



THE SENATE OF CANADA

INTERIM REPORT
RAIL PASSENGER SERVICES IN CANADA

ARE WE ON THE RIGHT TRACK?



J
103
H7
1983/84
T73
A122

STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

THE HONOURABLE LÉOPOLD LANGLOIS, CHAIRMAN

JUNE 1984

J
103
H7
1983/84

Canada. Parliament.
Senate. Standing
Committee on Transport
and Communications.
Are we on the right

T73	track?
<small>DATE</small>	<small>NAME — NOM</small>
A122	

J
103
H7
1983/84
T73
A122



Second Session
Thirty-second Parliament, 1983-84

Deuxième session de la
Trente-deuxième législature, 1983-1984

SENATE OF CANADA

SÉNAT DU CANADA

*Proceedings of the Standing
Senate Committee on*

*Délibérations du comité
sénatorial permanent des*

Transport and Communications

Transports et des communications

Chairman:
The Honourable LÉOPOLD LANGLOIS

Président:
L'honorable LÉOPOLD LANGLOIS

Wednesday, June 20, 1984

Le lundi 20 juin 1984

Issue No. 15

Fascicule n° 15

Fifteenth Proceedings on

Quinzième fascicule concernant

The inquiry into the national
rail passenger service provided
to Canadians by VIA Rail
Canada Inc.

L'étude portant sur le service
ferroviaire national de trans-
port de voyageurs assuré par
VIA Rail Canada Inc.

**INTERIM REPORT
OF THE COMMITTEE**

**RAPPORT PROVISOIRE
DU COMITÉ**

entitled:

intitulé:

Rail Passenger Services in Canada—
Are we on the right track?

Le service ferroviaire de transport
de voyageurs au Canada—
Sommes-nous sur la bonne voie?

4412345



Membership of the Committee

The Honourable Léopold Langlois, *Chairman*

The Honourable James Balfour, *Deputy Chairman*

and

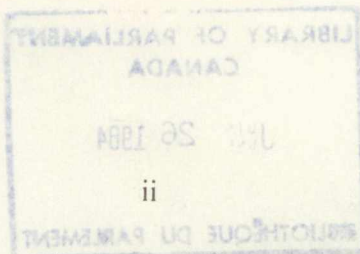
The Honourable Senators:

Adams, Willie
Bielish, Martha
Bonnell, M. Lorne
*Flynn, Jacques
Graham, Alasdair
Macdonald, John M.

Muir, Robert
*Olson, H.A.
Perrault, Raymond J.
Riley, Daniel
Stewart, John B.
Stollery, Peter

*Ex Officio Members

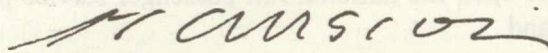
Note: The Honourable Senators Cottreau, Hastings, LeMoynes and Lucier also served on the Committee at various stages.



REPORT OF THE COMMITTEE

The Standing Senate Committee on Transport and Communications which was authorized to enquire and report upon the national rail passenger service provided to Canadians by VIA Rail Canada Inc., has, in obedience to its Order of Reference of 19 January 1984 proceeded to that inquiry and now presents its Report entitled: "Rail Passenger Services in Canada — Are we on the right track?"

Respectfully submitted,



LEOPOLD LANGLOIS,

Chairman

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, Thursday, January 19, 1984:

With leave of the Senate,

The Honourable Senator Riley moved, seconded by the Honourable Senator Balfour:

That the Standing Senate Committee on Transport and Communications be instructed to inquire into and report upon the national rail passenger service provided to Canadians by VIA Rail Canada Inc.; and

That the papers and evidence received and taken on the subject in the first session of the present Parliament be referred to the Committee.

The question being put on the motion, it was—

Resolved in the affirmative.

CHARLES A. LUSSIER
Clerk of the Senate

Acknowledgements

During the past four months the Standing Senate Committee on Transport and Communications held public hearings, *in camera* meetings and conducted extensive studies of Amtrak facilities and operations in the United States.

The Committee received cooperation from the Minister of Transport, the Honourable Lloyd Axworthy; from officials of VIA Rail Canada Inc.; from officials and staff of the Ministry of Transport and the Canadian Transport Commission; and from all other witnesses who appeared before the Committee, a complete list of whom is appended to this Report.

In carrying out its mandate, the Committee toured and received comprehensive briefings on Amtrak facilities during the month of April. The members wish to express their gratitude to the Amtrak officials in Chicago, Beech Grove, Washington D.C., New York, Mobile and New Orleans for their efforts in making the Committee's visit both worthwhile and enjoyable. In particular, the Committee wishes to thank Mr. Graham Claytor, President, Amtrak; Mr. James H. English, Vice-President, Government Affairs; Mr. Robert Gall, Vice-President, Marketing; Mr. Wilfred Leatherwood, Manager, State and Local Services; Ms. Diane Elliot, Director, Corporate Communications; Mr. R. Preski, Head of Maintenance, Chicago Maintenance Terminal; and Mr. W.A. Barrick, General Manager, Beech Grove Heavy Repair and Rebuilding Facility for their efforts.

The Committee believes that special mention should be made of the contribution of Mr. Jim Barber, Director, Intergovernmental Affairs for Amtrak, who on short notice arranged and co-ordinated the tour and briefings, and who worked closely with the Committee and its staff in preparation for, as well as during its visits. Without his extraordinary and professional efforts on our behalf this portion of our study would not have been as valuable as it was for the Committee. His collaboration and efforts are greatly appreciated.

The Committee also acknowledges the assistance provided by the Canadian Embassy in Washington D.C. and the Canadian Consulates in New York, Chicago, Atlanta and New Orleans for its travel in the United States.

Special mention must also be made of the contributions of the Committee's staff. The Committee expresses its appreciation to Mr. André Reny, Clerk of the Committee, who facilitated the administrative aspect of our work — particularly the arrangements for travel, hearings and the co-ordination of witnesses. The Committee is also indebted to John Christopher, Research Officer, from the Research Branch of the Library of Parliament, who provided the expertise and did the research necessary to provide the basis of the findings and recommendations for this report.

TABLE OF CONTENTS

RECOMMENDATIONS	ix
FOREWORD	1
INTRODUCTION	1
SHOULD VIA RAIL EXIST?	2
CHANGES IN PASSENGER RAIL SERVICES SINCE JULY 1982	2
VIA RAIL LEGISLATION	3
OPERATING CONTRACTS AND COSTING PROCEDURES	5
A. CTC Audit Reports	6
B. The 13th and 14th Bills	6
C. Costing Methodology — The Amtrak Approach	6
1. Short-term avoidable costing.....	6
2. Determination of Costs and Payments	7
3. Flat Rate Costing	8
D. Changes to VIA's Contractual Arrangements	9
SUBSIDIES FOR PASSENGER RAIL SERVICE	9
A. Competition	9
B. Cost Recovery	10
PASSENGER RAIL SERVICE	11
A. Maintenance Centres	11
B. Railcar Rebuilding	11
C. Priority of Passenger Trains	12
D. Labour	13
E. Route Development	13
MARKETING FUNCTIONS	14
VIA - AMTRAK SERVICES	15
RESTORATION OF PASSENGER TRAIN SERVICES	16
CONCLUSION	18
APPENDIX — LIST OF WITNESSES	21

Recommendations

VIA RAIL LEGISLATION

1. The Committee recommends that legislation be enacted by the Parliament of Canada at the earliest possible time to establish VIA Rail on its own statutory basis with a mandate to provide a sound and efficient national rail passenger system.
2. The Committee recommends that the ACT include a clear statement of the Government's policy regarding VIA's provision of rail passenger service.
3. The Committee recommends that the ACT include provisions authorizing VIA Rail to own, manage, and operate intercity passenger trains, and/or contract for the operation of passenger trains and, that insofar as it is practicable, VIA Rail shall directly operate and control all aspects of its rail passenger service.
4. The Committee recommends that the ACT include the establishment of specific service commitments for rail passenger services with a time-frame for their implementation.
5. The Committee recommends that the ACT include provisions for VIA Rail to enter into agreement(s) with parties for the provision of passenger rail services if the need arises.
6. The Committee recommends the establishment of a Joint Parliamentary Committee on transportation to report, within two years of the enactment of the legislation, on the effectiveness of the ACT and to propose any changes it deems necessary.

OPERATING CONTRACTS AND COSTING PROCEDURES

7. The Committee recommends that under the ACT, VIA Rail be given the power to negotiate operating contracts with the railways employing the concept of short-term avoidable costs and that in the event of failure to reach a satisfactory voluntary agreement, VIA Rail shall have the right to appeal to the CTC for arbitration.
8. The Committee recommends that the operating contracts between VIA Rail Canada Inc. and the railways be based on a flat rate costing methodology where each costing element is paid for by a fixed monthly payment to the maximum extent possible — with provisions for amendments to allow for changes in such items as wages and the level of services.
9. The Committee recommends that VIA Rail, in order to better negotiate contracts, be given the right to complete access to the railways' financial and operational records for detailed studies prior to negotiating a new contract, including post-audits of billings and payments.

10. The Committee recommends that VIA Rail Canada be required by law to keep all costing data confidential.

11. The Committee recommends that until such time as these contract and costing recommendations have been implemented, VIA Rail be given full access to the 1981 CTC audit report of CP service charges to VIA Rail and all subsequent audit reports of both operating railroads.

SUBSIDIES FOR PASSENGER RAIL SERVICE

Competition

12. The Committee recommends that the Standing Senate Committee on Transport and Communications, or the Joint Parliamentary Committee (referred to in recommendation 6) conduct, at its earliest possible convenience, a complete study into the subsidy question with the view to determining how much the various transportation modes are subsidized. This study would determine whether or not one mode has an unfair competitive advantage over another mode and cite recommendations to redress any inequities.

Cost Recovery

13. The Committee recommends that, within a VIA Rail Canada Act, appropriate levels of subsidy be established together with the attendant levels of service that should be provided by VIA Rail.

PASSENGER RAIL SERVICE

Maintenance Centres

14. The Committee recommends that in order for VIA Rail to have complete control over its maintenance facilities, the work done in them, and the costs incurred in such work, consideration be given to having VIA Rail employees carry out such duties. This may involve the transfer of employees and/or the hiring of new employees.

Railcar Rebuilding

15. The Committee recommends that the rebuilding of heritage rail cars, including the conversion from steam to electric power, be undertaken by VIA Rail in order to upgrade equipment and increase the usable inventory of the railway especially for use in off-corridor service. Consideration should also be given to establishing a facility where this work could be done by VIA Rail employees under direct control of VIA rather than being contracted out.

16. The Committee recommends that in addition to the rebuilding of heritage cars, the program to develop a prototype train set for use in Western Canada and Atlantic Canada proceed with the greatest possible dispatch. The car rebuilding program should not be viewed as replacing the need for new equipment for off-corridor use but rather as an interim measure until new equipment is developed.

Priority of Passenger Trains

17. The Committee recommends that railway sidings be lengthened where necessary to handle long freight trains in order to give passenger trains priority when "meets" occur.

18. The Committee recommends that under the ACT, passenger trains be given priority over freight trains in the use of trackage to the greatest extent possible.

19. The Committee recommends that the ACT establishing VIA Rail Canada allow for incentives and penalties to be assessed within the operating contracts between VIA Rail and the railways for attaining (or not attaining) on-time performance standards.

Labour

20. The Committee recommends that Labour be actively included in VIA Rail's design and testing of new equipment in order to provide the railway and the customer with the best possible trains.

21. The Committee recommends that a railway labour representative sit on the Board of Directors of VIA Rail in order to provide more direct input from employees for the overall benefit of passenger rail service.

Route Development

22. The Committee recommends that VIA Rail, under a new VIA Rail Canada Act, be required to develop a comprehensive plan for the improvement of all inter-city rail passenger transportation, including route structure, level of service, and types of equipment to be used. This should be submitted to Parliament expeditiously, with route abandonments subject to CTC approval only after an adequate public hearing process has been completed.

MARKETING FUNCTIONS

23. The Committee recommends that VIA Rail institute a policy whereby a larger number of agencies have authority to sell and distribute VIA Rail tickets. One way this could be done is by linking travel agencies to a computer ticketing operation such as is used by Air Canada.

24. The Committee recommends that the telephone inquiry and reservation system that is presently employed by VIA be upgraded.

VIA-AMTRAK SERVICES

25. The Committee recommends that, in consultation with Amtrak, VIA Rail actively undertake studies to improve and expand rail links and/or joint services between Canada and the United States.

RESTORATION OF PASSENGER TRAIN SERVICES

26. The Committee recommends that the Atlantic Limited linking Central Canada through Sherbrooke, Quebec, and southern New Brunswick to Halifax be restored immediately.

Rail Passenger Services in Canada — Are we on the right track?

FOREWORD

On 6 July 1982 the Standing Senate Committee on Transport and Communications presented its Interim Report on Passenger Rail Service provided by VIA Rail Canada Inc. It was noted then that the Committee would require more time to complete its study of this complex subject. After conducting further examination under a new order of reference, the Committee is still of the opinion that further investigations and hearings, especially in the areas of costing, government subsidies, and provision of regional passenger services are required in order to fulfill its mandate. For this reason, the Committee is presenting another interim report. If the current parliamentary session is not ended by prorogation, the Committee will continue its investigations.

In this interim report the Committee outlines what has occurred since July 1982 in the rail passenger field. As well, it describes those areas that it believes requires urgent attention if Canada is to have a truly adequate rail passenger system. In doing this, the Committee recognizes that many of the recommendations presented in this report are intertwined and dependent on each other. Because of this, the recommendations presented here should be viewed in their totality and not as separate elements which can be implemented on a piecemeal basis. Their maximum effect can only be attained if they are implemented as a total package for the improvement of Canada's rail passenger system. The Committee also recognizes that many of the recommendations require the enactment of VIA Rail legislation (i.e., a VIA Rail Canada Act) if they are to have the desired impact on the passenger rail system.

INTRODUCTION

On 19 January 1984 the Standing Senate Committee on Transport and Communications received its order of reference from the Senate of Canada which reads as follows:

That the Standing Senate Committee on Transport and Communications be instructed to inquire into and report upon the national rail passenger service provided to Canadians by VIA Rail Canada Inc; and

That the papers and evidence received and taken on the subject in the first session of the present Parliament be referred to the Committee.

Pursuant to this reference the Committee began its hearings on 21 February 1984 and heard witnesses with varying concerns regarding national rail passenger services. Included in this process was an extensive examination and tour of Amtrak's operations and facilities in

the United States during the month of April.⁽¹⁾ This enabled the Committee to compare and contrast our passenger rail system with one which started from much the same beginnings and which has evolved into an efficient passenger rail corporation. This report attempts to deal with the concerns that were raised before the Committee in a fair and accurate manner and to provide recommendations and suggestions to ensure that a sound and viable passenger rail system is established.

SHOULD VIA RAIL EXIST?

The title of this report is not intended to be facetious. It reflects the Committee's concern about the future of passenger rail transport in Canada. An atmosphere of uncertainty has been created in many regions of Canada that perhaps there really is no future for this type of transportation system. The long history of poorer and poorer passenger service and the service cutbacks announced by the Government in 1981 caused this uncertainty and put the future of passenger rail transportation in doubt.

Recent problems, especially during the Christmas period in December 1983 with equipment breakdowns resulting in long delays, have been viewed as indications that VIA Rail still is not committed to providing an adequate rail service. The Committee believes that underlying the whole issue of passenger rail transportation is the question of whether or not the Government is committed to the existence of VIA Rail, or even to passenger rail services. As stated in its first interim report, the Committee is still of the opinion that a modern and efficient railway passenger system can and should be provided and continue to play an important role in Canada's transportation future.⁽²⁾

Are we "on the right track" to the achievement of this goal? The Committee believes that some advances have been made in a positive direction but that much more needs to be done. It feels that with proper Government initiatives, sound management practices and necessary powers, VIA Rail Canada Inc. can provide Canadians with a good rail passenger system.

CHANGES IN PASSENGER RAIL SERVICES SINCE JULY 1982

While the Committee heard much testimony on what is wrong with Canada's passenger rail system, it also received testimony highlighting improvements that have taken place since its interim report in July 1982. In testimony presented by the Minister of Transport, the Honourable Lloyd Axworthy, and by Mr. Pierre Franche, President of VIA Rail Canada Inc., on 21 February 1984, some of these improvements were noted.⁽³⁾ These include:

⁽¹⁾ Issue #5 of the Proceedings of the Standing Senate Committee on Transport and Communications (30 April 1984) provides a report of the Committee findings during this investigation.

⁽²⁾ Senate of Canada, Interim Report on Passenger Rail Service Provided by VIA Rail Canada Inc., 6 July 1982, p. 2.

⁽³⁾ Senate of Canada, Proceedings of the Standing Senate on Transport and Communications, 21 February 1984, Issue No. 1.

- the development of a five-year capital program for VIA to better enable it to invest in the improvement of its facilities and services;
- Government funding to VIA Rail of approximately \$300 million for the development of four new maintenance facilities to be located at Halifax, Montreal, Toronto and Winnipeg to enable it to have better maintenance operations at lower cost;
- with the assistance of the Department of Regional Industrial Expansion, the Department of Transport announced a \$40 million program to develop a new prototype train set for use in the Atlantic provinces and Western Canada;
- consultations in various locations in Canada with a view to restoring some passenger services that were done away with in 1981. This has resulted in the restoration of the Northern Continental Line between Winnipeg and Edmonton with extension to Vancouver via Jasper in the fall of 1985 and a two-year trial program for the Moncton/Edmundston line in New Brunswick;
- the establishment of special fares (e.g., student discounts) and a series of tour packages by VIA Rail;
- a growing climate of cooperation between VIA, CN and CP on common issues;
- the upgrading of a number of railway stations by VIA, the most important being the Gare du Palais in Quebec City (which is leased by VIA);
- discussions by VIA with CN, CP and Transport Canada about a plan to transfer all the key railway stations to VIA's control and management — this has resulted, subject to Treasury Board approval, in VIA signing agreements to buy the Trois-Rivières and Winnipeg stations;
- the delivery of the second order of Light Rapid Comfortable Trains (LRCs) which is expected by early 1985, for service in Central Canada;
- the establishment of a customer service training program for VIA employees to improve service to the public; and
- the completion by VIA of a three-year study on high-speed passenger rail service in Canada's more densely-populated corridors. Subject to detailed engineering and market studies, VIA feels that a high-speed train service could be established in the Quebec-Windsor corridor and be operated at a profit.

The Committee recognizes the value of these efforts and commends the Government and VIA Rail for these actions. However, it also notes that some matters raised in its earlier report have not been addressed and submits that additional major initiatives must be taken if rail passenger services are to be substantially improved. The following sections of this report will deal with those initiatives.

VIA RAIL LEGISLATION

The Committee recommended in its previous report that legislation be enacted to provide VIA Rail Canada Inc. with a clear and all-encompassing statutory framework. This still has not been done.

In the hearings leading to its first interim report, the Committee heard evidence of the positive effects that legislation had in the creation of Amtrak in the United States. This view was reinforced during its recent study of Amtrak's operations. That railroad has a statutory basis with its duties and powers clearly defined. Recent testimony before the Committee again confirmed the fact that VIA is being hampered by the lack of a statutory framework and the mandate that normally accompanies it. This is noted in the following statement by Mr. Garth Campbell, former Vice-President of Passenger Marketing at CN Rail, before the Committee when he was outlining some of the problems he felt were facing VIA Rail.

However impressive the foregoing list of problems is, by far the most critical in my opinion was the first one. The mandate which VIA inherited when it was created was never written, never debated in Parliament and never really defined. It did not spell out VIA's obligations nor its authorities. It did not define the operating railways' obligations in return for being relieved of the financial burden of the passenger business. Lastly, it gave the public no clues as to what it ought to expect in terms of service.

This mandate would normally have been spelled out in legislation and the abiding question in many minds is why this was never done — as for example when Amtrak was formed. At the time, everyone was so glad to see anything happen that they settled for what they could get — a schedule "D" crown corporation fashioned out of Adam's rib! It may have been however, that the basically pessimistic view of the government concerning the future of rail service, gave rise to great reluctance to introduce legislation and to say just what VIA was all about. I now believe that the reason may be simplicity itself, as obvious as the proverbial nose on one's face. To define VIA's role in legal terms when the official attitude was so ambivalent, could have exposed the government or VIA, or both, to very considerable criticism. A forthright indication of the future could have raised an unholy row after the endless pious promises of 1974, 1975 and 1976 to improve and to revitalize the service.⁽¹⁾

VIA Rail has proposed — as it did when it came before the Committee under its first order of reference — that a VIA Rail Canada Act be enacted. Such an Act could provide VIA with a mandate outlining, among other things, what types of services it is expected to provide in the various regions of Canada; how it will be compensated for the provision of services; its rights over tracks and station facilities; and its relationship with the railways as well as the Department of Transport and the Canadian Transport Commission. At the present time VIA has to adapt to situations as they arise without having a clear picture of what its position is or what its role in providing rail passenger transportation is, will or should be.

The Committee finds that VIA Rail now has the responsibility to provide passenger services without the necessary powers and guidelines to carry out this responsibility. Here again we return to the basic question of whether or not we want rail passenger services in Canada. If the answer is affirmative — and the Committee believes it is — then VIA must be provided with the powers necessary to accomplish this goal.

⁽¹⁾ Senate of Canada, Proceedings of the Standing Committee on Transport and Communications, 20 March 1984, Issue No. 4, p. 4:11.

What is essential is that the Federal Government make a basic commitment to passenger rail service. This can best be accomplished by enacting legislation setting out the goals and objectives of both VIA and the Government for such a service. It is one thing to provide ad hoc solutions such as the reinstatement of some services or the funding of maintenance centres to solve some of VIA's problems; however, this still does not provide VIA with a firm and explicit policy on the part of the Government as to what passenger rail services should be for Canada. This can be done only by providing VIA Rail with legitimacy — through the enactment of a VIA Rail Canada Act.

As at the time of its previous report, the Committee believes that the obvious way of achieving this end would be to enact legislation that clearly spells out VIA's responsibilities and powers as well as those of the Government. The Committee also proposes the establishment of a Joint Parliamentary Committee to monitor the effectiveness of the legislation. Therefore,

1. The Committee recommends that legislation be enacted by the Parliament of Canada at the earliest possible time to establish VIA Rail on its own statutory basis with a mandate to provide a sound and efficient national rail passenger system.

2. The Committee recommends that the ACT include a clear statement of the Government's policy regarding VIA's provision of rail passenger service.

3. The Committee recommends that the ACT include provisions authorizing VIA Rail to own, manage, and operate intercity passenger trains, and/or contract for the operation of passenger trains and, that insofar as it is practicable, VIA Rail shall directly operate and control all aspects of its rail passenger service.

4. The Committee recommends that the ACT include the establishment of specific service commitments for rail passenger services with a time-frame for their implementation.

5. The Committee recommends that the ACT include provisions for VIA Rail to enter into agreement(s) with parties, for the provision of passenger rail services if the need arises.

6. The Committee recommends the establishment of a Joint Parliamentary Committee on transportation to report, within two years of the enactment of the legislation, on the effectiveness of the ACT and to propose any changes it deems necessary.

OPERATING CONTRACTS AND COSTING PROCEDURES

In providing passenger rail services, VIA enters into contractual arrangements with CN and CP for the provision of services such as maintenance of rolling stock, use of tracks and roadbed services such as switching. Much discussion has been heard before the Committee regarding the way in which VIA negotiates these operating contracts with the railways. The observation has been made that VIA is at a severe disadvantage in these negotiations

because it does not have complete access to all the costing information from the railways. It has been brought to the Committee's attention that VIA has made good progress during 1983 in obtaining more detailed billing information from the two railways, which has resulted in lower rail charges to VIA. The Canadian Transport Commission (CTC) has also reduced the time it takes in auditing CN/CP charges to VIA Rail. While these improvements are welcomed by the Committee, it still has some concerns in this area.

A. CTC Audit Reports

The audit reports examine the CN/CP charges to VIA Rail in some detail. In accordance with the Minister of Transport's directive of 17 December 1981, which initiated these audits, the CTC provides these reports to Transport Canada, which may then distribute them to CN, CP and VIA.

In testimony by the CTC before the Committee on 22 May 1984, it was noted that CP Rail has objected to the release of the last (1981) audit report of its charges to VIA Rail. As a result VIA is not yet in possession of all relevant costing data. The CTC has recommended that VIA receive the 1981 audit report and the Committee agrees with this recommendation. Subject to keeping this data confidential, VIA should be given access to this and all subsequent audit reports of both operating railroads.

B. The 13th and 14th Bills

The Committee's concerns regarding the 13th and 14th bills that were raised during the Committee's hearings in 1981-1982, while somewhat alleviated, still exist. VIA Rail still receives monthly bills from CN and CP for the services they provide to VIA under the operating contracts. In addition, the contractual arrangements provide for the presentation to VIA of a 13th bill or yearly statement of adjustment charges to be paid to the railways in addition to the expenses billed in the monthly statements. This bill is a catch-up bill after the 12 monthly bills have been processed and includes charges that may not have been foreseen (e.g., switching charges) or correctly estimated in the monthly bills.

VIA Rail is also presented with a 14th bill. This represents a final adjustment figure which the operating railways can charge VIA after their charges have been audited by the CTC. While VIA has been better able to forecast what these bills will amount to (VIA received a credit in excess of \$5 million for overpayments to the railways for their services in 1982), they are still faced with the fact that they are not sure what their final costs for services will be under the operating contracts until well after the operating year ends. It would seem desirable where possible to have VIA Rail aware of the costs it is going to incur before such services are performed. This would allow VIA to have an improved budget process and more financial control over its operations. The Committee is still of the opinion that a contractual arrangement should be established that does away with a 14th bill.

C. Costing Methodology — The Amtrak Approach

1. Short-term Avoidable Costing

The subject of costing methodology within the operating contracts was also examined by the Committee. In its study of Amtrak's operations, it reviewed the contrasting

approaches to costing methodology.* Amtrak uses the concept of *short-term* avoidable costs in its operating contracts with the railway companies. That is to say, Amtrak pays costs that the railroads would have avoided incurring if no passenger trains were operated. This is in contrast to the procedure imposed on VIA Rail by costing Order R-6313 whereby it pays *long-term* avoidable or allocated costs:

Allocated costing methodologies may use inflated overheads to cover supervisory costs, corporate overheads, profit factors or other costs not specifically identified. Such overheads may be significantly greater than actual avoidable costs. Amtrak pays only avoidable costs, such as the actual cost of employee health and welfare benefits, as well as actual vacation and holiday pay.

Amtrak does not pay for other items which *potentially* could involve significant costs, such as the use of tracks and facilities, opportunity costs, return on investment and ownership costs.⁽¹⁾

The costing methodology is a critical factor in VIA's financial operations because approximately 60% of its total expenses each year are payments to the railways under the operating contracts. Amtrak believes it saves a considerable amount of money by using the short-term avoidable costing methodology in negotiating its operating contracts, and estimates that since 1976 these savings have been in excess of \$30 million annually. The question arises, how much could VIA save if a similar costing methodology were used? In testimony before the Committee, the CTC stated that the costs to VIA would be lower under the U.S. costing system.

The system used in the United States would produce costs somewhat lower than the cost levels that we are assessing. There is some argument between VIA and ourselves regarding exactly how much lower they would be. We have suggested that it is in the ballpark of \$25 million to \$35 million less in terms of the U.S. system. VIA claimed, at one time, that it was as much as \$55 million, but I have not seen any justification for that claim. I believe our figures of \$25 million to \$35 million are reasonably accurate.⁽²⁾

This fact was noted in its first report and the Committee is still of the opinion that there would be substantial savings to VIA Rail if a short-term avoidable costing methodology were implemented in Canada. In other words, VIA Rail should only pay the actual costs of the railways in operating passenger trains.

2. Determination of Costs and Payments

Another significant difference between VIA and Amtrak lies in how the appropriate costs and payments are determined. This is highlighted in the following quotation.

* Issue #5 of the Proceedings of the Standing Senate Committee on Transport and Communications (30 April 1984) provides a report of the Committee findings during this investigation.

⁽¹⁾ J.L. Larson, Assistant Vice-President, Contract Administration, Amtrak, *Amtrak's Contractual Relationship with the Railroad Industry and Costing Methodology*, Washington, 5 April 1984, p. 2.

⁽²⁾ Senate of Canada, Proceedings of the Standing Senate Committee on Transport and Communications, 22 May 1984, Issue No. 9, p. 9:13.

The question which logically follows the costing methodology is, "How are the appropriate costs and payments for same determined?" The answer is that Amtrak has complete access to the carriers' financial and operational records, not only for post-audits of billings and payments, but also for detailed studies prior to negotiating a new contract. This is the most significant difference between Amtrak and VIA's respective rights to determine what appropriate charges should be.

After conducting actual cost studies using the carriers' records, operating contracts are negotiated with each railroad covering the actual services to be provided, the staffing levels required for each category of employees, and to the maximum extent possible, flat rates are negotiated for each service.

It is also significant that Amtrak has the right to negotiate directly with the carriers, as well as the right to audit the carriers' operational and financial records without having to act through an intermediary.⁽¹⁾

The subject of Amtrak's access to the operating railways' financial and operational records with full audit privileges was of particular interest to the Committee. As noted earlier, VIA does not have complete access to the railways' costing data and therefore cannot audit the railways' records. The Committee concludes that this places VIA in a very difficult position in negotiating operating contracts.

3. Flat Rate Costing

An important aspect of Amtrak's contracts is that they are based on a flat rate or fixed price costing concept where each costing element is paid for at a fixed monthly rate to the maximum extent practicable. Amtrak feels that this promotes efficiency and cost controls because once the rate is agreed to, inefficiencies are borne by the carrier. On the other hand, if the carriers can reduce costs by being more efficient, they can pocket the savings. The contracts also allow for amendments to be made to take into account such things as changes in the level of services provided and wage adjustments. Finally, Amtrak pays incentives to the railways for on-time performance and has penalty provisions for poor performance. The Committee believes this type of contract could eliminate the need for the 13th and 14th bills and would promote efficiencies within the operating railroads.

It bears noting that if Amtrak and a railway fail to agree on satisfactory terms for the operating contract, Amtrak can appeal to the Interstate Commerce Commission (ICC) to arbitrate the dispute. This provides both parties with an impartial body to resolve the dispute. It also provides an incentive for both parties to reach an agreement rather than having one imposed upon them.

To sum up, Amtrak believes that the most significant differences between its and VIA's costing methodologies are the right to audit the carriers' financial and operational data, and the use of short-term avoidable costs, as opposed to longer-term avoidable or allocated costs.

⁽¹⁾ J.L. Larson, Assistant Vice-President Contract Administration, Amtrak, *Amtrak's Contractual Relationship With the Railway Industry and Costing Methodology*, Washington, 5 April 1984, p. 3.

D. Changes to VIA's Contractual Arrangements

The Committee believes that Amtrak's contractual arrangements and costing procedures offer important improvements over the current contractual arrangements under which VIA Rail operates. Amtrak does not have to predict about "13th" or "14th" bills because it already knows what its costs will be for a given year. The fact that VIA Rail does not have complete access to the costing data of the railways is unacceptable to the Committee.

VIA Rail has no formal mechanism whereby it can have contract disputes arbitrated by an independent third party except through the judicial system. This can cause lengthy delays in having contracts finalized and provides little incentive to the parties to come to a mutual agreement within a reasonable time.

By not knowing some of the railways' costs, VIA is negotiating in a vacuum and using an intermediary, the CTC, to verify costs it should have a right to know. The time has come to make VIA Rail an equal partner in contract negotiations.

7. The Committee recommends that under the ACT, VIA Rail be given the power to negotiate operating contracts with the railways employing the concept of short-term avoidable costs and that in the event of failure to reach a satisfactory voluntary agreement, VIA Rail shall have the right to appeal to the CTC for arbitration.

8. The Committee recommends that the operating contracts between VIA Rail Canada Inc. and the railways be based on a flat rate costing methodology where each costing element is paid for by a fixed monthly payment to the maximum extent possible — with provisions for amendments to allow for changes in such items as wages and the level of services.

9. The Committee recommends that VIA Rail, in order to better negotiate contracts, be given the right to complete access to the railways' financial and operational records, for detailed studies prior to negotiating a new contract, including post-audits of billings and payments.

10. The Committee recommends that VIA Rail Canada be required by law to keep all costing data confidential.

11. The Committee recommends that until such time as these contract and costing recommendations have been implemented, VIA Rail be given full access to the 1981 CTC audit report of CP service charges to VIA Rail and all subsequent audit reports of both operating railroads.

SUBSIDIES FOR PASSENGER RAIL SERVICE

A. Competition

Testimony before the Committee suggested that because VIA Rail is heavily subsidized, it provides unfair competition to other public carriers.⁽¹⁾ The heavy outlays of capital for

⁽¹⁾ Senate of Canada, Proceedings of the Standing Senate Committee on Transport and Communications, 8 May 1984, Issue No. 6, p. 6:6.

equipment and for service improvements in the Quebec City—Windsor corridor were cited as an example of this. The Committee is of the opinion that all major transportation forms are subsidized to some extent and notes the vast sums of public money that have been expended on the building of airports, highways and harbours. The bus companies contend that highways were built mainly for automobiles and trucks and would exist with or without bus traffic. They also contend that they pay their fair share of highway costs through licence fees and fuel taxes and therefore that their operations are not subsidized. The Committee has reservations over these contentions.

12. The Committee recommends that the Standing Senate Committee on Transport and Communications, or the Joint Parliamentary Committee (referred to in recommendation 6) conduct, at its earliest possible convenience, a complete study into the subsidy question with the view to determining how much the various transportation modes are subsidized. This study would determine whether or not one mode has an unfair competitive advantage over another mode and cite recommendations to redress any inequities.

B. Cost Recovery

A recurring theme in discussions on Canadian passenger rail transport is the level of federal subsidy it receives in relation to the amount recovered through passenger fares. The 1983 operating subsidy to VIA Rail was \$451 million, approximately 2.6 times the \$173.3 million it received in passenger revenues for that year. This is well below the \$527.3 million VIA Rail estimated it would require for 1983. VIA stated in its Annual Report for 1983 that the major factors contributing to this reduction were the decline in inflation and the commitment by VIA's Board and management to a philosophy that espouses the least-cost approach to providing services.

While this reduction in subsidy is significant, VIA Rail is still being heavily subsidized by the Canadian taxpayer. In addition, VIA is never sure how much subsidy it will require from year to year. In any given year it could be required by the Government to operate trains on low density routes that require heavy subsidies. The Committee believes that consideration should be given to what the level of Government subsidy should be for rail passenger services. In its study of Amtrak* the Committee noted that Congress requires that Amtrak recover a certain percentage of its costs through revenues. Congress requires Amtrak to have a revenue-to-cost ratio of 50% by 1985 — a target which Amtrak has already attained. At the present time there is no such requirement for VIA. VIA should be made aware of how much subsidy it will receive from the Government and how much it will be expected to recover through its operations; in essence, how much the taxpayer will pay versus how much the users will pay. This is an attempt to isolate what the federal commitment is to passenger rail transport. Special subsidy provisions should be established to cover services deemed to be in the national interest that VIA must provide even if heavy losses are incurred. The Committee believes that once this commitment is known, VIA will be able to establish its priorities within a sound economic framework.

* Issue #5 of the Proceedings of the Standing Senate Committee on Transport and Communications (30 April 1984) provides a report of the Committee findings during this investigation.

13. The Committee recommends that, within a VIA Rail Canada Act, appropriate levels of subsidy be established together with the attendant levels of service that should be provided by VIA Rail.

PASSENGER RAIL SERVICE

As noted earlier in this report, VIA Rail and the Government have taken a number of initiatives to improve service and equipment. For example, studies are underway on prototype trains or completed on high-speed corridor rail service that are intended to improve VIA's operations. While the Committee applauds these efforts to modernize a national rail system that has suffered from years of neglect, it would be remiss if it did not point out some aspects in this area that require attention.

A. Maintenance Centres

The announced establishment of new maintenance centres at Halifax, Montreal, Toronto and Winnipeg should help both to improve VIA's reliability and to give it more control over operating expenses. However, the question of how much control VIA will have over these centres remains to be determined. While VIA will own the maintenance centres, it will not have complete control over the work that will be carried out at these facilities particularly if the policy of contracting out to CN is continued. A recent announcement by VIA and CN stated that they have an agreement in principle to transfer hundreds of CN employees to VIA Rail. However, it was stressed that this will take considerable time because lengthy negotiations are still required between the companies and the unions before formal transfer agreements are concluded. If this transfer comes about, then VIA will gain full control of the maintenance facilities and complete control over the work that is done in them. This, VIA contends, would result in a drop in its costs because it would administer its own work force and be able to determine exactly the work to be done. Consequently, the Committee is of the opinion that VIA and CN should endeavour to hasten this transfer of maintenance employees.

14. The Committee recommends that in order for VIA Rail to have complete control over its maintenance facilities, the work done in them, and the costs incurred in such work, consideration be given to having VIA Rail employees carry out such duties. This may involve the transfer of employees and/or the hiring of new employees.

B. Railcar Rebuilding

The Committee was favorably impressed by Amtrak's rail car rebuilding facility while touring the plant at Beech Grove, Indiana. Amtrak has taken a fleet of rail cars it inherited in the early 1970s and has completely rebuilt many of them from the wheels up, including converting them from steam to electric power. This was done for approximately half the cost of acquiring new cars. VIA Rail testified that it is studying the feasibility of rebuilding some of its heritage rail cars but has not yet made a decision on this matter. It was also noted in this hearing that the new maintenance centres are not intended for rail car rebuilding. The Committee believes that considerable savings can be attained by VIA by rebuilding rail cars, including converting them from steam to electric power. This in turn would help to ease the equipment shortages that have been experienced on some routes and would end the delays due to frozen steam pipes that have occurred in extremely cold temperatures, as was the case in December 1983.

15. The Committee recommends that the rebuilding of heritage rail cars, including the conversion from steam to electric power, be undertaken by VIA Rail in order to upgrade equipment and increase the usable inventory of the railway especially for use in off-corridor service. Consideration should also be given to establishing a facility where this work could be done by VIA Rail employees under direct control of VIA rather than being contracted out.

16. The Committee recommends that in addition to the rebuilding of heritage cars, the program to develop a prototype train set for use in Western Canada and Atlantic Canada proceed with the greatest possible dispatch. The car rebuilding program should not be viewed as replacing the need for new equipment for off-corridor use but rather as an interim measure until new equipment is developed.

C. Priority of Passenger Trains

As was the case in the hearings leading up to the Committee's first interim report, complaints were voiced that passenger trains do not always receive priority over freight trains and are often shunted into a siding (i.e., "taking the hole") until the freight train passes. The reason given for this by the operating railways is that in some instances the sidings are too short to accommodate the longer freight trains and therefore the passenger trains have to "take the hole" until the freight passes.⁽¹⁾ While the operating railways stated that this does not occur often, it does happen to some extent — especially in the busy corridor between Vancouver and Calgary. The Committee, while recognizing that this may not be a frequent occurrence, also realizes that any delays, especially lengthy ones, result in a loss of passenger confidence in VIA Rail and ultimately turn people away. Because of this, the Committee recommends that consideration be given to lengthening sidings to accommodate longer freights and thus to allow passenger trains the priority to which they are entitled.

It also believes that provisions should be established in a VIA Rail Canada Act that would allow for a system of incentives and penalties. In other words, the operating railways would be paid incentives for providing better than standard performance and would be penalized if standards are not attained. The Committee notes that there are now in force on-time performance incentives for some of VIA's key services; however, it believes this should be formalized as part of all operating contracts through the proposed VIA Rail Canada Act.

17. The Committee recommends that railway sidings be lengthened where necessary to handle long freight trains in order to give passenger trains priority when "meets" occur.

18. The Committee recommends that under the ACT, passenger trains be given priority over freight trains in the use of trackage to the greatest extent possible.

19. The Committee recommends that the ACT establishing VIA Rail Canada allow for incentives and penalties to be assessed within the operating contracts between VIA Rail and the railways for attaining (or not attaining) on-time performance standards.

⁽¹⁾ Senate of Canada, Proceedings of the Standing Senate Committee on Transport and Communications, Issue No. 3, 13 March 1984, pp. 3:15-3:16.

D. Labour

The Committee was pleased to hear from both labour and the management of VIA Rail that improvements in labour relations and employee morale had been taking place during the previous 18 months. The establishment of the customer service training program by VIA Rail, which involves every employee in a course geared to customer service-related activities, recognizes the critical need to provide customers with the quality of service that will attract them to passenger rail transport. VIA appears to be responding to some of the criticisms regarding poor service and is directly involving labour in overcoming these serious problems.

One area that merits study is labour's involvement with VIA's expected introduction of new equipment during the next few years. Labour has expressed the desire to be consulted and to have input into those aspects of the design of new equipment that affect the way they perform their duties in serving the passenger.⁽¹⁾ The Committee is of the opinion that since much of VIA's labour pool is in direct contact with the public, they are in a good position to assess the best way to serve the public and what facilities are required to best satisfy their needs.

Another aspect of joint management-labour efforts is the direct input of labour into management. Recent appointments of labour representatives to the Boards of Directors of Crown Corporations are seen by the Committee as an important step in encouraging labour participation in the effective operation of these corporations. This would be especially welcome in the case of VIA Rail which must overcome a number of obstacles, not the least of which has been a poor public image, if it is to become an effective railway company. One element that may aid this process is labour participation on VIA's Board of Directors where it could make contributions to better labour-management relations, could provide knowledge on railway operations and could have a direct input into VIA's future development.

20. The Committee recommends that Labour be actively included in VIA Rail's design and testing of new equipment in order to provide the railway and the customer with the best possible trains.

21. The Committee recommends that a railway labour representative sit on the Board of Directors of VIA Rail in order to provide more direct input from employees for the overall benefit of passenger rail service.

E. Route Development

It was noted by the Committee that a great deal of emphasis has been placed on upgrading rail passenger services in the Quebec City-Windsor corridor during the past two years. Introduction of LRC equipment, upgrading of rail lines, and studies indicating the possibility of high-speed electric trains operating on some sections of the corridor on dedicated trackage seem to point to a brighter future for passenger rail service in this region of Canada. The Committee realizes that initiatives have taken place for other areas of the country, including the development of a new prototype train set for Western Canada and Atlantic Canada as well as the reintroduction of two rail passenger services in these regions.

⁽¹⁾ Senate of Canada, Proceedings of the Standing Senate Committee on Transport and Communications, 15 May 1984, Issue No. 8, p. 8:6.

In spite of this, some witnesses before the Committee stated that too much emphasis is being placed on corridor services. They argued that new equipment has actually been placed in service there while studies were only beginning regarding new equipment for the other regions and, that a study has been completed on the future of the corridor while similar steps are years away for the off-corridor regions. They complained that the corridor services are attracting too much of the money and planning activity while little attention is being given to the rest of the country.

The Committee recognizes the need to assure Western Canada and Atlantic Canada that their rail passenger needs will not be neglected. Therefore, the Committee proposes that there be a clear definition by the Government and VIA Rail of what types of services and equipment will be provided in off-corridor areas; the use of rebuilt heritage rail cars on off-corridor lines until new equipment has been introduced; and that consideration be given to the special needs of tourist regions. The Committee believes that the whole question of off-corridor services might best be studied by the Joint Parliamentary Committee (see recommendation No. 6) with its recommendations presented to Parliament at the earliest possible time.

In addition, it is the Committee's belief that in conjunction with the above-noted initiatives, VIA Rail should be required through legislation, to develop and submit to Parliament expeditiously a comprehensive plan for the improvement of all inter-city rail passenger transportation, including route structure, level of service, and types of equipment to be used. This should be done in consultation with the provinces, municipalities and other interested parties. Such a plan should not be implemented without the consent of Parliament and with any proposed route changes or future abandonments occurring only after adequate public hearings have been conducted under the process established by the CTC and in conjunction with the studies of the Joint Parliamentary Committee.

22. The Committee recommends that VIA Rail, under a new VIA Rail Canada Act, be required to develop a comprehensive plan for the improvement of all inter-city rail passenger transportation, including route structure, level of service, and types of equipment to be used. This should be submitted to Parliament expeditiously, with route abandonments subject to CTC approval only after an adequate public hearing process has been completed.

MARKETING FUNCTIONS

The Committee has noted improvements in the marketing of VIA Rail services. The linking of VIA's (RESERVIA) and Air Canada's (RESERVEEC) reservation systems now means that accredited travel agents equipped with Reservec terminals have access to Reservia data without the need for a separate terminal. VIA has also been linked with Air Canada's Autotrav service which groups together information about tour packages offered by a number of companies. This will undoubtedly give VIA Rail broader access in marketing its services.

In spite of these efforts, the Committee thinks that two areas require further attention. These are the number of ticket selling locations and the delays in handling telephone reservations. Regarding the former, the Committee is of the opinion that VIA does not have a suffi-

cient number of locations where tickets can be bought and picked up. For example, restricting the number of locations to only VIA Rail offices and/or the railway station makes it very inconvenient for customers to purchase tickets. It would seem more reasonable to have a large number of travel agencies, as is the case with Amtrak, with the authority to sell and issue VIA Rail tickets. This would alleviate last-minute rushes at the train station and the inconvenience caused for some customers in finding a convenient location to pick up their tickets. The Committee notes that VIA has made moves to increase the number of accredited agencies that sell its tickets and recommends that this practice be expanded in the near future.

On the subject of inquiries and reservations, it has been noted by the Committee that many customers have experienced long delays when trying to reach VIA by telephone. Sometimes they either cannot get through or are put on hold and have to listen to recorded music for an inordinate period of time. In testimony before the Committee, VIA stated that its average response time for telephone calls is 21 seconds.⁽¹⁾ This is unacceptable in a business that should be highly sensitive to customer demands. Without this sensitivity, customers lose patience and confidence in VIA Rail. In contrast to VIA, it was pointed out to the Committee that the response time for handling telephone calls by Amtrak averages three seconds and that the average length of time a customer spends making a reservation is slightly over two minutes. This is the type of efficiency VIA should seek to emulate. VIA told the Committee that it is aware of this problem and is trying to remedy it. The Committee believes that this should be done with the greatest possible speed. Moreover, reservation personnel should be fully aware of the types of accommodation available on the various trains.

23. The Committee recommends that VIA Rail institute a policy whereby a larger number of agencies have authority to sell and distribute VIA Rail tickets. One way this could be done is by linking travel agencies to a computer ticketing operation such as is used by Air Canada.

24. The Committee recommends that the telephone inquiry and reservation system that is presently employed by VIA be upgraded.

VIA — AMTRAK SERVICES

An important point that was noted in the Committee's study of Amtrak's operations was VIA's links with the U.S. passenger rail system. At the present time Amtrak and VIA operate services between Montreal and New York and between Chicago and Toronto. Complaints regarding the slowness of trains, poor equipment and scheduling, and high operating costs were voiced to the Committee, especially regarding the Canadian segments of these services. It seems obvious to the Committee that if VIA could upgrade these services it would have access to a large pool of potential customers, both Canadians and Americans, who wish to travel between the two countries. Any improvements in this direction would enhance VIA's profile and credibility and expand its passenger markets.

⁽¹⁾ Senate of Canada, Proceedings of the Standing Senate Committee on Transport and Communications, 29 May 1984, Issue No. 11, p.11:21.

One other item which VIA may wish to take note of is Amtrak's desire to initiate a passenger rail service linking Minneapolis with Winnipeg. Amtrak would like to operate one train from Minneapolis to the Canadian border, connecting there with a VIA train from Winnipeg. The Committee is of the opinion that if VIA could implement such a service it would gain access to the mid-western U.S. markets. It suggests that VIA conduct the appropriate studies and market analysis.

25. The Committee recommends that, in consultation with Amtrak, VIA Rail actively undertake studies to improve and expand rail links and/or joint services between Canada and the United States.

RESTORATION OF PASSENGER TRAIN SERVICES

As was noted in the Committee's first interim report, through the implementation of Order in Council P.C. 1981-2171 dated 6 August 1981, 20% of VIA Rail's passenger routes were eliminated. These reductions and abandonments, which were referred to by the Minister of Transport as a "rationalization" of passenger rail services, involved the elimination of some important train services.⁽¹⁾ The legal basis of the Order in Council used is found in section 64(1) of the *National Transportation Act*, which allows the Governor in Council to vary, at any time, any order or decision of the CTC. This Order "varied" (i.e., it ended some train services) a number of CTC decisions between 1976 and 1981 regarding the provision and frequency of passenger train service on various routes. By using an Order in Council to reduce and abandon services, the Government avoided public hearings or inquiries by the CTC. If the normal procedure had been followed in applications for abandonments or service reductions in accordance with section 260 of the *Railway Act*, the CTC would have considered all matters that, in its opinion, are relevant to the public interest in determining whether or not a service should be eliminated. This was not done, and the Committee registered its displeasure with the Government's use of Section 64(1) in these instances to by-pass the CTC. It recommended that the application of this section be restricted by amendments to other sections of the *National Transportation Act* to ensure that reductions in passenger services come under full scrutiny of the CTC or Parliament. The Committee still believes that regardless of the legality of what was done in these instances, consideration of the public interest is a vital element in determining whether or not a rail service should be abandoned and must be considered by the CTC in its public hearing process.

During the current hearings the Committee again heard testimony concerning some of the services that were discontinued under the 1981 Order in Council. Specifically, testimony from witnesses called for the restoration of passenger train services on: the Edmonton-Jasper-Vancouver route in Western Canada; the Montreal-Mont-Laurier route in Central Canada; and the Nova Scotia-southern New Brunswick-Eastern Townships-Central Canada direct route ("The Atlantic Ltd.") linking Atlantic Canada and Central Canada. In the case of the western route, the Committee is pleased to note that the Minister of Transport has recently announced that VIA Rail will extend service from Edmonton to Vancouver via Jasper beginning in the fall of 1985 on a five-year trial basis. However, no mention has been made yet regarding the other two services.

⁽¹⁾ Senate of Canada, Interim Report on Passenger Rail Service provided by VIA Rail Canada Inc., 6 July 1982, p. 3.

The Committee is still of the opinion that restoration of services in these other regions should have merited more serious consideration, especially in view of the fact that their abandonment was not subject to the public hearing process of the CTC. There was no official forum for supporters of these services to voice arguments for retention. In the case of the Montreal-Mont-Laurier rail line, which runs north from Montreal to Mont-Laurier for approximately 160 miles, testimony showed that the region once served by a passenger railway is a centre for tourism and growing manufacturing activities (e.g., General Motors at Ste-Thérèse and Bell Helicopter at Mirabel) as well as being a satellite region of Montreal and requires an efficient mix of transportation services to attain its true potential. With the bus being the only public transport available, the region is subject to a monopoly situation. For these reasons, the Committee believes that every consideration should be given to the restoration of this line, with connections to Amtrak in Montreal. This important industrial and tourist region would then be linked to the northeastern United States.

The restoration of train service between Central and Atlantic Canada on the most direct route is of concern to the Committee. This service, commonly called the "Atlantic", linked Nova Scotia and southern New Brunswick through the State of Maine to the Eastern Townships and Central Canada. This route was dropped in favour of the more circuitous route served by the "Ocean Limited" which links Atlantic Canada and Central Canada via the St. Lawrence Valley and the north shore of New Brunswick. Strong representations have been made to the Committee by concerned civic, municipal and other organizations, in addition to hundreds of appeals from individuals, for the restoration of the "Atlantic". In conjunction with these interventions, a number of convincing arguments were made before the Committee by the Coalition for Improved Rail Passenger Service (CIRPS) for the restoration of the service.⁽¹⁾ These included:

- a reduction in the distance travelled between Central Canada and the Maritimes (e.g., a passenger travelling from Fredericton to Montreal travels 752 kilometres by the direct Atlantic route versus 1,295 kilometres by the Ocean Limited route — a savings of 543 kilometres);
- a reduction in the number of delays that are now encountered on the Ocean Limited because of the long trains used on this route which result in longer station stops and failure to make scheduled connections at Moncton;
- an end to the inconvenience experienced by passengers who are put on standby lists and/or who cannot always book sleeping accommodation on the Ocean Limited;
- an end to the higher fares passengers from southern New Brunswick have to pay because of the longer distances on the Ocean Limited's route;
- the provision of VIA Rail service to Sherbrooke, Quebec, which is one of the few locations of its size in Canada without rail or regular air service; and
- the development of a considerable tourist market by linking the State of Maine with direct service to Central and Atlantic Canada.

⁽¹⁾ Senate of Canada, Proceedings of the Standing Senate Committee on Transport and Communications, Issue No. 7, (Reprint) 9 May 1984, p. 7:21-7:29.

For these reasons and to end the extreme hardships that have been experienced by people in the Maritimes because of the loss of the direct train through southern New Brunswick, CIRPS has urged the restoration of the "Atlantic" at the earliest possible time. It suggests that a restructured service be established, with the Ocean Limited operating from Montreal to Halifax on its St. Lawrence Valley-North Shore route and with the "Atlantic" providing direct service from Montreal through Sherbrooke, Quebec, to southern New Brunswick to Halifax. The Ocean and Atlantic could run as one train between Moncton and Halifax.

In conjunction with its study and proposals for restoration of the Atlantic service, CIRPS undertook an exhaustive costing analysis of its plan.⁽¹⁾ It suggests that no greater subsidy would be required to operate both the Atlantic service and the Ocean service than is now needed. This is due to the fact that first, ridership would increase and second, that costs would be lower on the shorter Atlantic route. In its testimony before the Committee, CIRPS noted that its costing analysis had been under study by VIA Rail and the Department of Transport and that it had received confirmation from the Department that its analysis was highly accurate and that the proposal could work.⁽²⁾

CIRPS viewed the abandonment of the "Atlantic" in 1981 and the attempt to link Central and Atlantic Canada with one train as an experiment that did not work. It stated that acceptance of its proposal is consistent with Department of Transport policy that VIA Rail "has to service the transportation needs in Atlantic and Western Canada" and that "there is every reason to restore service if a review finds demand has increased or that the communities have suffered as a result of lost service".⁽³⁾ It is the opinion of the Committee that these policy criteria have been met and that the public interest would best be served if the "Atlantic" were to be restored without further lengthy reviews.

26. The Committee recommends that the Atlantic Limited linking Central Canada through Sherbrooke, Quebec, and southern New Brunswick to Halifax be restored immediately.

CONCLUSION

While the Committee requires some additional time to complete its investigations into the questions of costing, subsidies and provision of regional rail services and to make a final report, it is of the opinion that it has sufficient information to conclude that the Government has not given to VIA Rail enough power and control over its operations to fulfill adequately its responsibilities. Basically, this is because the Government has not clearly defined its commitment to rail passenger services. As a result, and as is evident throughout this report, the Committee believes that VIA Rail must have the necessary authority to meet its responsibilities and therefore strongly recommends that VIA be given the requisite legal powers to do so. Implementing many of these recommendations will require the enactment of legislation. The Committee does not believe that any further delays in providing VIA with its own Act should be tolerated, and to do so will only aggravate VIA's problems.

⁽¹⁾ *Ibid.*, pp. 7A:25-7A:40.

⁽²⁾ *Ibid.*, pp. 7:24-7:25.

⁽³⁾ *Ibid.*, p. 7A:21.

Returning to the title of this report, the Committee is convinced that passenger rail transport will be on the right track if the Government defines its commitment and if the recommendations of the Committee are implemented without any delay. In making these recommendations the Committee is of the firm conviction that it is fulfilling its Senate role as the representative of the various regional interests of all Canadians and believes that it is essential for the national interest that Canadians have at their disposal, an efficient passenger rail system from coast to coast.

Date	Person
1981-48	The Honourable Lloyd Axworthy, Minister of Transport
18-07-81	PNR Rail Canada Inc.
18-07-81	Mr. Pierre Franche, President and Chief Executive Officer
	Mr. R. J. Gunkel, Vice-President, Operations
14-07-83	Department of Transport
	Mr. Paul Mulder, Administrator, Canadian Surface
	Transportation Administration
	Mr. Robert Taylor, Director General, Rail
	Transportation
	PNR Rail Canada Inc.
	Mr. P. J. Gunkel, Vice-President, Operations
14-07-83	CP Rail
	Mr. W. J. Woodman, Senior Substantive
	Staff Officer, Director, General Services
	Mr. J. J. Gunkel, General Manager, CN Rail
14-07-83	Transportation and Infrastructure Canada
	Mr. Charles S. Campbell, President and Chief Executive
14-07-83	Canadian National Railway Corporation (Amtrak)
	Mr. J. J. Gunkel, Director
14-07-83	Mr. J. J. Gunkel, St. George's, Newfoundland
	Superintendent of Works
14-07-83	Mr. J. J. Gunkel, St. George's, Newfoundland
	Superintendent of Works
14-07-83	Mr. W. A. Patrick, General Manager
	Mr. M. F. Bessyhill, Production Manager
	Mr. K. J. Harris, RSM # 100000000
14-07-83	Washington, D.C.
14-07-83	Washington, D.C.

Appendix I

Issue	Date	Witnesses
1	84-01-18 84-02-01 84-02-21	The Honourable Lloyd Axworthy, Minister of Transport. <i>VIA Rail Canada Inc.:</i> Mr. Pierre Franche, President and Chief Executive Officer; Mr. R. J. Guiney, Vice-President, Operations.
2	84-02-23	<i>Department of Transport:</i> Mr. Nick Mulder, Administrator, Canadian Surface Transportation Administration; Mr. Robert Tittley, Director General, Rail Passenger Services. <i>VIA Rail Canada Inc.:</i> Mr. R. J. Guiney, Vice-President, Operations.
3	84-03-13	<i>C.P. Rail:</i> Mr. H. C. Wendlandt, Senior Solicitor; Mr. S. McFadzean, Director, Grain and Passenger Service. <i>C.N. Rail:</i> Mr. J. H. Easton, General Manager, CN Rail.
4	84-03-20	<i>Tourism Industry Association of Canada:</i> Mr. Garth C. Campbell, President and Chief Executive.
5	84-04-02	<i>"National Railroad Passenger Corporation" (Amtrak):</i> (Chicago, Illinois) Mr. R. J. Preski, Sr., General Mechanical, Superintendent — West.
	84-04-03	(Beech Grove, Indianapolis) M. W. A. Barrick, General Manager; Mr. M. L. Berryhill, Production Manager; Mrs. K. J. Burks, Rules & Safety Officer.
	84-04-04 84-04-05	(Washington, D.C.)

Issue	Date	Witnesses
		<p>Mr. Graham Claytor, President; Mr. James H. English, Vice-President, Governmental Affairs; Mr. Jim Barber, Director, Intergovernmental Affairs; Mr. Robert Gall, Vice-President, Marketing; Mr. Jim Callery, Vice-President, Sales; Mr. Thomas P. Hackney, Executive Vice-President, Operations; Mr. W. Gallagher, Director, Planning; Mr. James Larson, Assistant Vice-President, Contract Administration; Mr. Dennis Sullivan, Vice-President, Chief Engineer; Mr. Joseph Crawford, Chief, Mechanical and Maintenance; Mr. Robert Vanderclute, General Manager West/Headquarters.</p>
	84-04-06	<p>(New York)</p> <p>Mr. E. V. Walker, III, P.E., Engineer, Right of Way Improvements; Mr. Tom Kane, General Supervisor; Mr. F. Scott, Chief of Operations.</p>
	84-04-27	<p>(Mobile, Alabama)</p> <p>Mr. Wilfred Leatherwood, Manager, State & Local Services; Mr. Thomas P. Hackney, Executive Vice-President and Chief Operations Officer, Amtrak; Ms. Diane Elliot, Director, Corporate Communications; Mr. Robert Gall, Vice-President, Marketing.</p>
6	84-05-08	<p><i>Canadian Motor Coach Association:</i> Mr. J. Kearns, President (Grey Coach); Mr. Paul McElligott, Vice-President, (Voyageur); Mr. Brian Stewart, (Ontario Motor Coach); Mr. M. Pelletier, Vice-President — Transport Québec (Voyageur); Mr. G. Thompson, Vice-President, (Acadian Lines Ltd); Mr. D. Carmichael, Vice-President, Transportation (Voyageur Colonial Ltée.).</p> <p><i>Transport 2000:</i> Mr. Guy Chartrand, National President; Mr. N. Vincent, Executive Director; Mr. David L. Jeanes, Member, Ottawa Region.</p>
7	84-05-09	<p><i>Travel Industry Association of Alberta:</i> Mr. Walter Urquhart, President;</p>

Issue	Date	Witnesses
		<p>Mr. Douglas McPhee, Transportation, Jasper Chamber of Commerce;</p> <p>Mr. Fred McMullan, Policy Analyst, Government of Alberta.</p> <p><i>Coalition for Improved Rail Passenger Service:</i></p> <p>Mr. J. D. Devine, Principal Spokesman;</p> <p>Mr. D. Fitzpatrick, Spokesman;</p> <p>Mr. J. Cook, Spokesman;</p> <p>Mr. Ralph Annis, Mayor, Village of McAdams.</p>
8	84-05-15	<p><i>Canadian Brotherhood of Railway, Transport and General Workers:</i></p> <p>Mr. Ken Cameron, Local Chairman 335;</p> <p>Mr. G. Cheltenham, Chairman;</p> <p>Mr. A. Ramesa, Former Union Guard.</p> <p><i>Chamber of Commerce of St-Jérôme:</i></p> <p>Mr. Claude Ducharme, Director General, Regional Development Council of the Laurentides.</p>
9	84-05-16	<p>Mr. D. Fullerton.</p> <p><i>Canadian Transport Commission:</i></p> <p>Mr. J. Heads, Executive Director;</p> <p>Mr. M. D. Parry, Assistant Director, Rail Service Analysis.</p>
10	84-05-29	<p>Mrs. Alexandra Emanuela Halchini, Engineer, Specialist in Rail Organization and Exploitation;</p> <p>Mr. Maurice Dupras, M.P., Labelle Constituency.</p>
11	84-05-29	<p><i>VIA Rail Canada Inc.:</i></p> <p>Mr. H. A. Renouf, Chairman;</p> <p>Mr. Pierre Franche, President and Chief Executive Officer;</p> <p>Mr. G. Fortin, Vice-President — Corporate Affairs, and Secretary;</p> <p>Mr. R. G. Guiney, Vice-President — Operations.</p>

5. Content

The first part of the paper discusses the theoretical background of the study, focusing on the role of the state in the provision of social services. It then proceeds to a description of the methodology used in the study, including the selection of the sample and the data collection methods. The main findings of the study are presented in the following section, followed by a discussion of the implications of these findings for policy and practice. Finally, the paper concludes with a summary of the main points and some suggestions for further research.

In the context of the study, the role of the state is seen as crucial in determining the quality and accessibility of social services. The findings of the study suggest that there is a need for a more active role of the state in the provision of these services, particularly in the area of social housing. This is especially true in the case of low-income households, who often face significant difficulties in accessing affordable housing. The study also highlights the importance of a multi-sectoral approach to the provision of social services, involving not only the state but also the private sector and civil society organizations.

The implications of these findings are far-reaching, extending to the design and implementation of social policies. A key recommendation is the need for a more integrated approach to the provision of social services, one that recognizes the interconnectedness of different sectors and actors. This approach should be based on a clear understanding of the needs and preferences of the target population, and should be implemented in a way that is both effective and sustainable. Finally, the study suggests that there is a need for further research in this area, particularly in the area of the role of the state in the provision of social services.