

These four priorities are important for two reasons. The first reason relates to a reduction of our cost structure. Why do we start there? Because 46 per cent of Canadian National's operating costs are directly related to labour costs — salaries and benefits. This is 30 per cent higher than the so-called class one railroads in the U.S. If we are to do something about the cost structure at Canadian National, we must start with labour costs.

These four priorities are also critical if we are to, at long last, become customer-focused and if we are to improve the quality of service. I will give you two examples. At this point in time, collective agreements allow members of unions to move to a position when the position becomes vacant. As a result, in our customer service centres across the country, for example, we have a tremendous turnover of personnel. These individuals interface with customers. We believe that this provision of the collective agreements must be reviewed in 1995.

The next example is very sensitive because some people say it involves safety. In terms of the running trades, we would like to extend the number of hours of work from 10 to 12 hours? Why? Because this issue relates to quality of service. Twelve hours is the norm in the U.S. We firmly believe that if it is safe in the U.S., it should be equally safe in Canada.

The current regulations of the Department of Transport in Ottawa provide for a shift of up to 12 hours. The collective agreements specify 10 hours. If we make that change, we could eliminate roughly half of the terminals and the crew changes one must go through in order to better serve the public. For example, the average journey of a locomotive engineer or a conductor is 130 miles. If we take a shipment of chemicals out of Sarnia and carry it to Halifax, a crew takes care of that shipment in Sarnia. There is a change of crew in Toronto, Belleville, Montreal, Quebec City, Edmunston, and a final change in Moncton before the train arrives in Halifax. We must sit down with the union leadership and examine how we can do things differently in order to reduce our costs and, more importantly, improve the quality of service.

[Translation]

The other issue I would like to raise, Mr. Chairman, is the direct relation between competitiveness in the rail sector and competitiveness in Canadian industry as a whole.

Take coal, for example. You know that 92 per cent of the coal produced in Canada, particularly in the west, ends up on the Japanese market.

When you look at the price of a tonne of coal delivered to Tokyo, over half of it represents the cost of transportation, if the cost of rail transportation and shipping are combined.

[English]

The railroad is the backbone of the transportation system in Canada. If we are not competitive, cannot reduce our rates, and cannot assist our producers — be they farmers, coal miners, the potash producers, or the car producers — the Canadian economy will be affected.

The last point I wish to make has to do with the viability of Canadian National.

• (1530)

[Translation]

It is obvious that if Canadian National wants to become a financially viable operation year in and year out — not just in good times when the economy is booming and we make a profit, as was the case in 1994 — it is essential that our costs be lowered.

[English]

A great many things have been said about the fact that last year, 1994, Canadian National had profits of \$245 million. Compared to the \$79 million in losses the year before, this is an impressive turnaround. However, one must keep in mind that we lost \$1 billion the year before. If we are to put Canadian National on a financially viable basis for the short and long terms, some of these issues must be addressed.

My colleague and I, being responsible for labour relations, have done everything we could to avoid a confrontation. We were never looking for a confrontation with the union leadership. We have been trying to establish a new partnership with the union leadership. Unfortunately, to this point in time, we have not succeeded.

We would be happy to answer questions.

[Translation]

Senator Lynch-Staunton: Mr. Tellier, thank you for joining us and for your presentation, which gives us a better idea of the problems facing you and your employees.

[English]

Unfortunately, I have not had a chance to read the conciliation report thoroughly. However, the flavour I get is that the unions and the railroads are at an impasse and that bargaining on a voluntary basis is pretty well fruitless. Is that a quick summary of what Mr. Hope is telling us?

Mr. Tellier: Yes, very much so.

Senator Lynch-Staunton: Not to take sides one way or the other, he also says that the railways have made it plain that while the form of the demands of the railroads is negotiable, the substance is not. The demands of the railroads have taken on the cast of conditions precedent to an agreement.

It seems to me that the railroads have taken such a hard-nosed stance that they will even go to legislation to ensure that their demands are accepted. If my interpretation is correct, it seems to be a strange form of collective bargaining when one side comes in and says, "Take it or leave it."

Mr. Tellier: Mr. Leneker and I met with the commissioner. The commissioner has done his best to describe these issues. What he was saying is that these demands are very significant, and therefore it is very difficult for the leadership of these unions to say, "We recognize your financial situation, and yes, we will agree with these demands." It would be difficult for elected officials in these unions to agree to that.