the operating railroads, from whom it leases and purchases services, only what are known as "strictly avoidable costs". Avoidable costs, as set out in the Amtrak legislation, are essentially those costs that the railway can establish as being incurred only because of the operation or service undertaken for Amtrak. It should be noted that the definition excludes all costs that are not incurred as a result of providing the passenger service and the onus is on the operating railway to show that it falls within these terms.

Such avoidable costs do include a variable portion of the common costs, but again they must be those expenditures which would not have been made but for the provision of the passenger rail service. The avoidable costs definitely exclude from their calculation the allocation of any common costs which do not vary as a consequence of providing the service to the passenger rail system, rent, return on investment, and any other costs which the operating railway carrier cannot establish as being necessarily and reasonably incurred as a result of furnishing services to Amtrak.

In Canada, VIA does not benefit from an avoidable cost arrangement. Instead, VIA is billed on "a long-run variable cost" basis which involves payments of a portion of common expenses that are not direct results of provision of services to the passenger carrier. This produces a rather dramatic difference in budget terms. The Amtrak authority expends substantially less of its overall budget on payments to the operating railways from which it obtains services. The proportional amount is less than one-third of Amtrak's budget, while VIA pays out nearly two-thirds of its budget to CP and CN.

It should be noted, however, that in the United States, Amtrak itself has assumed direct responsibility for many services. This is particularly true in its operations in the densely populated northeastern section of its network. VIA does not discharge all of the services for which Amtrak has taken on responsibility. Presumably, were VIA to follow a similar approach, many of the dollars saved through an avoidable cost system would go to financing these services which are now provided by the other two railways in Canada.

On page 49 of a Staff Report of the Railway Transport Committee of the CTC, dated March 31, 1982, and titled "A Comparison of Amtrak and VIA Costing Approaches", the following statement appears:

> To summarize this examination of the effects of using US strictly avoidable costing in place of Canadian long-run variable costs, there would appear to be an annual saving to VIA of the order of $9.5 million under Train Operations, $11.3 to $20 million under Maintenance of Way, and $8.5 million under Station Services. In total, the savings to VIA would therefore be in the broad range of $30-$40 million. There is one further adjustment to be made before finalizing this range. As indicated earlier, Amtrak has been paying incentives to the contracting railways at a rate somewhat higher than that paid by VIA. If VIA were to adopt a similar rate of incentive payment to that made by Amtrak, this would increase costs by some $5 million, reducing the range of savings from adopting the US costing methodology to $25-$35 million.

VIA officials think this estimate of annual savings is conservative. They place the figure at between $50 and $55 million per year. Whatever the precise figure, it is clear to the Committee that there would be substantial savings for VIA if a strictly avoidable costing system was implemented in Canada.