of dangerous goods, it's CAPP's view that a number of initiatives already in progress will play a key role in this committee’s review of the current TDG regime. These initiatives cut across the following three pillars: prevention, preparedness and response, and liability.

Within the context of these three pillars, Transport Canada has initiated a review of regulatory and policy requirements that will examine adequacy of railcar design, emergency response, and third party liability and compensation.

CAPP and our colleagues from the Canadian Fuels Association have been working collaboratively on these files, as was referenced by Peter in his presentation, and we offer a shared perspective across these three pillars.

The first pillar is prevention. With respect to the means of containment, proposed tank car regulations will replace existing standards, and will require that new DOT-111 cars be built with thicker steel requirements as well as adding top fitting and head shield protection to tank cars.

● (0910)

Industry supports an open, transparent, and risk-based review of the appropriate means of containment for the transportation of crude by rail.

Some crude products are less volatile than others. Therefore, a risk-based approach will ensure that during the transition phase, the higher risk crude types will be shipped in the higher standard cars as the older legacy cars are transitioned out. This will enable an appropriate timeframe for the replacement and/or retrofitting of the legacy tank cars, and support logistical requirements during the transition period.

In terms of preparedness and response, industry strongly supports enhancements to emergency response for higher risk dangerous goods but cautions, as Peter observed, that to date, undue focus has been applied to the existing emergency response assistance program, or ERAP, as being the appropriate delivery mechanism.

CAPP is of the view that the current local and single shipper-importer type ERAP system must be modified to enable a more comprehensive national system that can be run by the rail carriers.

CAPP is currently advancing discussions with the Railway Association of Canada and the Canadian Fuels Association with a view to seeking alignment and presenting a common solution to the government that would see development of a single preparedness and response entity for rail incidents involving flammable hydrocarbons.

As an immediate and interim step, a mutual emergency assistance agreement, which specifies and streamlines access to available member companies' resources, will be established among CAPP, the Railway Association, and Canadian Fuels Association members.

For the third pillar, liability, industry supports the polluter pay principle. This is already embedded in many existing liability frameworks. However, gaps within these liability frameworks have recently emerged.

While industry is of the view that the current rail liability framework is fundamentally sound, there is a need for more rigorous oversight and better alignment of liabilities to insurance so that all rail companies have the financial and management capability to manage an incident.

As design considerations for the rail liability and compensation regime are contemplated, Transport Canada will need to be mindful of implications to carriers and ensure that a risk-based approach is applied to liability requirements. Industry encourages Transport Canada to explore the possibility of creating a hybrid liability model that would leverage attributes from both marine and pipeline models.

A hybrid approach would enable smaller, short-line railways to be represented collectively, or by a pooled approach, an attribute associated with the marine model, whereas the larger class I railways can choose a self-insurance approach, an attribute more in line with the pipeline model.

In closing, we suggest the committee focus on opportunities for enhancement in the following areas:

With regard to safety management systems and safety culture, we suggest leveraging of existing best practices and bodies of research.

Over the last 10 years, a number of oil and gas industry organizations, particularly the American Petroleum Institute, the Society of Petroleum Engineers, and the International Association of Oil and Gas Producers, have published a wealth of information, recommended practices, and guidance on safety management systems, safety culture, and leadership.

Regarding additional measures to strengthen the TDG regime, consideration should be given to the harmonization of the TDG regulations with those of the United States Department of Transportation, where possible. This would include timelines for phase-outs of legacy tank cars and standardization of sampling and testing procedures for crude classification.

Let me conclude with a just a few key points.

CAPP recognizes that the stakeholders and the public are demanding improvements to the safety of transportation of dangerous goods. We want to ensure safe transportation of our products by all means, by pipe, rail, and marine. The safe and responsible production and transport of crude oil is the foundation of our economic well-being, and its importance cannot be overstated.

We look forward to the committee's report to facilitate the drive toward performance improvement, so as to ensure that oil and gas can be safely moved to markets where it's needed.

Thank you. We look forward to your questions.

● (0915)

The Chair: Thank you, gentlemen. You were all within the time, and that's great. That leaves more time for questioning.

I'll turn it over to Mr. Mai, for seven minutes.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, witnesses, for being here today.

My question is regarding the DOT-111 legacy cars. We have heard that there are about 80,000 tank cars still in Canada.

I heard from witnesses that we need to have a realistic timeline. Can anyone give me a realistic timeline, knowing, for instance, that Irving has said they'll phase them out within one year? CN said they would phase them out within four years.

We had a working group that looked at the DOT-111, and there is still no timeline. I understand that we are waiting for what's happening in the U.S., but can we know here in Canada? Especially after what happened in Lac-Mégantic, Canadians want to know the timeline. Can any one of you give me a realistic timeline?

Mr. Peter Boag: I think we don't have a clear answer to that yet. We're looking at a large number of companies that own, operate, and lease cars, so I think some of that research has been done to help Transport Canada identify what actually is a practical timeline.

I would certainly defer to our witnesses on the teleconference, who are more deeply involved in this, in terms of whether they have more specific information that they could provide.

Mr. Bob Bleaney: Maybe it would be useful to pass it over to our witnesses in Calgary for more specifics. They are most closely associated with the working group that's been working on this issue.

Mr. David Pryce (Vice-President, Operations, Canadian Association of Petroleum Producers): There are a couple of points that we would make. There is some work going on to try to understand what would be an appropriate timeline. I think we're looking at something in the one-year to five-year range, probably closer to three or four. We don't have the data fully in place yet to understand that.

As we contemplate this, though, one of the things we think would be important is to understand the nature of the product that is being shipped and to look at a transitional strategy that would target the newer cars that are already in place to the higher risk products that move today.

Mr. Hoang Mai: We've known for 20 years now, and the TSB has been pretty clear on that. We've seen what happened in Lac-Mégantic. The old DOT-111s are problematic. They are considered to be ticking time bombs, and still today we do not have a timeline. I can't understand that.

This question is for CAPP. I see that the industry is making $100 billion in revenue per year. Is that correct?

Mr. Bob Bleaney: Yes, that's the revenue stream from all of our member companies combined.

Mr. Hoang Mai: Can you tell me a ballpark figure what the profit is of those companies?

Mr. Bob Bleaney: I can't speak to the specific profit arrangements for all of our companies. Our members are a wide range of different sized companies and they all have different business models that they're working through. I don't have an answer on that.

Mr. Hoang Mai: You would not know how much the companies that you represent are making in terms of profit.

I think they are all basically public companies. Right?

All I'm saying is.... If the revenues are about $100 billion, let's just make a calculation. According to a witness we had here, we have 80,000 DOT-111 cars that have to be phased out in Canada. Do you agree that the cost is about $100,000 per car, more or less, for the new ones?

Mr. Bob Bleaney: Again, I'm not that close to the specifics on the car cost estimates.

Greg, would you want to comment on that?

Mr. Greg Stringham (Vice-President, Oil Sands and Markets, Canadian Association of Petroleum Producers): Yes, I can comment on that.

As we were looking at the new cars that are on order, I think 80,000 is a number that is much higher than we've seen out there. As we look at the older legacy DOT-111s, there could be a lower number in Canada. But as you well know, sir, they are moving across the border back and forth all the time. That's why we're looking at that side of things.

The cost estimate for the new cars that we understand are on order is in the range of between $100,000 and $150,000.

● (0920)

Mr. Hoang Mai: Let's say it's $150,000 and fewer than 80,000 cars; we're talking about more or less $80 million in total cost. How many people have to die before we put forward the money to make sure Canadians are safe? I know you won't answer that, but it is very frustrating for us.

I understand there's a link with the U.S., but with what happened here in Canada, especially in Lac-Mégantic, I think we have to take some leadership as regulators, as Canadians. We need to work with industry, and I get that, but if having companies like Irving tell us they can do it within one year, and you can't tell us, after having a working group, how long it will take.... You're talking about one to five years. Obviously, we lack leadership from the government in terms of telling us how many years it will take, so we'll make sure that the demand is there, production will be there.

We heard from the manufacturers, who said maybe four years, if we make them all in Canada. But if we open the market, whatever, hopefully they would be done in Canada, but if we're talking about moving forward, I still don't understand why all of you working together, having a working group, cannot come up with a timeline.

Mr. Bob Bleaney: One of the things I'd like to make clear is that the work that's going on is very focused on ensuring we have a safe protocol for handling the crude oil. It was noted that there is a variety of different kinds of crude oil, and the ones that are the most volatile are the ones that need to have the first access to modern transport capabilities. The plans of this working group are very much focused on ensuring a safe transition away from the old legacy cars that are safe in service for certain kinds of product, toward the transition to the new cars over the shorter period of three to five years, or one to five years, or whatever. The work of that committee has been very much focused on trying to ensure there will be a safe transition to that product handling.

The Chair: Thank you.

Mr. McGuinty, you have seven minutes.

Mr. David McGuinty (Ottawa South, Lib.): Good morning, everyone.

Mr. Bleaney, I'm not going to let you off the hook that easily. I'm going to go back to the question my colleague asked a second ago. I'm going to ask the three groups here today, starting with Mr. Boag.

Mr. Boag, what are the gross revenues and approximate net profits of your industry, your group?

Mr. Peter Boag: I can't tell you that information. We have a mix of public and privately traded companies. Some of them are part of multinational companies that do not produce disaggregated numbers.

Mr. David McGuinty: Give us a ballpark.

Mr. Peter Boag: I can't even give you a ballpark, Mr. McGuinty.

Mr. David McGuinty: Really? You represent a trade association, and you can't tell us how much revenue is grossed in your sector? Five billion? Three billion?

Mr. Peter Boag: It would be more than that, but I can't tell you.

Mr. David McGuinty: Mr. Bleaney, what were the gross revenues and the net profits last year for your membership? You have those numbers. Your folks in Calgary have those numbers in front of them. They know them off the top of their head.

Mr. Bob Bleaney: As I mentioned, the gross revenue picture for our industry is in the range of $100 billion a year, but that, as I mentioned, services all our cost structure. It also services a wide range of other things. Similar to Mr. Boag's response, some of our members are multinational companies that don't report to the Canadian regime, so we don't have specific reference to their "profits" on hand.

Mr. David McGuinty: So we have to go elsewhere to find out what the net profits are for the companies you represent?

Mr. Bob Bleaney: To the extent that it's public information for some members, it would be available through various means, but we don't collect and monitor that information.

Mr. David McGuinty: Mr. Marchand.

Mr. Guy Marchand: Yes, our industry is composed of producers, retailers. All I can tell you is that we make about a $10 billion impact on the Canadian economy, and we generate about $900 million in revenues and taxes.

Mr. David McGuinty: But you can't tell me what your gross revenues are by sector or net profits?

● (0925)

Mr. Guy Marchand: I don't have it.

Mr. David McGuinty: Okay, let's move on.

I'll go to the question of joint liability. I asked the railway companies if they're interested in seeing liability for risk shared. We know, and Canadians know, that the railway companies are obliged to carry the materials that your companies produce, right? They can't refuse them. It's a fettering of the free market, and if I were a real free marketer, I would ask why the railway companies can't say, "No, we're not carrying your stuff; it's too much risk." But they have to carry this stuff; they have to carry this material. They have to carry it the way they have to carry it, and they are forced to purchase third party liability insurance. We don't know how much it is, Mr. Chair, but we know it's approximately $1 billion for CN and $1 billion for CP.

Both CN and CP are very interested in hearing more about whether your companies and your sectors are prepared to pay, whether you're going to share in the liability, not a pooled approach as you've suggested, Mr. Bleaney, in your presentation. What is the position of CAPP, for example, on making sure that... I don't want to hear, "Let's make sure the railways are doing their job. Let's make sure it's their responsibility."

I want to know, is CAPP prepared, are your members prepared, to step up and purchase the liability insurance, thereby making sure that your companies' regulatory officers and compliance officers are paying very close attention to a couple of things? One is the railways' actual performance. What is happening in these safety management systems? Two is that your members are actually paying attention to what the Auditor General of Canada is saying, because he's the only credible voice in this entire area in my view. He's the only objective voice, and the scathing indictment of the transportation safety system and rail safety system in the last report is really serious stuff.

To begin, is CAPP prepared to sit down with the railway companies and come up with a joint mechanism, not a pooled resource, where CAPP members get third party liability insurance?

Mr. Bob Bleaney: As I mentioned in my presentation, it's our view that, for the handling of insurance on the major lines, it is something that's most appropriate for the carrier to manage. The reality is the cost associated with that insurance will be something that flows to the parties that are shipping on that carrier system, because that's something the cost will flow through.

Mr. David McGuinty: Sure, and ultimately to the consumer, right? The purchase of your products is paying for that insurance as well, right?

Mr. Bob Bleaney: Well, it comes into the cost structure of transportation.

Mr. David McGuinty: Sure it does.

Mr. Bob Bleaney: I want to clarify a little about the hybrid argument that I was mentioning. What we're speaking to there is that we recognize that the scale of insurance that you spoke to that applies to the main lines in the order of $1 billion is a fairly heavy load for small rail carriers, and we're looking to try to find a solution for them that would be effective to facilitate their being able to conduct their business and still have access to appropriate funding to support them in the event of an incident.

In the short answer to your question, we still think it's with the rail carrier to be the party that takes on this insurance, but the cost structure would flow through to the shippers.

Mr. David McGuinty: Okay, so the answer is no. That's your answer, that your members are not prepared, and CAPP is not prepared, to sit down with the railway companies and negotiate a joint liability arrangement where the owners of the dangerous goods don't get to say, "Here are the dangerous goods. Now you're responsible for them and at the back end when we unload, we'll take the responsibility." So that's the answer.

I don't want to hear about small pooled funds for the smaller railways. I know you're interested in making sure the railways are protected, and I share that concern, but I need to get a clear answer. What is the official position of CAPP now?

Look. We're going to a million barrels a day of surplus capacity in 10 years. If every pipeline planned for this country is built, we're going to have a million barrels a day of excess capacity. It's all going to go on rail if it doesn't go on truck. So now's the time, right? We're 10 years out. You've alluded to these massive increases in shipping oil by rail and diluted bitumen by rail, so I want a really clear answer. Is CAPP prepared to participate, to go out to the market and purchase insurance, to share in the insurance? Otherwise, are Canadians supposed to say to the railway companies that they don't have to carry this stuff anymore?

Mr. Bob Bleaney: I'm going to actually weigh in with some support from my team in Calgary, because they're much closer to the liability dialogue at the moment. I'll turn this over to my team.

Mr. David McGuinty: Who wants to go first?

Mr. Greg Stringham: I do, Mr. Greg Stringham.

The answer to that is we rely on the rail company to provide the insurance, but we will pay the cost. It does not get transferred to consumers because the price of oil is set on the world market. So it's that cost that comes back to us, but we are willing to contribute to that through our tolls, the same way we do on pipelines. The pipelines take the responsibility; they purchase the insurance, but we end up paying for that.

The short answer to your question is yes, we are willing to do that. The best mechanism for us to do that is to do it through those that are transporting it, but to put it into the tolls so that all are covered appropriately, and the accountability for the proper operation remains with the person who is transporting it. The short answer to that is yes, that's how we do it on the pipelines, and that's how we're proposing to do it here, but also supplement it with that fund for the smaller lines that may not be able to go out and purchase adequate insurance.

● (0930)

The Chair: Okay. Thanks, Mr. Stringham.

Mr. McGuinty's time is up, but if any of you want to make further comments on that particular question, I will allow that.

Anyone?

Okay, with that we now move to Mr. Komarnicki for seven minutes.

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): Following up on the insurance aspect of it, certainly you're saying the shipper looks after paying the rail company, and they look after the insurance. But is there not the potential to augment that? My understanding from CN and CP is that the insurance might not be sufficient if you had a significant event.

Is there some thinking about how you might augment what the rail has for coverage, such as maybe each of the shippers paying into a pooled fund in the event of a big disaster, or doing something, as you were suggesting, for the short lines, ensuring that there is additional insurance?

Mr. Stringham, perhaps, or Mr. Bleaney.

Mr. Bob Bleaney: I'd ask Greg to carry on with his responses, because again he is most familiar with this.

Mr. Greg Stringham: Sure, I can certainly continue on with that.

That is the purpose of the hybrid proposal that we have. In our discussion, we believe that the insurance model for the main-line systems can be put in place to be sufficient, to be able to handle those types of incidents. That's our discussion with the rail lines themselves, and that's how it works on the pipelines. But that may not be the case for those that are on the short-haul lines or the smaller companies, and thus our hybrid proposal to marry in the marine type of funding that is there to put a fund in place that is collectively funded by the shippers to be able to supplement that.

But we feel there's quite a distinction between the main-line systems that can access that insurance market, versus the smaller-line systems that do not have the ability to do that.

Mr. Ed Komarnicki: So what you're saying is the main lines are able to get sufficient insurance, in your opinion, but the short lines might not?

Mr. Greg Stringham: I'm not an expert on the insurance, but in our discussions with the operator, the rail lines themselves, they tell us that they are able to access that insurance market on a risk basis that would be sufficient for them to cover it.

Mr. Ed Komarnicki: Thank you.

On another point, I notice when we talk about the propane industry.... Actually when you fill up your propane tank at the co-op or some retail outlet, it's interesting to see how the equipment works. You have specific types of nozzles or fittings, and so on. It looks like the industry has developed to take contingencies into account and to ensure that the likelihood of an accident is minimized.

As we know, the crude that's being shipped, particularly the Bakken crude, is evolving, of course. The amount that's being shipped is increasing as we speak, but perhaps the actual design of the railcars, or the fittings, or the transfer from trucks to rail has not evolved as efficiently as it should.

Wouldn't it make sense for the increased volume of volatile crude, like the Bakken crude, to ensure that we have the appropriate railcars in place, and the transfer facilities and equipment to ensure that the incidence of possible accidents would be lowered?

Mr. Greg Stringham: I can take that one as well, if you like.

The short answer is yes, as much of the growth in the North Dakota Bakken oil in the U.S has gone up on the rail system. It has been building their loading facilities. As we look here in western Canada to loading facilities and unloading facilities in other parts of Canada, clearly the state-of-the-art equipment that's going in for the new facilities should be put in place, and that's what we're looking for, to make sure that's in place.

On the evaluation of the tank cars, again, our recommendation is exactly that. The newer tank cars are being built to the higher standard and are coming on service. All we're suggesting is, on a transition basis, to take some of the lower volatile, heavier crude oils and use them to transition out into the older cars, and clearly put the newer cars being built to the newer standards into the higher volatile service safety mechanisms.

● (0935)

Mr. Ed Komarnicki: Now, we've heard some figures about what it might cost, but regardless, when we're talking 80,000 plus or minus cars at $100,000 or more per car, we're not talking millions, we're talking billions of dollars.

My quick calculation, if I'm right, is $10 billion to replace them, and it's probably accurate to say that you're more likely to replace them than retrofit them, for a variety of reasons. Also, if you're going to equip new transload facilities properly, there's going to be a significant cost there as well. We're not talking small millions. We're talking into the billions.

How do you propose that this cost gets absorbed? Who is it passed on to? Who is ultimately going to be responsible for that cost?

Mr. Greg Stringham: As I explained earlier, on the crude oil side of the business, the oil price is set on a world market basis and it's come back to this. Those facilities will come back out of the net back that would go back to the producer. It's a transportation cost that will be built into the facilities.

As we're building new facilities, of course it makes sense to use the state-of-the-art ones that are there, and as we're ordering new tank cars, they're being built to the new standard as well. All of the new ones that are coming on for this growth that we anticipate are going to be meeting that new standard. It's really a question of how quickly we can transition the older ones out. Our risk-based approach does allow that to be done in a very safe manner as quickly as we can.

Mr. Ed Komarnicki: The other aspect I see, of course, is with respect to the increase of the Bakken crude and the shortage of pipeline capacity. We find that truckers bring it to the transload facility to rail, and then off it goes. I've noted that at least in my constituency there have been transload facilities within cities and near schools. I've often wondered why it is that facilities aren't placed outside of a community, like two or three miles away. Is it cost? From a safety perspective, it would seem logical to keep it out of the cities.

In the transload aspect of it, is there some danger when you have volatile crude, or is the incidence of or potential for accidents much lower than it is in the transportation of it?

Mr. David Pryce: I'll take a stab at that.

We're not the business that establishes those facilities, but I think we would agree that there needs to be a mechanism to assess the risks associated with those facilities. There's also a mechanism with respect to the safety management, the safety culture that we have talked about, and that others have talked about as well, and that I think should be applicable to the owners and operators of those facilities. There may be merit in looking at the rules for placement of those facilities as well. The committee might want to look at that as well as the other things the committee is looking at.

The other thing that I think Mr. Boag talked about was the notion of TransCAER, which is an information training initiative that CAPP has signalled we intend to be a new participant in. I think it's important to make sure that anybody in those communities understands what is happening with respect to that business and the products that are being shipped, and certainly that any first responders understand what those products are, what risks they pose, and what strategies need to be in place to manage for the safe operation and/or a safe response in the event of an incident.

The Chair: Thank you very much.

Mr. Watson, you have seven minutes.

Mr. Jeff Watson (Essex, CPC): After Mr. McGuinty's testimony I was getting worried that he might become a free marketer. Then I remembered it was the Liberals who brought in the Canadian Transportation Act forcing railway companies to carry everything, so I'm not so worried anymore.

Welcome, witnesses. This is an important review of the transportation safety regime. We're focusing obviously both on the transportation of dangerous goods and on safety management systems. We are looking at all modes of transport, or we will have by the time we issue a final report and recommendations at the end of the year, but we're focusing on rail today.

I want to return to the question of DOT-111 cars, the legacy cars, for just a moment. How many DOT-111s do each of your members have? If you don't have that number broken down by company at this particular point among your member companies, I'd like to get that number, or this committee I think would like to benefit by having those numbers. Could that be provided to the committee at some point before we conclude the rail mode of transport?

● (0940)

Mr. Bob Bleaney: As I would understand it, our members aren't necessarily the owners of all of these vehicles. Some of them are owned by other protocols.

Mr. Jeff Watson: For those of your members who do, then....

Mr. Bob Bleaney: I think we could follow up.

Greg, do we have estimates on hand as to that?

Yes, we can provide our estimates of what we understand that to be.

Mr. Jeff Watson: Is the strategy of your members to replace or retrofit, or is there a mix among your members about what they do with them?

Mr. Bob Bleaney: The approach has been consistent as to wanting to ensure we have a safe transition out to the newer car models. The process will be, as was discussed, that everyone's buying into the need for the new cars to come on stream and to transition out of the use of the old cars and either transform them by retrofit into the higher standard or replace them.

Mr. Jeff Watson: Okay, so it could be both.

Mr. Bob Bleaney: It could be both.

Mr. Jeff Watson: Depending on the member company. Fair enough.

Transportation Safety Board in their testimony before this committee has suggested that the new DOT-111 cars, which are built to the higher standard and have been coming on stream over the last couple of years, first voluntarily and now by way of regulation, are also problematic. Is there a concern or a consideration among your members about whether the new DOT-111s may have to be transitioned out to a newer standard, and when will that come, and how much that will cost?

Mr. Bob Bleaney: I'd like to turn that question back to Greg Stringham for his background on that, please.

Mr. Greg Stringham: Sure, I'm happy to add to that one.

As you know the new DOT-111s, or as we've been referring to them, the 1232 cars, are the standard that's in place right now, that are being ordered. They're the newer standard. There is some discussion in the United States with the PHMSA, Pipeline and Hazardous Materials Safety Administration, for the U.S. government on looking at potentially increasing additional valves, bottom valves, and those types of things. That's in discussion and evaluation right now.

What would happen is if that does become a future standard, again there would be a need for transition because the ones that are in place right now, that are being ordered, will have a life of a certain period of time and are deemed and are being looked at right now as being safe. Of course we always evaluate making sure that this is the safest mode of where it's going, and that's why that is continuing to be evaluated.

It's an ongoing discussion. As new safer equipment comes into place, then of course the industry looks at that, looks at the retrofitability, and of course the new cars beyond that start being ordered in that mechanism. For example, many of the cars that I know are being ordered right now do take into account additional features above the 1232 standard that are available and are being ordered as part of that going forward, but it may not meet the entire scope of issues that are being discussed at PHMSA and with the Association of American Railroads right now.

Mr. Jeff Watson: With propane, obviously you don't ship by the DOT-111s. You use the DOT-112 or DOT-114 for pressurized TDG transfer. Have there been any concerns raised about those particular cars? Should we be aware of any of that?

Mr. Andy Bite: No, and those cars came into play in the 1980s and 1990s with the double wall, with the thermal protection, as well as with the head shields, or the significantly thicker heads.

Mr. Jeff Watson: I want to return to the question of liability or joint liability. A professor testified at this committee not long ago.

Let me just back up for one second. It's the railway companies that said they are butting up against a cap, if you will, in their ability to get more insurance out of the marketplace. You're proposing that they take on additional insurance. Clearly there's not agreement about their capacity to take on more insurance. Is the model you're proposing going to work if they're saying they can't get any more insurance out of the marketplace?

Mr. Andy Bite: Our understanding is that the level of insurance that are being talked about, in the order of the billion dollars you referenced, would be sufficient coverage for the nature of the incidents that could potentially arise as a result of the care and attention being taken to manage the safe transportation of crude oil or other dangerous goods. The exposure to that level of liability coverage would seem unlikely because I believe, apart from Lac-Mégantic, which was a very unfortunate and unique situation, there haven't been situations arise prior that have tested or gone beyond the liability coverage arrangements.

Mr. Jeff Watson: In the marine mode of transport, can they refuse to ship dangerous goods?

Mr. Bob Bleaney: I actually don't know the answer to that question.

Greg, do you have an answer to that question?

● (0945)

Mr. Greg Stringham: Yes, I can answer that.

From that perspective it is commercial. It is not a common carrier. The closest model to that would be the pipeline model where they do take the crude oil as it's given to them as well. But on the marine side it's a commercial side of things, and of course there are similar types of things for inspecting the ships before they come in, as you would on the railcar side of things.

Mr. Jeff Watson: Crude oil has shared liability in marine, so why wouldn't you accept joint liability? Hazardous substances outside of crude will soon have that. Why not joint liability when it comes to rail?

Mr. Greg Stringham: I can answer that.

As you know, ships carry their own liability for shipping insurance. They have a limit to that, and that's where the fund comes in that we can draw on from this perspective. It's very similar to the hybrid model we're proposing on the rail side of things, where the capability is held by the shipper or by the rail company.

I just want to answer Bob's question—

Mr. Jeff Watson: That's not what you're proposing. You're proposing that rail companies assume all the risk. You're not proposing joint liability. Pooled risk for rail companies, but not pooled risk for the shippers.

The Chair: Okay.

We'll let Mr. Stringham speak.

Mr. Greg Stringham: Yes, I'll conclude that.

We're proposing the hybrid model. We believe the insurance model is sufficient for the main line but not for the smaller companies. As we look at that insurance model, only a certain amount of insurance can be acquired jointly, whether it be by us or whether it be by the rail company. It's not like you can take what they can [*Inaudible—Editor*] up to their limits and then say the insurance model is big enough that you can add to that from others. The liability is captured by a global insurance market. Whoever buys into that market will be assessing the risk associated with that.

The Chair: Thank you.

I'll now move to Ms. Morin.

You have five minutes.

[*Translation*]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): Thank you very much.

I am going to follow my colleague's lead.

Mr. Stringham, you compared the transportation model to that of pipelines. Actually, we have the Ship-source Oil Pollution Fund, a fund that was established to make sure that taxpayers would not be paying in the case of an accident.

You have just said that insurance models are sufficient. A little earlier, Mr. Bleaney told us that, apart from the extraordinary situation in Lac-Mégantic, costly accidents do not happen very often. That disaster happened last summer and taxpayers were asked to pay because the insurance companies were not able to. There were donations of several million dollars. Canada and Quebec have each promised to contribute $95 million. That is $190 million in tax money. The accident happened and the MMA said that its insurance company could not cover the costs.

The current model is not working. That was proven less than a year ago. Taxpayers had to foot the bill to clean up the lake, to get rid of all the waste, to provide families with tax relief, to tear down buildings, and so on. Taxpayers paid for all that. But the railways are carrying your products.

Mr. Stringham, you said that the fact that you were paying the railway was the equivalent of contributing to the insurance costs. But you did not convince me. We saw the proof that the model is not working last July. As Mr. Watson said, a professor who came to testify to the committee suggested that you should be contributing the insurance more actively.

Be specific: what are your suggestions for avoiding future disasters like Lac-Mégantic? A similar accident could happen again because the DOT-111s are still in use. If it does happen, what will the result be? Will the governments of Quebec and Canada have to foot the bill again? Will taxpayers again have to pay for an accident caused by a private company?

Mr. Stringham and Mr. Bleaney can answer.

[*English*]

Mr. Bob Bleaney: I can approach the answer from the standpoint that what we're talking about with regard to the hybrid model that was discussed is exactly to ensure that we cover the small rail lines with an adequate form of liability coverage. The reason for that need is that the smallest rail transporters don't have the capacity to access the larger market for the sake of liability coverage. That's why we've proposed a hybrid model that would facilitate their being able to take out whatever insurance they can, which again is something that ends up being paid for by the shipper.

Then they can supplement that with pooled resources to find a way to—

● (0950)

[*Translation*]

Ms. Isabelle Morin: Can you be more specific about what a hybrid model would look like? Who would be responsible for what?

[*English*]

Mr. Bob Bleaney: In the hybrid model, and I'll ask Greg to weigh in on this as well, for the sake of the smaller rail transportation companies that can't access large amounts of liability coverage in the same way the mainline carriers can, they would be supplemented in their access to funds by way of pooled funds that would be available in the event that there was an incident and they exhausted the level of insurances they would otherwise have. They would have access to additional funds that would be available to facilitate the cleanup and address the incident that was in play.

Greg, do you want to elaborate on that any further?

[*Translation*]

Ms. Isabelle Morin: Where exactly do these additional funds come from? Would it be similar to the Ship-source Oil Pollution Fund?

[*English*]

Mr. Bob Bleaney: You are asking where the additional funding comes from?

[*Translation*]

Ms. Isabelle Morin: Yes.

[*English*]

Mr. Bob Bleaney: Greg can answer in that regard.

Mr. Greg Stringham: I would just add that when we're looking at this, the insurance model on the main lines and the hybrid model of having a pooled fund for the small lines are designed specifically to address the question you just raised. The funds for the pooled funds that would be there would come from the shippers that are shipping oil on those smaller lines. It would be very similar to the best attributes of the pipeline model for the main lines and the best attributes of the marine model that would allow funds to be there for the smaller lines in cases when there has been an incident and the insurance model itself is insufficient.

That's exactly why we designed it that way, and it would be paid for by the shippers of oil on those lines.

[*Translation*]

Ms. Isabelle Morin: So, according to that model, the owners…

[*English*]

The Chair: Your time has expired, Ms. Morin.

Ms. Young, go ahead for five minutes.

Ms. Wai Young (Vancouver South, CPC): Witnesses, thank you for being here today.

Just to follow up on Ms. Morin's question and to be absolutely clear, unless I missed something, it's not CAPP or your group of association members that are going to be responsible for pitching in to this pooled fund, but primarily you are looking at the shippers or the transporters to do that. Is that correct?

Mr. Bob Bleaney: The answer is that the shippers are members in many cases, so shippers who are our members would be participating in this pooled fund arrangement.

Ms. Wai Young: Okay. Just to be clear, it's not just the owners.... There is confusion, for me anyway, because we have the Canadian association and all of you good people, but then there are the people who own the trains like CN, CP, etc.

Who is going to pay into this fund? Could you be very, very clear about that?

Mr. Bob Bleaney: Again, as I understand the model, in the case where pooled funds were needed in excess of the liability coverage that would otherwise be available to the rail carrier, that funding would be supported by the shippers. In the case of our industry, the shippers tend to be our producing companies, so our members would be involved in supporting that pool. There may be other parties involved in the shipping of crude oil as well, and they'd have the same responsibility.

Ms. Wai Young: How would you come to some kind of formula as to who is going to do what? You are fairly large, and there are all these moving components in terms of who has pieces of shipping oil and gas and propane.

Mr. Bob Bleaney: Regarding oil and gas, I'll again turn that question back to Greg, because I think he would be most familiar with the specifics of the intent of the modelling, but I would assume it's going to be volume based.

Mr. Greg Stringham: I can add to that, Ms. Young.

As we look at this, we're really trying to take the best of the operations, of what's happening in the marine model. It's already well established. Again, it is a dollar-per-volume measure, so a dollar per barrel, or a dollar per gallon, whatever it is, that is put into that fund, which is established by those who are moving that product. That's what it would be doing. It's taking what's really working on the marine side up to the level that needs to be collected, as it was. It's been sitting there now collected on the marine side for many, many years. That's the kind of model we're proposing.

● (0955)

Ms. Wai Young: Now it makes a lot more sense. Thank you for clarifying that. That was very helpful.

Basically you're saying there will be a formula in place for everyone who is moving this product, and that will be based on the amount of product being moved. Therefore everyone is going to contribute to this fund, which will then build in a very similar way to how the marine fund builds. Is that correct?

Mr. Bob Bleaney: Yes.

Ms. Wai Young: Great. Fabulous. That clarifies that.

I want to go back to the recommendations and ask you a question about them. They appear to be very similar, in fact the same, in all of your presentations. On the one hand, I think that's admirable. Obviously you've done a tremendous amount of work in working together to come up with these recommendations. However, I want to talk about the gaps within the liability framework. Do you believe this pooled fund, then, will address all the gaps you have identified, or are there other gaps you've identified that you would like to speak to today?

Mr. Bob Bleaney: From my perspective, I believe the approach we're taking is intended to cover those gaps. That's exactly why it's being set up.

The gap we witnessed with the Lac-Mégantic incident was one where there wasn't sufficient funding available for a small rail carrier. That's why this particular model is being proposed. It's explicitly to deal with that.

Ms. Wai Young: So there are no other gaps that you've identified in all of your good work over all these past months that you feel need to be identified and/or need a solution for today.

Mr. Bob Bleaney: I'm not aware of any more, but I'll consult again with Greg and Dave to see if there's anything else they'd be aware of.

Mr. David Pryce: Perhaps it's not truly in the definition of liability, but Mr. Boag and Mr. Bleaney have talked about us working together with the Railway Association to come up with a national scope emergency response mechanism. That will certainly need to have a funding mechanism associated with it.

We see that it would be a jointly designed, jointly funded, mechanism. We think the Railway Association will know...if there's an incident it's best in place to call down any response. But we believe there's a joint initiative required to close the gap around how everybody works together in a response.

It was evident I think in Lac-Mégantic that there was, as a result of that, a need for better coordination around that. Our industry's east coast response organization actually was responding to that, and it was clear that there needed to be some better governance in how everybody worked together in that space.

We've made recommendations around that. I think the working group the minister set in place made similar recommendations, and we are in discussions, as the three associations, about how best to pursue that going forward.

The Chair: Thank you. Your time has expired.

Mr. Mai, for five minutes.

[*Translation*]

Mr. Hoang Mai: Thank you, Mr. Chair.

[*English*]

I'd like to thank Mr. Komarnicki for actually correcting, not me directly, but yes, what I said. I agree that it's more than $80 million, as I was saying. We're talking more in the billions.

If we had done that 20 years ago—again, I talk about the DOT-111—when we first knew there was a problem.... If you amortize it, it's worth saving lives.

[*Translation*]

We were talking about the compensation fund you suggested. Was the idea of a pooled fund the result of a government directive, or was it an idea that the industry came up with as a reaction to the disaster at Lac-Mégantic and as a way to protect Canadian taxpayers? Did the proposal come from the industry or the government?

[*English*]

Mr. Bob Bleaney: The question you've asked—so my colleagues can hear it in English—is as to whether this was being government driven or whether it was being industry proposed. The proposal we're building for the hybrid model and for the handling of small rail is an industry proposal.

[*Translation*]

Mr. Hoang Mai: That is what happens with deregulation.

A lot of Liberals are saying that establishing rules for rail transportation is the responsibility of the rail companies and the industry. We see the Liberals and the Conservatives with the same attitude: letting the industry regulate itself and come up with its own regulations that are even better than the present ones. This is a specific example.

With the DOT-111 tank cars, railway companies are showing a lot more leadership in terms of regulations and public protection than the very government that is supposed to be protecting Canadians. I congratulate you.

I would like to know if there is a proposal, a plan. If so, is it possible to provide it to the committee clerk, to help us in our understanding? What you are proposing is interesting, in my opinion. I would like to have more information about it.

● (1000)

[*English*]

Mr. Bob Bleaney: The question Mr. Mai has proposed is whether we're in a position to table our plan with the committee. That's work that's in progress with the working groups at this point in time. My understanding of that is it will come forward into the public domain in due course. Again, I'll defer to my experts in Calgary on the specifics of that, if I may.

Mr. Greg Stringham: Chair, as we've been looking at this plan again, we want to be very clear, to answer your question, that this is something we're proposing would become part of the regulation overall, so it applies to everyone. From that perspective, we will be putting the details of that plan down, but you've seen the details here and we are now working with Transport Canada and with our colleagues in the other associations to make sure we flesh out the details of the plan so that it can be fully presented.

[*Translation*]

Mr. Hoang Mai: Great.

[*English*]

Mr. David Pryce: I think the other point I would make is, the government has been talking to industry on a broad range of transportation, so they have been looking to establish the regulatory requirements within marine and within pipeline. Our engagement in those discussions has enabled us to give some thought to, and evidently bring forward, the notion of a hybrid model.

Mr. Hoang Mai: Thank you very much.

[*Translation*]

I have a question for the representatives from the Canadian Propane Association.

I know we are not talking about the same kind of car, but I would like to know if there has been a significant increase in the number of cars designed to transport propane and if any major accidents have happened as a result? For crude oil, we have gone from 500 cars in 2009 to 160,000 cars in 2013. For propane, has the number of cars changed or not?

Mr. Guy Marchand: No.

Mr. Hoang Mai: So nothing related to safety rules has changed very much and things seem to be fine.

[*English*]

I know that CAPP, the Canadian Propane Association, and the Canadian Fuels Association, were all part of the emergency response assistance plan working group that submitted a report and recommendations to the Minister of Transport on January 31, 2014. But the report cited a lack of available data on dangerous goods movement and emergency response resources as a serious constraint in developing its recommendations.

Can you tell us what type of data was missing in terms of dangerous goods movement, in order to make sure that we have an ERAP?

Mr. Peter Boag: I would actually defer to those who participated directly in the working group. We have some of those by video conference from Calgary right now.

Mr. Brian Ahearn (Vice-President, Western Division, Canadian Fuels Association): It's Brian Ahearn with the Canadian Fuels Association.

I was part of the working group, at least on the fuel side. In the short time period we had on the working group side, we were trying to collect the data on movement, particularly around municipalities, etc. It was recognized before the January 31 deadline that we weren't able to pull together that data. Part of the working group report was a follow-up to collect that data to get a more robust view of the numbers on the TDG railcar movements for fuels and crudes.

The Chair: Does anyone else want to add to that?

Mr. Pryce.

Mr. David Pryce: I believe one of the constituents, the fire chief, was looking to see some more precise data in terms of volumes of product or different products that would be moving through municipalities. I don't think the committee had that knowledge, so it was accepting the fire chief's desire to get that information and make that recommendation.

The Chair: Thank you very much.

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

Mr. Lawrence Toet (Elmwood—Transcona, CPC): Thank you, everybody, for being here today.

We talk quite a bit about the gaps in liabilities, gaps in the response mechanism, the response issues. I want to try to move that conversation to the actual movement of dangerous goods safely in Canada. I think a large part of what we're working through on this committee and what we're trying to aim for is to not see a repeat of any of these incidents such as Lac-Mégantic. We do not want to see that again. So, yes, we need to talk about the responses and the liabilities if these incidents do arise. But I think the bigger picture that we really want to see here is, how do we make sure this does not happen again?

In light of that, the Canadian Propane Association specifically talks about safety requirements being consistently applied to different types of transfers, which is not currently the case. So you believe there's a gap there. Can you speak to that?

● (1005)

Mr. Andy Bite: Yes, we do believe this. When you transfer from rail to fixed storage, that falls under provincial regulations. There are strict regulations governing the use of safety valves, of protective barriers, informing the municipality, getting permission from the municipality to carry out these operations. In Ontario, you even have to do a risk assessment, which takes into account residential areas, schools, hospitals, etc.

However, if it's unloaded from a railcar into a mobile truck or transport, the provincial regulations do not apply, so you don't have the same level of safety with the emergency shutdown type valves. You don't have the zoning requirements to meet all of those things. So we believe that there's a gap there.

I think it's similar to what another member talked about, these transloading facilities and putting them near cities, etc.

Mr. Lawrence Toet: Great. Would you be able to give us written documentation on that? Tell us exactly where you see those gaps, what the regulations are, and what the difference in those regulations are, as you said, when you're going from a railcar to a truck now, which is different from some of the other facilities. I think that's very important for us to be looking at, and I would appreciate receiving that information.

Mr. Andy Bite: We can do that and compare fixed storage versus mobile storage.

Mr. Lawrence Toet: CAPP and CFA, is there anything that you've also seen in the loading, the transloading, or the unloading that we need to be looking at to make sure that, again, we're doing this in the safest manner possible? Are you looking at those kinds of things? Have you looked at them? Will you be looking at them to see if there are any gaps that need to be addressed?

Mr. Bob Bleaney: Again, Greg touched on that briefly, and I'll let him follow on with a more fulsome response to that.

Sorry, it was Dave. My apologies.

Mr. David Pryce: That's fine.

The transloading business is actually not directly part of CAPP membership, so I can't speak to that with any knowledge. I would think there's merit in looking into that. Per the Propane Association's comments, when you have two different jurisdictions, there is always a question whether or not there's consistency in approach, so I think there's probably worth in looking into that.

Mr. Lawrence Toet: I would assume, Mr. Pryce, that your industry would be concerned about making sure that the goods that you're moving are moved in a safe fashion, that you're not just—as had been alluded to before—handing these off and saying, "Now it's your problem". You want to make sure that those goods, I would assume, are moving in the safest manner possible, so you'd actually want to be part of that process of looking at how they are loading and unloading your goods.

Mr. David Pryce: Absolutely, and we'll look into this per your request. I think our members, with their contractual arrangements with the transshippers, would have contractual arrangements with respect to the safety requirements. We will look into that.

Mr. Lawrence Toet: There's another thing I want to touch on. Mr. Boag, in your opening comments, you talked about supporting the upgrade of the DOT-111s, but you talked about replacement and retrofitting. From what we've understood from the testimony we've had during this committee's hearings on this, do you believe that retrofitting really is an option on this at all?

Mr. Peter Boag: I think that will ultimately fall to individual tank car owners as to what they see as the most effective and efficient way to deal with the higher levels of safety required under the new DOT-111 standards. I'm not a tank car expert so I'm not about to get into the granularity of whether it's better to retrofit or to replace, but I would suspect that replacement is probably going to be a much more significant strategy than retrofit.

● (1010)

The Chair: Okay, your time has expired, Mr. Toet.

We now move to Mr. Braid for five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you to our panel for being here this morning.

My first question is for both Mr. Boag and Mr. Bleaney.

For each of your associations, before crude is shipped by rail, Transport Canada requires that it be tested for its level of volatility, and there's been some concern about the under-reporting of the level of volatility of types of crude. I have a twofold question. One, could you comment on that? Two, what, if anything, are your respective associations doing to ensure the integrity of that testing and reporting?

Mr. Peter Boag: I'll start and then again defer to those who are directly involved in this activity.

Certainly in the working groups that were established by Minister Raitt back in mid-November, there were three: one was to look into the DOT-111 tank cars; one was to look into emergency response capability; and one was actually to look into the whole issue of the testing and classification of crude.

We, as associations—probably more from the CAPP side than us on the fuel side—have been directly involved and significantly involved in that ongoing activity with respect to ensuring that the testing and classification of crude is done appropriately and adequately to address the levels of safety that are required.

With that, I'll defer to Dave. He's the one who's probably been most directly involved in that.

Mr. David Pryce: Yes, thank you.

That working group did identify a couple of needs.

One is to make sure that the testing was happening at the appropriate transfer points. I think there's merit in having a mechanism to affirm that from a regulatory perspective.

The minister did direct all the industry to re-test all of the product they were moving just to confirm we had a good understanding of that. I think it was emergency order 31 back in July. As the working group undertook its business, it was determined that the methodology for testing was in need of enhancement. Concern about representativeness of the volatility was the key point.

We have committed to working with the Canadian Crude Quality Technical Association in Canada and the department to look at and develop a new infield test for that process. That was part of the recommendation that was made in the report.

Mr. Peter Braid: Thank you. I'm moving on.

Mr. Bleaney, in your brief you indicate:

> While Industry is of the view that the current rail liability framework is fundamentally sound, there is a need for more rigorous oversight and better alignment of liabilities to insurance in order to ensure that all rail companies have the financial and management capability to manage an incident.

I think we've probably sufficiently covered the financial aspect of this, but what do you mean by ensuring that rail companies have the management capability to manage an incident?

Mr. Bob Bleaney: That partly relates to what I think was being talked about in the emergency response abilities and the organizational ability to respond to an incident. We have been promoting that there would be a rail carrier's lead in organizing that arrangement to be able to be responsive. That's what we're talking about in terms of management capability.

Mr. Peter Braid: Mr. Bite, in the conclusion of your presentation, you indicate the CPA supports the harmonization of TDG regulations between the U.S. and Canada as significant amounts of propane move between the two countries. Why is harmonization so important?

Mr. Andy Bite: It's important because significant amounts of propane are moving back and forth and there is a slight variation in regulations, the paperwork associated with it, the documentation associated with it. We could be more efficient and more consistent.

The Chair: Mr. Mai, you have five minutes.

Mr. Hoang Mai: I'll give my time to Mr. Blanchette.

The Chair: Mr. Blanchette, welcome to the committee.

[*Translation*]

Mr. Denis Blanchette (Louis-Hébert, NDP): Thank you, Mr. Chair.

My thanks to our guests for being here.

There is a refinery in the Quebec City area that is being supplied by rail to a significantly greater extent.

A few minutes ago, I was surprised—to put it politely—to hear that firefighters do not have in their hands the information they need to respond to a disaster. So that means that, in all the communities across Canada, those responsible for emergency measures do not have information they can use.

Our situation is that we are playing with volatile products more and more. The risk has increased considerably in recent years. We no longer have the stable situation we once had, when we were just working with petroleum in the classic sense. There have been major changes.

I hear that the necessary measures have still not been put in place to properly inform the people responsible for emergency measures. We have to think about that seriously. In some places, people are paid to do it; in other places, they are volunteers. We have to help them.

First, I do not understand why they do not have the information already. Second, I wonder how the federal government could help you to circulate the information as quickly as possible. Informing emergency responders is not an option; it is a moral obligation for you.

● (1015)

[*English*]

Mr. Peter Boag: Thank you for your question, Mr. Blanchette.

Yes, clearly one of the gaps that's been identified in this process to date is the need to provide more and better information to first responders. That's part and parcel of an overall enhancement of the emergency response process that's been a key part of the ongoing examinations within transport, within industry, and the collective examination by stakeholders. Certainly the expansion of the emergency response assistance program, and in our view in the context of a single entity responder, will directly address some of that.

In addition, in terms of the additional information, I think you heard me refer to an existing program, TransCAER, which has largely been established and run by the Chemistry Industry Association of Canada for the transport of their products which are considered dangerous goods. We see that as an excellent model, which we're now examining on how we can use and piggyback on an established and proven system that is designed directly to provide first responders in communities across the country with much better information in order to make their job more effective and efficient.

[*Translation*]

Mr. Denis Blanchette: At what point are your members going to commit to provide all the information that emergency responders need wherever there are train tracks? When will those responders be able to find out what is going through their communities and the best ways to deal with it?

[*English*]

Mr. Peter Boag: That's a process that's ongoing today. It's a question of how we can do that faster, better, and how we can provide, as you say, information to all of those people who need to know it in an effective, efficient, and timely way. That's a process we're doing right now on how we can continue to build on that.

[*Translation*]

Mr. Denis Blanchette: Of course it takes time for things to be done; I understand that completely. However, you will understand that the government is going to have to become involved in support of those emergency measures.

As my colleague was saying, it is not up to taxpayers to be paying for dealings between private companies. There is a risk. Taxpayers have already paid a lot for the damages that the industry has caused.

So I am giving you one more opportunity to tell me how the government can help you in implementing better regulations. Is the government going to have to come up with regulations itself and impose standards on you, or are you ready to pick up the pace in order to provide that information as quickly as possible? Do we really have to use the threat of stricter regulations in order to get things moving? Are we going to have to wait for the next disaster if the government does not get involved? That makes no sense.

[*English*]

Mr. Peter Boag: I don't think anyone's waiting for there to be another catastrophe. I think the key point of much of the discussion and the engagement that's been going on over the last months has been to directly address that. So yes, there's a role for regulation. Yes there's a role for voluntary action on industry. I think in Canada we have a pretty good system to do that. We're responding to those challenges now.

Dave, did you want to make some additional comments there?

● (1020)

Mr. David Pryce: Sure.

Right now we are directly engaged with the firefighters association as CAPP, CFA, and the rail association to pull together the necessary information. CANUTEC, an organization in Ottawa, also provides the information around the products that are being moved, the MSDSs.

I think the gap is in understanding the implications of what the MSDS sheets say—material, safety, data sheets—and how the firefighters, or any first responders should interpret that data to understand how best to approach an incident in action.

The other piece that we said we are going to do, and other organizations are doing, is participate in TransCAER, which puts us directly in the field with the first responders, and providing our information through an educational system there.

We're looking to enhance that. Any coordination around this that the government chooses to impose would not be a concern for us. The minister has put an emergency order or a directive in place that requires the rail companies to advise municipalities now of the nature of the product that is moving through these.

There are a number of things in play. I think an overarching governance of that would be significant in improving the circumstance of the situation.

The Chair: Thank you very much.

Mr. McGuinty, for five minutes.

Mr. David McGuinty: Gentlemen, I want to go back to the question of shipping oil by rail.

Shipments of Canadian crude have reached 175,000 barrels per day, compared with just under 24,000 barrels per day at the start of 2012. It's gone from 24,000 in 2012 to 175,000 barrels today.

Private equity is weighing in heavily, right? Calgary-based TORC has $250 million invested in private equity from Kohlberg Kravis Roberts. Kinder Morgan is working with Imperial Oil now to build a $170-million facility to ship crude out of Edmonton, going to 250,000 barrels a day. Enbridge did a deal last year with Tundra Energy Marketing, building a 60,000 barrel-per-day terminal near Cromer, Manitoba. U.S. Valero began operating a 50,000 barrel-per-day rail terminal at its Quebec refinery, taking in Bakken and then Canadian crude. It goes on and on. There's a gold rush, but it's an oil rush, shipping oil by rail.

I want to ask the two gentlemen from CAPP, Mr. Pryce and Mr. Stringham, when your sector and your organization and your members talk about obtaining a social licence to operate their companies, what does that mean?

Mr. Greg Stringham: From my perspective, we take a look at what's happening to the development of the oil and gas industry. You cited several of the proposed loading terminals on rail. Rail is becoming the larger portion of our sector. I mean, you have to put that into the context that we're actually moving, for Canada today, about 3.2 million barrels a day of oil.

Mr. David McGuinty: What does social licence mean? When your members, Exxon, Suncor, any corporate members of your group get up and say—your CEOs; Mr. Mulroney spoke about it the other night—that you operate under the social licence, what does that mean in plain English?

Mr. Greg Stringham: In plain English, as we look at the social licence that the industry needs to have in order to develop the Canadian resources, I think it means two main things. One is whether it is being done in an environmentally and responsible and safe manner, and two, what the benefits are that are accruing to Canada, to governments, and to the individuals as part of that development so that Canadians see the development of that.

Mr. David McGuinty: Let me just explore that with you.

My view of social licences is simpler. Your companies' abilities to operate are granted by Canadian citizens. It's not by any order of regulation, not any regulator. Your ability to operate, all of you here today, is granted by the Canadian people.

In that sense, I want to ask you about the Auditor General's report. As I said earlier, the only credible objective analysis of what's going on in rail safety and SMS done by any group, not by any trade association, not by Transport Canada, was done by the Auditor General.

Let me ask you a question, Mr. Stringham, and Mr. Pryce, particularly you as the VP of operations. In terms of your members' responsibilities to maintain and keep their social licence, that is, the permission of the Canadian people to do what your members are doing, have you examined the Auditor General's findings and report in detail?

Mr. Pryce.

● (1025)

Mr. David Pryce: I have not.

Mr. David McGuinty: You have not.

Have your members looked at the Auditor General's report in detail?

Mr. David Pryce: I would expect that some of them have, or at least in part.

Mr. David McGuinty: So CAPP has not been briefing boards of directors, compliance officers, risk mitigators, risk managers. They're not aware of the scathing 12 or 15 conclusions of the Auditor General.

Mr. David Pryce: I would say that we've paid attention to what the discussion has been with respect to rail, whether it's the Auditor General or the Department of Transport and the working groups they have put in place, which we have been participating on, to address the issues that we've seen come forward.

Mr. David McGuinty: Do you think as a condition of keeping the social licence you have been granted by the Canadian people you ought to be paying closer attention, for example, to the number one conclusion of the Auditor General, which is that Transport Canada can't tell us whether there's a proper safety management system in play right now?

That's his number one conclusion.

Mr. David Pryce: I'm not understanding where you're going with the question, but we certainly believe there should be appropriate safety management systems in place. We do use those within our own business. We have looked at safety, both from a safety management system perspective, a safety process perspective. We also believe that safety culture is—

Mr. David McGuinty: This is my last question, Mr. Chair.

The Chair: No, you're out of time.

Mr. David McGuinty: I'm out of time. That's too bad.

Maybe the witnesses will come back, Mr. Chair.

The Chair: Go ahead and finish, Mr. Pryce.

Mr. David Pryce: I was just saying that we look at safety culture as probably the best opportunity to enhance the safety performance, regardless of the industry.

It's more than just documenting safety and safety performance; it's trying to embed the safety culture in the business, from the CEO all the way down to the individual who is operating a valve or a drain system, or whatever.

The Chair: Thank you.

Mr. Komarnicki, you have five minutes.

Mr. Ed Komarnicki: Carrying on from where I left off, I get the feeling that you say you want to ship the petroleum product, the crude oil, the Bakken crude, and leave it up to the rail company to be concerned about how it gets there and how safe it is, and the liability is theirs and you don't share in that liability. I'm wondering if perhaps shippers shouldn't share in that liability, to make you more interested.

For instance, in the transload facilities that I asked about previously, do you know what the risk and safety proportionality is, or comparability, between what the incidents might be at the point of a transloading facility versus actual rail transport by cars on rail? Have you done any assessments on that?

Mr. Stringham or Mr. Pryce can answer.

Mr. Greg Stringham: I can start with that.

As we take a look at the full chain, from the production facilities all the way down to when it ends up in the market itself, we've looked at the safety incidents that happen along the way generally but not specifically. Wherever there is a transfer point, there is an additional need for assessment of what's going there, but also it's in the operation of facilities along the way. The transport points themselves do add another element of safety and risk that is being looked at along the full value chain, from when we produce it all the way until it actually gets to the end consumer.

Mr. Ed Komarnicki: Don't get me wrong. Of course we want to be able to transport the Bakken crude to market, for sure, but I understand it's going to be an exponential increase of transload facilities. What I find remarkable is that you would have a transload facility in a city without having made the assessment if it's safe there, if it's operating safely and whether they have the capability to deal with it. It would seem to me more logical that, before you expand transload facilities, before you actually start utilizing the facilities, all of this work would be done in advance. Why hasn't it been so, by your members?

Mr. Greg Stringham: When our members are looking at the transportation of this, they rely on the transportation companies to put it in the locations that are most appropriate.

Again, as Mr. Pryce said earlier, we believe that those need to be assessed and looked at if they are being done in places that are higher risk. Most of the facilities where our transload and our members' are being built are at the very front end, when it's transferred first from their production facilities into the transporter, whether that be a pipeline or whether that be rail or whether that be a truck. Those happen out in the rural areas where the production is mostly coming on. From there it travels through rail, through truck in some cases, but through pipeline, through a number of other locations. Each one of those points needs to be assessed by the transporter, according to the regulations that are in place, and with this additional eye on risk, to minimize the risk.

In my mind, as we look at this, we're going to have to look at both pipeline and rail as we move forward, because pipeline continues to be a big part of this development as well.

● (1030)

Mr. Ed Komarnicki: Fair enough, but I heard you say earlier that we should be testing the volatility of the crude that's being placed in this tank, and maybe we haven't got there, but we've already been transloading that.

How is it that your members who are transporting your product haven't done that homework in advance to be sure when you actually start using it that all of these points have already been covered, as opposed to down the road?

Mr. Greg Stringham: I want to be very clear that all of the points on the current safety regime are being covered.

What we're suggesting is there need to be enhancements to that to make sure we prevent any future incidents and can get to the maximum amount of safety that can be there. That's not to say there's nothing there now. Clearly, the testing is there now, the regulations on where the locations can be are there right now, and the safety of transportation, whether that be by rail or pipeline, are all in place right now through the operations and through the regulations that are there.

Mr. Ed Komarnicki: When you come to a smaller community and you're looking at an emergency response assistance plan, especially in these transload facilities, you're dealing with communities that may not have the capability or the capacity. Has your association or your membership looked at making sure there is a provision for that capacity to these smaller communities, if you're going to place the facilities there?

Mr. David Pryce: In western Canada we have an entity called Western Canadian Spill Services, an organization that is jointly funded by the producers. In fact there are mandatory requirements to participate in that, or have separate response capabilities, by the regulators in western Canada. That's an entity that is positioned to respond to any incident that might occur. They do routine exercises or testing with the companies and with the regulators in different scenarios in those communities.

Mr. Ed Komarnicki: Back to the question I had about the cost, which I estimated in the billions of dollars, whether it's $10 billion or $12 billion, I wondered how those costs get absorbed and how they get passed on. If I understood you correctly, you're basically saying it's a market thing and it is going to be built into whether it's economical for you to transport that way.

Might the cost of replacing these DOT-111 cars or increasing the capacity of the transload facilities mean that the cost would be such that means other than rail would be considered?

Mr. Greg Stringham: No, as I said originally, right now about 95% of the product that we move on the oil side is moving by pipeline. Rail is relatively new and as we look at new pipelines across Canada and into our key markets, that will continue to be the main form. Rail is going into different areas right now and so it's one that's growing, but clearly we need to do that and make sure that it's done in a safe manner.

From the cost perspective—I want to be very clear on this one—with the world oil price being set by the dynamics of the world, any costs that come out of that do come back out of the cost that the producer pays and the total amount of revenue that comes back from that perspective. So it's not like it's being put on to consumers or it's actually being absorbed by the rail companies or others. It's put into the tolls that we end up paying.

Mr. Ed Komarnicki: So—

The Chair: Actually, your time is up, Mr. Komarnicki, so I have to pass it over to Mr. Watson.

Mr. Jeff Watson: Thank you, Chair.

Just to clarify, for the public record, for those who may be watching, the question about what information municipalities have had or now have, in the event of an incident, municipalities have always had 24-7 access to CANUTEC which has copies of manifests. Every responding organization would have known this. In the event of an incident, they knew what they were dealing with. The gap that protective direction 32 addresses was the concern of the Association of Fire Chiefs and they wanted the historical data so they could pre-plan their training and ensure that they could pre-position, or have the means of combatting different source fires in the event of an accident.

That was recognized by the regulator, obviously, Transport Canada, and the AFC, as well as the Federation of Canadian Municipalities which hailed protective direction 32. For anybody who's read it—I have a copy in front of me—it not only provides the historical info to designated community emergency planning officials but there's an obligation that any significant change must be made or notified ASAP, and it provides a system of notification. There's a designated emergency planning official and a registry of those officials as the means of communicating that information now. That's a step forward. We agree with FCM in that regard and I think they're pleased with that.

I want to turn my attention for a moment to the testing and classification. Bakken obviously has different volatility, more volatility if you will, than say, diluted bitumen. Do witnesses here today feel that Bakken is inherently more dangerous than the latter when it comes to rail shipments? Is there value in classifying differently those elements?

● (1035)

Mr. Bob Bleaney: I can start with this question and I'm going to pass it on as well to Dave.

The quick answer is yes, Bakken crude demonstrates more volatile characteristics. It has higher light ends in its crude mix, but that's exactly why the testing procedures are being looked at very carefully, to ensure that it is being properly monitored.

I will pass this on to Dave to expand on that further if you like.

Mr. Jeff Watson: As briefly as possible, please.

Mr. David Pryce: Sure, thanks, Bob.

Yes, we do believe there is a difference in terms of the volatility and therefore they should be looked at and managed differently. That's why there are a variety of packing groups that Transport Canada rules have covered, and so looking at that and applying the higher standard packing group to those higher volatility crudes, to us, is an appropriate management measure.

Mr. Jeff Watson: Following the TSB's recommendation in light of Lac-Mégantic, the minister with a working group has been looking at emergency response assistance plans being developed for crude oils.

Do you support the initiative? Do you think that a single ERAP would sufficiently cover the range of products commonly referred to as crude oils, or that multiple plans should be developed based on the chemical characteristics of the shipment?

Mr. Bob Bleaney: We believe a broader plan can cover all crude quality issues in terms of response planning.

Dave.

Mr. David Pryce: I think it's important to make sure there's knowledge of the variety of products that exist out there and are being moved. We think a consolidated ERAP and/or emergency response system is probably more robust and more effective to manage the movement of crudes, and that's why we've been engaging with different associations

Mr. Jeff Watson: Tell me a little more about the proposal. I think, Mr. Bleaney, this was your proposal in your presentation today, this national system run by the carriers. I have some questions about what that means. Are we talking about coordination of shipping and railway company resources within regions to respond to a particular incident? Are we talking about a shift from the shipper through ERAPs and their resources and expertise to the railway company? What are we talking about by this national system, and who's doing what?

Mr. Bob Bleaney: It is the intent to have the carrier who is most familiar with the operations of his system to coordinate or lead the overall response plan, but the plan would draw on all the available resources to administer potential incidents. Dave, would you expand on that, please?

Mr. David Pryce: We are in dialogue with the Railway Association and Canadian Fuels Association and would entertain whoever else has to be part of that to set up a national system. The governance would still need to be defined, but I think everybody has a role and a responsibility in its design, funding, and operation.

The point about the carriers is that they're the ones who will first know if there's an incident, so we believe it is best suited for them to call down any response on that basis. We're talking about a coalition of the existing functions that's jointly participated in and managed, but we probably need to enhance that beyond what exists today.

Mr. Jeff Watson: What would your companies provide to that system?

The Chair: Sorry, Mr. Watson, but your time has expired.

We just have a few minutes left, and I'm going to allow Mr. Mai and Ms. Young one brief question each, leaving a minute for the response.

● (1040)

[*Translation*]

Mr. Hoang Mai: Great.

The Union of Quebec Municipalities has asked for steps to be taken to reduce the speed of trains in urban areas.

I know that rail companies have been asked that question. From your point of view, do you have any hesitation vis-à-vis that request, or do you support it? What do you recommend?

[*English*]

The Chair: Does anyone want to respond to that?

Mr. Bob Bleaney: Greg or Dave, could you quickly respond to that, please?

Mr. David Pryce: Yes, we think it's important not only to look at what the product is and what the cars are, but also to look at the operational practices of the railway companies. We think speed, routing, and all that sort of thing should be part of the consideration.

The Chair: Okay. Thank you very much.

Ms. Young, you have a brief question.

Ms. Wai Young: On Tuesday the rail companies were here. As we are planning for the new DOT-111s, are you thinking of participating in or even leading future urban planning? As you know, many communities have grown around the railways and many of your transload facilities are in cities or in places where they possibly shouldn't be for safety. Is an overall assessment being done across the country of moving those facilities, or working with cities to plan around...? I just want to put that on the table.

The Chair: Would anyone like to comment on that?

Mr. Pryce.

Mr. David Pryce: Sure. We think that would be an important component of the emergency response planning initiative, or the ERAPs that we talked about, You also seemed to point out the reverse encroachment issue we face in all sectors, and I think it's important that we pay attention to that. There may need to be provisions around rules for where development can occur or where facilities should be. I think there is a need to be looking at that as well.

Ms. Wai Young: Thank you.

The Chair: Mr. Bleaney, I didn't mean to cut you off.

Mr. Bob Bleaney: That's fine.

The Chair: We are out of time, and I'd like to thank all of you for being with us here and by video conference.

[*Translation*]

Mr. David McGuinty: Mr. Chair, I would like to ask a question in French.

The next time we have witnesses by videoconference, can we make sure that they have access to the interpretation, please?

[*English*]

The Chair: Actually they do have access.

[*Translation*]

Mr. David McGuinty: That surprises me, because Mr. Bleaney has had to translate the questions on several occasions. If I misunderstood, my apologies.

[*English*]

The Chair: Okay.

Maybe Mr. Bleaney didn't understand that they had it.

Everyone have a good weekend.

The meeting is adjourned.