The Committee had some difficulty in viewing these safeguards as real protection for the rail line. Committee members pointed out that items such as a due diligence study would be normal practice for any potential buyer and do not constitute a safeguard. Perhaps the greatest concern was over the proposal for an emergency plan. The Peat Marwick report states that an agreement with another operator would have to be in place to ensure the continuation of operations until the situation could be examined and a satisfactory solution reached. However, when questioned on this, Mr.McKnight could not describe how such a plan could be devised at this time by any government department, agency, or Crown corporation. Whatever the case, the Committee did not think such a plan was very realistic, given the fact that presumably a shortline would cease operations only if it were losing money. In such circumstances, was it realistic to believe that, before the new shortline operator had even begun service, another carrier would give a commitment to assume operation of this line, if it were to lose money? The Committee was concerned that this emergency plan was really calling for a government subsidy to keep the line in operation in such a case.

Members of the Committee, as well as witnesses, also expressed concerns respecting safety and liability insurance. In this respect it is important to note that on 3 April 1992, Canada's newest railway, the Goderich-Exeter Railway Company, was given final authority to operate. The 112-kilometre line will operate as an independent shortline, swapping freight traffic with CN at the Stratford, Ontario, interchange. The new owners (RailTex Service Co. Inc. of San Antonio, Texas) take possession more than two years after CN announced its intention to seek a buyer for the branch lines and 18 months after the sale to RailTex was announced. The operation of the line required the approval of the provincial regulatory agency, the Ontario Municipal Board (OMB). Further information respecting the Board's Order setting out the terms and conditions regarding the operation of the Goderich-Exeter line is included in Appendix I to this report.

Mr.McKnight contended that to guarantee the future of the Truro-Sydney line, it has to remain economically viable. According to him, the best way of achieving this is through the marketplace with the support of appropriate provincial legislation. He conceded also that, while he believes that the line has a greater chance for success under the shortline option, that option provides no guarantee that the line will remain in service in the future. Short of direct government intervention, there can be no guarantees for the operation of any rail service. The government intervention option is one Mr.McKnight rejects at this time since he does not believe that the rail line should be subsidized by the public of Canada.

In summary, the Government of Nova Scotia has clearly stated that it will not provide the necessary legislative changes or issue an operating licence to a shortline carrier if CN sells the Truro-Sydney rail line; thus, the line will have to continue to be operated by CN. Peat Marwick concluded that the best option to ensure the future viability of the line, short of direct government intervention, would be to sell the line to a shortline operator and have the province update its railway legislation to allow for the efficient operation of this service.