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Chair

The Honourable Judy A. Sgro

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• (1540)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Welcome. This is meeting number eight of the Standing Committee on Transport, Infrastructure and Communities. I welcome all of you on the panel and sincerely appreciate your taking the time to come to speak to the committee as we deal with the issue of railway safety. It's certainly an issue that's top of mind for many people for a variety of reasons, and I'm sure it's top of yours as panel members about to speak to us.

From the Canadian National Railway Company, we have Jim Vena, executive vice-president and chief operating officer; Sean Finn, executive vice-president, corporate services, and chief legal officer; Michael Farkouh, vice-president, eastern region; and Sam Berrada, vice-president, safety and sustainability.

We're starting a bit late, so please keep that in mind. If there are a few comments that you feel have already been made that you would just like to reinforce, we certainly would appreciate that from a time perspective.

Who would like to go first?

Mr. Vena.

Mr. Jim Vena (Executive Vice-President and Chief Operating Officer, Canadian National Railway Company): Madam Chair, I'd like about nine or 10 minutes to go through a quick statement. I hit the key points that were asked of us to come here and discuss. I'm sure there are probably some others and we'll be here to answer whatever questions.

Safety is an important subject to CN. I got it. We're tight for time, but if you could let me go through this as quickly as possible, I will go quickly and if anybody has any questions, please ask me. But I'm going to go as quickly as possible because I want to cover off a number of points.

The introductions have been made. I did not bring Sean Finn because I was worried about having a lawyer here, but he deals with public and government affairs and that's what he's here for more than anything. Two important people, one is Michael Farkouh, who is responsible for, basically, the operation of the railroad from east of Winnipeg or so to Halifax. To my right is Sam Berrada, who is responsible for safety and sustainability for the company, for the whole of CN, which goes from New Orleans, Halifax, and all the way to Prince Rupert and Vancouver.

I really appreciate having the opportunity to come here and talk about a very important subject, which is safety for the railroads.

From the outset, I want to make it clear that nothing is more important at CN than safety. Our commitment to safety is unwavering and drives everything we do. Our focus on safety begins with our senior executives and extends to every employee at CN, even those not directly involved in operations. Running a safe railway is, of course, the right thing to do and the responsible thing to do, but frankly, it also makes good business sense and enables CN to fulfill its role as a backbone of the economy.

Accidents are extremely damaging to our business on every level. Canadians rely on us to get their goods to destination in a timely manner. This is why we choose to exceed regulatory requirements in many areas and continuously search for and implement new lines of defence, focusing on people, process, technology, and investment. You'll hear me repeat those four segments.

The truth is, Canadian railroads have never been safer. Our accident rates have decreased significantly over the past 10 years. At CN, our main track accidents are down almost 60% over the same period. The advances in technology have been dramatic and enable us to spot problems early and make repairs before accidents happen.

In addition, the focus on safety and the training of our employees is at a level far beyond where it was, even a few years ago. CN operates state-of-the-art training facilities in Winnipeg and Chicago where all of our employees are trained and our long-term employees upgrade their skills. Some 15,000 employees have completed training at these two facilities since they opened in 2014, so 15,000 out of a total workforce of just over 22,000. Building and operating these campuses was an expensive undertaking, but we believe that the benefits they provide in ensuring our employees are trained in a consistent manner with a focus on staying safe and looking out for their employees is well worth the cost.

Crossing safety is a high priority for CN. CN, along with Operation Lifesaver, works on an ongoing basis to prevent collisions at grade crossings and accidents linked to trespassing. We conduct monthly enforcement initiatives at crossings, including joint operations with local police forces.

We strategically deploy equipment and technology to reduce risk at high-risk crossings and we deliver safety presentations to high-risk groups in communities across our network. CN also engages with municipal, provincial, and federal officials in identifying and eliminating crossing hazards.

Quickly, I would like to move over and say a few words about our safety management system. I've heard a lot of people talk about safety management in the last year. First, I want to assure you that SMS is most certainly not self-regulation. SMS was developed in Canada and is a system whereby regulations are added on top of the many rules and regulations that govern operations, track, and rolling stock.

Railways are still heavily regulated by Transport Canada. The regulations remain in place and their inspectors are active on our property ensuring that the rules and regulations are properly followed.

SMS is an additional platform that complements government regulations. It puts the responsibility on us to ensure that a culture of safety pervades our entire operation. It enables us to do more than the regulations require, not less. At CN, our safety management system focuses on a variety of initiatives in the areas of people, process, technology, and investments.

With our people, it involves the training I just mentioned. It also includes CN's "looking out for each other" program, a program through which our employees are taught and encouraged to integrate a safety culture into their daily practices. The goal, of course, is to ensure everyone goes home safely at the end of the day.

•(1545)

Process refers to such things as risk assessments and mitigation and safety audits. It also involves ongoing engagement with the communities we serve. We meet with our first responders, providing them with training and information to ensure they are able to deal with any situation that could arise. To date we have met with over 300 municipalities and have engaged with information with another 1,200 across our system and our network.

In 2015 CN invested \$2.7 billion in our capital spending program. This year the plan is to spend \$2.9 billion, in spite of soft economic conditions. Of that program, \$1.5 billion of the \$2.9 billion is attached to maintaining and upgrading our track infrastructure. CN is investing for the long term and we are maintaining a capital program to support a safe and fluid railway network and to raise the bar on efficiency and customer service.

We are also constantly investing in new technologies. CN employs a wide range of technologies to monitor the conditions of our track and rolling stock to proactively minimize risks. CN has the densest network of wayside detection technology in North America, having increased the number of detectors on our network by more than 30% in the past decade. In that period we have also increased the number of wheel impact load detectors by 60% and doubled the frequency of ultrasound, which tests rail flaw detection. This is an example of where, using our safety management system, we go well beyond what is required by the regulations. We employ more detectors and inspections than required and have also invested in new technologies not covered by the regulations. Again, we do this

because it is the right thing to do and because it makes good business sense.

With regard to the movement of dangerous goods, CN moved ahead of the regulators to implement new rules for key trains. We encouraged the minister to move quickly to upgrade tank car standards. Our operating procedures treat dangerous goods differently from other products, including operating trains at lower speeds. CN has dangerous goods officers strategically situated across our network. We also have additional employees trained as dangerous goods responders. We have specialized equipment located at key locations on our network and work closely with our customers' emergency response teams, specialized emergency response contractors, and local first responders.

CN has worked hard to engage municipalities to train their emergency responders and to provide real-time information on dangerous goods. CN led the way with a systematic approach to engaging municipalities, and many of our initiatives ultimately formed the basis for new regulations.

Together with CP and other railroads we developed AskRail, an app available to fire departments and first responders that provides them with real-time information and enables them to determine, live, the content of any railcar, and by extension, of all the cars in any train.

I know your committee has a particular focus on the area of fatigue management. This is a vital issue for CN and the unions and our individual employees. The regulations provide a solid foundation, and working with our employees beyond that we have a layered approach to ensure our personnel are able to get the rest they need. This includes fatigue management plans, consisting of education and numerous opportunities for employees to take rest beyond the requirements of work-rest rules. As well, a sizeable proportion of our employees work on set schedules, which provide consistency.

We continue to engage with our unions to reach agreements on additional measures that could be implemented to improve scheduling. Railroads operate 24 hours a day, seven days a week. We take one day off, and that's Christmas Day, so Christmas Eve to Christmas Day is the only time we get off. We understand that. This does present a challenge, but we have the measures in place to ensure our employees have the right to refuse work or stop work if they believe they are not well enough rested to work safely.

One proposal, which we believe has great potential to assist in this area, would be the use of inward-facing cameras. The use of this technology for safety monitoring and training would be a powerful tool for mitigating risk, including fatigue, when used within a safety management system. We'd love to have the processes put forward as we move ahead so we can use this technology properly. CN has worked with specialists who are developing visual recognition algorithms, which can be used with cameras to identify signs of fatigue.

You are also focusing on the use of locomotive remote control technology, commonly referred to as belt packs. First, I want to stress this is not a recent development. The technology was developed in Canada and is widely used across North America. At CN we have over 25 years' experience in using these devices safely. In fact, studies have shown—and this is fact, not people anecdotally giving you evidence—that for the sorts of movements where this technology is used, it is safer than conventional operations.

• (1550)

This is both because the positioning of the two conductors outside the locomotive provides them with better vision in all directions and also because it removes one step in communication between the employees, which reduces the potential for error. The technology includes numerous built-in safety features designed to further reduce the potential for error. These include regulated speeds and tilt detection. If an employee dropped for some reason or slipped and fell, the system automatically sends an alarm and tells you. If you're not wearing a belt pack it will not do it, so they regulate speeds and there's tilt detection, which immediately stops the movement of the locomotive.

The final area I want to touch on is risk assessment. CN has a robust system for preparing risk assessments for the corridors in which we operate. These assessments help us to identify what technologies and processes could be used to mitigate risk. We also work closely with communities to better ascertain the risks. Our processes are constantly being updated and have been reviewed by the University of Alberta's Canadian rail research laboratory, who have helped us to further strengthen our methodology.

As you can tell, I'm very proud of all that we have done at CN to ensure the safety of our employees, our operations, and the communities we serve. I don't, however, suggest that we are satisfied. While our accident numbers are down dramatically, I am convinced that they can and should be lower. We remain focused on this goal, and while it is not realistic to suggest that we can eliminate accidents, it won't keep us from trying.

I'll end with that.

Hopefully I didn't go too fast. I went as quickly as possible, Chair, but hopefully I hit the high points of what I was trying to present. I probably saved all the questions, so if I'm all done I can just head off and head back towards Edmonton.

The Chair: You might think that's a good idea, except I am pretty sure we have some questions on all sides of the table here.

Thank you.

Mr. Berthold, you have six minutes, please.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you, Madam Chair.

Mr. Vena, thank you very much for being here.

The members of the committee greatly appreciate the fact that four vice-presidents have come to talk about rail safety. This shows how important rail safety is for you.

You are the first speaker who didn't talk about Lac-Mégantic in your presentation. However, that event has marked the rail industry over the last few years. This is not criticism, it's absolutely fine. The Lac-Mégantic accident happened and we can't ignore it, but the rail industry all across Canada is concerned by rail safety.

Could you tell me what has changed in the rail industry since the Lac-Mégantic tragedy in terms of safety measures being implemented. CN is a large company and it does not use short-line railways for its activities like the one used by MMA when the tragedy happened. What has changed? Has that raised more awareness and concerns for the leaders of big companies such as yours?

Mr. Sean Finn (Executive Vice-President, Corporate Services and Chief Legal Officer, Canadian National Railway Company): I will answer while my friend Jim can listen to the interpretation.

We did not mention Lac-Mégantic, but it is a tragedy for us all in Canada. We have been very aware of it. Every single railway worker at CN or in North America has been affected by the tragic accident in Lac-Mégantic that took the lives of 47 Canadians and wiped out the downtown area.

I would like to point out that, on the morning of the accident, Saturday, July 6, my colleague Mike Farkouh went to Lac-Mégantic. He was part of a team tasked to do three things. First, they had to determine whether a similar accident could happen at CN; we don't think so. Second, they had to work with stakeholders to learn how to take action in the event of an accident of that magnitude. Third, they had to support the first responders from Sherbrooke and Lac-Mégantic.

The biggest change as a result of that tragedy is that rail companies have recognized that they have to do a better job of informing communities of what goes on in their areas. They have to understand that we are an integral part of their community and of their daily lives.

As Mr. Vena said, the CN has launched an engagement program in over 1,200 communities across Canada where it operates the network. We have met with people from more than 300 municipalities to talk about the transportation of hazardous materials, rail safety and level crosses. We have told them above all that the mayor, the municipal council and the people must be well aware of who the railway going through their municipalities belongs to, and who Jim Vena and Mike Farkouh are. The work has not stopped. Not one single day passes by without us being conscious of our duty to ensure that communities are aware of what do.

A number of measures are in place for the transportation of hazardous materials. A great deal of training is also provided to first responders in municipalities and to our employees. Incidents may occur, but a tragedy like the one in Lac-Mégantic is exceptional. However, we must keep in mind that communities expect CN to be there when something like that happens but also beforehand in order to train responders.

Mr. Berthold, that was a wake-up call for everyone in the industry. We have all been woken up by it. Without tooting our own horn, I think CN has played a leadership role in the field. As a result, the industry sees itself as a whole; the Railway Association of Canada, CP and short-line railways have become aware of the commitment they must make. They are true participants in the process.

• (1555)

Mr. Luc Berthold: Since the tragic accident in Lac-Mégantic, I have become much more interested in rail safety. That is also the case for many Canadians.

The fact that the industry has been allowed to self-regulate is often subject to criticism. However, Mr. Vena, in your presentation, you said that safety management systems were not self-regulated.

Could you explain that in a few words?

Transport Canada has subsequently withdrawn from inspections.

Could you elaborate on those issues, which are raising questions? [English]

Mr. Jim Vena: It sounds like Sean answered you pretty well. It came up to 1,200 communities and everything....

Listen, I think it's a great question. Let's put the facts down on the SMS system and the regulations we have. To start off, none of the regulations in Canada were removed. There's the Railway Safety Act. There's a number of ways in which the minister, the government, and Transport Canada, Labour, and other federal regulations are put in place and operate in the railroad. Those were not removed with SMS.

SMS was a system. Really, if you truly understand what SMS does, it forces the railroad.... Those plans are reviewed by Transport Canada and by the different regulators. It allows us to build on what the regulations are.

Take, for example, ultrasound testing. What is ultrasound testing? We have some internally of our own and some from outside that comes in and tests the rail to make sure the rail doesn't have any defects. The regulations tell us how many times a year we have to do that. We exceed that by five and six times because, through the SMS

system that we've developed, we want to understand what's happening in the rail and what the defects are that we're finding. We look at it on a risk basis. In some places, we do it up to 10 times more often. That's what SMS is all about.

The Chair: Thank you very much for explaining that, Mr. Vena.

Mr. Sikand, please, for six minutes.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): Thank you, Madam Chair.

Gentlemen, thank you for being here and taking our questions.

I'm under the impression that employees in the railway don't have the most predictable work schedules. How would it impact your bottom line or your operating costs to give them more predictable working schedules?

Mr. Jim Vena: It has nothing to do with the amount of money. What it has to do with is that you operate seven days a week, 24 hours a day. You're around the clock. You go across Canada from one end to the other. You deal with weather. You deal with customers that are giving you products. You deal with many influences from outside in.

We've worked hard over the years to have schedules in place, in fact, as recently as six months ago. We've implemented more of a scheduled railroad for a very non-scheduled environment, as much as we possibly can. We have a number of employees. We all look at it only as the people that are operating the trains. Sometimes people miss that. We have rail traffic controllers who are like airline traffic controllers and give the instructions to the trains. They work 24-7. In fact, they don't get Christmas off because we always have some VIA trains that are operating at Christmastime. They're there every day.

We look at it holistically. We've taken a lot of steps to make sure.... At the top, we're worried about making sure that we have fatigue plans. We review with employees. We work with the unions to be able to implement them. At the bottom end, the employees have the right to say that they can't go on, that they're done, or that they've set themselves up or are in a situation where it just doesn't work.

But in between that, we've been working on this for a long time. There's not an easy answer. We've implemented technology to make sure that if something happens.... On every locomotive that CN uses on the main line, if there were any reason that a locomotive engineer or conductor were incapacitated, the alerter system would bring the train to a stop, and very quickly.

There are systems that we've put in place. We've worked with the unions. We will continue to work, and there are some things we do that are above and beyond the regulations. The regulations allow people to book rest—or people are even forced to book rest—after a certain amount of hours on duty. We allow people, through contract and other means, to have even more time off in between. I think that if you really sit down and look at it.... I'd love to spend about eight hours with all of you in the room and explain everything we've done, because it's a complicated subject.

But the last thing you want as a railroad is to have people out there who have absolutely no idea and are unsafe. That's the last thing we want. We would never have it happen, and it has nothing to do with the amount of money that we're spending on it.

• (1600)

The Chair: Go ahead, Mr. Sikand. You still have two minutes.

Mr. Gagan Sikand: As a follow-up question, how willing would you be to adopt a work rule schedule similar to other modes of transportation? I think you mentioned airlines or marine trucking, for example.

Mr. Jim Vena: We always try to learn from other industries, but there is a difference between us and the airline industry. We truly are 24-7.

Somebody might say, "Listen, planes run all the time", but a lot of planes, and people, reset in the evening or late at night. With the railroad, it doesn't matter whether it's two o'clock in the morning or two o'clock in the afternoon, it's the same thing.

Do we analyze what other groups are doing? Absolutely. I think our record also shows how safe the railroad industry is and how much better we're getting all the time. If there's something we're missing, we'd love to try anything that makes sense in the operating environment we're in. We don't look exclusively at just what the railroads are doing.

Mr. Gagan Sikand: How do we compare with other countries—the United States, for example?

Mr. Jim Vena: In fact Canada has a framework for what employees can do on the job, specifically the people on the trains, that is much more helpful in being able to give people, those who come in and operate, options for being able to book rest. In the U.S. system—we have a railroad on both sides—it's a different set of regulations and a different set of rules with regard to what the employer and the employees and the union have.

I think Canada has a better system. Employees in Canada are allowed to take 48 hours off on our railroad after they've worked the equivalent of a workweek. They can book rest for 48 hours. They're allowed to book up to 24 hours' rest after they come in from a round trip. Those are things you can't do in other places. I think Canada has a regulatory framework and a fatigue framework, that is further advanced than anybody else's.

The Chair: Thank you, Mr. Sikand.

Ms. Duncan.

Ms. Linda Duncan (Edmonton Strathcona, NDP): Thank you, Madam Chair.

Mr. Vena, you spoke of the interest of CN in providing information, so I have two related questions.

First, Canadian municipalities, including through the Federation of Canadian Municipalities, and first responders have been calling for increased action on rail safety, including greater transparency and real-time notification of dangerous cargo. I have to share with you my experience. I have property at Lake Wabamun, and your response and information provision was nothing but disastrous.

Of course, there was a provincial review triggered, not a federal open public review, although the TSB did a very good review. You had failed to disclose carcinogenic pole oil that had spilled. As a result, the responders were having the contaminant, bunker C, sink to the bottom of the lake.

What is your response to this call by the municipalities and the first responders to having real-time notification of what dangerous cargo is travelling through their cities?

Mr. Jim Vena: I'll get Sean to jump in here in a minute.

You're talking about an accident that happened just over 10 years ago. I got it. We learned some things, like we do from every accident. We learned and it taught us some things that we needed to do differently. If you fast-forward to today, that's what I was talking about with AskRail. AskRail was developed as a system that's in place and available to all the first responders. They can look at any railcar, put the car number down, and it tells them exactly what's in the car and what's attached to the product that's in the car. I think that's a big step forward.

Sean, maybe you can go over how we go through this with the communities.

• (1605)

Mr. Sean Finn: I was at Lake Wabamun for eight weeks when this happened. I spent a lot of time there.

I must say that in the last 10 years, the industry has evolved enormously. I think the Lac-Mégantic incident brought our game to even newer levels. In the past, the railroads would get information about the types of commodities but not information about the volumes. Protective direction 32 was added as a regulation almost three or four years ago now. It requires railways to provide first responders and municipalities, including the mayor of a town who is in charge of first responding, information on dangerous commodities, by quarter, by volume, in their towns. That's first.

Second, in the last two and a half years of working with towns, I appreciated, as a former mayor myself—we have the former mayor of Surrey here as well—that when the requests came in, towns were saying that they didn't have access to real-time information. We said, okay, and we developed the AskRail app. Every first responder who registers in Canada has on his BlackBerry the capability to call up a railcar, anywhere in our system, and know what's in the car, if it's empty or loaded, and what's on the whole train.

Third, when a train leaves a station or a yard, the locomotive engineer or conductor must have the content of every car behind the train. In the case of an incident, if the first responder arrives at the incident and says to the locomotive conductor or engineer, "Can I please see the content of railcar 42?", he will get the information.

That was still not enough. More recently, as you probably know, there have been new rules on risk assessments. Towns can register with us and have a discussion with the railway about risk assessments in their town. If tomorrow morning, in Lake Wabamun, the mayor or the chief of police or the chief of the fire department said they wanted to talk to CN about a risk assessment on a sensitive waterway and about what CN was doing, we would sit down and do so.

I must say to you that since I was at Wabamun 10 years ago, it has changed quite a bit. We have made an effort to address the concern of first responders and mayors about real-time information. I co-chair the proximity committee with Jenelle Saskiw.

Ms. Linda Duncan: Yes, I have spoken with the mayor.

Mr. Sean Finn: At the same time, the rail safety committee is very focused on that, and we have tried to raise the level. We're sympathetic to the fact that towns want that information to prepare their first responder intervention.

Ms. Linda Duncan: Thank you.

You have raised the issue of risk reports. Two meetings back, I requested of Transport Canada to provide me and the committee the risk reports that Transport Canada required. To date they have not been forthcoming. In particular, I asked for the risk reports for all rail lines that go through Alberta. I have not received those, and I would appreciate it if you would provide those so that all the committee could see them.

Today it has been revealed that warnings have not been issued to the communities in the 500 highest-risk rail crossings. The top 10 include Spruce Grove, just west of our city, and then after that is Wabamun. My city has had to use two-thirds of the infrastructure money that will be forthcoming to them to deal with dangerous rail crossings.

Will the rail companies testifying here today provide those risk assessments? How can the mayors be reassured when they have not even been told which of the crossings in their municipalities are at highest risk, so that they can make the demand that those be made safer?

Mr. Jim Vena: I'll say two things. Let's be clear; I have no issue providing risk assessments to the municipalities and people who need to see them. If there's some misunderstanding on this....

One thing I cannot do is put them out publicly. We provide them to the government through Transport Canada. What the government does with them is up to them. For us, we have some information in there from customers that we need to make sure stays within there. If somebody wants to see the risk assessment at Spruce Grove or at Wabamun, they can get hold of us and we will sit down and take them through the risk assessment we've done. It's no problem at all. Let's clear that up once and for all.

The second piece is on the crossings. We have over 15,000 rail crossings at CN. We know that's an issue. That is one area where the government, CN, and local municipalities have to work together. We think there are ways to improve crossing safety, and make sure we understand and make it even safer for the people who come across our crossings.

The Chair: Thank you very much.

Mr. Hardie, you have six minutes.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Madam Chair.

It occurs to me in reading the history of Canada that, next to hockey and lacrosse, being critical of big railways is a national pastime. You guys have a lot of moving parts. I appreciate that, like the airlines, by and large, every day, everything goes well. Of course, our job here is to look at the exceptions and to see what may need to happen in order to prevent them.

When it comes to the area of fatigue management, we had a long discussion with some of the bargaining units. After some pressing, they found the way to tell us that they were concerned about the collective bargaining process for determining work schedules, where people were allowed to front-end load shifts in order to get extra time off at the end of the cycle.

Would it surprise you, and what would your reaction be, if this were taken out of SMS, out of collective bargaining, and put back into regulation?

• (1610)

Mr. Jim Vena: Well, first of all, I don't agree. When you look at the pattern of employees in depth, you might have an exception, an employee here, an employee there—

Mr. Ken Hardie: It only takes one.

Mr. Jim Vena: —but it is not anywhere near the norm. Most employees we have come in and take a rest upon arrival. I mean, they go for a tour of duty—

Mr. Ken Hardie: I'm sorry, sir. I'll ask you to keep your answers short because I have a number of questions.

Mr. Jim Vena: I apologize, but listen, the facts are just not there with that statement you gave me, based on what you heard from them yesterday.

Mr. Ken Hardie: Fair enough.

Mr. Jim Vena: I'd love to sit down and go through more detail, but that's not what we see from our employees.

Mr. Ken Hardie: We heard you say in your preamble that movement on things like cameras and voice recorders in the cabs is something you would like to see go forward. My guess is that you're running into opposition from the bargaining units because of what they say is their experience with whistle-blowers being reprimanded, and they would be concerned that this kind of technology, as opposed to being a safety measure, would be used in disciplinary processes. How do you respond to that?

Mr. Jim Vena: Our employees have a number of protections. They have an internal ombudsman. They have external.... They can go to the TSB. They can work through the union. There are lots of ways to handle it if a company were ever to go over and above what they need to do to correct behaviour for the employees. That's not our philosophy. Our philosophy is to change people's behaviour using the minimum amount of discipline, and it's important for us to stay there.

The second reason we want to use the cameras inward is that it gives us a view of the cab. We're talking about fatigue. We can study it. We don't want the cameras on all the time. We want to do it in a SMS system. We want to be able to take a look at what's happening in the cab. We want to be able to study it properly.

Mr. Ken Hardie: You're saying that you wouldn't use that in discipline.

Mr. Jim Vena: Absolutely. You have to—

Mr. Ken Hardie: Absolutely, you would not...?

Mr. Jim Vena: If you give me a chance to answer, I'll answer it.

Mr. Ken Hardie: I'm sorry. I'm just looking for the answer.

Mr. Jim Vena: The answer is not black and white. If you find employees and people who are breaking the rules or the law of Canada, like blowing the whistle, it is hard for you not to be able to deal with that in the appropriate manner. It could be a mistake; it could be whatever. It's a silly question to say, "Are we going to stop and have technology in place?" What it does is it makes us safer. It allows us to analyze what's happening in the cab. It's proven that if we can view what's happening in the cab or even outside with other systems we have in place, we're able to operate a safer railroad. That's what we want.

Mr. Ken Hardie: Okay.

Moving on from that to the safety management system, I was led to believe—and I could be wrong so you can straighten me out on this one—that you can provide the government with your safety management system, which is basically your best practices for dealing with the safe operation of the railroad, but you can also apply for variances that allow you to basically step outside the parameters or terms that you've set up. Is that true?

Mr. Jim Vena: We can apply for changes to what we have for work practices, and they're always reviewed by Transport Canada. They have the right to come over and...whether they agree with them or not. Not normally would we go to apply for changes in our own rules and regulations. We'd put them in there, we'd notify them that we'd like to change something, and we'd move ahead that way. That's how it's done.

Mr. Ken Hardie: Fair enough, okay.

We've detected in some of our conversations that there's quite a variance, obviously, between the mainline railroads like you and the short-line railways that may be much smaller and certainly less well provisioned in terms of staff and maybe even expertise. Most of the short-line railroads started off as part of mainline railroads. Can you tell me how many short lines CN has spun off in its history?

Mr. Jim Vena: There have been a number of them, and we've returned some in places across Canada such as northern Alberta and northern New Brunswick. We had sold them off and then we brought them back on. I'd be guessing on the number.

• (1615)

Mr. Ken Hardie: Northern, that would be the NAR, would it?

Mr. Jim Vena: The old NAR, that's correct. We used to own CP.

Mr. Ken Hardie: My grandfather worked for them for many years.

Mr. Jim Vena: I've been around for too long when we both know the NAR.

The Chair: Thank you very much, Mr. Hardie. Your time is up.

Ms. Watts.

Ms. Dianne L. Watts (South Surrey—White Rock, CPC): Thank you very much. I appreciate your being here.

One of the questions that I have is on dangerous goods. We had a lengthy conversation at our last meeting, because as a former mayor, I was under the understanding that my first responders would have the information as to the dangerous goods that would be travelling and that they would know what was in the cars. I was told that this was incorrect, that it is not in real time, and it is not disclosed, so I need to understand where the reality lies.

Mr. Sean Finn: Sure.

Mr. Jim Vena: You know what? Go ahead. They've had enough of listening to me, Sean.

Some hon. members: Oh, oh!

Mr. Sean Finn: Prior to Lac-Mégantic, as we trained first responders, there would be a meeting and we'd discuss the nature of the products in the cars and their frequency, but not in great detail. That was prior to July 6, 2013. The day after July 6, 2013, we started providing to municipalities, because of a re-regulation but also because we thought it was the right thing to do, detailed information of last year's transportation broken down by commodity and by car. That's not real time; that's last year. It's not sufficient, but they all had it to allow them to prepare their plans. How much propane was going through Surrey in July?

We went one step further. Last year in June we announced an app called AskRail, and Surrey is registered, just so you know, but also there are over a thousand first responders in Canada who have on their BlackBerrys access to real-time information. You can stand on the side of the rail line, put in the car number as it goes by, and the BlackBerry will tell you what's in the car, how much is in the car, and what the first responder intervention is. If that's not sufficient, you can ask about the whole train, if you want, to get the same information.

As I said, finally now with the risk assessments we will be launching very soon.... Because the challenge often, as you know, is that fire chiefs are very good, but sometimes it gets lost in translation. Rest assured that today there's not a town in Canada on CN's main line that does not have access to real-time information on dangerous goods. If they register, they will receive it.

Ms. Dianne L. Watts: Okay. Just following up on that, is it only the first responders? Can anybody have that access to that app?

Mr. Sean Finn: Not the general public, obviously, but we've asked first responders, the fire chief in Surrey or in Saint-Hyacinthe, Quebec, to turn to the mayor and ask the mayor, "Who should have access to this in order to prepare a first responders' intervention?" Often it will be some councillors who sit on public security committees. The mayors themselves in Quebec must have it because ultimately they're responsible for their first responders, but also the local community more broadly.

If you have a citizen sitting on a public safety committee, he'll have access to it, but what you don't want, obviously, is some third party saying how many cars a week of propane will go by this crossing when they're not really involved with the first responders.

That's your answer. Towns will decide, based on the use of that information, who should have access to it. But I want to be clear; it's not access to the general public because that would go beyond what needs to be done to make sure we're ready for a first responder intervention.

Ms. Dianne L. Watts: I wouldn't disagree with that because that just opens it up to all sorts of things. If somebody knows propane's coming along, then there could be an incident. I get all of that.

That whole thing will be in place by—

Mr. Sean Finn: It's already in place.

Ms. Dianne L. Watts: It is in place now. I wanted to double ensure that we're getting this.

Mr. Jim Vena: Last June at FCM we announced it and people registered. As we speak today, there are a thousand first responders, probably over 500 communities, that have the information and are using it.

Ms. Dianne L. Watts: Okay. My next question would then be, why would all the union bodies that deal with railways say that's not the case?

Mr. Jim Vena: You would have to ask them. I have no idea. They know about it. They know what's going on.

• (1620)

Mr. Sean Finn: We announced it at the FCM annual meeting with over 2,000 delegates, so they're aware of it obviously.

Ms. Dianne L. Watts: I understand.

The Chair: We are now out of time.

To all of the gentlemen from CN, thank you very much for your information. We look forward to ensuring that you get a copy of our report when we're finished this study.

Mr. Jim Vena: Thank you very much. We appreciate your having us here.

The invitation's open, first of all, to come to our new training centre in Winnipeg, or if you happen to be in Chicago. The only reason we have two is because with passports we can't easily get people across the border on both sides. We would love to have you out.

I'd love to spend the full day explaining what we do on safety. I'd love to get the feedback from anybody in the room. The offer is open. Please come out and visit us. We'd love to spend the time with you.

Thank you.

The Chair: Thank you very much.

I'll suspend the meeting for two minutes, so that we can switch the people over.

• (1620)

_____ (Pause) _____

• (1620)

The Chair: I call the meeting back to order.

We now have representatives from Canadian Pacific Railway, Keith Shearer, general manager of regulatory and operating practices; Jim Kozey, director of hazardous materials programs; and Peter Edwards, vice-president of human resources and labour relations.

Gentlemen, I'll turn the floor over to you and ask you to keep your presentations as brief as you can, covering off the key points that you know we're very interested in.

Mr. Shearer, you have the floor.

Mr. Keith Shearer (General Manager, Regulatory and Operating Practices, Canadian Pacific Railway): Thank you, Madam Chair, and good afternoon. We would like to congratulate you all for your election victories last fall. We thank you for the opportunity to appear today to discuss the important issue of rail safety.

As one of Canada's two class 1 railways, we operate a 22,000 kilometre network throughout Canada and the United States. We link thousands of communities with the North American economy and with international markets.

Rail continues to be the safest, most efficient means of transportation for many goods, commodities, and exports that drive the Canadian economy. Safety is at the heart of everything we do at CP. It has to be.

Simply put, the best way to provide effective reliable rail service for our customers is to operate as safely as possible at all times, without exception. Safety incidents, big or small, impede our ability to move goods efficiently. They cost time, money, slowdown the entire system, and can ultimately jeopardize the lives of our employees, neighbours, and the public. That's why at CP, we simply do not tolerate unsafe behaviour. We are working tirelessly to ensure operations are conducted safely and that we continue to improve our record.

The Canadian railway industry is one of the safest in the world. We are very proud that CP is the safest railway in North America. We have achieved the lowest frequency of train accidents in the North American railway industry in each of the last 10 years.

Although CP has achieved industry-leading safety performance, and we continue to see improvements year after year, more works remains. One accident is too many. There is room for improvement and that's what we're here to talk to you about today.

We will focus on three safety areas: the fatigue management regime, remote control device safety, and locomotive voice and video recorders.

I'll start with fatigue. Fatigue is a multifactorial problem. As such, fatigue must be addressed through a holistic program that strives to identify and to take into consideration all potential contributing factors. CP has devoted an extensive amount of time and resources to review, update, monitor, and expand this fatigue management program.

CP's fatigue management program begins at the point of hire. New employees are subject to a comprehensive medical assessment that includes an assessment of established medical conditions, including sleep disorders such as sleep apnea, metabolic disorders, mental health disorders, substance use disorders, and cardiovascular disorders. All of which can contribute to reduced fatigue tolerance.

This comprehensive medical assessment is industry-leading. Employees identified with at-risk medical conditions are not permitted to operate trains until these conditions have been addressed by a medical practitioner. The process of ongoing medical monitoring is then implemented to ensure that the medical conditions remain stable and are well controlled.

To complement the above, CP has an education program for its employees. The education program includes content on exercise, nutrition, and good sleep hygiene practices both at work and in the home environment.

Finally, CP has an employee and family assistance program that is available to our employees should they experience problems that may impact either their personal or work life.

In summary, fatigue management is a shared responsibility between the company, its employees, and the regulator. The employee's role in the system is to responsibly manage their rest and personal condition to ensure that they are able to safely perform their duties, and most importantly, to report and seek assistance if they have concerns about their ability to work safely.

I will now turn it over to Peter Edwards, our VP of human resources, to discuss the importance of personal choice, and how that impacts an employee's schedule and the schedules of others.

Peter.

● (1625)

Mr. Peter Edwards (Vice-President, Human Resources and Labour Relations, Canadian Pacific Railway): Thank you very much.

This is a topic I'm passionate about. I could talk on it for hours, for days even, without a note. I don't need notes to know what's on my mind and in my heart.

No matter what system you put in place, no matter what regulation you put in place, it all comes down to one thing—decisions, the decisions people make. In the case of rest, this is one of the most important factors as to whether a person is rested or not. We all know this in our personal life. We know that there are laws against driving while you're tired. We know that it's wrong to do it. But if we're honest, we'd all admit to having been on the highway and our heads have bobbed. We know that sometimes somebody else should be making that decision for us.

We've analyzed and looked at all the things that were the “myths” of work and rest in the railway and we tried to understand them on a level of detail that nobody in this industry—or in any industry—has attempted to do before. We're sharing this methodology with other railways.

We've looked at the old narrative, that the days were long, that there was no opportunity for rest, and that the days were unpredictable. When we got our information and we put everything...we didn't do a sample size and we didn't do averages. The truth gets lost in averages. You have to look at every piece of data. We looked at all 426,956 runs that were done in a year, and every person who went to work. That's how many person-days there were of people on the road. We looked at it and the average day, from the moment a person's foot hits our property to the moment that foot leaves the property, was six to seven hours. That's the typical day. The next typical longest day was seven to eight hours. The next typical longest day was four to five hours.

What you find out in the railway industry is that because of the improvement in railway speed, and because of the improvement in railways, the days aren't as long as they used to be. The typical person is working about a seven-hour day, or a six- to seven-hour day. That's the distribution. If you go to the next page you can see the exact numbers. Every once in a while, though, you'll hear a horror story, usually from a long time ago, about somebody who worked 24 hours. I can tell you that last year we had two people who were paid for 24 hours. Nobody works 24 hours, or 18 hours, or 17 hours. They might be paid for that but they don't work it.

If you look at the distribution, you'll see two. Who are those people? They are two people who were on a train, going down the track. There was a detection and they got out and found some trees. Well, they couldn't back the train up all that distance, so we had to send somebody out to, first, clear the trees and, second, get them and bring them back. It wasn't some place you could just drive up to, so we had to get a high-rail vehicle and it took a long time. So they sat on the train, slept, and did whatever they wanted until we came to get them and took them home. That's the way we operate and that's the world we live in. There will always be trees that fall, there will always be landslides, and there will always be snow. Sometimes someone will get stuck on a train and they will have to stay there until we can come and get them.

Now, does that happen a lot? Out of the 426,956, it happened to two people.

First we talked about long days. The next one we talked about was opportunities for rest. We put together a piece here that is about a third of a person's schedule. This person was someone the union picked some time ago and said that we should look them because they were overworked. We didn't choose the person. The little red arrows here indicate every time this person could have taken more rest and decided not to. This is only a fraction of that month. In that month, on 21 separate occasions, the person said, "I can take more rest and I don't want it".

Since the last negotiations and the negotiations before that, there are even more opportunities for rest. We've listed 10 opportunities for rest. When you go out and you're at the away-from-home terminal—if you go from Montreal to Smiths Falls—you can take 10 hours off, eight plus two. Then when you get back, you can take 26 hours off, 24 plus two. Do that enough times and you get 48, and then in the middle of the month you can book up to 72. Then in the next one you can do the 10 and 26, 10 and 26, and your 48, and then if you waive off a lot of rest, you can take the end of the month off.

• (1630)

The Chair: Thank you very much, Mr. Edwards. Just because our timing is so tight here with these panels and I know the committee wants to get some questions in, we'll just move on to Ms. Block. You can try to get some of your other points in during your answers to the members.

Ms. Block.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Madam Chair.

I want to thank our witnesses for joining us today. I know we have a short bit of time and a lot of questions that we'd like to ask.

I also want to recognize the range of experience that you represent—vice-president, director general, manager. I imagine you were selected because of some of the very technical questions we're going to be asking on remote control devices, fatigue, and other things.

I'm going to ask the same questions that I asked our witnesses on Monday, because I'd like to be able to compare apples to apples when I think about the answers that I receive.

My first question would be, I understand that the scheduling is done on a mileage basis. Is that correct?

Mr. Peter Edwards: You're given a run. You get certain breaks after a certain number of miles. Whether your day was two hours long or three hours long... We have one run from Montreal to Smiths Falls, which is three and a half hours, and that's a full day. You might have a run that's two and a half hours or you might have one that's six hours. They're all a day, so it's not really mileage. But after certain mileage points you can take off an additional 48 plus two, 50 hours. At certain other points in the middle of your month you can take off up to three days in any one-minute increment. So you can do two days, 48 hours and 4 minutes, if you want.

That's why we have difficulty scheduling, because when people get off a train... For example, on the Smiths Falls one, for the Montreal crew, which I travel with numerous times, it's a three and a half hour trip. One guy gets right on a train and goes right back and he's done two days' worth of work. The other guy always goes into Smiths Falls and I don't know why—nothing against Smiths Falls. It's all decisions and choices. We can't tell the next person when they're going to work, because every day they get to make that decision whether they want to do it or not.

• (1635)

Mrs. Kelly Block: It is also my understanding that this existing system for scheduling has been in place for over 100 years or more. Is that correct?

Mr. Peter Edwards: We've had railway scheduling. However, in the last dozen years we've added to the rest opportunities, quadrupled them at least.

Mrs. Kelly Block: Okay, good. Thank you.

Also in October 2015, CP announced that it had, through negotiations with its 450 U.S. engineers, brought an end to a mileage-based wage system and replaced it with a more standard cycle with two consecutive days off with wages paid hourly. Is this something that you could see bringing into Canada?

Mr. Peter Edwards: We'd love to do it—

Mrs. Kelly Block: Okay.

Mr. Peter Edwards: —or some system of it. Are there some pluses and minuses to it? Yes. Have we offered it? Yes, we have.

Mrs. Kelly Block: Do you think that this system would satisfy concerns with fatigue management?

Mr. Peter Edwards: Yes. But like anything it depends. The details are important.

Mrs. Kelly Block: Are the discussions around fatigue included in the bargaining process?

Mr. Peter Edwards: Yes, very much so. We offered all those cycles that you spoke of. We offered a number of runs, days off; number of hours, days off; on various different.... Do you want to do a 10-, 8-, or 12-hour day? Do you want to do six round trips and that's your month, or six round trips one month, seven the next, and that's your month? All these were on the table. They weren't taken.

Right now everybody has the ultimate choice. After your three and a half hour trip, you can take, in your home, 24 hours off or you can take 15 minutes off. That's why we can't predict when the next person's going to come to work, because every day everybody makes a different decision on what they want to do and we have to respond to that decision. They could say, I'm going to go right now, put me back on the line. One always affects the next. I can't tell you when you're going to work until he tells me what he's going to take for rest.

In fact, in certain circumstances they don't have to tell us how long they're going to work in a day until halfway through the shift. Imagine trying to run a factory where I said, "Are you going to work eight or 10 hours today or 10 or 12 hours?" and the answer is, "Ask me at lunch." Every day the day changes. They have the right to take it or not take it and you have to ask them. It's very difficult to predict.

The Chair: Thank you very much, Mr. Edwards and Ms. Block.

We're on five-minute blocks in order to try to give everybody a chance again on this round.

Mr. Badawey, you're next for five minutes.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Madam Chair. I'll preface my comments by stating that I was going to ask the same question of CN. Unfortunately, it seems that they went back to their ivory towers in Edmonton and are no longer here or interested. But I'll ask you the same question, folks. I do appreciate your attendance here today as well.

When it comes to CP and CN, I'm sure you have asset management plans in place that look after asset condition, asset repair and maintenance life cycle, and of course, at the end of that life cycle, asset replacement. With that, I'm assuming that you have a responsible financing strategy attached to that so that you can keep up with that life-cycle repair, maintenance, and of course replacement at the end of the day. I'm taking that the answer is yes.

Mr. Keith Shearer: They're long-term assets if you're talking about the rolling stock, the locomotives and the cars.

Mr. Vance Badawey: Not just the rolling stock, but also the track, the crossings, etc.

Mr. Keith Shearer: Yes, that is ours. A lot of the rolling stock, like the cars in particular, we may not own, but there's a regulatory regime on how we inspect and maintain them.

Mr. Vance Badawey: That means identifying what kind of condition they're in and the life cycle. I'm sure you have records of all that and you respond accordingly in terms of using them, or not using them.

Mr. Keith Shearer: Yes, and generally if it's freight cars you're talking about, it's market dictated.

Mr. Vance Badawey: I also assume each of you heard about today's media reports dealing with the high-risk rail crossings. The report is stating that Ontario has no fewer than 222 rail crossings that are dangerous. If you go in to Manitoba, there's 83. If you go on to Saskatchewan, there's 60 some-odd rail crossings that are unsafe. I'm sure you can appreciate the fact that these numbers are big and impact communities and municipalities. They also put a risk on some of those areas within your accident management plans that may have been, should have been, and will be identified.

How are these identified in today's media reports? How are these identified rail crossings prioritized within your accident management plan with respect to life cycle, replacement, and financing the same?

● (1640)

Mr. Keith Shearer: I'll deal generally with crossings and how crossings are managed in Canada. As you've heard, there's a new regulation that came into place last year on grade crossings. We participated in the making of that regulation, and I'll cut to the chase here. We are compliant with the regulatory requirements, but we believe they fell short. The reason they fell short is that we're not looking at a corridor when we're talking about grade crossings. We're talking about single crossings.

One of the problems we have here is that we're upgrading, or being asked to upgrade, every single crossing without asking the question of whether the crossing needs to be there to begin with. Is it safe? Why do we have it? In our view we should look at the corridor, identify the safe locations to cross, make them as safe as we possibly can, and close the rest. That's the approach we believe should be taken. That's difficult to achieve in our current regulatory environment.

Mr. Vance Badawey: You gave me the answer and I appreciate that. You mentioned two points there. You mentioned about the regulatory requirements falling short, which is point number one. Secondly, I'm assuming—and please correct me if I'm wrong—that within your accident management plans you identified these crossings as being delinquent. With that I would assume again that they would be then looked at, repaired, replaced, or even done away with.

What I'm getting at is, within your accident management plan, are you bringing the recommendations forward within those regulatory requirements to try to make it better so that either they're going to be removed, fixed, or brought up to date again within those accident management plans, and as a priority?

Mr. Keith Shearer: It's not quite like that. Fixed or brought up to the new standard? Absolutely, we're working with the municipalities to do that. Removed is an entirely different discussion, and it's nearly impossible for us to do that.

Mr. Vance Badawey: I thought I heard you mention earlier there were some corridors where you can remove these crossings, or you would prefer to remove them.

Mr. Keith Shearer: We would like to. We believe that's the right approach, but we have no ability to do that. The CTA has the ability to grant access by opening crossings. They review crossing opening proposals. Transport Canada looks at the safety of the individual crossings, but nobody is looking holistically at the whole corridor, and that's what we believe needs to be done.

Mr. Vance Badawey: Having said that, have you made recommendations to move in that direction?

Mr. Keith Shearer: Yes.

Mr. Vance Badawey: They've been turned down?

Mr. Keith Shearer: I wouldn't say turned down. They haven't been acted upon.

Mr. Vance Badawey: They haven't been acted upon.

Mr. Keith Shearer: When we were going through the grade crossing regulation review, our position was that it needed to be more than what we ended up with.

Mr. Vance Badawey: Thank you.

The Chair: Thank you very much.

Ms. Duncan, you have five minutes.

Ms. Linda Duncan: Thank you.

My understanding from the testimony that we heard from the unions representing the workers on Monday was that they were asking for scheduling of trains. It's not the issue of necessarily the scheduling of staff, although that would help. My understanding is that their concern is that there is no set schedule of trains, and that is why we're having this increased fatigue. I'll throw that out to you to respond as well. I'm a little puzzled with that. I just visited a steel plant. That's a very dangerous facility, and people are well trained and they have a clear work schedule of when the plant is up and when it's down, and so forth.

My questions follow on the questions that I put to CN. Those relate to the concerns that Canadian municipalities have been raising about the failure to be open and transparent...a notification of what is being made available. Now, my question to you, gentlemen, is this. My understanding is that there isn't necessarily advanced notification to municipalities and the first responders on the type of cargo that is going through daily. Can you explain this to me? What good is this gizmo that you can use to check the car if you have a disaster like Lac-Mégantic and the cars are burning? How the heck do you go in and find out what is in those cars that are burning?

Please explain to me how, in fact, you were actually responding to the calls by municipalities to have greater information, for the first responders to have greater information on what is flowing through these municipalities on a daily basis.

Mr. Peter Edwards: I can start with the one on scheduling. Why the steel plant can do it is because when the person leaves the steel plant at the end of their eight-to-four shift, we know they're coming to work at eight o'clock tomorrow morning. They can't say they want to do another shift right now, they want to come back in 12 hours, or they'd like to come back in 23 hours and two minutes, which is what our employees get to do. How can you make a schedule when you can't determine the amount of time off? I would challenge anyone to that one. That's a big problem.

Our carloads vary by week. As you know, we report, and that's how people measure the economy. A coal company might say, "There really are no orders in China" or "If you can make all the ships arrive in Vancouver at the right time so that we can unload and do all those other things...". If all those pieces come into play, we could run a scheduled railway to the hour. No one would like that more than we would. It just doesn't seem to be the way the world is working. We can't control when the ships arrive, the production requires me to change, and the employees get to decide how long they work and how long they take off every single day.

● (1645)

Ms. Linda Duncan: Okay, what about my question about transparency and disclosure? That's my question to you.

Mr. Jim Kozey (Director, Hazardous Materials Programs, Canadian Pacific Railway): That's fine. That's rail.

We have a long history of working with municipalities in providing them with emergency response information. This predates protective direction 32. The railways work with the Federation of Canadian Municipalities to give a breakdown of hazardous materials by quarter, on an annual basis. In addition to that, you've heard about AskRail, which is real-live data, where, say for example in the instance of Lac-Mégantic, a first responder who was on scene could identify any car that was in there. They'd type in a number and they would get the contents of that, as well as the contents of the entire train. I have it on my iPhone; I could show you.

Ms. Linda Duncan: I have been talking to the chair of the FCM committee on rail transport. I'm not as assured from them as you are telling me they're assured. I repeat my request to this committee that we need to hear from the municipalities all the more so now that we're hearing about the information that's being revealed about these dangerous rail crossings. A good number of those rail crossings that are designated dangerous are ones that I and my constituents traverse daily.

I have put the request into Transport Canada to see all the risk assessment reports for the lines running through Alberta. Are you as a company willing to make them available to this committee? Would you be willing to meet with me and provide those to me?

Mr. Keith Shearer: Is that the risk assessments for the crossings?

Ms. Linda Duncan: No, it's the risk assessment generally that Transport Canada demanded that you provide about all risks affiliated with your lines.

Mr. Keith Shearer: For dangerous goods, those risk assessments we've made available to Transport Canada. We're more than willing to sit down with any community and go through the risk assessment. We are concerned, however, about making that publicly available. This is security-sensitive. This is confidential information that we really don't want to have out in the public.

Mr. Peter Edwards: You were speaking more of just to yourself.

The Chair: You've touched on an important issue that needs more time. Unfortunately, we don't seem to have it.

Mr. Fraser and Mr. McGuinty, you're going to share your time.

Mr. Sean Fraser (Central Nova, Lib.): Yes, that's right. Thanks very much.

We don't have too much time, but I'd like to build on a few lines of questioning that my colleagues have already launched.

When I look at your union-selected overworked employee chart, it establishes an example, at least, of something that's quite troubling. Is that a trend you see, with employees stacking their time like that with CP?

Mr. Peter Edwards: We're going through every employee from last year. I have a chart over here, which I didn't submit so I can't hold up, apparently. But it's about four feet wide and six feet long, and it shows the entire year. We'll look at every decision point they've made and see the outliers. In January I invited the union to sit down with me and go through the ones I'm a little concerned about. Maybe I'm wrong. Maybe it's absolutely perfect. We're going to have a sleep expert there as well—they can have one and we have the guy we like—and ask if it's good or bad. They got back to us after a month and said they weren't available until mid-April. They've cancelled that meeting since then, but we will get together with them.

We're not waiting. In the interim we're going through them and looking at every one. If there is somebody who's an outlier, we're trying to take action. We're now driving what we call fresh crews, well-rested crews, to a location and putting them in ahead of other crews, so that the crew behind can't go on. We're forcing them to take rest. I have over 41 grievances on that. I'm going to be going to arbitration at least 41 times, because we told them to take rest and

that we'd have another crew do it. I'm getting spanked for trying to get people to rest.

• (1650)

Mr. Sean Fraser: Is there a pattern?

Mr. Peter Edwards: With some people, yes.

Mr. Sean Fraser: It seems from your testimony that you're saying the problem is that people have the right to take rest but are choosing not to. To me that's somewhat insufficient, because it's a system that's not working, whether it's an individual's fault or not.

Why does this keep coming back to the collective bargaining table? Do you think regulation would be the better way to address the issue?

Mr. Peter Edwards: I'm not sure what the regulation would look like. There's the airline industry and that's completely different. The trucking industry works longer days; they work more weeks in a month. I don't think that's a model to go to. They only have one person in, and they have to steer.

We have a regimen that will allow lots of rest.

Mr. Sean Fraser: I am starting to cut into my colleague's time here, so I want to be respectful.

Mr. Peter Edwards: You have to get to the point where.... Can you force a schedule?

Mr. Sean Fraser: Thank you.

Mr. David McGuinty (Ottawa South, Lib.): Thanks very much, Mr. Fraser.

Mr. Edwards, I have a couple of snapper questions, please.

What were your gross revenues in the last fiscal year?

Mr. Peter Edwards: That is...billion....

Mr. David McGuinty: You don't know.

Mr. Peter Edwards: I don't like to quote numbers directly. I'm not the CFO.

Mr. David McGuinty: Your president and COO, Keith Creel, was here two years ago and said they were just over \$6 billion.

Two days ago Hunter Harrison announced the Norfolk Southern merger fell through. Is that right?

Mr. Peter Edwards: Yes.

Mr. David McGuinty: You're a company that's grossing over \$6 billion a year.

How many employees do you have?

Mr. Peter Edwards: Right now, about 12,500, with one-third of them in the U.S.

Mr. David McGuinty: My first reaction to the union-selected overworked employee sheet is that I don't know if it's good hockey today, as a corporation, to be negotiating at a parliamentary committee with your unions and union reps. Isn't this perhaps better placed in closed-door negotiations with your unions?

Mr. Peter Edwards: We did give it to them before we began negotiations, for one thing. The second thing is that the reason this topic is on the union's mind is that they're looking for a thing called "windows", which they asked for in negotiations. They asked the arbitrator and the arbitrator declined to give it to them. We knew they would come out and bring it through the legislative forum, which they've done.

Mr. David McGuinty: Would you think it would be more appropriate, for example, to have you—actually, it would be more important and appropriate to have Hunter Harrison and Keith Creel here—sitting side by side with your union leadership? Wouldn't that be a more productive exercise, if we're going to be talking about he-said-she-said?

Mr. Peter Edwards: No, they wouldn't meet with me. I asked them in January. They're still not available. If you can make that happen, I would love that to happen.

Mr. David McGuinty: Okay.

Let me ask you this last question, because we're almost out of time.

Can you name three measures or actions that your company has spent money on that you're forced to abide by—

Mr. Peter Edwards: I'll let him do two. I'll take one.

Mr. David McGuinty: —that cost money.

Mr. Peter Edwards: Moving those crews to put them in place ahead of those other people—that they're grieving—costs us a lot of money. Those cabs aren't free. That time isn't free. He can handle the other two.

Mr. Keith Shearer: One is that the number one cause of train derailments is track infrastructure failure. We do more track infrastructure inspection with technology than is required by regulation. That's one of the reasons why we're leading the industry.

The other one is investment in technology. We have technology in place right now—and you heard about requests for exemptions from rules—for coal trains we operate in British Columbia, where the brake tests on those trains are done using technology that's far superior to the manual processes that have been in place for years. It costs us money to do that.

The Chair: Thank you very much. I'm sorry, but your time is up.

Mr. David McGuinty: Thank you.

The Chair: Mr. Berthold, you have four minutes. No?

Mr. Luc Berthold: I'll pass my time on.

The Chair: Ms. Watts.

Ms. Dianne L. Watts: That's perfect. Thank you.

I want to touch base on the high-risk crossings. They've been identified across Canada. In terms of how you measure that risk, some would be a low risk and some would be a medium or high risk,

from what I understand. For the high-risk ones that have just come out, how are you managing those?

Mr. Keith Shearer: It's a difficult question because I haven't seen the list.

Ms. Dianne L. Watts: Pick any one that's a high risk.

Mr. Keith Shearer: This list was published in the media today, I believe?

• (1655)

Ms. Dianne L. Watts: Yes. Okay. Let's get away from the list.

You have a high-risk crossing. How do you manage that?

Mr. Keith Shearer: We manage it through technology. If the crossing, by the regulation, has a certain cross-product—trains and vehicles, certain speeds of trains and vehicles—that will dictate whether the crossing needs to have a warning system or if it's sufficient to have crosswalks or a stop sign. That's the hierarchy, if you will, of how it gets managed.

Ms. Dianne L. Watts: Okay. A lot of these are within municipalities. You made some comments that you'd like to see them closed down, because of course that's going to affect the flow of—

Mr. Keith Shearer: In some cases, yes.

Ms. Dianne L. Watts: —the municipality and the roads that they cross, right? I want to get back to identifying how high that risk is and what it is that you would do to mitigate that risk.

Mr. Keith Shearer: It's putting in a warning system. In the worst case, in the riskiest case, you would want to grade-separate the crossing.

But as I said earlier, if you get to that extent, and we share the cost with the municipality, you want to be looking at why you wouldn't take the opportunity to close crossings that are adjacent to the crossing that you've just invested in to make safer. That's the piece that's absent in the regime today.

Ms. Dianne L. Watts: Well, I think it's hard on some municipalities to actually fund an overpass or the closing of a crossing. It's just something that is not affordable. There have to be tri-party agreements in terms of the railway, the federal government, and the province contributing. Everybody has to be a partner, right?

Mr. Keith Shearer: I agree.

Ms. Dianne L. Watts: If you look at the Roberts Bank rail corridor—

Mr. Keith Shearer: That was done well.

Ms. Dianne L. Watts: Yes, it was done well.

Mr. Keith Shearer: That's one example of something that was done well.

Ms. Dianne L. Watts: Yes, absolutely, and that whole entire corridor was looked at in terms of the high risk and grade separations and everything else.

I would suggest reviewing that high-risk piece, because it seems to me that this model would work in other areas—

Mr. Keith Shearer: We would agree.

Ms. Dianne L. Watts: —rather than just saying that it's a high-risk area, so put a warning there and we're done.

Mr. Keith Shearer: Well, that's what we're seeing. The current regulation says to look at this individual crossing and never mind the crossings that are directly adjacent to it.

In the city of Langley right now, we have one where we had the Transport Canada notice in order, we've upgraded the crossing, and we've made it safer. Just down the road from it is another one that the TSB has issued a safety advisory on, completely oblivious to the fact that just down the street there's a safer crossing that's actually used.

That's the view that we collectively need to have.

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

I'm sorry, Ms. Watts, but we'll have to move on from here.

This is the end of this panel. I'm sorry if you feel that we might have rushed you a bit, but thank you very much for the information you've provided us today. We will ensure that you receive a copy of our ultimate report. Thank you very much.

I will suspend so the other panel can come up. Our time is getting tighter.

•(1655) _____ (Pause) _____

•(1655)

The Chair: We're back to order.

By video conference from British Columbia, we have with us representatives of the Southern Railway of British Columbia: Frank Butzelaar, president, and Derek Ollmann, director of operations.

With us here at the table we have the Saskatchewan Shortline Railway Association, with Perry Pellerin, chairman, and we also have Ryan Ratledge, the chief operating officer of the Central Maine and Quebec Railway.

Welcome to all of you.

I'm going to start with our gentlemen who are on our video conference. We are a bit short of time, so if you can, please keep your presentation to the points that you know the committee is dealing with, which are specifically the issues of railway safety and what kinds of recommendations we might ultimately be able to make that would improve it for Canadians and for all of those involved.

Southern Railway, I'll turn the floor over to you if you'd like to go forward.

•(1700)

Mr. Frank Butzelaar (President, Southern Railway of British Columbia): Good afternoon, Madam Chair.

My name is Frank Butzelaar. I am the president and CEO of Southern Railway of British Columbia, known as SRY. With me today is Derek Ollmann, director of operations for SRY.

SRY is a provincially regulated short-line railway headquartered in New Westminster, British Columbia, with 185 employees operating 196 kilometres of track, including 101 kilometres of mainline track between New Westminster and Chilliwack, B.C., with connections to CN, CP, and BNSF.

Through our subsidiary company, Southern Railway of Vancouver Island, we provide rail service on Vancouver Island on former CP trackage now owned by the Island Corridor Foundation, which consists of 11 first nations and five regional districts. Handling more than 65,000 railcars a year and 20% of all new vehicles purchased in Canada, SRY is a critical link in the supply chains for more than 140 customers located in Asia and across North America.

In addition to automobiles, we handle agricultural products, forest products, steel and machinery, building products, consumer products, and plastics and chemicals.

Our chemical business consists of 3,450 carloads of which 1,400 are classified as hazardous.

We're proud of our safety record. Looking at the past year, 2015, we had zero lost-time injuries, and we haven't had a lost-time injury in over four years. Our reportable injury frequency rate is 0.83%, which is well below the short-line average of 2.59%. We had 18 non-mainline derailments and zero mainline derailments in 2015. Our derailments overall are down 25% over the past five years. Nine of our 18 derailments were the result of human error, six the result of truck failure, and three the result of mechanical failure.

Given that 50% of our derailments are the result of human error, we continue to focus on improving our training programs and expanding our proficiency testing. On average, we conduct approximately 170 proficiency tests every month.

Managing worker fatigue is also a priority at SRY, but it's important to note that SRY does not operate in the same manner as a class 1 railway. SRY does not run trains that start in one location and terminate in another location. All trains originate and terminate at the same terminal, thus all employees have the ability to go home at the end of their shift and manage rests between shifts.

Although SRY is a provincially regulated railway, SRY complies with Transport Canada federal work-rest rules for railway operating employees. SRY has a fatigue management policy within our safety management system and collective agreement. Within the fatigue management system, there is a series of procedures and strategies designed to manage fatigue in the workplace. Some of these are the responsibility of the company, such as compliance with federal work-rest rules, and some are the responsibility of the employees, such as managing their off time to ensure alertness while on the job.

It's incumbent on the employees to come to work rested and prepared for their tour of duty, as per Canadian Railway Operating Rules, general rule A, which says that when reporting for duty, employees must be "rested and familiar with their duties and the territory over which they operate". Within the collective agreement, employees have the ability to book rest. This procedure allows employees to limit overtime and guarantees them a minimum of 10 hours between shifts.

With respect to remote-control train operations, SRY does not operate remote-control trains and currently has no plans to operate remote-control trains. Our operation is intensively switching, and it's more efficient to have the three-person crews that we use—conductor, locomotive engineer, and brakeman.

• (1705)

On the subject of locomotive video recorders, we support legislation for railways to be required to install cab video monitoring devices. We believe that the legislation should support railways to use the in-cab video to conduct rules-compliance testing and promote safety.

Finally, I want to talk briefly about the challenges facing short-line railways in Canada. In total there are about 60 short-line railways across Canada, of which 40 are provincially regulated and 20 are federally regulated. Short lines are an integral part of the North American rail network. Of all rail traffic in Canada, 20 per cent or more than 135 million tonnes each year, begins on short lines. Many industries simply wouldn't exist without these railways. They provide an essential link between sometimes remote businesses and their domestic and international markets.

It should be noted that short lines in Canada, similar to those in the United States, often operate on low-density rail lines with razor-thin margins and often don't generate sufficient revenues to upgrade or expand their infrastructure.

At SRY, capital investments in rail infrastructure will total \$7.3 million this year, which is up 26% over 2015 and up 21% over 2014. Over the next six years, railways will need to upgrade crossings to a new standard that will require significant investment in new signal systems. SRY has a total of 206 crossings at grade; 129 are road crossings and 57 are property access crossings. Six are farm crossings and 14 are pedestrian crossings.

Of the 129 crossings, 37 are currently signalized, but 92 road crossings are not signalized. Our current estimate of the cost to signalize, to finish this program, is that it will cost \$30 million over the next six years. It is important to note that these required upgrades are not eligible for funding under the existing grade crossing improvement program and will further restrict the ability of short

lines to make growth and productivity-enabling investments in their infrastructure.

In conclusion, Canadian short-line railways request that Transport Canada carefully consider recommendations contained within the recently released Canada Transportation Act review report pertaining to short-line infrastructure funding. Specifically, the review recommends modifying eligibility criteria for federal infrastructure programs to allow short-line railways to apply for funding directly, without a government sponsor, and to create a federal-provincial short-line infrastructure program in order to support capital infrastructure investments.

In the United States the short-line rail industry is supported through a variety of programs. At the federal level those include funding for railway highway grade crossings, covering 90% to 100% of the project costs. Additionally, a transportation investment-generating economic recovery program, known as the TIGER program in the United States, provides infrastructure grants to short lines, and the 45G short-line railroad tax credit program helps short lines leverage private investment. This is accomplished by allowing short-line railways a tax credit of 50 cents for every dollar spent on track improvements up to a cap based on the number of miles they operate.

As the Government of Canada looks to invest in the renewal and expansion of Canada's critical infrastructure, we urge you not to overlook the need to invest in Canada's short-line railways.

Thank you.

The Chair: Thank you very much. We appreciate your briefness.

We will now go on to Mr. Pellerin and Mr. Ratledge.

• (1710)

Mr. Perry Pellerin (Chairman, Saskatchewan Shortline Railway Association): Good afternoon, Madam Chair, and committee.

Thank you for inviting me to speak today and for giving the Saskatchewan Shortline Railway Association the opportunity to share our thoughts on rail safety.

As you are aware, Saskatchewan has the most short lines of any province in Canada. We operate 24% of Saskatchewan's rail network and are a major employer in many rural towns. Over the past 20 years we have successfully created jobs, increased export capacity, and driven economic growth for rural Saskatchewan, the province, and Canada. We pride ourselves on being a green transportation option, with an average of over 125,000 truck loads being kept off the roads per year in the province, resulting in a 75% reduction in greenhouse gas emissions.

Even more important than our economic and environmental contributions is our dedication to rail safety. For our small short lines safety is not something that is an option. In our communities, where our employees live and work, our attention to safety is what brings home our children, wives, grandparents, and neighbours at the end of each day. It is at the core of our business and takes first place on our agenda.

Our railways follow all safety protocols dictated by the federal and provincial governments, safety management plans, and systems, as well as the requirements set out in the Railway Safety Act. We also go above and beyond that by using reduced speeds, increased track patrols, and yearly X-ray and track geometry car tests to reduce the risk of derailment.

Despite increased traffic and demand for services, we have maintained an excellent safety record. Between 2010 and 2014 Saskatchewan short lines experienced a 53% increase in grain carloads and a 93% increase in non-grain carloads. During this time period, we did not see an increase in main track derailments, and we were able to decrease our crossing collisions.

In 2015 with approximately 28,000 railcars transported, our record was as follows. We had three main track derailments, five non-main track derailments, zero dangerous commodity derailments, zero dangerous goods spills, one crossing collision, zero trespasser incidents or injury, and zero fail accidents. Although derailments are not to be taken lightly, the eight in Saskatchewan in 2015 involved an average of two cars. None were carrying dangerous goods, and the largest involved six cars carrying sand. We believe that railroading is not inherently dangerous, and we are open to learning new ways to improve safety by challenging our assumptions and changing to improve our safety record.

This brings me to the topic of consultation. Short lines come in many shapes and sizes. In Saskatchewan the majority of the short lines are relatively small operations with one to nine locomotives and between three and 35 employees. Recent changes to regulations have caused expenses that are increasingly difficult to manage, as they do not always fit the realities of running a small railway operation. Direct consultation with regulators is important to us, and we welcome more thorough and regular consultations with Transport Canada to ensure the complexity and the particularities of our operations are understood. Through consultations between Transport Canada and short lines, and between Transport Canada and provincial regulators, we would help to ensure that regulatory

decisions are being made that reflect our business and can be implemented in ways that make us effective and as safe as possible.

The Saskatchewan Shortline Association also supports increased inspection by Transport Canada. We would welcome both positive and negative feedback in a timely fashion to allow us to celebrate our successes and be more proactive about the issues we have yet to improve.

In Saskatchewan we inherited rail lines from class 1 railways that were already showing signs of age and need of repair. Our small staff sizes and narrow profit margins, when compared to class 1 railways, must be taken into account when considering rail safety. To be as safe as possible, Saskatchewan short-line railways require major infrastructure overhauls to maintain safe track conditions.

The CTA reviews supported this notion, suggesting several funding options, including infrastructure funding modelled after the 45G tax credit funding system in the United States. The Saskatchewan Shortline Association supports infrastructure investments in short-line rail as critical to the continued safety of our transportation network, solidifying Canada's ability to drive trade and export capacity.

• (1715)

Federal support is critical in addressing the increased costs associated with any new regulatory requirements. For example, requirements concerning cab noise levels represent a major investment for a short line as our locomotive fleets are often aging. To retrofit a cab it costs over \$20,000 per locomotive, and this is just a small example of how short lines differ from class 1s. It is very difficult for us to meet some of these financial changes under a barrage of change.

Another example of financial repercussions of regulatory changes is new securement requirements. For example, when a railway secures a train, they must leave it protected by derailed or leave the locomotives running. For short lines, derailed are not easily accessible. As a result, using one of our railways as an example, this has meant an additional \$150,000 a year in fuel costs.

Infrastructure and regulatory changes have a critical impact on safety. Consultation before regulatory changes are made, and federal support for those changes, would make managing the associated costs and maintaining safety records more realistic for small short lines.

Finally, two other issues have an impact on short lines' ability to invest in infrastructure and safety: insurance and the potential elimination of the maximum revenue entitlement. Insurance premiums have skyrocketed. With a limited number of providers and a lack of insurance tailored to the operating realities and safety records of short lines, much-needed funds are being pulled from short lines' operating funds, thus affecting our ability to maintain infrastructure and invest in safety. Regarding the MRE, in 2015, 72% of the traffic on short lines in Saskatchewan was made up of producer cars. Any changes to rates that have a negative impact on producer cars will also have a negative impact on short lines.

While we are independent operations, we are still at the mercy of class 1 railways for car supply, schedule, and whatever rate structure they pursue. We have already seen a large discrepancy between single- and multi-car rates under the current MRE, and we are worried that increased rate freedom could be catastrophic for the producer and subsequently for the short lines.

In conclusion, ensuring open and transparent governance by making consultation with short-line industry stakeholders a requirement for future regulatory changes is critical for a short-line rail's ability to continue to create jobs, support economic growth, and increase export capacity. Infrastructure investment, financial support for regulatory changes, and close consideration of insurance and rate protection are also critical components to ensure that the railway can continue to contribute to middle-class prosperity.

Thank you.

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

Mr. Ratledge.

Mr. Ryan Ratledge (Chief Operating Officer, Central Maine and Quebec Railway): Good afternoon, Madam Chair, members of the committee.

My name is Ryan Ratledge and I lead the operating team at Central Maine and Quebec Railway. Our Canadian operations are headquartered in Farnham, Quebec. Our customers originate and terminate a multitude of carloads on our railway, as well as utilize the CMQ to bridge carload traffic from the Maritimes and northern Maine through Montreal, then flowing into the North American railway network. We handle a very diverse range of commodities that include forest and paper products, chemicals, and propane. Three of our larger clients include NGL, AkzoNobel, and Tafisa.

CMQ has invested in excess of \$22 million in our track and infrastructure since we started up in 2014. We will invest an additional \$10 million of CMQ's money in 2016. We fully support and advocate for a refundable short-line tax credit for Canadian short-line railways.

CMQ is a federally regulated railway that began operations on June 30, 2014. We provide employment for about 50 team members in Quebec, and 70 in Maine and Vermont. Over the last 22 months,

when compared with our former operator, we have realized a reduction in frequency, cost, and severity associated with injuries and derailments. We have made progress, but we continue to strive for improvement.

We connect directly with Canadian Pacific in the Montreal area, as well as the St. Lawrence and Quebec railway, Vermont Railway, Maine Northern Railway, New Brunswick Southern Railway, and Pan Am Railway.

Many leaders within the communities in which we operate have expressed interest in resuming passenger and commuter operations on our line between St-Jean-sur-Richelieu and Sherbrooke, Quebec. If this makes sense for Quebec, then CMQ supports this idea. Needless to say, this will require many millions of dollars of additional investment in the track and infrastructure.

Short-line railways have proven themselves to be safe and friendly to the environment, and I'm honoured to be a part of this industry.

I'm open and happy to answer any questions that you may have.

Thank you.

• (1720)

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

Mr. Berthold and Ms. Watts. Ms. Watts, you're going first.

Ms. Dianne L. Watts: Thank you very much.

I have just a couple of quick questions.

Frank, you were just saying, in terms of the upgrades that are required, that you can't access federal dollars. Can you explain that to me in terms of why you're prohibited from accessing or making an application for those dollars?

Mr. Frank Butzelaar: Certainly. The challenge the short-line railways have is that although investments in short-line railways are eligible for the build Canada fund, you need to have government sponsors. You need to have a government that's backing the program and is prepared to go in with you on it.

As far as I'm aware, no short-line railway has ever been successful in finding government partners for their projects. Our experience is that the municipalities and the province all have their own projects, which are much more of a higher priority to them than investing in a short-line railway jointly, working together on a project with short-line railway. They have critical things they need to achieve with those dollars and it just doesn't include investing in short-line railways.

Ms. Dianne L. Watts: I would expect that if you have a class A rail line with a lot of traffic, you could actually divert some of that to the short line, which would cause less congestion and less traffic on those lines that are, perhaps, a high risk in terms of crossings and things like that. That would be a mitigation. Thank you.

Do you want to go ahead?

[*Translation*]

Mr. Luc Berthold: Thank you very much.

I heard the representatives of the three small companies present here talk about the need to have access to refundable tax credits. That program was also introduced by the Railway Association of Canada. You want to present that to the government.

The need for investment in short-line railways must be rather significant. Mr. Ratledge, you have become the owner of an unfortunately infamous company and a rail route that has sadly become well known. You have invested a lot of money, but there are still a lot of needs.

Are the scheduled investments sufficient? Would it be possible to use the current funding to create jobs and help companies like yours develop the economy more in the regions? That is right up your alley: you are absolutely vital for the regions you're serving and for the economy in our rural regions, as in the case of Tafisa to Lac-Mégantic.

[*English*]

Mr. Ryan Ratledge: Yes, sir. We have been able, fortunately, to invest quite a bit of capital into our infrastructure, and yes, the ability to have a refundable tax credit similar to what we appreciate in the state of Maine and in the state of Vermont does foster further investment. It does allow a short-line railway to continue to make those investments for years and years to come.

• (1725)

[*Translation*]

Mr. Luc Berthold: I'm not sure I understood correctly. You have invested an amount of \$22 million and you're going to invest \$14 million dollars in 2016. With the tax credit, would you double the company's investments or would you reduce the investments by that amount?

[*English*]

Mr. Ryan Ratledge: I'm not sure that I understand the question.

[*Translation*]

Mr. Luc Berthold: Since 2014, you have invested an amount of \$22 million in the route. If you had access to a tax credit of 50%, meaning that for each dollar invested, you would receive the equivalent in tax credits, could we expect companies such as yours to invest that additional money in the network or would it simply be

used to enhance your financial performance? That is the fear people might have when a request for a program like that is made.

An investment of \$22 million is great. This means that, with a tax credit, you would have invested an amount of \$44 million, which might have been good for the small communities.

How can we ensure that the investments will actually go to the railway, if you're asking the government to set up a program like that?

[*English*]

The Chair: Thank you, Mr. Berthold.

Can we have a very short answer? I don't know if that's possible either.

Mr. Luc Berthold: Just say yes.

Som hon. members: Oh, oh!

Mr. Ryan Ratledge: It has been my experience that it would increase additional investment, not lessen it.

The Chair: Thank you, Mr. Ratledge.

Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair. I'll split my time with Mr. Badawey.

Mr. Pellerin, I have a question way out of left field. Inter-switching is due to be shrunk substantially by August and perhaps eliminated totally, if Mr. Emerson's report is taken forward. Would that have an effect on your finances?

Mr. Perry Pellerin: No, sir, it wouldn't. Actually, inter-switching for short lines, at least for the Saskatchewan association, really has no impact. It is more, I believe, for producers, grain companies, and that type of thing. For a railway, we would have no impact at all.

Mr. Ken Hardie: For all witnesses, you don't own many railcars, if any at all, although it's interesting that the B.C. operation still has cabooses, which is a blast from the past. At least I think you have, do you not?

Mr. Frank Butzelaar: Yes, we still operate cabooses because they really assist in the type of work we do, which is intensive switching and essentially it's a safety element as well. When we are moving a train in a reverse direction, we can put a crew member on the front of that. It's a much safer position for a crew person to be in.

Mr. Ken Hardie: This is my last question then I'll turn it over to Mr. Badawey.

You see everybody else's equipment coming in. We see issues like what is called "truck hunting" leading to derailments and all the rest, but generally, what are your observations about the state of repair and condition of the material that's delivered to you, the railcars?

Mr. Perry Pellerin: If I could, I'll speak. We have an aging grain car fleet. I've seen some reports that within the next eight to 18 years there will be over 12,000 cars that will expire, which we will have to replace. As we see those cars coming to us today, they are starting to show their age, but we are very conscious that the rules are in place for us to do inspections on those cars to look for hazardous conditions, but as for concerns for short lines in Saskatchewan, our concern would be how those cars are going to be replaced. Who is, in fact, going to own those cars? How would producers and short lines have access to those cars? Those are things that we are more worried about at this point.

Mr. Ken Hardie: Are there any comments from others on the state of the railcars you are seeing in your operations?

Mr. Ryan Ratledge: While they are aging, we have added a few extra mechanical employees to help ensure we are able to correct any deficiencies that are identified while on the railway.

Mr. Ken Hardie: I'll turn it over to Vance.

• (1730)

Mr. Vance Badawey: Thank you and thank you, Madam Chair.

I have to preface my comments, gentlemen, by stating that I truly do appreciate the services that you provide. I was formerly the mayor of a city for the past 14 years and I negotiated from CN the ownership of a short line and then successfully brought on a short-line operator, Trillium Railway, a tour operation, to the community, which really taught me a lot about the service you provide. You pretty well pick up the scraps that CN and CP leave behind and with that you're connecting those small businesses within pockets of this country into global markets, eventually giving them the ability to get on those short lines.

You're on low-density rail lines, and tax credit type programs, and grants, and revenue opportunities were mentioned earlier.

What I would ask you for is—and I know the answer already, so I'm not going to ask the question—is there a possibility that you can get some of those ideas to this committee so that we can look at the options through our investigation, our review, of the transportation act review, the Emerson report, and look at some opportunities that we might be able to present to you, whether it be opportunities when it comes to leveraging with partners, grant opportunities, revenue-sharing opportunities with other partners, etc.?

Any ideas that you may have, if you can get them to us, and therefore, if the minister does proceed down the road of possibly establishing a national transportation strategy, we can ensure that you're a great part of that, as you should be, because you're actually connecting those small pockets throughout the nation to the markets that they must attach themselves to.

The Chair: Please give a short response if you'd like.

Mr. Perry Pellerin: I know for the Saskatchewan association, when the review first came out, we did a quick survey of our folks. We know we have 30 million dollars' worth of projects that are shovel ready. We could start within the next couple of months, and

we have identified a further \$150 million that would be that three- to seven-year type of project. We very much could do that and would appreciate the opportunity.

Mr. Vance Badawey: That would be great, guys, and could you also, if possible, within those requests establish with that some returns attached to them, economic returns?

The Chair: Thank you, Mr. Badawey.

Ms. Duncan you have five minutes.

Ms. Linda Duncan: Thank you, Madam Chair.

It's interesting, the call for a tax credit. I would be interested in further discussion, not here right now, as to why you can't just write off those costs and as to why you would be asking for a tax credit. I think that's something it sounds like we'd like to look into if we ever get around to looking at the Emerson report, which I'm hoping that we do.

I have a question for all of you that arose from the Lac-Mégantic tragedy, and is on the request for an exemption of the rules to allow for one locomotive engineer. I would like to ask you how often do you make requests for exemptions and do you make similar kinds of requests for one locomotive engineer?

Mr. Ryan Ratledge: I'll go first.

We've not made any such requests. On the U.S. side, we inherited some single-person crews. We actually eliminated that practice and now operate with two-person crews in the U.S.

Mr. Perry Pellerin: We're very much the same. We actually have a minimum of two-person crews. In occasions where we have extensive switching, we actually add a third person and have no intention of changing that.

Ms. Linda Duncan: Third company....

Mr. Frank Butzelaar: We only operate today with three-man crews but we have provisions to run two-man crews in certain situations. We have never operated a single-person crew or have any intention to operate a single-person crew.

Ms. Linda Duncan: Okay, thank you very much.

Inter-switching is a bit of a mystery to me. Am I to understand that you are probably the companies that are providing the inter-switching, particularly for grain? I know it's a big issue in the Emerson report and we are at odds with where the grain farmers are versus the rail companies. Is that what we're also talking about here? Are you also delivering loads from one main company to another main company? Or are you simply just shipping direct cargo that you've been hired to ship?

Mr. Perry Pellerin: We just ship direct cargo. Actually, if you look at the inter-switching, at least in Saskatchewan, which is all I could speak for, without totally confirming it, I'd venture to guess that none of our short lines have handled that type of traffic.

• (1735)

Ms. Linda Duncan: Okay, thanks. I will turn it over to others. I know lots of you would like to ask questions.

The Chair: Thank you, Ms. Duncan.

I think the committee has exhausted all their questions. We've had a tremendous amount of information provided to us today and we may come back to you with some emails or some questions.

One second, Ms. Watts has—

Ms. Dianne L. Watts: Sorry, I don't want to pass up on that time and I thank you for that.

With the other rail lines, we were having the conversation around dangerous intersections. In terms of identifying any of the dangerous intersections with any of you folks, how do you manage them? What do you do about it?

Who wants to go first?

Mr. Frank Butzelaar: I could start.

Certainly we're monitoring the volume of traffic we're moving across every grade crossing. If the amount of traffic we're handling significantly increases, we automatically do a risk assessment and that will likely involve our going to the community and asking for road traffic volumes. Then we'll do the cross-product and that will determine whether something needs to be done on that particular crossing. Every time there's a significant change in the business, whether it be the volume or the commodities we handle, that triggers a risk assessment and the risk assessment will look at the crossings that are impacted.

Ms. Dianne L. Watts: That's perfect. Thank you.

Is that equally so with you? Yes? Okay.

Thank you.

The Chair: Thank you very much.

Thank you to all the witnesses.

If the committee has further questions after they've slept on some of the information you've provided us, we may try to communicate through the clerk, or directly, to get some answers as we try to tie up the study.

Just to remind the committee, we have committee business yet to do today.

[Proceedings continue in camera]

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