

6. The Committee recommends that the Canadian Transport Commission commence forthwith a detailed review of Costing Order R-6313 to determine its suitability given the major changes in passenger rail service in this country since the creation of VIA Rail Canada Inc. The Committee feels that the Order may have to be substantially amended to reflect current conditions. The Committee recommends that avoidable cost structure for the Canadian rail passenger system be adopted through amendment to the existing order or through the issuance of new railway costing orders.

(iii) The Cost of Reduced Fare Employee Passes

The issuance of free or reduced fare travel passes by VIA to the employees of CP Rail and CN Rail is a topic upon which the Committee wishes to touch briefly in this Report. It must be noted that the annual value of these passes in the year 1981 amounted to approximately \$13 million. Of that amount, VIA was responsible for some \$12 million having received approximately \$900,000 in compensation from the other railway companies. Under the VIA-CN operating agreement, CN Rail has an opportunity to earn back, as it were, some portion of its contribution to the railway pass fund based upon on-time passenger train performance standards as established by the operating agreement. The Committee certainly favours this type of incentive arrangement in the hope that it will produce the desired maximization of productivity. Nevertheless, the Committee feels that it would be desirable in the future to see both CP and CN contributing a greater proportion of the funds that are required to finance this employee pass program.

The Committee is aware of the fact that employee passes for reduced fare travel are widespread not only in the railway industry but in other modes as well, including bus and air carriers. The third parties concerned with this program, namely the labour unions representing the workers who benefit through the extension of these pass privileges, are an important factor in determining the extent to which these passes will be made available. That forms part of a collective labour agreement which is negotiated between the railway companies and their employees' representatives, and the Committee is certainly not advocating the elimination of the railway pass program. It is undoubtedly an important incentive in encouraging use of railway passenger services. However, as stated previously, the amounts involved are very substantial and it would, in the Committee's view, be totally appropriate to see CP Rail and CN Rail contributing in a more equitable fashion to this arrangement.

The fact that reduced fare travel passes are traditional in the transportation industry does not mean that they are inviolate as the costs of such a program mount. Rather than see a reduction in the extension of such passes, the Committee believes that an increased contribution by the two major railways providing services to VIA would ensure the continuation of this program without producing an undue financial burden on Canada's fledging national railway passenger carrier.

7. The Committee recommends that the two major railroad companies, CP Rail and CN Rail, be responsible for an initial contribution figure of two-thirds of the value of free and reduced fare employee travel passes provided by VIA, with the opportunity to reduce this contribution level down to a minimum of one-third of the value on the basis of an on-time passenger train performance incentive arrangement.