

to the costing regulations, rather than whether value is received for the money expended. In other words, the CTC audit consists primarily of determining if the charges made were in line with the costing regulations rather than whether or not they were justifiable given the service provided. Representatives of the CTC indicated to the Committee that there is a breakdown of charges for the various components making up the charge to VIA, but that the scrutiny was not what could be described as a management audit. Rather, it is characterized as a procedural audit.

The auditing aspect of the CTC's function can have important consequences for the cost of rail passenger services. For example, CN Rail's 1980 13th bill was reduced by some \$2.4 million on the basis of a CTC preliminary determination that certain charges to VIA were too high with respect to general administration, communication and roadway maintenance costs. Nevertheless, the Committee wishes to draw attention to the fact that the scope of the audit performed by the CTC is too limited to provide necessary information for VIA's management purposes.

Given the lack of detailed costing data made available to VIA either from the railways themselves or through the CTC, VIA is placed in the unenviable position of having to pay substantially uninvestigated charges amounting to millions of dollars. While the Committee recognizes the value of the CTC audit in determining whether or not the charges are in line with the costing regulations, the inability of VIA to determine its "value for money" position is obvious. Again this can only have unfortunate effects upon management's ability to make proper decisions. The Committee recognizes the limitations on the CTC's capability or authority to conduct management type audits in accordance with acceptable management accounting practice. Consequently, this Committee urges the elimination of this problem by the provision of detailed costing data either directly to VIA or through the CTC by the two major railway companies. This supplying of detailed cost data has been sorely lacking in the past, and the Committee hopes that the trend toward a greater degree of provision of information that has apparently become evident over the past several months will continue and expand.

The CTC audits the charges made to VIA to ensure that they are in compliance with its "Railway Costing Regulations"⁽¹⁾ as set out in Order R-6313. This Order, first implemented in 1969, sets out the nature and categories of costs related to railway operations in Canada. Order R-6113 has been studied and revised by the CTC over the years, but the Committee feels that there is need for innovation and improvement in view of the fact that the structure of railway passenger services in this country changed dramatically when CP and CN turned over this functions to the new VIA Rail Canada Inc. For this reason, the Committee urges all participants in the regulatory process to make every effort to ensure that the costing order is, from all points of view, appropriate to the new circumstances and that it is applied with an appreciation for the contemporary state of the railway passenger industry. If necessary, changes to the order should be made through a consultative process in order to ensure that VIA is able to provide the services required of it in a commercially efficient fashion.

In this regard, the Committee was impressed by the costing method employed by the Amtrak system in the United States. There, the passenger rail authority (Amtrak) pays to

⁽¹⁾ Reproduced in Appendix VI.