• (1535)

The Minister of Transport will surely table this report in the House of Commons. So, if the hon. member is talking about a consultation process, we do have one where parliamentarians are meeting with the industry, rail users, employees and employers.

Mr. Speaker, there is a task force which is ably chaired by the hon. member for Kenora—Rainy River.

[*English*]

Mr. Pat O'Brien (London—Middlesex, Lib.): Mr. Speaker, in addressing this motion today I would like to address the question of rationalization of the Canadian railway network, a matter of pressing interest to all Canadians.

Until recently rationalization meant only one thing, abandonment of rail lines and the loss of direct rail service to those shippers who still remain on the lines.

The rationalization options for railways and shippers have changed in recent years to include short lines and mergers. The fundamental realities, the factors which are driving railways to rationalize, have not changed; changing logistics patterns and requirements, continuing demands from shippers for reduced costs and improved services and competition from the trucking industry and U.S. railways.

The rail share of surface transportation markets has been steadily declining since the 1950s when trucking began to emerge as a serious competitor for rail services. Railways now hold less than a 40 per cent share of this market.

The direct consequence of this changing pattern of demand has been one of a gradual removal of those lines from the rail system that have seen traffic decline to the point at which the costs of continued operation of the lines far outweighed the revenues generated from the available traffic.

The traditional process of line abandonment has always been a traumatic experience for both communities and shippers. As a result, views on the viability of lines or their future prospects have been strongly held and voiced. Rail line abandonments have predominantly occurred east of the Manitoba border over the past 20 years, principally as a result of the fact that much of the rail network in the prairies is protected from abandonment until the year 2000.

However, it is also in the east that the greatest competitive in–roads into the railway's traffic base have been made by the trucking industry. I think of my own area of southwestern Ontario as being perhaps the best example of that fact.

Rail traffic in western Canada is largely bulk or resource based and less susceptible to truck competition, while traffic in eastern Canada has a much higher manufactured goods component which is strongly truck competitive.

In recent years intermodal traffic has come to be the highest traffic growth area for railways. However, intermodal traffic, particularly that in the shorter distance intermodal markets in eastern Canada, is highly truck competitive. Again I would cite the area of southwestern Ontario as an excellent example of that.

While rail line abandonment may have been the traditional means of rationalization, it is by no means the only method by which class one rail carriers can streamline their systems. Other alternatives include selling off so–called short line railways to new, lower cost operators, co–production which involves the consolidation of traffic from the lines of two parallel railways on to one of the lines and abandoning or short lining the redundant line, or merger and acquisitions.

Following the introductions of the Staggers Rail Act in the United States in 1980, American railways accelerated the process of rationalizing their systems. In some cases lines were abandoned although in many other cases rail lines were sold to other operators, producing explosive growth and what came to be known as the short line rail industry.

The term short line is quite broad and can cover railways ranging in size from mere spurs to extensive regional networks. In general terms short line railways feed traffic to larger, usually class 1 railways, have a lower cost structure than larger railways since their labour requirements and arrangements differ substantially from those found on larger railways, and offer services which are much more responsive to local needs.

The short line industry in the United States can be generally characterized as successful. The failure rate of short line railways is much lower than that experienced in other industries. This degree of success in the United States has not been lost on Canadian railways or potential short line operators in Canada.

• (1540)

Unfortunately while we have had some notable successes in Canada a domestic short line industry has been very slow in developing. Although the first Canadian short line, the Central Western Railway, emerged in western Canada, the majority since that time have been in eastern Canada. Again, one needs cite southwestern Ontario as a leading example of that fact.

Specifically the Goderich and Exeter railway in southern Ontario, some hour north of my own riding of London—Middlesex, is one of the premier examples of short line railways in Canada. Since its inception the Goderich and Exeter serving shippers along its line to Goderich, Ontario has succeeded in dramatically increasing traffic hauled by the railways and its revenues. The Goderich and Exeter was purchased from CN by a U.S. firm, Railtex, which owns some 20 other short line railways in the United States and more recently in Canada.