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EVIDENCE

Thursday, March 6, 2014

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Chair

Mr. Larry Miller

Standing Committee on Transport, Infrastructure and Communities

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• (0845)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call this meeting to order.

I'd like to welcome the minister here as well as department staff to answer questions. I just want to remind the members that the meeting is televised and after the first hour—I know the minister has cabinet later on and has to go—we have some committee business that we have to deal with. It shouldn't take long in relation to our study and the budget. We'll have to go in camera at that point.

With no further ado, I will turn it over to you, Minister Raitt.

Hon. Lisa Raitt (Minister of Transport): Thank you very much, Mr. Chair.

It's great to be here today. It's nice to see everybody.

I'm going to take us through our main estimates and supplementary (C) estimates, but first I'd like to introduce who's at the table with me. I have Deputy Minister Louis Lévesque, Associate Deputy Minister Helena Borges, and our CFO for Transport Canada, Mr. André Lapointe.

I'm really grateful for the committee's work and its ongoing input into transportation issues. I continue to look forward to collaboration. I want to thank you for finishing up with Bill C-3 in a very expeditious manner so that we can continue moving that one through on a fast pace. I'm grateful for the committee's great work on that.

My officials and I are here to help explain how the funding that we're seeking is going to be a benefit to Canadians. As you know from the documents, we are seeking authorities in the amount of \$1.656 billion.

The authorities that we're seeking for our 2014-15 main estimates are going to be directed to support some key priorities within our department. These are the priorities:

First, we will continue to refine and strengthen safety and security oversight for the entire transportation system.

Second, we're going to continue to contribute to our government's responsible resource development agenda.

Third, we want to improve Canada's competitiveness and critical transportation infrastructure.

Fourth, we will ensure that Transport Canada's policies, programs, and activities meet the needs of the transportation system in the long term.

Finally, we will adopt our government's efficiency and renewal measures.

I'm going to focus the rest of my opening remarks on some particular efforts that we have within Transport Canada. These are tanker safety, investment in key transportation infrastructure projects as part of our gateways and corridors strategy, and of course rail safety.

Turning to tanker safety, we are strengthening our tanker safety regime because we know it protects Canadians and the environment both today and tomorrow. We are anticipating higher growth in marine shipping for oil in Canadian waters, so in the main estimates, you'll note that we are requesting additional authorities in the amount of \$15.8 million for world-class oil spill response. This is a 686% increase from the authorities that were sought in last year's main estimates.

What the regime is based on is this: we want to stop spills from happening in the first place. We want to clean them up if they ever happen, and we want to hold polluters liable for those spills.

This regime introduces new measures, such as increased inspections of foreign tankers in Canadian waters, expanded air surveillance and monitoring of ships in our waters, and a new incident command system to allow the Canadian Coast Guard to respond more effectively to incidents.

To help us achieve a world-class tanker safety system, we have an independent expert panel led by Gordon Houston, the former CEO of Port Metro Vancouver. The panel submitted its first report in November. It made 45 recommendations on how to strengthen the oil spill preparedness and response regime. We take this panel report very seriously and we are engaging communities, the marine industry, and provincial governments about the recommendations that the panel put forth.

The panel's work is going to continue. It's reviewing oil tanker safety measures in the Arctic, as well as marine transport of hazardous and noxious substances. I expect to get a second and final report later this year.

Recently I was in British Columbia and I was able to fly in one of the planes that's operated by our national air surveillance program. I met the team that does that work for us. It's quite the experience. It really did give me an opportunity to appreciate the importance of having those eyes in the sky to see what's happening in the water in very fast time and to see the great work that's being done in this program. I'm really happy that we're doubling funding for the program. That allows the team to significantly increase the number of hours the planes are in the air so that we can better monitor our coasts and ultimately deter potential polluters.

I was told by the team that they were actually the experts who were brought down to the gulf when we had the incident with respect to *Deepwater Horizon* and the spills. They were the eyes in the sky for the United States and provided all the data because we had that capability and the United States didn't. I'm very proud of this program and I know the great work that they do.

Turning to transportation infrastructure projects, economic action plan 2014 recognizes the importance of both trade and investment in Canada's economic future. The role of Canada's transportation system and infrastructure network is to support domestic and international trade in those markets. Through the main estimates we're seeking \$702 million to support some important infrastructure projects through the gateways and corridors funding program.

● (0850)

We focus on supporting international trade with the U.S. and other key partners by ensuring integrated and efficient transportation systems across all modes.

We have to work with the other levels of government and the private sector to do so. We're investing in important infrastructure projects at border crossings and we're bolstering our efforts to coordinate infrastructure investment planning as part of our government's beyond the border initiative. We know that if we improve at the border, cross-border trade will go a long way to ensuring continued economic growth for Canada.

Finally, I would like to turn my attention to what is my top priority, and that's railway safety improvements. In the aftermath of Lac-Mégantic, our government focused on three elements of railway safety, very much like the world-class tanker system: prevention, preparedness and response, and liability and compensation.

One of the first things that happened was that Transport Canada directed rail companies to enhance the safety and security of their operations and to revise rules to apply to all freight trains and equipment, not just to locomotives.

Our government is also accelerating development of and amendments to regulations that are based on the recent amendments to the Railway Safety Act, including those regulations to require railway companies to obtain railway operating certificates once they've met baseline safety requirements, as well as allowing for the administrative monetary penalties because that adds an extra additional enforcement tool in the act.

Transport Canada is also accelerating the development of railway grade crossing regulations. The regulations were published in the *Canada Gazette*, part I, on February 8 for a 90-day comment period.

When we do these things, what we're saying is that we are committed to a safe rail transportation system, not only for our communities but in general for Canada's economic well-being as well.

We have directed companies that import or offer for transport crude oil to conduct classification testing of that oil and make the results available to Transport Canada. We've directed them to update their safety data sheets that they provide to the department's Canadian Transport Emergency Centre, or CANUTEC.

Our actions on railway safety have also included working with the other federal stakeholders. While the Transportation Safety Board of Canada continues to investigate the Lac-Mégantic derailment, it has delivered three key recommendations to improve the transportation of dangerous goods by rail and will provide its final report later this year.

On the last part, with respect to liability and compensation, I feel strongly that we have to hold polluters accountable for accidents, and that as Canadians, we should not be expected to cover the cost of damages. To this end, Transport Canada is consulting stakeholders on how to strengthen the existing liability and compensation regime for rail.

We want to make sure that in the event of an incident, there are sufficient resources available to adequately compensate victims, pay for cleanup costs, and protect taxpayer funds. This complements recent consultations by the Canadian Transportation Agency into the insurance coverage it requires of federally regulated railway companies when they issue the certificates of fitness to them.

To improve prevention, we have published, for comment, new regulatory standards for the DOT-111 railcars. These standards include using thicker steel for the cars, added top fittings, and head shield protection.

As well, Transport Canada has received and published reports from three industry-led working groups who were asked to examine various factors relating to the transportation of dangerous goods, and officials are reviewing these reports now.

We have to work with the United States because both countries need to ensure that the appropriate testing requirements and criteria for crude oil shipments are similar and that they apply proposed new and more stringent tank car construction standards to a broader range of products.

Finally, I want to assure the committee that our response standards on the transportation of crude oil are as rigorous as they need to be, given the increased volume of oil being shipped by rail. To achieve this Transport Canada is working with the Transportation of Dangerous Goods General Policy Advisory Council to develop requirements for the emergency response assistance plan for crude oil.

While all these actions demonstrate how we are working to strengthen the safety of railway transportation together, we have to remember that in general, statistics do show that Canada has one of the safest transportation systems in the world, and what we're doing is just reinforcing a great system and ensuring that safety remains a priority.

• (0855)

The initiatives I've outlined today demonstrate that our government is working to maintain transportation that is safe, secure, efficient and environmentally responsible. We do take this responsibility seriously, and we do welcome input from the committee regarding these efforts.

That concludes my remarks, Mr. Chair. I'd be happy to take any questions from the committee.

The Chair: Thank you very much, Minister.

We'll now move to Mr. Mai.

[Translation]

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you very much, Mr. Chair.

Madam Minister, Deputy Minister, Assistant Deputy Minister and Associate Deputy Minister, thank you all for being here today.

Madam Minister, you have already addressed the issue of rail safety. You talked about the Lac-Mégantic tragedy and DOT-111 tank cars. You mentioned there were three reports, including one that deals specifically with those cars. As you mentioned, the Transportation Safety Board of Canada has had some concerns about those cars for quite some time now, and has made some recommendations. Following the Lac-Mégantic tragedy, it indicated that that was one of the problems.

You talked about working with our partners south of the border. However, can you tell us if a timeframe has been established for taking these cars off the tracks? If so, will that happen now, in five years or in 10 years? I would like clarification, because many people are concerned about this.

[English]

Hon. Lisa Raitt: I agree with you. That is one of the key issues with respect to what we term “means of containment” when you're moving dangerous goods.

If you take a look at the studies we've published, which came back from the advisory council, you can see there are some similarities, but nobody gives a timeline in there. It really is up to us in Transport Canada to determine what we think is a good starting point for the discussion.

In the U.S., they're having discussions around a 10-year timeframe. That's too long. We do agree on that.

We also agree that we have to phase out those earlier DOT-111 models. Some of these cars are 40 years old. They were built in 1974.

We take the matter really seriously. We are in the process of digesting what's in those reports. Officials are preparing to consult with industry on a timeline, but I am mindful of the fact that in

January we heard back from the Transportation Safety Board on this matter and it said that statutorily I had 90 days to report to it. There are some clear deadlines for me, and we are working towards those for sure.

[Translation]

Mr. Hoang Mai: Thank you very much.

I would like to move on to the Canada Post file.

The main estimates talk about \$22 million. On December 11, 2013, Canada Post announced a five-point action plan. During a meeting of the Standing Committee on Transport, Infrastructure and Communities, we learned that there had been no real consultation with the corporation's partners, such as the Canadian Federation of Independent Business, and that charities were not consulted.

One of the problems raised has to do with lettermail service for businesses—

[English]

Mr. Jeff Watson (Essex, CPC): On a point of order, Mr. Chair, with due respect, Canada Post is not part of the main estimates, nor was it part of the opening comment.

I'm sorry, was it? Fair enough.

I stand corrected, I'm sorry. It wasn't in her opening comments is what I meant to say.

Mr. Hoang Mai: That's why I mentioned the \$22 million at the beginning.

[Translation]

One of the problems that affects businesses, and especially small businesses, is the 15% to 35% increase in the cost of lettermail service, which is one of Canada Post's most lucrative services. This will lead to a job erosion rate of at least 6% in small businesses. Small businesses hire about 800,000 people. Thus, nearly 50,000 jobs in small businesses will be lost because they will not have time to adjust to that increase. In the past, rate increases were about 3% a year.

Madam Minister, when you decided to support Canada Post, did you study the possible repercussions this plan would have on small businesses and charities?

• (0900)

[English]

Hon. Lisa Raitt: I think it's important to note that Canada Post is in here along with the purpose, because we do have \$22.2 million going from the government to Canada Post, which is supposed to be self-sufficient. We do so because we want to make sure we can continue to deliver parliamentary mail and material for use by the blind. I know that the opposition knows all about the use of franking in our government.

To answer the question though, I will say that Canada Post is facing the realities of its decreased mail volume, and they have developed a five-point plan, on which they consulted. They consulted across the country. They went to town halls.

[Translation]

Mr. Hoang Mai: Thank you very much.

I'm sorry for interrupting you, but I see that you will not change your position on that plan.

I will therefore move on right away to the question of infrastructure.

When it comes to investing in infrastructure, is the federal government looking for ways to maximize the economic benefits for the Canadian manufacturing sector? For instance, with regard to the Champlain Bridge, our trade partners, the United States and other countries like China, have some concerns. The United States has the Buy American Act.

[English]

The Chair: Mr. Mai, can I just remind you that the ministry of infrastructure isn't her responsibility, but if she wants to respond to it, she can.

Mr. Hoang Mai: On that point of order, the minister actually mentioned trade and investment support and that's part of what Transport Canada is doing.

[Translation]

Are there any policies in place to guarantee economic benefits for Canada? For instance, in the case of the Champlain Bridge, if the iron and steel were purchased from Quebec and Canadian companies, that could really help that industry.

[English]

Hon. Lisa Raitt: With respect to the Champlain Bridge, although my officials at the table can answer the question, I have the Detroit River international crossing and that is subject to a series of agreements between ourselves and the United States. I would look to my officials on the specifics of that one because there has been a lot of discussion already around the Detroit River bridge.

[Translation]

Mr. Louis Lévesque (Deputy Minister, Department of Transport): The infrastructure work that will be funded by Infrastructure Canada and the work related to the new bridge over the St. Lawrence will comply with the procurement rules in place. Those rules allow Canadian businesses to bid, obviously, while fully meeting our international trade obligations.

Mr. Hoang Mai: In other words, the government has not established any policies to guarantee any economic benefits for Canada, while the United States has the Buy American Act, among others.

I will hand it over to Ms. Boutin-Sweet.

[English]

Hon. Lisa Raitt: We take the view that investment is important in order to ensure that we're helping with the borders and stuff. We do expect that the spin-off effects will be beneficial for Canadians in general. We also need to balance that with getting the best value and ensuring that we have an open process in procurement. Those things go into it.

With respect to the closing of our borders or the shrinking of our world in terms of a policy to favour one over another, we don't have that. We believe in ensuring that we have general procurement that abides by transparency, accountability, and best value for the dollar.

We are very confident in our Canadian companies' ability to compete. We're very good at it.

The Chair: Mr. Mai, your time is running out now.

Mr. Hoang Mai: What about the time used on the point of order?

The Chair: We didn't take that time away from you. If you have one last comment, I'll allow it, but just for a few seconds.

Mr. Hoang Mai: Yes, just a few seconds for Madame Boutin-Sweet.

[Translation]

Ms. Marjolaine Boutin-Sweet (Hochelaga, NDP): I had a number of questions on infrastructure, but since they are political in nature, the minister would not be able to answer.

For instance, regarding the Building Canada fund, there are many things the municipalities would like know about the P3 fund or the federal funding that is capped at one-third.

Since the witnesses here today cannot answer those questions, I wish to move the following motion:

That the Standing Committee on Transport, Infrastructure and Communities invite the Honourable Denis Lebel, Minister of Infrastructure, to appear before the Committee regarding the Main Estimates 2014-15 at the earliest available opportunity following the tabling of Part III (Plans and Priorities) 2014-15, and that this meeting be televised.

[English]

The Chair: For your information, Ms. Boutin-Sweet, Mr. Lebel was asked but couldn't attend today. He indicated that he could—pardon me?

● (0905)

Ms. Marjolaine Boutin-Sweet: It wasn't for today.

The Chair: I realize that. I'm just saying this for your information. In my last discussion with them, they were trying to come up with a date. Okay?

We'll now go to Mr. McGuinty for seven minutes.

Mr. David McGuinty (Ottawa South, Lib.): Good morning, Minister and officials. Thanks for being here.

Minister, we only have seven minutes together. I wish we had more time.

Minister, I've always believed that the government has an obligation to get the big things right. I know that you would agree with me that anyone can talk a good game. Governments can talk a good game, cabinets can, and ministers can. I've always believed in following the money. If you want to know where a government's priorities are, follow the money.

I'm going to ask you a couple of very pointed questions, if I could. I'm going to put to you some numbers from your public accounts of last fall. Aviation safety was cut 11%, from \$222 million to \$198 million. Marine safety was cut 25%, from \$75 million to \$56 million. Road safety was cut 5.5%, from \$23 million to \$22 million. I acknowledge rail safety did see a paltry increase from \$32 million to \$34 million. I would put to Canadians that you're spending more on economic action plan advertising, \$42 million this year, compared to \$34 million on rail safety.

Minister, how do you explain these cuts to safety?

Hon. Lisa Raitt: Louis.

Mr. Louis Lévesque: Just for clarity on the numbers and the actions that have been taken, in the case of aviation safety, it's important to note there's been a movement of an element outstanding from one element of the program activity architecture to another element, which is the program that we have to help airports with safety improvements. That reflects fundamentally the change. So it's not really a decline in terms of spending in that area.

I would remind members that, as was said, at the time of implementation of the deficit reduction action plan, there were no reductions to direct oversight positions in the department on aviation safety, on marine safety, on rail safety, and—

Mr. David McGuinty: So there have been no cuts to safety expenditures.

Because of time, sir, you'll understand.... If I had 70 minutes, we would have a much longer discussion. We have seven minutes to dance together.

Mr. Louis Lévesque: I'm telling you the cuts were directed at the overhead in the department. There were no cuts to safety activities in the department.

Mr. David McGuinty: Okay. My next question talks about some more numbers.

The Auditor General's report said, regarding the number of employees Transport Canada needed to oversee that SMS is implemented by the 31 federal railways on a three-year cycle, it required an estimate of 20 system auditors, 20 auditors, to audit each railway once every three years. According to the department, there are currently 10 qualified inspectors for conducting audits. With the current workforce, the department has conducted very few audits, only 26% of the audits that Transport Canada itself said it needed to have completed.

At this pace, it's going to take many years before the department audits all key components of SMS regulations and key safety systems. It's going to take even longer, Minister, now that the department is to oversee some key components of 39 additional non-federal railways.

Here's the question: Minister, how many qualified inspectors does Transport Canada currently have on staff?

Hon. Lisa Raitt: I'm going to turn to my officials on the actual number, because they have a better handle on that.

It does give me the opportunity, with my officials at the table here, to say it's important to note that when the Auditor General's report came out, it was very clearly put to us that we need to do better. We talked to the officials about that. They developed a plan to move forward. But I think it's important that we do acknowledge the fact that those were good recommendations from the Auditor General and that we do need to move forward better.

With respect to the number of inspectors, I'll ask my deputy to respond.

Mr. David McGuinty: Very quickly, Minister, just a number. How many do we have?

Mr. Louis Lévesque: To go back to your question on the audits, clearly the report of the Auditor General indicated that the department needs to do a better job at audits.

Mr. David McGuinty: Mr. Lévesque, I respect your need to clarify. I just need a number. How many do we have?

Mr. Louis Lévesque: We have about 100 inspectors directly on rail, but that doesn't include all the oversight positions. Specifically on that, what we are doing is putting in place a clear action plan that will increase not only the number of inspectors but, as we mentioned, we need to have people who are able to do audits of systems in order to fully implement safety management systems exactly as recommended by the Auditor General.

• (0910)

Mr. David McGuinty: So have you gone from 10 qualified inspectors to 100?

Mr. Louis Lévesque: In terms of rail safety inspectors, we have about 100 inspectors. What the AG is saying is we should have more people who have the skills to do audits.

Mr. David McGuinty: How many of those people do you have?

Mr. Louis Lévesque: I would have to find you the exact number we have at this point.

Mr. David McGuinty: Okay, that would be good. I would appreciate that.

Mr. Louis Lévesque: The instructions to the department are to staff the required positions and implement the action plan put together after the Auditor General's report.

Mr. David McGuinty: Minister, the next number I want to put to you is the \$5-billion disaster in the Canadian grains industry. I think it's fair to state that your government set this in motion. The elimination of the Wheat Board was supposed to provide more opportunities according to your Prime Minister. He has many quotes on the record about getting the trains moving.

I don't know whether you've been meeting with farmers, Minister, about this crisis, but one of the things and one of the questions put to you in the House of Commons yesterday was that more than a year ago, your government was warned that your new law would not work because there's no clear definition of services, no objective way to measure success or failure, no liquidated damages payable to farmers when the railways screw up as they are doing right now. We have ships sitting empty off the coast of British Columbia. We have billions of dollars of grain sitting stockpiled in Canadian farm settings and we can't connect these dots.

You have all the necessary amendments to fix this mess. They have already been drafted. The question that was put to you yesterday is, are you prepared today or tomorrow before the House rises for two weeks to deal with this crisis, to bring those amendments forward in the House for unanimous consent so we can get this done by tomorrow before the House adjourns?

Hon. Lisa Raitt: With all due respect to my learned colleague and friend, amendments that have been proposed will not address some fundamental issues that we have here. The fundamental issue we have to focus on is the fact that we have a crop this year that is 33% higher than it has ever been. It's great for farmers. The frustration for farmers is that the capacity of the railway isn't there to be able to move that to market, and you know, I feel for the farmers, absolutely

Mr. David McGuinty: Why is the capacity not there, Minister?

The Chair: Mr. McGuinty, your time is up—

Hon. Lisa Raitt: You know what? I'm going to answer all your questions, because I think it's a good opportunity to explain, from our point of view in Transport Canada, what our analysis is of what has occurred.

In order to learn how to fix going forward, you have to understand the problem, and there seems to be a focus on amendments to the Fair Rail Freight Service Act from last year, which is a different conversation, and not the one that addresses our problem here right now.

The railways provide a capacity for a normal year, a five-year average, and they do so when they're putting their business plans together. Unfortunately, and fortunately, because this is a two-sided coin here, we have a great harvest and the farmers did extraordinarily well in bringing in production. We do expect that rail should have the capacity to have a surge, a swing, on how much they can provide.

That was exacerbated by the weather we've seen this year. Minus 25 degrees and below causes trains to have to be shortened, and there are concerns with respect to the health and safety of people working in operations.

We ended up having the situation of a huge crop, 33% more, which, if you take a look at it, is 20 million tonnes more than we normally see. That would mean 10 million tonnes for each railway to carry, because they're about fifty-fifty in grain in the country. That exceeds the entire potash industry, for example, in one year, in one fell swoop.

As for what we've done, we met with the CN and CP CEOs on Saturday and went through what they can do and how many cars they can move. They understand the urgency. Of course, I have met with the Canadian Federation of Agriculture and I've met with the grain companies.

The Fair Rail Freight Service Act was passed last year for the purpose of having shippers and railways communicate with each other in order to ensure that we have a smooth system. That legislation has not been utilized by grain or by the railways up to this point, and that's a difficulty. We'd like to see that utilized. More importantly, we'd like to see the railways start accelerating how much they're moving in the Prairies right now, and they've indicated that they would do so.

• (0915)

The Chair: Thank you.

Mr. Komarnicki, you have seven minutes.

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): Thank you for being here, Minister, with your officials. Certainly, the transportation file has been very active in the last particular while.

I come from the Prairies, from Saskatchewan, southeast Saskatchewan in particular. We have the Bakken oil field, which has increased oil transport by railway. We have potash in the riding as well, of course, and we have long stacks of railcars for delivering potash. As you've stated and as Mr. McGuinty has stated, we have a bumper crop, which is a prairie term for a very bountiful harvest.

In Saskatchewan we've seen our economy increase exponentially, by 70% since 2007. Last year the province posted a record oil production of 177 million barrels. Also, of course, the oilseeds and grain crop was at 38.4 million tonnes.

We are hearing from farmers and from elevator companies. They're quite frustrated in terms of not getting the car spots they want. They're not able to load and deliver the cars to ports while ships wait at port, and of course there are markets for the commodities, markets that are anxious to receive the product.

Farmers are concerned about the fact that they are not able to deliver, and about the fact that it's beginning to affect their bottom line. Also, of course, they have cashflow problems. They realize it's winter, but in Saskatchewan, winters generally do get cold. They're wondering what might be done in the short term, because obviously they need to deal with this particular harvest. They're also looking at some long-term solutions, in the sense that this problem isn't going to go away. Even if the bumper crop is delivered, there are a lot of things happening in the Prairies that are exponentially increasing demand. The question they have is whether or not there is capacity there and what Transport might or might not do going forward.

I have two questions. First, with the current grain backlog, in the short term, what is being done and what can be done? Second, in the longer term, is there something we can do? You mentioned in your opening remarks that rail needs to meet the transportation needs going forward in our economy.

Go ahead, Minister. There's a lot in there.

Hon. Lisa Raitt: I appreciate the questions.

I think it shows that everybody's very concerned with respect to what's happening right now. As I said, it's hard to read the stories about farmers who are having difficulties with cashflow. It's hard to read those stories because they have done so well. They have provided wonderful bounty for us, as you pointed out, and the frustration is there about moving it in the short term.

Perhaps I could focus on short term and long term. In the short term, we do have a serious matter because we do have what's going to be a carry-over into the next year. The laws of physics mean that you can only move a certain amount of grain in a certain amount of time based upon what infrastructure the rail has. They do understand the issue. They understand the problem.

Minister Ritz has been meeting with officials for weeks. I have been meeting with officials at the railways as well. What we need is for them to tell us what the highest capacity they can run is, and that they do run that capacity. That's the way, in the short term, we can move the grain and work with the elevators and work with the terminals and work with the ports to ensure that this moves as smoothly as possible, so we don't have a situation where we have 200 cars sitting on a siding waiting to go into a terminal because they're waiting for a different train to come in as well, because those orders have to go out first.

The chain has to have capacity. The chain has to have direction. Those are the things that you work with in terms of operations with those two entities, the grain companies as well as the rail companies.

In the longer term, if I may, what it has shown is that we do have a constriction in our supply chain that wasn't able to deal with two things: an increased amount, and weather with intensity that we had not seen before in terms of operations.

One of the things that came out of the Fair Rail Freight Service Act was that we would set up a commodity supply chain table and ensure that there would be discussions there and that there would be another group that came out of Agriculture to deal with grain as well. Those tables have to work and they have to work together. For a hundred years there has been this tension between railways and grain companies because everybody wants it shipped as fast as possible, and it is the government's role to give good policy overall to smooth that out and ensure that the producers do get their grain to market, that they do get their product to market as well. We're setting up the table, which we'll be announcing soon, from the Fair Rail Freight Service Act. As well we're working with the companies now.

As Minister Ritz pointed out in the House yesterday, all options are being considered right now, just because of the real impact it's having on farmers in the west, and the real concerns. When we come to a position on the options we have before us, we'll be in a place to be able to announce those, and that's not right now.

● (0920)

Mr. Ed Komarnicki: I appreciate that. When we look at the general trends.... A constituent wrote to me drawing to my attention that notwithstanding the bountiful harvest, the trend lines on his farm, because of a variety of reasons, have been trending upward. Production has been on an upward incline. Our oil production in Saskatchewan has been on an upward incline, and the Bakken fuel itself is posing some challenges, and potash also. Everything is sort of trending upwards. The big question everyone wants to know is, is there a capacity issue that needs to be addressed? Is someone looking at that fact? Obviously, we have two rail companies so there are not many options, and we're having trade deals signed fairly frequently these days, essentially with the idea that we would be able to get our product to foreign markets. We're sort of a landlocked country particularly in the Prairies, and the only way to move a lot of our product is by rail, and we only have two rail companies.

Is somebody looking at the capacity issue long term? I'm talking now about five or ten years. Do we have what we need to meet that? It appears it needs some substantial action to take it to the new level, to the new century of what's happening with our country and with our economy.

Hon. Lisa Raitt: As I said in my opening remarks, that's an excellent question. Our role in Transport Canada is to be able to underscore and enforce our government's responsible resource development plan, and that includes what we currently have in our logistics chain. We expect and we want our logistics chain to grow to make sure that it can handle the prosperity that we want to build for our country. That's what we do every day in government; we try to build jobs and growth and long-term employment through our resources and through our agriculture, and we can't have that step in the middle that doesn't allow us to act on what we have been planning for.

The deputy has some numbers, though, that he was going to provide to you.

Mr. Louis Lévesque: I want to go back to what the minister said at the beginning, to put things in context for the committee. A typical crop over the last five years in the Prairies has been around between 50 and 55 million tonnes in total. Last year's crop was 76 million tonnes. Of the crop typically—it depends on year over year—it's about 30 to 35 million tonnes actually going for exports. Obviously, all the additional crop is not going to get consumed in North America. That's the goal for exports.

It's just the size of the increase of around 20 million tonnes to the size of what's actually getting done typically, which is between 30 and 40 million tonnes; that's a massive increase. But it's very clear that the capacity of the system has to be increased. The rail companies have announced significant investments into new capacities in terms to increase over time, but really the issue we're facing is the speed at which these things can come online versus the simple fact of 20 million more tonnes harvested last year than they are typically. This is definitely a huge challenge.

The Chair: Thank you.

Minister, it's not very often I ask a question from the chair, but I'd like to follow up on the discussion about capacity. You may or may not want to comment on this.

I know yourself or Minister Ritz can't tell farmers or shippers where to ship their product, obviously, but I've had it pointed out to me a couple of times by people who I would say are in the know that basically the port of Thunder Bay and the Great Lakes are maybe not being utilized to their best. It's fairly close for wheat out of Manitoba or maybe even the eastern part of Saskatchewan to go towards Thunder Bay and out through the Great Lakes.

I don't know whether you want to comment on that, but is that an option that's worth looking at?

● (0925)

Hon. Lisa Raitt: We have to maximize whatever way we have to move the grain, there's no question. But you're right; farmers want to sell to where they want to sell in terms of market so that's important.

What we have right now are certain corridors we can use. It seems to be felt that the easiest corridor to move, the fastest corridor to move, is of course going to the west coast, Prince Rupert or Port Metro Vancouver and all the terminals that have been built out there.

We also have other ways. We have Churchill, which is utilized sometimes. We have a U.S. route. We can go to the east coast directly into Halifax and along the way there. As well we have Thunder Bay. We utilize marine mode of transport in order to move it out of the system. Ideally all of these modes work. Ideally that allows us to move as quickly as we can as much grain as we can.

One of the things that wasn't mentioned yet is the way the markets work this year. What became clear as well is that it's one thing to plan for what is a normal crop, but it's another thing to plan to exceed it in whatever percentages you can talk about, but when all the orders come in at the same time.... Normally you can run about 4,200 cars per railway to the west coast. When an order comes in for 7,200 cars, you can see there is a discrepancy in terms of what's possible and what's not.

You know what? I'm not here to be apologetic for the railways. Our role in Transport Canada is to ensure that we understand the chain and that we do as much as we can to ensure that we balance that relationship. What we want in the government is for economic prosperity for everybody and getting to move our product to market. That's what we're going to continue to work on.

I'm glad you mentioned Thunder Bay, Mr. Chair, because it is a viable alternative, and it is a place.

Now, the Great Lakes are frozen right now, so it is a route that is limited by weather. It's great to be in Canada, but absolutely, utilization of all our modes, and just continue to do what we're doing well in the world.... We're number eight in the world in terms of wheat. I'd like to move up on that list.

The Chair: Thank you.

Mr. Watson, for seven minutes, please.

Mr. Jeff Watson: Thank you, Mr. Chair, for mentioning the H₂O highway through the Great Lakes. There's record ice this year actually. Requests for icebreaking are up almost 25% on the Great Lakes.

Mr. Chair, I have a couple of brief comments and then I'll be splitting my time with Ms. Young.

First of all, with respect to Mr. Mai and the issue of Canadian content on the project that we're responsible for, which is the DRIC, Detroit River international crossing, we do have a waiver from buy American provisions that will allow both U.S. and Canadian steel on a very important project between our two nations.

It's rare that I find myself agreeing with Mr. McGuinty, but following the money is very important. In fact, I think there is a committee and an auditor general in Ontario who are following the money on the cancellation of two gas plants there, but I digress for a moment.

Mr. Lévesque, the airports capital assistance program, which is really critical for small airports particularly to ensure they are up to a high level of safety as per what they are regulated to do, if we were to follow Mr. McGuinty's narrative, that program was eliminated entirely.

That's not the case is it, Mr. Lévesque?

Mr. Louis Lévesque: No.

Mr. Jeff Watson: No. In fact, it's being accounted for under transportation infrastructure rather than under the aviation safety rubric. Is that correct?

Mr. Louis Lévesque: Correct.

I can ask Helena to answer that.

Mr. Jeff Watson: Well, I have the answer to that, which is "yes".

That's important, because we're dealing with infrastructure improvements that include everything from runway and taxiway improvements to important lighting investments and aircraft fire-fighting equipment. The list goes on and on. In fact, aviation safety with that program is being entirely preserved.

I know that doesn't fit the opposition narrative about cuts, but in fact, overall spending in the estimates is up for the department 9.5%, almost 10%. Is that correct?

Mr. Louis Lévesque: [*Inaudible—Editor*]...correct.

Mr. Jeff Watson: That is correct. Okay.

Mr. Chair, my questions are done. I'll defer to Ms. Young.

The Chair: Ms. Young.

Ms. Wai Young (Vancouver South, CPC): Thank you so much, Minister, for being here today, and thanks to the department representatives.

I come from British Columbia. I want to talk about some things that are important to us out on the west coast. That includes the world-class tanker safety system. On top of that, I have a couple of other questions. I just want to give you a bit of a heads-up in case we don't get there and you want to do some prep. The second question I want to ask is around the clean water from transportation program. The third one is about the gas tax.

Regarding the world-class tanker safety program, in my constituency many people come up to me and ask me questions, for example, what is it, and how can you assure us that this is a world-class tanker safety program and that these aren't just words? I'd like to give the minister and the department staff an opportunity to answer these questions.

Why is this program needed? Why do we know that Canada needs this program? What are the changes being made to assure British Columbians and other Canadians that this is a world-class tanker safety program?

• (0930)

Hon. Lisa Raitt: Absolutely, thank you for the opportunity.

It's something that our government took seriously. It was announced actually last year by Minister Lebel and Minister Oliver. We've been talking about it in the context that we're recognizing the fact that we're going to see increased shipping on the west coast.

The reality, however, is that shipping happens on all of our coasts, and it's important to ensure that we have the rules, regulations and systems in place in order to protect if there is an incident. You start with prevention. In prevention you just make sure that you inspect a vessel as it comes in, a foreign vessel coming into waters, to make sure they are seaworthy, that they're not going to have an accident, that they're not going to spill. We also ensure that they understand where our markers are, where our channels are, that the coast guard has a mapping and they understand what's going on there.

The second piece of it is that if there is a spill, or if it is leaking, or if it is not seaworthy, we can see it quickly. That's where NASP, our national aeronautics security program, comes in. It's really important to know when something is happening so that you can respond to it quickly. I think a lot of British Columbians worry about that, because the coast is beautiful and they don't want it spoiled. We know that if we get to it quickly and are prepared to deal with a spill, this will make us world-class as well.

The other things that have to happen within the safety initiative are things that are not necessarily involved with Transport Canada. They're things like doing some research on non-conventional petroleum products to make sure that we understand what it behaves like in the water so that we have the appropriate spill response there as well too.

With the increased shipping that will be coming to the B.C. coast, it's important to show Canadians that we have a great system in place, but we can make it better. The tanker safety panel studied it for us and gave us recommendations, and those are the recommendations that we're working towards.

Ms. Wai Young: Our committee recently passed the safeguarding Canada's seas and skies act with no amendments. I understand within that act we actually increased the number of inspectors. Is that correct? Can you address that issue and why the number increased?

Hon. Lisa Raitt: We increased the national aerial surveillance program, or NASP as I call it. As I said, I'm very happy that the committee passed Bill C-3, because it allows this program to get a doubling of their funds. That allows them more time in the air and more time to be able to....

Most recently I can tell you that they spotted a sailboat that was in distress and they rescued people who were out of water and out of food. They were able to call in to the coast guard to tell them that they had spotted somebody.

Having eyes in the sky is really important in terms of looking for spills and looking for leaks, but it's good for safety in general too.

Ms. Wai Young: Turning to the clean water from transportation program, I understand there is a 686% increase for that particular program. Can you explain to us what that is about?

Hon. Lisa Raitt: Yes, certainly.

Ms. Helena Borges (Associate Deputy Minister, Department of Transport): That amount is actually attributed to the world-class tanker safety system funding. There's a total of almost \$60 million of increased funding. Of that, there's about \$15 million for operating resources such as the national aerial surveillance program, as well as the increased inspections that you were referring to, and some capital

money that is required to equip our aircraft to do this kind of surveillance.

It's all additional new money that was given to the department because of the world-class tanker safety system.

Ms. Wai Young: Can we be assured as Canadians that with these changes and with the increase in funding our system will be world-class?

Hon. Lisa Raitt: Absolutely, that's the intention, to make sure that what we have in place is world-class. We're working with the recommendations that we have received and we're discussing them with industry. We'll continue to strengthen our system and that is absolutely the goal.

• (0935)

Ms. Wai Young: Thank you.

The Chair: Thank you. Your time has expired.

Mr. Sullivan, for five minutes.

Mr. Mike Sullivan (York South—Weston, NDP): Thank you, Madam Minister, for being here.

VIA Rail estimates are very difficult to fathom because most of them, last year at least, were in the supplementary estimates as opposed to the main estimates, so we have a main estimate that's \$4 million less than last year's main estimate.

I want to approach it from the notion of the spending on capital that the federal government did in 2007 to 2009 that has extended into this year and is continuing to be spent a little bit. There was \$501 million of capital expenditures over the past six years, all of which was in Ontario.

Madam Minister, when the communities between Miramichi and Bathurst are threatened with the removal of their passenger train service as a result of CN abandoning a line and the federal government apparently doesn't have \$10 million to help out New Brunswick, why is the federal government willing to help Ontario but not New Brunswick?

Hon. Lisa Raitt: We're very proud of our investment in VIA Rail over the past number of years. It's actually in the billion dollar range what we've done in terms of capital. I wouldn't contrast that with respect to New Brunswick. VIA Rail provided their business plan. They indicated the areas in which they needed capital improvements and that's what we funded. We followed their business plan and this is what they came to us with.

What I can say with respect to New Brunswick is what I've been saying in the House, which is that CN is in the process of abandoning that portion of the line. They have asked the federal government if they'd like to purchase it as they go through the process in the CTA and we've indicated no.

One thing to note is that it's not the cessation of VIA Rail service, as there is another route through New Brunswick, but I do take the point that their concern is it's going to be losing service in the Miramichi-Campbellton area. We are working with VIA Rail on the issue. We understand the concerns of people in New Brunswick regarding the matter.

At the end of the day, VIA Rail is in the position to take decisions that they have to in order to make sure they're running as efficiently as possible based upon what their passenger network is. But it doesn't mean we can't continue to have conversations about the matter as we progress through the CTA process that CN is in. As I've indicated to my colleagues in New Brunswick, we'll continue to have discussions around it and understand what their concerns are, but VIA Rail will not be ceasing service throughout New Brunswick because they do have an alternate route to take.

Mr. Mike Sullivan: Except the alternate route goes through Plaster Rock and nobody lives there. That's the problem. There's a whole lot of people who live between Miramichi and Bathurst who need the train.

Switching gears a little bit to the issue of rail safety and the DOT-111 tank cars, which as far back as 1991 were deemed to be unsafe for the transportation of dangerous goods, you and your officials will have noted there has been a 600-fold increase in the use of these cars for transportation of dangerous goods in Canada, in that crude oil is considered a dangerous good. It isn't currently considered a dangerous good in the same manner by Transport Canada. At least that's what they told us in committee in November, that the DOT-111s are safe for the transportation of crude oil, but they're looking at that.

There are two things. It appears that Transport Canada has not yet done a risk analysis of this 600-fold increase in the transportation of what is, as we discovered in Lac-Mégantic, a dangerous good. In addition, you suggested that we should be following the same kinds of regulations that are going on in the States. As far as I am aware, the U.S. is way ahead of us in some aspects of that. They have now ordered trains to go slow through cities. We have not. They have ordered that trains not go through certain large cities. We have not. What is the ministry doing about making our system as safe as that in the U.S.?

Hon. Lisa Raitt: I'm very proud of our system, and we compare very well to the United States.

What you're referring to is a recent directive that came out of the United States with respect to the operation of trains and what they should be doing. We already have those standards here in Canada. We already have a decreased level of speed for certain goods. The difficulty with respect to rerouting, which the United States is looking at, is that we simply don't have the same amount of infrastructure they do, or the same number of options they have in terms of a rail network.

Let me back it up by saying we've worked very hard with the Federation of Canadian Municipalities on their concerns with respect to transportation of dangerous goods in communities. We issued a protective directive to ensure that they're receiving the information they can and that the communication between the railways and the communities is there so that they can talk about the transportation of dangerous goods in their area as well.

The DOT-111 cars, as I mentioned earlier just for your sake, we are going to phase out. The point of decision is how long it will take to phase out the old DOT-111s. We've already taken a step that the United States has not taken, which is to publish in the *Gazette* new regulations we'd like to pass to ensure that any construction of new

tank cars be done to a higher standard. That does not exist in the United States and there is instead a loose agreement in the industry that this is what they'll build to. We are implementing it into regulation to ensure that it's in place.

As I mentioned, the Transportation Safety Board gave us three recommendations in January. I'm mindful of the time in which I have to report back to the Transportation Safety Board. We're going to be working with those advisory committees that we set up in order to discuss transportation of dangerous goods, means of containment, classification, and of course, response and ERAPs. With those things in hand, we'll be able to set policy moving forward and to make some decisions.

● (0940)

The Chair: Thank you very much.

Mr. Toet, you have the last five minutes.

Mr. Lawrence Toet (Elmwood—Transcona, CPC): Thank you, Mr. Chair.

I want to put on the record the fact that there have been some questions here about the cold weather. Many people have asked why, when Canada is cold, would the cold weather be affecting the trains this year. I can attest to the fact that in Manitoba, where I'm from, in December we set a record for the coldest December we've had in over 100 years. December and January combined were the second coldest in over 100 years. It has been an extremely cold winter. I'm not saying that to excuse anybody, but we have to deal with the reality. To make it sound as though this has not been an extraordinarily cold winter, which some people have done, is not a fair thing to do. I want to make sure that's there.

Anybody who's on the Prairies, whether they're in a rural or an urban setting, understands the importance of agriculture and how important it is to our economy in the Prairies to address this situation as quickly as we can and to look at the long term. I'm glad to hear that there is both a short-term and a long-term outlook of how we're going to deal with this going forward, to make sure we don't run into this situation again in the future. It is very, very important for our prairie regions.

I also want to touch on the DOT-111s. You talked about some of the enhancements to them and the standards we're going to put in on the new DOT-111s. We talked about the timeframe. I'm glad that you made the statement that 10 years is too long. I'm glad we're trying to be very aggressive on this moving forward. I think it's also important to have a good understanding of what the new standards will be. Maybe you could speak to what the new standards for the DOT-111s will be.

Hon. Lisa Raitt: That's a great question, because there is another set of discussions happening.

We have published in the *Gazette* the standards we believe they should be built to. It's something the industry has been abiding by since 2011. There are a good number of improved DOT-111s already on the rails or being purchased. We wanted to ensure that we embedded the new standards in regulation, and that's what we're doing.

There's another discussion happening in the United States. That has to do with, beyond this new regulatory aspect, what a new DOT-111 car would look like. Those discussions are happening within the systems down there. We're monitoring those. We're a part of them, and the railways in Canada are a part of them as well. The goal of everybody is to ensure that we move dangerous goods, crude oil or whatever is inside them, as safely as possible. That's something that all industry can do.

Two weeks ago, Irving Oil made the decision that they would not accept cars that were not up to the new standard that we just published in regulations. That was a business decision they made. I commend them for it, because they are doing something without having to be forced to do it by regulation.

I would expect that other industries, companies, and shippers will be taking a look at the DOT-111 cars and the recommendations that have been made over the years and would come to the same conclusion, while we continue to do what we're doing on our side to make sure that we have that regulatory or policy oversight moving as quickly as we can and given the conditions we have with respect to the United States. There are a number of conversations taking place. Both sides of the border and Transport are seized with this issue. It's a very important issue. It's important that we get it correct, that we can work together, and that we do so without having a detrimental impact upon our supply chain and our prosperity.

● (0945)

Mr. Lawrence Toet: Continuing on the rail safety aspect of it, I understand that you asked your advisory council to get back to you with recommendations on rail safety. I wonder if you could give us an update on those recommendations.

Hon. Lisa Raitt: All the industry-led groups responded in the timeframe. They've provided us with some good reports which we have published on our website in both official languages.

The officials are going through them right now, developing recommendations and advice for us on how to proceed. As I said earlier, I'm mindful of the fact that we do have a deadline with respect to a response to the Transportation Safety Board. We're doing our work right now on how to respond and what to do moving forward with respect to the matters that are before us.

Mr. Lawrence Toet: There is one last question that I want to ask. It's actually in regard to rail crossings. Especially in the city of Winnipeg, we have a lot of grade crossings. I understand there is some work that is going forward, especially since the tragic accident we had here with OC Transpo bus and the VIA Rail train collision, and that's a really close look at grade-crossing safety measures. I wonder if you could expand on those because that's something that's very, very important to my area of Manitoba.

Hon. Lisa Raitt: For 20 years there have been conversations going on between municipalities and owners of rail about what is acceptable in terms of grade crossings, because fundamentally, you want to make sure that if there's an intersection of people with rail, you make it as safe as possible.

One thing we do have in the department is a program to help with assistance for closing some of these crossings. I'm proud that we fund that and that we disburse grants in that way.

More importantly, we actually did get agreement and we proceeded with respect to publishing new regulations on grade crossings. It's incredibly important to ensure that municipalities and the rail work together. It's not just about safety. It's about timing. It's about signalling. There is a lot embedded in there, and it's a great coup that we were able to move these forward into the *Canada Gazette*. I look forward to the closing of the commentary period and moving on the process and having them in place.

The Chair: Thanks very much.

Our time has run out. I know you have cabinet you have to get to, Minister, but I'm going to give you the opportunity to make some closing comments.

Hon. Lisa Raitt: Mr. Chair, I'm in your hands on this. As you know, I had made a recommendation to the committee that you continue to study the transportation of dangerous goods. I would hope the committee would consider that study on an urgent basis and that you would start receiving comments and representations on that matter.

It's really important that we continue to focus, and it's not just what we do here in government, but it's what you can do as well to ensure the safety for our Canadian communities and citizens. It's really important work and I appreciate your moving forward on it.

The Chair: Thank you. On that note, I can tell you, Minister, that at our first meeting back after the break we'll be going right into that with witnesses.

Thanks again, Minister. Mr. Lapointe, Mr. Lévesque, and Ms. Borges, thanks for being here.

We're going in camera to deal with some committee business, so I would ask everyone except for staff to please vacate the room as quickly as possible. Thank you.

We'll just recess for a couple of minutes.

[*Proceedings continue in camera*]

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