

*Supply*

CN North America must continue to invest in its infrastructure to respond to growing demand and to reduce its costs. Higher profit over several years will be necessary to start reducing CN North America's debt. Fortunately, the recent cost-cutting and revenue-enhancing initiatives undertaken by CN North America put the company in a position to reap the benefits of the current strong economic growth and establish the base for a viable rail operation.

We are all aware that on September 22, Canadian Pacific Ltd. presented to government an unsolicited proposal to purchase CN North America's eastern assets. The offer came a few months after the failure of merger discussions between CN North America and Canadian Pacific Ltd.

You will recall that Canadian Pacific Ltd. and CN North America initiated these merger discussions more than a year ago in an attempt to consolidate their money-losing operations in eastern Canada. The discussions failed when the companies could not agree on the value of the assets they were each contributing to the deal.

The government is now reviewing CP's bid to assess the many implications for the rail industry, shippers, rail employees and taxpayers. In particular, government is reviewing the competitive implications of the proposed bid for shippers located in eastern Canada as well as the likely impacts on transcontinental traffic and western shippers.

The review will also include an assessment of employment impacts of the take over. And government has retained the professional service of wood gundy, and investment banking firm, to provide advice on the financial aspects of the proposed transaction.

The overall review is proceeding quickly but the government made it clear that it would take all the time required to conduct a proper assessment of the offer.

This unsolicited bid prompted the Minister of Transport to announce on September 29 the creation of a task force on the commercialization of CN North America. The task force, chaired by my colleague from Kenora-Rainy River, Robert Nault, will focus on commercialization of the company, including potential employee participation.

The task force will seek input from a variety of stakeholders in the rail industry, including railway employees, shippers, provinces, communities and the railways.

To date, the task force has been briefed by senior executives from CN North America and other rail industry experts, by the Canadian Railway Labour Association and by the National Transportation Agency.

• (1315)

Public consultations will start next week on November 22 in Ottawa and will be held in a dozen of other cities across the country over the next month. The task force is expected to report to the minister of transport by the end of the year.

I want to emphasize that the task force review is only one element of government initiatives to streamline its operations and review its role to define what must be done by government and what could be accomplished by the private sector. Accordingly, Transport Canada is currently reviewing all its operations to determine what activities could be better accomplished by the private sector or in partnership with the private sector.

In the rail sector, Transport Canada has undertaken a review of the industry to determine the key elements impeding railway's performance. The objective is to define a strategy dealing with these issues that will improve the railways' ability to compete and provide efficient and affordable service to Canadian shippers.

Transport Canada has concluded a series of regional consultations on the rail industry where shippers, the railways and unions were asked for recommendations to improve the railways' performance and ability to compete. The discussions covered several issues from railway management, labour practices to rail regulations.

In parallel to the consultations, Transport Canada is taking a close look at its regulations to ensure that our transportation companies, including the railways, operate in an environment that favour efficient use of resources and high-quality service for shippers.

Obviously, the future of CN North America will be affected by all these initiatives. Changes in the rail industry as well as changes in the perception of government's role vis-à-vis crown corporations would have a direct impact on CN North America. It is too early to speculate on what the future of CN North America will be. The government has undertaken a series of reviews that will all affect the corporation: a review of the environment in which the corporation operates; an assessment of CP's unsolicited bid, and a review of the potential merits of commercializing CN North America.

The company has begun to take the necessary steps to become an efficient rail operation. The conclusions of these reviews will be instrumental in maximising the benefits of CN North America's initiatives. The government will ensure that railways operate in an environment that allows them to freely compete and gives them the opportunity to adapt to shipper's demands in an efficient and affordable manner.