

I suppose that management of these railroads has come to the conclusion that it was a mistake to make these concessions in the 1980s. I was asked recently why I think employment security was granted in 1985. I was not there, as you know. Given the fact that I have been there for only two-and-a-half years, and not being a railroader and too old to become one, I surely do not blame my predecessor in any way, shape or form. I think these concessions were made because our predecessors thought that the downsizing in the rail industry was more or less completed. I cannot talk about CP, but Canadian National had in excess of 120,000 people on its payroll in the early 1950s. In 1985, employment was down to around 40,000. The belief was that the restructuring had already taken place and that it would no longer be required to further downsize.

The record has demonstrated that they were in error. You are aware that we are now two-thirds of the way through the downsizing program. Once we have finished, we will have taken the employment of Canadian National down from 32,000 to 21,000 or the mid 20,000s. It was a mistake. I do not wish to speak on behalf of CP, but we in CN came to the conclusion that we have no choice. This is not a question of asking where we come out. Either employment security exists or it does not exist.

Was it a "take it or leave it" proposition? No. We put various alternatives on the table. One of the things that is hurting us today is that there is no universal forcing. Not only is a person entitled to employment security, but he or she does not have to move to where there is employment. There were periods in 1994 where we were recruiting off the street in Western Canada, while in Eastern Canada we had 600 people drawing their full salary without working for it.

**Senator Lynch-Staunton:** I will ask one more question and then come back at the end if there is time. I will ask this question of every witness.

In Quebec, after a great deal of labour strife and repeated back-to-work legislation, the Essential Services Council came into force, and it seems to work. As you know, the two parties get together before the strike actually takes place and agree on what services are decreed essential. The strike goes on, and basic services are offered.

Do you see the advantages of that in your industry, which is certainly an essential service, and other national industries which can be considered essential, either privately or publicly owned, in order to allow a minimum of service while a strike takes place?

**Mr. Tellier:** This is obviously something which needs to be explored at some time. We at Canadian National have an open mind about this. My initial reaction, when I was asked the question recently, was that it would be perhaps more difficult in the rail industry to define what constitutes an essential service than it would be in Quebec with health services, for example. Management at CN has an open mind. If it were the desire of the government to have us explore this subject, we would be delighted to do just that.

**Senator Kinsella:** Mr. Tellier, how many collective agreements are in play in the negotiations involving your company?

**Mr. Tellier:** There are 59.

[ Mr. Tellier ]

**Senator Kinsella:** Building on the question of my colleague Senator Lynch-Staunton, do you feel that the Canada Labour Code is presently deficient in its provisions in terms of providing solutions to avoid this kind of situation in the future? If so, what kinds of changes should the government be examining?

The Leader of the Opposition has made reference to essential services. To the extent that the rail service is an essential service, is that a mechanism which has to be in place? In general terms, from your standpoint, are there currently some glaring deficiencies in the Canada Labour Code?

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**Mr. Tellier:** I would be hesitant to say that there are some major deficiencies in the Canada Labour Code. However, we have examined every labour dispute that required the intervention of Parliament since 1950. When there is a strike affecting the rail industry, it has such a tremendous impact on the Canadian economy, people and businesses that it tends to distort the bargaining process. If we, the management, are ready to tough it out with the shippers, Parliament would intervene nevertheless because the economy is influenced so badly.

Therefore, over the last 40 years, every time there has been a major dispute, there has been intervention by Parliament. If you do not want to distort the negotiating process by such intervention, some mechanism must be found. Whether it is the one that the Leader of the Opposition was proposing a few moments ago in terms of the essential services or something else, I do not know. However, I would surely agree with the senator that something must be found. Canada is unique in the sense that when there is work stoppage, the economy quickly comes to a halt.

**Senator Kinsella:** Mr. Tellier, we must deal with this type of legislation from time to time. I assume you have seen Bill C-77 which was introduced in the other place. In the bill, there is provision for getting the workers back to work, for helping the parties to deal with the problem, and for binding arbitration. Is that not correct?

**Mr. Tellier:** Yes. What is being proposed is something similar, if not identical, to what Commissioner Hope suggested in his report. It is a phase one approach, phase one being mediation, involving a neutral chair, a representative of the unions, and a representative of management. Then there is binding arbitration if the mediation phase does not work out.

**Senator Kinsella:** Sometimes the model of binding arbitration that is advanced is final offer arbitration or final selection. Occasionally we have enacted legislation with final offer arbitration as the binding arbitration model. From your standpoint, which would you prefer to see as the arbitration model?

**Mr. Tellier:** I tend to think that interest arbitration, the traditional arbitration approach, whether or not it is based on final offer, is not the way to resolve this type of issue. In this sector, as in many other things, the world is not black and white. There are important nuances which must be taken into account. We believe the mediation and arbitration process is much better than straight interest arbitration, whether or not it is based on final arbitration.

**Senator Olson:** I should like to get down to what triggered this whole problem. The commissioner, for example,