

Railtex also recently purchased CN's Sydney-Truro line in Nova Scotia, renaming it the Cape Breton and Central Nova Scotia railway, and has embarked on a similar program of increasing traffic and revenues and generally improving the level of services afforded shippers.

One of the key features of short line railways is that their cost structure is lower than that for class 1 railways, principally because short lines have fewer employees and generally more flexible arrangements with their employees which result in significantly reduced labour costs. Typically short lines employ about 50 per cent of the labour that a class 1 railway operating the same line would have.

While one of the principal attractions of short line operations from the viewpoint of a potential operator has been the ability of short lines to structure their operations to make optional use of labour, several provinces have recently adopted legislation to ensure that labour successor rights would be preserved during the transfer of ownership of the rail line from federal to provincial jurisdiction since short lines have typically been formed within provincial jurisdiction.

British Columbia, Saskatchewan and Ontario have passed legislation which provides for labour successor rights when among other transactions ownership of rail lines passes from one jurisdiction to another. While B.C. has very few rail lines which could be considered to have short line potential and Saskatchewan's legislative changes are too new to assess the implications, several potential short line operators in my home province of Ontario have declined to pursue the purchase of short lines in this province in light of the changed situation.

Railtex in particular was negotiating with CN for the purchase of five additional short lines in Ontario. When the amended labour legislation was passed in Ontario Railtex immediately dropped the lines from further consideration. For all intents and purposes this legislation has stalled the development of a short line industry in this province, sad to say.

Despite early apprehensions and a lengthy Senate review of the proposal by Railtex to acquire CN's Sydney-Truro line the province of Nova Scotia now fully supports its short line industry. The second short line, the Windsor and Hantsport railway, recently began operations in the province after acquiring CP's Dominion Atlantic railway line.

New Brunswick, having recently adopted new short line legislation which could represent a model for others, is close to seeing its first short line development with the likely purchase of a portion of CP's Canadian Atlantic railway by the Irving Group. The line which has been ordered abandoned by the

Supply

National Transportation Agency effective January 1, 1995 will likely be operated by Guilford Transportation Industries and provide service into New Brunswick and Maine.

Another company has recently expressed interest in acquiring the balance of the CP line to Sherbrooke, Quebec to add to its own rail network in Maine. Quebec for its part has been an advocate of the development of a short line industry in the province and has introduced legislation to support the development of this industry in Quebec.

In addition to being close to selling the line near Quebec City to a short line operator, CN has indicated that it wishes to sell a considerable number of its lines in northern Quebec and the Gaspé to potential short line operators. It is expected that CN will proceed soon with these transactions. CP has also offered its lines between Delson, Quebec, near Montreal, and Sherbrooke for sale.

What is clear is that our class 1 freight railways, CN and CP, not only have other alternatives than simply waiting for traffic on lines to decline to the point at which abandonment is the only possibility, but they are beginning to move more rapidly to spin-off short lines to potential operators while this makes good business sense for all partners.

• (1545)

This does not mean that rail abandonment will not be an option since a small number of lines in the east are unlikely to be attractive to even a short line operator with a more advantageous cost structure.

What it does mean is that rail line abandonment is much less likely, particularly where provincial governments are receptive to the development of a short line industry. While a small amount of trackage might end up being abandoned in any event, perhaps one-third of the current class one rail system, or almost 16,000 kilometres of line, would be attractive to potential short line operators. The resulting class one system would then closely resemble the high density, low cost U.S. rail systems.

Another alternative open to CN and CP is co-production, the consolidation of traffic from the lines of two parallel railways on to the line of one of the railways. Typically the redundant line would be abandoned, although there is always the possibility of short lining.

A current example of co-production is the Ottawa Valley Railway which has received National Transportation Agency approval for operation on CN and CP lines from a point near the Ontario-Quebec border to North Bay via Ottawa. Court challenges to the proposal are delaying its introduction. There are only a limited number of areas in Canada, however, mainly in Ontario, where co-production could be a possibility.