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Vice-Chair

Mr. Luc Berthold

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•(0845)

[Translation]

The Vice-Chair (Mr. Luc Berthold (Mégantic—L'Érable, CPC)): I call the meeting to order.

Good morning, everyone.

Thank you very much for attending the meeting this morning.

We are pleased to welcome the Honourable David Emerson, who kindly accepted the committee's invitation. Mr. Emerson, thank you for coming to answer the various questions that the members will want to ask you this morning.

We will also be hearing from Murad Al-Katib. He is in Regina, Saskatchewan, and is joining us by videoconference.

Good morning, Mr. Al-Katib. Thank you very much for joining us.

[English]

Mr. Murad Al-Katib (Former Advisor, Canada Transportation Act Review Panel, As an Individual): Good morning. Thank you very much for having me.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Without further delay, I give the floor to the Honourable David Emerson, for his opening remarks.

[English]

Hon. David Emerson (Former Chair, Canada Transportation Act Review Panel, As an Individual): Thank you very much, Mr. Chair and honourable members. It's really good to be here.

I have to say that the report we're really focused on today was initiated nearly two years ago, and was submitted to the Minister of Transport about eight months ago, so I've had lots of soak time or gestation time to reflect. I have intentionally stayed away from the media and I've stayed away from conferences and symposia. I really did not want to become the object of the report, as it were. I wanted the report to be debated as a document of substance.

If I can say so, while many people refer to it as the Emerson report, it is actually not the Emerson report. A five-person advisory panel worked with me. I chaired the panel. Murad Al-Katib was one of the experts on the panel. He has a deep knowledge of the agricultural sectors in Canada. We also had on the panel Duncan Dee, a former senior executive at Air Canada; Marcella Szel, a former senior executive at CP Rail; Marie-Lucie Morin, my former deputy minister when I was in trade and foreign affairs, and she's

actually in the back of the room today; and David Cardin, who was a senior executive with Maersk, the largest shipping company in the world.

The report was really intended to look out 25 to 30 years. It was not intended to be a micro here and now to-do list. What we tried to do was place Canada in the context of some of the major geopolitical forces that will affect our country and our economy over the next few decades and ask what we need to be doing today to be ready to be globally competitive and economically successful two or three decades out. I can tell you that two or three decades is not a long time in the world of transportation. Most of you will be all too familiar with infrastructure projects that are in the planning stages and approval stages for sometimes multiple decades or until they die, whichever comes first. Usually they die, as we saw with the Mackenzie Valley pipeline. It's the same with regulation. When you're changing regulation in the transportation sector, you really have to be looking out at a very, very long-term perspective in order to enable what is a very, very complex transportation system to adjust to any changes that are material in terms of the right policy and regulation.

I would really just focus on the emphasis in the report. There are a couple of things I would note rather than take you through any detail. The first is we have attempted, as I've already suggested, to link transportation issues and transportation policy, regulation, and so on to the Canadian economy. The linkage is through trade. Transportation has now, in my opinion, become actually more important than trade policy to trade success, because in reality there is so much international investment that allows commercial footprints to span the globe, and tariffs have been relatively low these days, that transportation actually is a larger component of overall cost structures than almost anything you can think of on the trade front. If you get transportation right, that will be the number one way to ensure the competitiveness of the country going forward.

•(0850)

Linkage to trade and economic success.... Of course, transportation is the glue that in many respects binds the country together. We are a hugely expansive country with a thin population spread among three oceans, and transportation is absolutely critical to the unity and cohesion of the country. It is vital to the national character, if you like.

Rather than pointing to a specific recommendation, I believe the most important thing for the government to do is get decision-making right. That's why I urge you to pay close attention to the chapter on governance. Governance is all about decision-making—from big policy decision-making that has to span all of government, right down to the minutia of regulatory decision-making—that you have to get right, that has to be in real time, and that has to be extremely well informed by good information. Yes, we have individual recommendations throughout the report, but if you don't get governance right, you're really not doing very much. You're playing around at the edges.

With that, I will rest my case and respond to questions, Mr. Chair.

● (0855)

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Emerson.

I want to thank you and your entire team for the excellent work you have done, and all the time you have spent in preparing this report. The members of the committee have very much looked forward to having you here so that they could discuss it with you.

I have a clarification for the members with us today. We are dealing with two topics this morning. There is no precise order. We will have two hours with Mr. Emerson. Feel free to move from one topic to the other; that is not a problem. That is what we agreed with the clerk here. There will be no second round of opening remarks this morning. We want a dialogue with Mr. Emerson in the two hours in which we are fortunate enough to have him with us.

For the first round of questions, I give the floor to Kelly Block.

[*English*]

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Mr. Chair.

I appreciate this opportunity to have this dialogue with you, Mr. Emerson. I want to welcome you to the committee.

I know a focus of the report is around interswitching, so I'm going to start with some of my questions around interswitching. On page 165 of the report, the review recommends that the Government of Canada allow the extended 160-kilometre interswitching limits to sunset.

I want to ask you a little about that. This is the second day of our study. We've heard from some producers, and I've heard from individuals in my riding since the report was made public—my riding is a very large rural riding—that they are concerned that this was a recommendation within this report, specifically, I guess, because of the changing landscape in the Prairies when it comes to the number of places where you can load or unload your grain. One of the members from the CTA on Tuesday stated that interswitching is a tool used to address a market failure.

First, would you define what happened in 2013 as a market failure or just simply a number of extraordinary events coming together to create the pressure we saw in the Prairies when it came to moving grain?

Second, would you comment on the changing landscape, and why you thought it appropriate to recommend the sunset of this length of interswitching.

Hon. David Emerson: Thank you very much for that question.

I take you back to the foundation upon which we developed our thinking on transportation issues, and that was to look out 25 to 30 years. The interswitching debate is really a very narrow debate because interswitching, as you know, applies only to certain provinces and only applies to grain. It is an attempt to add a dimension of competition into a system that, to be very blunt, is rife with power imbalances between major service providers and small shippers.

Throughout the transportation system, not just in rail, there is an enormous range of issues that involve near monopolies, or natural monopolies as they're referred to. You do get a tremendous amount of friction in the system that results from power imbalances between service providers and their customers. Interswitching is one small tool to help the agricultural sector around that.

Our view was that, yes, we should have provisions for interswitching, but over time, and I'm talking about over decades. We really should be not just focusing on interswitching as it relates to grain, or as it relates to three provinces; we need to look at interswitching in a larger sense.

Part of the recommendations of the report call for a re-mandating of the Canadian Transportation Agency, and an enhanced resource base for the agency so that the agency could make determinations across a whole range of shippers who feel they are disadvantaged by their local situation or local service provider, and give the agency the flexibility to mandate interswitching. It could be 160; it could be more than that or less than that. Ideally, it should probably cover other commodities as well. Our view was that the 160 is arbitrary. It's narrow in terms of public policy considerations forward and it should be broadened.

● (0900)

Mrs. Kelly Block: Thank you very much.

From reading the piece of legislation, Bill C-30, it's my understanding that interswitching can be applied to other commodities and take into account the various regions across the country. It's my understanding that there are various rates also contemplated. Interswitching goes back to 1904. It started with a four-mile distance. Now there are a number of distances contemplated.

If 92% of producers now have access at the 160-kilometre distance for interswitching, more than they did have before that was implemented, why wouldn't you just keep it in the legislation and then go ahead and contemplate longer distances if that made more sense?

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): A quick answer, please, Mr. Emerson.

[English]

Hon. David Emerson: I don't think it's a big problem to leave it in, to be honest with you, but I do think it's a big problem if there isn't consideration to a longer-term evolution to allow a broader interswitching capacity going forward.

Mr. Al-Katib is actually our expert on the panel. Murad, do you want to make a quick comment on interswitching?

[Translation]

The Vice-Chair (Mr. Luc Berthold): Unfortunately, the time is up.

I will ask Mr. Al-Katib to keep his answer for a little later.

I must now give the floor to Mr. Badawey.

[English]

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chairman.

Mr. Emerson, welcome. It's a pleasure to have you here this morning.

I'm going to start off with a question with respect to the role of the federal government. What role do you think or envision the federal government should take to ensure that the private sector, municipal and provincial governments, and other stakeholders, customers, passengers, and so on and so forth...? What role and what steps should be taken and be necessary to ensure that the Canadian transportation system stays globally competitive?

Hon. David Emerson: In the report, as I indicated earlier, there is a whole chapter on governance. Part of the governance improvements would include the establishment of a transportation and logistics advisory council that would incorporate all of the different shipping interests, as well as provincial and local governments represented in some way in terms of an ongoing, well informed, almost real-time reflection on the transportation system and how it evolves going forward. That is critically important.

As I said earlier, a re-mandated CTA is extremely important. The transportation system and transportation policy have evolved over the last few decades from a deeply regulated, government-heavy transportation system to one that is highly market-oriented these days.

• (0905)

Mr. Vance Badawey: Let's dig down on that a bit more, because that was my next question with respect to the CTA. The CTA has a legislated mandate. Do you find that as part of that legislated mandate they can include what we're discussing here versus another body?

Hon. David Emerson: No is the short answer. In government there is a lack of a cross-government mechanism for policy in the various departments. Whether it's international trade, global affairs, environment, environmental issues, or northern issues, there is a need within government for a broader focus on transportation as a key foundation of government economic policy. That has to be beyond the CTA, which has a more restricted regulatory focus. I believe you need advisory mechanisms that include the various elements of the transportation and logistics system, and you need a

significant amount of input from financial institutions as well. To enable the transportation system to grow and thrive in the future takes a lot more money than the government can possibly throw at it, and you're going to need the private sector to come to the table. Government is going to have to learn how to enable the private sector to make a bigger contribution.

Mr. Vance Badawey: With respect to those investments, and aligning the strategy with infrastructure investments, you make great mention in the report about how important it is to align those infrastructure investments with the transportation strategy, and with that better returns, better outcomes, and performance measures.

When you look at those investments, and you look at some of the decisions that this committee is looking at now, do you find that a lot of decisions are being made too quickly versus coming out with a strategy first and then making those decisions? What I'm getting at, with respect to the interswitching, to sunset it too early may not be to the best advantage of the industry. Do you find it would be advantageous to look at a strategy first and then sunset it post-strategy?

Hon. David Emerson: I generally believe, apart from crisis management, which is by its very nature immediate, you're always better off to have a strategy and make your individual decisions within the context of a strategy.

Mr. Vance Badawey: With respect to the gateways—you mentioned trade corridors and gateways in your report—Canada, to some extent in the early part of the century built a railroad, but never necessarily integrated the railroad with water, road, and air. Do you find that moving ahead it's advantageous to begin the process of establishing gateways, establishing trade corridors based on the strengths of the different parts of our country, and then from there making those investments with respect to infrastructure?

Hon. David Emerson: There is no doubt in my mind that trade corridors and gateways are critical to the efficiency of the transportation system and the way it supports international trade going forward. In the report we have talked extensively about trade corridors and gateways. We've spoken of the need for the Government of Canada to play a leadership role in ensuring if not the sanctity, then at least the durability and preservation of critical transportation and logistic corridors going forward. Urban encroachment and various other disruptions can create bottlenecks and true competitive crises and problems if those corridors are not preserved and enabled to operate fluidly and efficiently.

Mr. Vance Badawey: Great. Thank you, Mr. Emerson.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

The floor now goes to Robert Aubin.

Mr. Robert Aubin (Trois-Rivières, NDP): Thank you, Mr. Chair.

Mr. Emerson, Mr. Al-Katib, welcome. It is a pleasure for us to get your insight and expertise on the work we are doing.

Mr. Emerson, as the new arrival in the Standing Committee on Transport, Infrastructure and Communities, I spent the last few days reading your report. So feel free to correct me if my understanding of what you said is in error.

If we proceed from the general to the specific, it seemed to me at first that the entire report is based on the fact that our market is already competitive. After hearing from a number of witnesses, I get the impression that we can at least question Canada's competitiveness in transportation.

What leads you to the assertion that the market in Canada is competitive?

• (0910)

[English]

Hon. David Emerson: I think once you have a chance to reflect on the report in its entirety, you'll see we do not argue that the transportation system is entirely competitive. In my opening remarks I alluded to enormous and numerous power imbalances in the system because of the nature of transportation and the natural monopolies that prevail, whether it's airports or railways or ports. There are some significant elements where competition is really not effective.

However, the Canadian economy is a trading economy, one of the most trade intensive economies in the world, and our transportation systems compete with the transportation systems in the U.S. and other countries. In that sense, there's a tremendous amount of competition between our railways and American railways, between our ports and American ports, between our airports and American airports, and between our airlines. Even if, for example, Air Canada is in an oligopoly situation in Canada, it's in a highly competitive international market. You have a combination of micro-competitive imbalances with macro-competitive forces that are actually very strong.

[Translation]

Mr. Robert Aubin: Thank you.

In your answer to a previous question, you talked about the importance of the influx of private sector funds. You mentioned it in your report, even highlighting the percentage of potential foreign participation in the airport industry.

However, one reality will never change in Canada, certainly not in the next 25 years. That is our geography. We have a vast country with some remote regions, the northern regions, for example.

If we open the door to the private sector wider, how do we go about reaching those regions and making sure that they will have equivalent services, knowing as we do that profitability will probably never be in prospect?

[English]

Hon. David Emerson: That's a really good comment. The report is quite emphatic that isolated communities, with particular reference to the north, will not be served effectively by free market competition. The distances are huge. The passenger loads are very thin or small. The ability to finance transportation infrastructure in

isolated communities is just not there. You won't get private investment, so we are quite emphatic that government must play a much bigger role, particularly in some of the more remote parts of the country.

I don't know if that answers your question.

In reference to more private sector investment in major transportation facilities, we have called for the advisability of allowing institutional investors—not public markets, but institutional investors—to play a bigger role in financing airports and ports, for example. We believe that can be done with government guidelines and contracts and arrangements that would actually enable massive amounts of long-term stable money to flow into Canadian infrastructure. In fact, the Caisse is doing that in Quebec, as you know.

[Translation]

Mr. Robert Aubin: Thank you.

Do I have a minute left, Mr. Chair?

So I would like to pass the floor to Mr. Al-Katib so that he can answer my colleague's question. The question interests me as well.

[English]

Mr. Murad Al-Katib: Which question?

• (0915)

Hon. David Emerson: The interswitching issue. Give him your 30-second elevator talk.

Mr. Murad Al-Katib: Yes, sure, I will.

On interswitching, I think a very important consideration is that during the deliberations, we had a very limited ability to poll examples of actual utilization of the interswitching provisions that were extended out to 160 kilometres. That said, when we do look at it in a kind of post-report reflection, we see that shippers don't agree that the infrequent use of that provision makes the feature of their regulatory regime have limited effectiveness or impact. The measure of success of interswitching, in the eyes of many shippers, is how it actually creates that competitive force.

One of the things that we have to be very clear on is that industry took that recommendation to mean that we thought interswitching was not important. What we recommended was sunseting the 160 kilometres and putting it back into the hands of the agency to allow them to determine the appropriate distances in the appropriate cases. I think this is what Mr. Emerson is referring to: the need for a cohesive mandate and strategy around utilization of interswitching as a competitive measure provision. I think that's important. We do recognize the importance of it; it was much more the methodology, the arbitrary nature of the 160 kilometres that we were really commenting on.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Al-Katib.

The floor now goes to Mr. Iacono.

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Mr. Chair.

Good morning, Mr. Emerson and Mr. Al-Katib. Mr. Chair, I will be sharing my time with my colleague Sean Fraser.

Mr. Emerson, I have some questions about your report.

In terms of grain transportation, it is suggested that the system for storing and transporting grain not be too regulated. Roles and responsibilities should be clear. Who has those roles and responsibilities? Do they belong to the rail companies and to farmers? How can we define clear roles without having some kind of regulation?

[English]

Hon. David Emerson: In the report, we were quite emphatic that the transportation system, first off, is a system. It's a very complex system with many moving parts, many different companies and players involved. The grain system is no different.

On the grain side, we argue in the report that we need to have a forum or a mechanism through which all of the different interests in the agricultural or grain community—the railways, the grain company, the ports, the shipping companies, the farmers—can come together. You need them all around the table, thinking long term, and basically equipped with much better and more reliable information than they now have, to ensure that there is an ongoing tracking of priorities and anticipation of potential bottlenecks.

For example, the 2013-14 grain crisis could have largely been avoided if everybody in the system had all of the information that somebody else had and if it had been pooled together and used for anticipatory decision-making at that time. However, the system is fragmented, and decision-making is fragmented, and we got the crisis that we had in 2013-14.

Murad, you're the expert.

Mr. Murad Al-Katib: The key foundational elements of the recommendation related to roles and responsibilities of a commercial system are adequate information and powers of the agency to be able to investigate and act on its accord to examine systemic issues within the transportation system.

Today the CTA is entirely reactive to a complaint. We think a legislative regulatory body should be able to investigate, and then dispute resolution mechanisms are really the key element. If we put in place dispute resolution mechanisms that function appropriately, then we encourage commercial solutions. Service level agreements between railways and shippers are a means by which regulation can encourage the commercial outcome. They include things like reciprocal financial consequences. If a railway has a right to charge demurrage, a shipper should have the right to charge for their failure.

The term “reciprocity” is used in our report, and that has to be interpreted very clearly as reciprocal rights to solve the imbalance in power through commercial contracts. I think that's the point of not over-regulating. I've used the term very clearly in our consultations. Be careful: over-regulation can, in fact, cripple the system and make us very inefficient.

● (0920)

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Fraser, you have two minutes.

[English]

Mr. Sean Fraser (Central Nova, Lib.): I'll start with Mr. Al-Katib. On the interswitching issue, some of the comments that I heard from Mr. Emerson earlier were that potentially leaving it as it is in the short term wouldn't be that big a deal as long as we have a plan to deal with the issue in the long term. We did hear from producers during our last meeting that there essentially would be some short-term pain, not because they're using it so much now, but because it's created commercial conditions that more or less create competition in the marketplace. Do you think if we prematurely let this sunset that the producers' fears would be realized and we'd be doing ourselves a disservice?

Mr. Murad Al-Katib: Just remember, even sunseting doesn't take it out of the hands of the agency. The agency still has the right to set the interswitching distances. Sunseting doesn't mean you're getting rid of interswitching provisions at all.

That being said, 160 kilometres, 30 kilometres, which is more the norm in the act implementation previously, really, again, we want to make it very clear that it's an arbitrary number. You could have taken 160 or you could have made it 250 or 150. The leaving of 160, I think, is not the big issue. I think the issue needs to be studied.

I think one thing we have to give is the balancing view. There was a strong view by the railways that interswitching provisions do expose them to undue competition from U.S. railways coming into Canada without a reciprocal right on the other end for them to go into the United States and have the ability to compete. There was that balancing provision where I think we do have to always consider the regulations on both sides. It does open it up to processors, but it certainly does put our railways into an undue competition scenario with our U.S. counterparts.

Mr. Sean Fraser: Thank you.

Mr. Chair, is there any remaining time?

[Translation]

The Vice-Chair (Mr. Luc Berthold): I am sorry, Mr. Fraser.

The floor now goes to Mr. Sikand, for six minutes.

[English]

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): Thank you for being here.

The panel heard that 94% of the grain is transported using rail. Does that sound accurate?

Hon. David Emerson: Yes.

Mr. Murad Al-Katib: In the current regime, it would be by rail today, yes, but that is changing, and containers are becoming much more prevalent.

Mr. Gagan Sikand: Okay. Bearing in mind that you mentioned the interplay between trade and transportation, would you say there's a viable mode of transportation out there that we could utilize other than rail?

Hon. David Emerson: No. I think what is clear, and it's articulated in the report, is that Canadian agriculture in particular, but I would also argue that Canadian bulk cargo, travels a longer distance to get to tidewater than in most other competing jurisdictions like Australia, the U.S., or elsewhere. Rail is going to continue for the foreseeable future to be a critical catalyst for and support of the Canadian economy going forward, particularly on the bulk side, but also for intermodal container traffic.

Mr. Gagan Sikand: Keeping that in mind as well, would it be conceivable or even possible to consider laying down an entire new rail system or structure?

Hon. David Emerson: It's always possible. The question is money and having the corridor or the land to do it. We actually gave some radical thought to really dramatically different models of building and operating railways, and we looked around the world at different countries and the way they do it. We came away with the view that the Canadian class I rail system is really one of the best in the world. We all complain about Hunter Harrison getting his operating ratios down, sweating the assets, not having enough resilience in the system, and so on, but the truth of the matter is that the Canadian class I rail system is an extremely efficient system. For us to kind of undo the efficiencies that have been gained would be bad for the Canadian economy.

What we believe needs to be focused on is not so much government helping the class Is, but government creating an environment in which the feeder systems are much more fluid and much more competitive and efficient. In a world with high-speed, high-volume corridors, whether they're on the rails or in the air, they're really the backbone of the transportation system, and you get a world where it's that first and last mile. Small communities need to be better connected to the high-speed, high-volume corridors. Short-line rail and trucking really need to be supported strongly so that the feeder systems from remote areas that are not right on the main line have access to it.

• (0925)

Mr. Gagan Sikand: How much time do I have left?

The Vice-Chair (Mr. Luc Berthold): You have two and a half minutes.

Mr. Murad Al-Katib: [*Inaudible—Editor*] tonnes of additional capacity to use intermodal containers. Also the hopper car fleet is aging dramatically. To replace the hopper car fleet with high cube cars, we can create five million to eight million tonnes of additional capacity just on the existing rail system by utilizing the current corridors. We have tens of millions of tonnes of additional capacity just by better utilizing what we have.

Mr. Gagan Sikand: Thank you for that.

I'm going to switch gears here, now that we have you here.

In regard to aerospace, seeing as a lot of Asian countries are now becoming more innovative, how do we continue to be a dominant player in the aerospace sector? I know it's a broad question.

Hon. David Emerson: Well, aerospace is a whole separate report that I was involved in a couple of years ago. I guess I'll just make a couple of comments.

One is that we need to continue to make it a national industrial priority. Regarding space in particular, Canada has been a leader in space for decades. I think we have dropped the ball a bit and we have lost our sense of a long-term strategy. We've lost the commitment to substantive long-term funding, and without that, an important enabler of the economy and an important enabler of northern development and development in isolated areas, security, and so on.... That is really to be found in the space sector. Space is critical. Government procurement is critical. We have made recommendations in the past for better programming in terms of support for aerospace.

Mr. Gagan Sikand: Thank you very much.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

Ms. Watts, the floor is yours.

[*English*]

Ms. Dianne L. Watts (South Surrey—White Rock, CPC): Thank you for being here. It's good to see you.

I want to talk about trade corridors specifically in our neck of the woods and in metro Vancouver. In the report we're talking about governance, and you said it was extremely important. I couldn't agree more, because I think where there's so much conflict is when you have so many different organizations that have a piece of something. Whether you're looking at Port Metro or metro Vancouver or you have three levels of government, they can be at cross purposes with one another. Also, there's that cross-ministerial co-operation, not only federally but provincially as well. I think we're seeing a lot play out right now, with the municipalities and Port Metro at loggerheads because of the land that's needed to preserve some of the economic activity.

Given all that—and I would expect it would be frustrating for you—I know they set up the Asia-Pacific gateway group and tried to bring everybody together, but it still hasn't solidified in terms of how we can better advantage all of those elements along that corridor. What would be your advice in terms of looking at it holistically 10, 20, or 30 years down the road and making it all work? In all of those elements.... I mean right there close to the expansion of T2 is the second largest border crossing in the country, which carries billions of dollars' worth of goods back and forth with the U.S.—trucking—that doesn't play a feature in that whole corridor. How do we get past all of that?

• (0930)

Hon. David Emerson: The short answer is money.

The long answer is this. When I was in government, I was minister for international trade with added responsibility for the Asia-Pacific gateways and corridors initiative. In our report we have noted that other countries in the world looked at what we did there, which was to integrate transportation trade-related corridors, and infrastructure decision-making was driven by the merits of the investment for the trade corridor. It wasn't building ice rinks in politically marginal ridings or anything.

Ms. Dianne L. Watts: Right.

Hon. David Emerson: It was which investments are actually going to improve Canada's trade performance that was the guiding factor. We had recommended in the report that there be a very close collaboration between the Minister of Transport and the minister of—I don't know what it's called today; it used to be called international trade, DFAIT. There needs to be close collaboration between those ministers in particular around infrastructure planning, trade policy integration with transportation planning, and vice versa. Then there needs to be the provincial-municipal loop through this advisory council that we've talked about on transportation and logistics.

Ms. Dianne L. Watts: Right. I think that model is a good model that will work. It's a matter of getting everybody on the same page and going the same way. There are different agendas sometimes at the municipal level.

When it comes to governance, that body would have to have significant political will and authority for making all of those decisions all the way down the line.

Hon. David Emerson: Yes. For me, that body would be mandated under a revised Canada Transportation Act, and there would be a Canadian transportation and logistics strategy that would be evergreened.

Ms. Dianne L. Watts: Right, yes.

Hon. David Emerson: Rather than the decennial review that we've just undertaken, there should be virtually an ongoing at least annual review, but first you need a strategy to review—

Ms. Dianne L. Watts: For sure.

Hon. David Emerson:—and you need to develop a strategy. I think federal infrastructure funding can be used to leverage local decision-making to make the decisions that are good for the national system and good for the local community.

Ms. Dianne L. Watts: Right.

Hon. David Emerson: Money does it. Money gives you the leverage, and the strategy gives you the guideposts.

Ms. Dianne L. Watts: I think that's probably more advantageous when you have that model put into legislation. Then that's where you get your—

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): I am sorry, Ms. Watts, but your time is up.

[*English*]

Ms. Dianne L. Watts: I'm finished?

The Vice-Chair (Mr. Luc Berthold): Yes.

Ms. Dianne L. Watts: Thank you.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

The floor now goes to Mr. Hardie.

[*English*]

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Mr. Emerson and Mr. Al-Katib.

I want to focus on Bill C-30, which was something that was brought along due to some extraordinary circumstances. Those circumstances haven't gone away. Our crops are continually improving, and who knows what the weather is going to deal us. I want to focus first on that, and then perhaps later in this session, I want to come back to some broader issues that you addressed in your report.

With interswitching, what I understand is that there's no big problem if we leave it at 160 for a while. We need something longer term or a longer-term strategy to migrate to something else.

Hon. David Emerson: That's a fair comment, although I don't like the idea, because there are other shippers out there who have an equally legitimate claim for special treatment and they're not getting it.

Mr. Ken Hardie: Okay, fair enough.

For reciprocal obligations, if you will, the people who have come to my office have said, "If I'm late loading the cars, I pay a penalty, and if the shipper is late in having the ship pick up from the cars, they pay a penalty, but if the railways are late delivering those cars, then big deal." Are you recommending that there be some reciprocal balanced obligations between all the players?

● (0935)

Hon. David Emerson: Yes, and I'll let Murad, who's an expert on this, speak to that.

Mr. Murad Al-Katib: We recommended clearly that with service level agreements a shipper should have the right within the definition of "operational terms" that reciprocity shall govern operational terms. For absolute clarity, reciprocity would include reciprocal financial consequences as a right of a shipper under a service level agreement that may be arbitrated by the Canada Transportation Agency if the parties cannot come to a commercially negotiated agreement.

Mr. Ken Hardie: Great. Thank you for that.

Does interswitching impose any difficulties on the railways, either operationally or cost-wise?

Hon. David Emerson: The answer is yes.

Mr. Murad Al-Katib: The way that interswitching revenues are treated today, they are counted against the maximum revenue entitlement. One of our recommendations on the modernization of the maximum revenue entitlement was to allow railways to be fairly compensated for their interswitching and for those revenues to be excluded from their maximum revenue entitlement. In essence, the revenue counts, but the move itself doesn't count. The railways are penalized for interswitching. They're obligated to do it. I think that when you consider the interswitching, you have to consider how that revenue is accounted for to make sure the railways aren't penalized for it.

Mr. Ken Hardie: The revenue they get counts against their maximum revenue entitlement, but the move doesn't count toward their obligation to move a set amount of grain. Is that what...?

Mr. Murad Al-Katib: That's right. With the way the agency treats the calculation under the legislation today, removing that interswitching as other income that doesn't count against their maximum revenue that they can earn is a recommendation that has some merit worth looking at. That won't penalize the producers who are requiring or wanting to have the interswitching. I think it's a fair balance.

Mr. Ken Hardie: Okay.

I wanted to get to the maximum revenue entitlements, MRE. I gather that's obviously meant to suppress rates, to keep rates more affordable for grain producers and shippers. You can correct me if I'm wrong on that one.

Other than obviously taking away from the free market level at which things would be charged, are there other distortions that the MRE creates in the system?

Mr. Murad Al-Katib: I was also responsible to Mr. Emerson for potash and a number of other commodities. Other commodities force your products.... Potash, the rest of them...they're dealing in a market-based system. In a way, they feel they're subsidizing the grain shipping. From that perspective, there is a distortion from that.

The other distortion that happens today is with new modes of transport. We mentioned containerized grain. We recommended that be excluded from the MRE as it really wasn't intended to be captured there. There was no containerized movement of grain when the MRE concept came in. It costs railways more to move containers, so therefore they are being penalized under an MRE system, and really they are not incented to make that capacity available.

I believe that's a major part of our future capacity creation, so when we have crops that are unexpectedly large, containerized movements can happen.

The other thing we have in the MRE that distorts is what we call the free rider rights. If one railway makes an investment and the other railway makes less of an investment, they actually equalize the investment. So, if CN makes a bigger investment than CP, CP gets half of CN's investment. The free rider rights really are not very fair, and they don't incent investment.

These are all the things that I think are problematic. Rates are one thing, but the MRE does create a number of other problems.

Mr. Ken Hardie: I think my time is up, but I hope I get another round, because I have more questions.

Thank you.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): There will be another round of questions, Mr. Hardie.

The next five minutes are set aside for a member of the official opposition. Since that is generally the side I sit on, I am going to take the liberty of asking you a question, Mr. Emerson.

Earlier, you mentioned that the Canadian rail network is class one and one of the most efficient in the world. The rail network that links small communities to that class one, best-in-the-world network is likely the 250,000th best network in the world. It's probably one of the worst.

In my region, there is a lot of pressure on local communities to dismantle the railways and make them into bike paths and walking trails.

I would like to hear what you have to say about this trend in rural areas. If you have a message for us, I would like to know exactly what you think about this trend we are witnessing, not only where I live, but also in a number of small communities that are seeing their railways being transformed into bike paths.

● (0940)

[*English*]

Hon. David Emerson: I would say we should move very cautiously in terms of abandoning track. I'm thinking mainly of rural feeder lines or feeder lines that connect to resource regions and that kind of thing.

On the issue of abandonment of lines within urban areas, I think that is a local issue for local people in Vancouver. They have just converted a major old line that really didn't have much economic relevance to—and you said it—bike lanes and gardens, and that kind of thing. I don't want to come out and make a blanket statement that no line should ever be converted, but I think it should be more difficult to abandon lines, because I think over the next 10 or 20 years, a lot of the lines that we may have abandoned now or 10 years ago we'll want back because of what you have alluded to, which is the need for short-line capacity to feed the system.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Okay.

What should be the role of regulatory authorities and governments in this process, in order to preserve our rail network?

[*English*]

Hon. David Emerson: I think Murad wanted to comment on this.

Mr. Murad Al-Katib: Yes.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Al-Katib, would you like to comment on this?

[English]

Mr. Murad Al-Katib: I want to make one quick point.

The cost of relaying those tracks is very, very prohibitive. As Mr. Emerson said, the infrastructure replacement 10 years down the road, if you make a mistake, is so prohibitive it will never get redone, so you do have to be very careful. Municipalities, when they are considering it, need to consider that replacement cost.

Most short-line railway beds in Canada would never be laid again if they were to be bad laid, so from that perspective, they are very valuable assets.

Hon. David Emerson: We have recommendations in the report on short-line and on the need to have better tax treatment of investment in short-line rail-related assets to bring it up to the same standard that they have in the United States. They have far superior legislation and tax provisions in the U.S. for their short-line rail system.

As I said and as you've acknowledged, the short-line system is going to play an increasingly important role because you cannot efficiently have the class I railways taking on all of the feeder responsibilities that are going to be necessary to ensure the vibrance of smaller, more remote communities.

[Translation]

The Vice-Chair (Mr. Luc Berthold): I represent the community of Lac-Mégantic, which has suffered the consequences of the deterioration in upkeep and track quality of lower class railways. Your message for us today is that those lines are extremely important for Canada in terms of the global economy.

[English]

Hon. David Emerson: That's correct.

[Translation]

The Vice-Chair (Mr. Luc Berthold): I am going to ask myself to bring my own comments to a close because the time I had is up.

Mr. Aubin has the floor for three minutes.

Mr. Robert Aubin: Thank you, Mr. Chair.

My first question is about passenger rail.

In the municipality that I have the pleasure of representing, there has been no service for decades. My constituents do not live in Canada's far north. The city of Trois-Rivières is right in the Quebec City-Windsor corridor.

In a competitive world, where we have been promised a train for decades, what do we have to do to see those promises become a reality? Is government investment needed, or will market forces one day allow a train to serve a municipality like Trois-Rivières?

[English]

Hon. David Emerson: Our recommendation in the report was to, over the next few decades, allow VIA, for example, to invest in its own roadbed. One of the real barriers to an efficient passenger rail system is the requirement to use the same tracks that the freight

trains use, which creates scheduling issues and reliability issues. Basically crowding each other on the same track probably creates safety issues as well.

We think that government can perhaps through public-private partnerships or through providing the right regulatory and investment incentives play an important role in enabling the private sector to invest more in passenger rail. It's a high-density urban future. In our view, it's not a future that will take off in terms of long-distance passenger rail. That's simply not going to happen. It's uneconomic and, to the degree that long-distance passenger rail does happen, it tends to be tourism related.

Government needs to play a bigger role, but in the high-density regions.

● (0945)

[Translation]

Mr. Robert Aubin: Thank you.

On another topic, but still in Trois-Rivières, grain transportation is automatically associated with railways, but also with ships. The efficiency of the port of Trois-Rivières is well known, even well recognized.

I notice a passage in your report that surprised me and that I would like you to clarify. You mentioned that repositioning the Coast Guard into Transport Canada would have significant advantages for marine trade. Could you elaborate your thoughts about that?

[English]

Hon. David Emerson: In the report, we took the view that the Coast Guard is under-resourced and under-mandated, almost tragically so; it's basically not able to meet its responsibilities in terms of what it was originally envisaged to do.

Our icebreaking capacity is abysmal. Our investment in hydrographics and in a number of the other marine-related navigational tools is abysmal. The Coast Guard needs a reboot, in our view.

We felt it was better positioned in Transport than in Fisheries because it really is a vital supporting element of the transportation system. Yes, it has relevance to fisheries, but it's more core to transportation.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you, Mr. Emerson.

Three minutes go by quickly. We have finished the first hour of our meeting and discussion with Mr. Emerson. We will now start the second round of questions. You have six minutes once more.

The floor goes to Kelly Block.

[English]

Mrs. Kelly Block: I'm extremely grateful for the fact that we are continuing on with our discussion with you, Mr. Emerson. As we've gone through an hour of testimony, I have numerous questions that have arisen, not only from your answers, but from questions and comments that my colleagues have been making.

I do want to follow up on the comment that you made in regard to the unfairness that perhaps is perceived or actually created in the system as a result of the interswitching provisions that were put in for our grain farmers in Bill C-30.

One of the questions I have Mr. Katib or you could answer. Is there an issue of timing when moving grain, other cereal commodities, or other cereal crops that needs to be taken into consideration as opposed to other commodities?

Hon. David Emerson: I think the answer is yes, and Murad can add to it. I would just make the general comment that the Canadian transportation system, particularly for grain, has less off-farm storage capacity than those of other countries and relies much more heavily on a just-in-time transportation system to ensure a continuous smooth flow of product to market. That's a really important factor.

The evolution of the railways to becoming much more efficient, high-volume, high-speed mainline systems has meant that there is very little in terms of spare capacity in the rail system, so some thought needs to be given—and Murad can maybe shed some more light on it—in terms of how we ensure that there is surge capacity available in the system.

• (0950)

Mr. Murad Al-Katib: Certainly the desire of producers is to move the crop at harvest time, September, October, November, December, and January. This is the traditional shipping period for the Canadian crop. All that being said, I think for the grain industry we have to do a better job, and I'm a part of that industry. We have to utilize both the west and the east corridors. We have to market to a year-round program. When we have a variability that's unforeseen because of positive weather, where you can end up with 10 to 15 million tonnes of additional production that no one predicts because of Mother Nature, you cannot move all of the crop in four to five months, even though producers want it to be moved.

To your colleague's comment earlier about Trois-Rivières, the utilization of the lakes and the seaway more effectively with icebreaking capacity to make it more year-round, the utilization of Prince Rupert, the utilization of containers.... One of your previous witnesses said it's not a viable option. We move more containers out of Canada than any other grain shipper. I can tell you that that's part of the major solution, the empty containers going back to Asia, coming into the U.S. via Prince Rupert and Vancouver.

From that perspective, I think we have to utilize all the assets, and farmers have to recognize that we have to market a crop in a whole year.

Mrs. Kelly Block: Thank you.

I think this confirms the comments of my colleague when he speaks to the need for a strategy before we start looking at individual issues within our transportation system.

At our last meeting, we heard from the CTA that they determine the regulated interswitching rate from the ground up by assessing the various input costs that railways face. They stated that they do not consider the commercial rate when determining the regulated rate.

We also heard from producers that they understand that all parts of the chain, when it comes to transportation, need to be profitable, that everybody needs to succeed.

I guess my question would be, how can the rate-setting process be improved to provide the railways with sufficient return to invest in their infrastructure?

Either one of you could answer.

Mr. Murad Al-Katib: David, do you want to start or do you want me to take a shot at that?

Hon. David Emerson: I want you to take a shot at it.

Mr. Murad Al-Katib: Okay.

In general, I think ultimately when you have market-based mechanisms allowing supply and demand to dictate the price, there will be a cost and there will be a return on invested capital calculated in. When we have regulated rates entirely, we have to ensure that those regulated rates are compensatory.

We made our recommendation that, for instance, for interswitching rates, the system in which they're set should be examined to ensure that they are compensatory. One of the things we're not in the business of, I think, is government regulation forcing economic circumstance on a commercial entity that is not actually compensatory. From that perspective, we do want to incent the service providers within the chain to do that.

That being said, there have to be certain checks and balances. We have to remember that even with the maximum revenue entitlement not being there, you still have things like final offer arbitration. You have regulated rates. You have the dispute resolution mechanisms of the agency. All kinds of mechanisms are built in to address the market imbalance that exists. I think the compensatory rate structure setting....

You know, Kelly, the reason they can't consider the commercial rates in their determination is that those are confidential. They don't actually have access to those rates. They're contractually confidential today. But I think that a cost and a reasonable return on investment capital for compensatory interswitching, and not to be excluded from a maximum revenue entitlement.... If we want interswitching, the railways should not be penalized for doing it, and that may be to the benefit of producers.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Al-Katib.

Mr. Fraser now has the floor for six minutes.

[*English*]

Mr. Sean Fraser: Thanks very much.

I'll switch back to general transportation issues, starting with marine transport.

Being on the east coast, an issue that's very important to me is ports and the role they play in getting goods to market. If the minister were to adopt an approach where he's considering, say, share capital structures, what would be the benefits to the port, and how might private investment enhance the ability of the Canadian transportation system to get goods to market?

• (0955)

Hon. David Emerson: On the east coast there is an issue of fragmentation. You have too many ports, and they're all competing with each other. Nobody has critical mass. I think government needs to focus on and perhaps encourage institutional investors to focus on one or two ports with the associated rail and road linkages into the high-speed corridors that you need to really plug into.

I don't want to presuppose the economics of investment in the port of Halifax or the port of Saint John, for example, but I do think that private sector investment can be made attractive and government doesn't have to put in the billions required to kick-start a port and make it more competitive. I think a big piece of the puzzle has to be making hard decisions about which ports you're actually going to support rather than continue to proliferate a fair share for everybody.

Mr. Sean Fraser: Sure. You mentioned Halifax and Saint John, two of the largest on the east coast. Do you think as we go forward into the future the smaller communities that have significant port infrastructure have a chance to continue to contribute?

Hon. David Emerson: In terms of a national transportation policy, I wouldn't get too excited about the contribution they would make to the regional economy and the national economy. The transportation system, to be efficient, has to be big. It has to have fluidity and it has to have volume. You're in a just-in-time world where you need a constant flow, not a little bit here and a little bit there, which is just anathema to a good transportation system. There may be specific ports that have specific reasons to exist and thrive, but probably not as part of a national transportation system.

Mr. Sean Fraser: Staying on marine transport, and I thank my colleague Monsieur Aubin for his questions about the Coast Guard, you mentioned icebreaker capacity and maybe some mapping. Are there other areas where you think integrating the Canadian Coast Guard into Transport Canada or pumping more resources into the Coast Guard would actually help expand trade?

Hon. David Emerson: I think there needs to be close collaboration and co-operation with the American coast guard. Security in the north is a critical area for both the military and potentially the Coast Guard. There is tremendous underinvestment in the information software around navigation in the north. The sea bottom is only partially charted up there. Again, the Coast Guard could play a critically important role there.

We also heard during our consultations that the building of vessels to equip the Coast Guard properly is costing \$1 billion or \$2 billion, and it's not going to be done for 10 years, and so on. We heard testimony from people who said, "Why don't we lease vessels from the Danes or the Norwegians?" There are very cost-competitive ways of getting the kind of capacity we need for icebreaking and for the performance of functions related to the coast guard without waiting for these long, awkward, expensive procurement programs to bear fruit.

Mr. Sean Fraser: Mr. Chair, do I have a little extra time?

[Translation]

The Vice-Chair (Mr. Luc Berthold): You have one minute left.

[English]

Mr. Sean Fraser: Thank you. Hopefully that's all I need.

One of the key priorities of this government is to make sure we're not only promoting a safe, reliable, and efficient transportation system, but in everything that we do, we do it in an environmentally responsible way as well. Where are the biggest opportunities, to your mind, for the government to improve the greening of our national transportation system?

Hon. David Emerson: Again, any incentives that can be put in place to upgrade technology, whether it's in aircraft or in trains, or to upgrade the fluidity of the system have a very positive environmental impact because the more efficient the system is, the more smoothly it operates; without bottlenecks and a lot of downtime and stop-start activity in the system, the more environmentally friendly it is per unit of GDP. I think investing in a really good, highly efficient system using the latest technology is probably the way to go.

• (1000)

Mr. Sean Fraser: Thank you kindly for your input.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Fraser.

Mr. Aubin now has the floor for six minutes.

Mr. Robert Aubin: Thank you, Mr. Chair.

Mr. Emerson, thank you for still being with us so bright eyed and bushy tailed.

I have to confess that reading such an extensive report as yours caused my head to spin. So I am particularly happy to be able to clarify a number of things with you.

The report recommends that "the maximum revenue entitlement program be modernized in anticipation of its elimination...".

Wanting to modernize something in order to then eliminate it seems a tad contradictory to me. Could you shed some light on that recommendation? The question can go to either of you.

[English]

Hon. David Emerson: Murad.

Mr. Murad Al-Katib: I'll maybe start with the key thing on modernization. As you know, many of your colleagues have been talking about the need for study and the need for informed action. We felt that through the deliberations, with the importance of the MRE to producers and to the agricultural industry, that it be properly studied, and that we test modernization initiatives on a gradual basis. The foundational element was eliminate container intermodals; allow the railways to have a certain part of their fleets that would be available for auctions, or premium services that would be excluded from that; the extra tariffs would be excluded from the MRE; interswitching would be excluded. It was a gradual process. It allowed government to make those changes, test those changes, and ultimately react by either going back to a more regulated system or eventually to move towards a removal of the MRE.

We did advocate for a gradual approach.

Hon. David Emerson: We did think recommending immediate removal would be dead on arrival politically.

[Translation]

Mr. Robert Aubin: On another matter, in chapter 11 of the report, you observe that the Canadian Transportation Agency is more reactive than proactive. We also find the following passage:

The review also found that Canadian Transportation Agency does not have the relevant transportation data it requires...

You mentioned establishing the new integrated data platform and multimodal data dashboard within the agency. What type of data is the Canadian Transportation Agency currently lacking? If that platform should ever see the light of day, would it be accessible to the public? If so, why? If not, why not?

[English]

Hon. David Emerson: Murad, do you want to take a run at that?

Mr. Murad Al-Katib: Okay.

First of all, the agency itself doesn't have the power to obligate information to be collected. Today, they can request it. They cannot go to railways, industry, or anyone to obligate them to provide data. That's one of the powers of the agency we think was very important. We said clearly to the agricultural industry, "Be careful what you ask for. You're going to have obligations, along with the railways and others, to provide info."

Everybody says they want to provide the info to allow policy and decision-makers to have accurate, relevant data and to be able to make decisions. We think that should be collected by the agency or by an independent third party. It should be available to the public. It should be robust. It should be tested in terms of relevance, and it should be an ongoing thing. Information is certainly power, in policy, in efficiency, and in growth of the capacity of our system. This is a critical recommendation within the report.

Hon. David Emerson: The reactive as opposed to proactive comment in the report really refers to the fact that the agency is empowered to react to specific complaints. If some shipper, for example, has a complaint about treatment by a railway, and yet this is part of a pattern of behaviour on the part of the railways or some systemic issue, the agency is not empowered to deal with that. They're only empowered to deal with the specific complaint by the specific complainant and the party that has caused the grievance.

We're saying that the agency should be empowered to get ahead of issues, to create systemic solutions, and have *ex parte* power when a crisis evolves to issue orders that could create fixes that pertain to more than one shipper, for example.

• (1005)

Mr. Murad Al-Katib: That's very similar to the Surface Transportation Board in the United States.

[Translation]

Mr. Robert Aubin: Thank you.

Do I still have a minute, Mr. Chair?

The Vice-Chair (Mr. Luc Berthold): You have 30 seconds.

Mr. Robert Aubin: So I conclude that you are in favour of the agency having proactive investigative powers. That could also give it some clout.

Thank you.

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Aubin.

Mr. Badawey now has the floor. He has six minutes.

[English]

Mr. Vance Badawey: Thank you, Mr. Chairman.

I'm very excited about this discussion because it's something that we have been discussing for the past few months. In my thoughts, it results in outcomes that will be, quite frankly, a catalyst to a national economic strategy that takes advantage of the strengths that we have with respect to transportation. On that point, Mr. Emerson, I'm going to try and dig down toward a Canada transportation and logistics strategy, having to do with process, governance, and of course investment.

I happen to come from an area in the Niagara region that has been designated as a provincial gateway centre. That is because of our geographic area, through which significant incoming and outgoing transport flows, and is distributed by means of transfer and transshipment.

With that said, we are on a border. We are on the New York border, and although international in scale, our hub requires a significant and associated amount of infrastructure.

You mentioned that it has to be big when you look at different areas of strength when it comes to these transportation-related infrastructures. Would you consider, especially in a border community, that part of that strength, part of that size is not just what is located in Canada, in our case in Niagara, but that it's also what's located in the United States? An example is the Continental 1, which is currently being established between Miami and western New York, and that flow of shipment coming through Canada.

Hon. David Emerson: Absolutely. One of the points of focus in the report was the importance of interoperability and taking a North American approach to the transportation system. There are a number of reasons for that. One, that's the biggest market. Two, a lot of the ability to have an efficient transportation system derives from Canada being attractively located, so that traffic can flow through Canada and on to the U.S. If all we had was Canada-destined or Canada-originating traffic, whether on the road or in the air, we would not have the critical mass to have an efficient transportation system. It would be far too lightly used and we wouldn't have the gains and productivity opportunities that we have. Because transportation is a complete interlocking system, it's only as good as the weakest link, and if the weakest link is on the other side of the border, you had better figure out how to fix....

Mr. Vance Badawey: Absolutely. With that being said, you mentioned about the need for money, investment, and the participation of the private sector. To facilitate the fast and efficient movement of both goods and people in partnership with our biggest trading partner, what other mechanisms or enablers do you feel would also contribute to the infrastructure investments?

Hon. David Emerson: One of the observations in the report, and there is a recommendation around it, if you're going to have a national transportation and logistics strategy, we have recommended that we do as the U.K., Australia, and some others do, which is to have a national critical projects list for transportation that should derive from the priorities of a national transportation strategy.

Today we don't have such a list. There is not at the moment a well-considered project list for transportation, much less a list of shovel-ready projects. We believe there needs to be a lot of work done to pull together a database on the existing infrastructure in Canada. What is its condition? Where are the critical fixes needed in the existing portfolio of infrastructure? Then we need to assess where are the critical priorities to lay on new infrastructure and new projects, and how to look at different ways of financing it.

We have recommended in the report that they enlist the advice of the institutional investment community to give them ideas on how they can get rid of risk in a way that allows government to take some risk out of it to avoid having to put up taxpayer dollars in their entirety and allow private sector investors to come in with a suitably long-term and responsible prospectus.

• (1010)

Mr. Vance Badawey: Would you also agree that it's going to result in economic clusters and returns on those clusters that can be invested in infrastructure?

Hon. David Emerson: Yes.

Mr. Vance Badawey: The second part of it is, would you agree that the supply and preservation of employment lands need to be guaranteed, so that there are those growth areas with respect to those strengthened areas?

Hon. David Emerson: Yes. When you say employment lands, we have recommended as part of the preservation of critical gateways and corridors that industrial land for the purpose of supporting the transportation and logistics system be part of it, yes.

Mr. Vance Badawey: This is my final question. How much time is there?

The Vice-Chair (Mr. Luc Berthold): Twenty seconds.

Mr. Vance Badawey: Okay, in 20 seconds, one of the challenges we have at the federal level and sometimes at the municipal level is that when we want to create these economic clusters and infrastructure investments to go alongside and work in tandem with, we run into the provincial government. The provincial government has the jurisdiction over roads.

What recommendation would you give with respect to trying to create that cluster? We have the marine, the air, the rail, all of which we can participate in. Now we need that road. We need that expanded new road, or a road that will connect, for example, to the Continental 1 in the United States. How do we facilitate that?

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Emerson, Mr. Hardie is probably going to let you reply during his six minutes, given that the question lasted much longer than 20 seconds.

Your turn, Mr. Hardie.

[English]

Mr. Ken Hardie: Yes, please proceed with Mr. Badawey's answer.

Hon. David Emerson: A quick answer is that we have recommended the provinces be part of this national advisory council on transportation and logistics. They would be part of the deliberations around creating a national strategy and a national project priority list.

Getting down to a more granular level, I come back to the money comment. I think federal infrastructure funding should be levered with provinces, municipalities, and the private sector, so that you get \$5 for every dollar you put in and you get the priority recognized.

Mr. Ken Hardie: I think the gateway project in metro Vancouver, particularly the Roberts Bank rail corridor, which my colleague Dianne and I both are familiar with, is a good example of that.

I wanted to take a much higher level view of things. In some of your earlier comments, you talked about transport being critical to the unity of the country, and a key foundation of government's economic policy. In our country, because we don't have the huge free market infrastructure they have in the United States, that inevitably forces the creation of a partnership between government and the free market.

I sensed in your report that you think it's time for the pendulum to swing a little more toward the free market. I could be wrong there, but I guess the question becomes, in the context of what we're dealing with now in the country, if government and the free market are to be partners in this, then what are the value adds that each one brings?

Hon. David Emerson: I hope we didn't come across as aggressively wanting more free market. In point of fact, I think various parts of the report call for a rebalancing, to bring government's regulatory focus back in, albeit a very efficient interface with the transportation sector, but government needs to be empowered to do more. If you really want to protect small shippers or passengers going on airlines from mistreatment because of power imbalance, the only way you're going to correct that power imbalance, in our judgment, is by having a more strongly empowered regulator that can get in between the grieving parties.

I think we have also been quite clear that the north and remote areas will not develop and will not have vibrant transportation infrastructure and therefore vibrant economies without a significant helping hand from government. The free market is not going to do it. As much as I'm a free market economist, I think we've given a little too much credit to what free markets can actually do without a wise helping hand from government. It's the creation of the wise helping hand that's the challenge.

• (1015)

Mr. Ken Hardie: Within the last 10 years we've certainly seen some failures with the free market system. We've seen the development or the growth of something called quarterly capitalism, which I was introduced to a short time ago. How do we square that? Obviously, our two major railroads, for instance, or the airlines, or the shipping companies will all be subject to those same pressures from their shareholders. How do we square that with the need, as Mr. Badawey inferred, for long-term, clear, concise strategic planning and delivery of infrastructure?

Hon. David Emerson: When you think about free markets, I urge you not to associate free markets necessarily with the stock market. The stock markets are crazy and turbulent, and quarterly earnings and so on drive short-term thinking and decision-making. I urge, and our report urges, us to do a better job of harnessing the trillions of dollars that are in pension funds and institutional investment funds, where the investors have a long-term perspective because of the nature of their liabilities that they want to match their assets with, and so on.

I think there are huge opportunities where Canadian pension funds today are investing all over the place. We just saw OMERS investing in the port of Melbourne, and the teachers' pension plan is invested in airports in the U.K. and in continental Europe, and so on and so forth.

Mr. Ken Hardie: Point taken.

Hon. David Emerson: They're not investing in Canada, which means either we don't get the investment or government has to do it, and government doesn't have the money.

Mr. Ken Hardie: How do we get dead money back into circulation?

Hon. David Emerson: You sit down with some very smart people from the Department of Finance and Transport Canada, and you find out from them how government can best play a role in creating an investment that long-term investors will invest in. It's various risk mitigation measures. It is creating a contractual or concession agreement that makes sense to a long-term investor. It's actually bringing the thinking of people who make a living from making

long-term investments into your office and talking to them, and they'll tell you.

Mr. Ken Hardie: Do I have any time left? No? Well, rats.

The Vice-Chair (Mr. Luc Berthold): I gave you two seconds more to understand the answer.

[*Translation*]

The floor now goes to Dianne Watts, for six minutes.

[*English*]

Ms. Dianne L. Watts: I'll continue along the line that Ken was on in terms of leveraging the private sector in working together with government and incentivizing them to invest.

I know that in British Columbia we've had some of those kinds of investments, such as with the Port Mann Bridge and other bridges, that have not turned out really well, because government is subsidizing them to the tune of, I don't know, \$60 million a year. In terms of leveraging money in that regard, we have to come up with better models. I think they're out there; I just don't think we've gotten there yet.

We talked about marine transportation on the east coast. Now I want to talk about it on the west coast. I want to talk about Kitimat and LNG and all of those things.

I know that there's been some movement in terms of having no tankers up the coast at all. How is that going to impact LNG? Is that dead now? How do we look at that? It's significant in terms of investment.

• (1020)

Hon. David Emerson: Our remit did not include pipelines, so let me just start there. However, my impression is—and this is not part of our report—the Government of Canada is considering a ban on tanker traffic. My understanding was that it was focused on oil, not gas, but I could be wrong.

Ms. Dianne L. Watts: I think it was both.

Hon. David Emerson: Anyway, if there is a ban on both, then clearly, you've drastically narrowed your options for access to tidewater, probably to running it through a twinning of the Trans Mountain line through Vancouver.

Ms. Dianne L. Watts: This is probably part of the problem that we have in British Columbia. The twinning of that line is under discussion right now, and I think that's probably not going to go ahead. Allowing any tankers that would carry gas is not going to go ahead. In looking at those economic corridors, looking at the viability of moving the economy forward, how do we deal with that? We have communities all the way up the coast, especially in the case of LNG, and there are opportunities there to get into the world market.

Hon. David Emerson: As I say, this was not a central part of the study. We backed into oil because the lack of pipeline capacity has led to some real escalation in shipping oil by rail. That has its own implications. It's less economic, less environmentally friendly, and it's less safe. While pipelines may not be very popular, the implications of the same volume going by rail, I think, are probably much darker.

I would also make the point that in Canada today, people are only just starting to realize how dependent Canada has become on the extended energy sector and all of the sectors that actually feed off the energy sector. The energy sector is almost exclusively dependent on using U.S. tidewater capacity, which means, ultimately, that Donald Trump can control your exports of oil, for example. As a Canadian, I think that's a very dangerous position to be in.

Ms. Dianne L. Watts: In terms of setting up the governance structure, and we talked a little bit about that before in terms of making sure that those corridors are viable, making sure that there's a massing and clustering when you're looking at those corridors, is there any analysis that has been done? I know you've worked on the Asia-Pacific and all of the elements required for that. Is that a model that you could replicate in other areas? The elements would have to be there, of course, but could you use that model in other areas elsewhere?

Hon. David Emerson: Do you mean other parts of the country?
• (1025)

Ms. Dianne L. Watts: I'm thinking particularly of when it was asked about the east coast, when you're looking at massing and there are too many ports. How does that look? Can you take part of that model and move it over?

Hon. David Emerson: You could, but the elephant in the room is that nobody wants to agree that Halifax should be, let's say, the primary container port for the east coast. Let's say Saint John becomes the bulk and energy port. There seems to be an ongoing inability to agree on where the focus on investment and a strategy should be.

I think it was the previous government that tried to kick-start a gateway strategy for Atlantic Canada. Our understanding was it really didn't go very far because there was a lack of consensus within Atlantic Canada.

To do it right you actually have to consolidate and focus. That's what we've done on the west coast.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

[English]

Hon. David Emerson: We had a lot of resistance along the way, but it was done.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Ms. Watts.

Thank you very much, Mr. Emerson.

Mr. Iacono has the floor now, for six minutes.

Mr. Angelo Iacono: Thank you, Mr. Chair.

Mr. Emerson, Asia is now one of our export markets, which is to the advantage of the western transportation corridor. In that context, how can the eastern transportation corridor, more specifically the St. Lawrence Seaway, remain attractive and competitive?

[English]

Hon. David Emerson: I'm not sure what your question is. Do you mean to make western products flow through the eastern corridor?

Mr. Angelo Iacono: Yes, exactly.

Hon. David Emerson: Well, a key thing, as Murad has alluded to, is icebreaking on the Great Lakes. Also, the St. Lawrence Seaway has limited capacity in terms of big, competitive ocean-going shipping these days. The ships are getting so much bigger.

My own view is that, over multiple decades, the rail links to ports like Montreal can sustain an increase in shipping, and eventually an increase in product flow through the St. Lawrence. My guess is that doing it through the Great Lakes for the long haul is probably not going to happen. There may be an increase in short sea shipping and some modest increase on the lakes, but having a supply chain that is not 24/7, 365 days of the year is really not going to be competitive in the global economy going forward. You have to have those ground rail links right from the west to tidewater in Quebec or Atlantic Canada.

Mr. Murad Al-Katib: Mr. Emerson, perhaps I could add a point.

Our trade lanes are also changing in Canada. When we look at the Asia-Pacific gateway, we had and continue to have a lot of focus on China. Also, with the growth in our agricultural exports to India, we have a number of our products going to India via the east coast, via Montreal. The steamship lines, in particular on the container side, are transshipping out of Europe via the Suez Canal to hit India on a transit time that's actually very efficient.

I think the priority we have both on growing our trade with countries like Turkey, North Africa, and India and, of course, with the CETA, the Canada-Europe trade agreement, is going to make that eastern gateway very important for us going forward. Containerized shipping out of Montreal, the Great Lakes, and the Quebec seaway port access are certainly priorities for our company and for others in the industry.

Mr. Angelo Iacono: Thank you.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Your turn, Mr. Fraser.

[English]

Mr. Sean Fraser: Thanks very much.

I have a quick question about the role of small airports. I think there are maybe six or so key small airports and they skew towards the Atlantic region. They don't currently have access to federal infrastructure money. I'm curious as to what your thoughts may be on federal investments in these smaller airports as part of the larger national transportation system in order to grow the Canadian economy.

• (1030)

Hon. David Emerson: In the report we have emphasized the importance of the small airports capital fund, or whatever it's called. There is a fund in Transport Canada for investing in small airports, and we have recommended a significant increase in those funds.

Our priority would have been more remote communities, because in a lot of southern Canada, if I can call it that, you tend to get a proliferation of small airports, and that starts to run into issues of viability. In B.C. you have Kelowna, Penticton, and Kamloops, which all have their own little airports, and they're all trying to feed in to YVR in an efficient way to get on to a main line. I know in Atlantic Canada you have a similar situation.

I hate to be hard-hearted about it, but I think the Government of Canada has to make some choices about where they put the investments.

Mr. Sean Fraser: Mr. Chair, I think we're probably close to the end of the time. I believe Mr. Sikand had a quick question.

The Vice-Chair (Mr. Luc Berthold): It's your round, so you decide.

Mr. Gagan Sikand: Seeing as international trade is so important to our GDP, I just want to get your opinion on foreign ownership of our transportation system or foreign ownership in general.

Hon. David Emerson: Our recommendations in the report in the air sector, for example, were to increase the foreign ownership limit from 25% to 49%. That's not different from the Wilson report back in 2008.

The restrictions on foreign ownership are particularly onerous for start-up carriers. We've noted in the report that Canada has not really had an ultra-low-cost carrier. What we heard from our consultations is that for an ultra-low-cost carrier to start up in Canada, it needs to get financing. It's very difficult to get enough financing to start a low-cost carrier if you're not a publicly traded company in Canada. We said we need to allow these start-ups access to foreign capital to make sure that over time Canada does get a more competitive air sector through the ultra low-cost route.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Emerson.

I now give the floor to Kelly Block, for five minutes.

[English]

Mrs. Kelly Block: The question that I have is a follow-up to the one you just answered, as well as a comment that Mr. Hardie made in terms of how to get capital funding moving in Canada.

As was just noted, European investors want to come to Canada to invest in a new airline, but this government is blocking their entry. Your report recommends raising the foreign ownership threshold to

49%, and one can imagine that after 18 months of going across the country and putting time and effort into the study that you've done, you understand in making the recommendation that it makes sense.

What signal does government send to foreign investors and capital when they take so long to make a decision that is time-sensitive like this?

Hon. David Emerson: Well, it's not that different from the time it takes to get major project decisions, which in Canada is starting to be clocked in decades now instead of months and years. I think we have a major problem nationally in terms of attracting major investments and in recognizing that when private sector companies embark on a plan to make an investment and seek an approval, they actually have to tie up their balance sheet, sometimes with billions of dollars of committed money, not knowing when or whether they'll get approval to do it. It's an issue that does not call for less diligence; it just calls for a more efficient, more robust, and rigorous process to get from start to finish.

I want to make one further comment before I leave you. Canada has been gradually opening up air service agreements with other countries and other air carriers, but we're not doing it fast enough. A good example, and Dianne will relate to this, is Emirates. Emirates Airlines has wanted to increase their frequencies into Canada. We've rejected them, as a country, and there's bad blood now with the carriers and the country as a result of that decision. What has happened is that Emirates is now hubbing out of Seattle. You have Air Canada and WestJet flying people by the droves down to Seattle to get on an Emirates flight so they can gateway through Dubai.

It's total craziness, and it's happening elsewhere. We can shut the door to these increases in air services, but the travelling public will find a way, and these carriers will find a way to have the travelling public accommodated. In our air service agreements we need to become much more attuned to the needs of the Canadian economy and the Canadian consumer and a little less afraid of our dominant domestic carriers. They should be part of the puzzle, but they shouldn't be driving the train—or the plane.

• (1035)

Mrs. Kelly Block: Thank you.

One could well imagine that, as I've said, an 18-month study, with the analysis your panel did on this very issue, might be enough given the fact that it's now 10 months, I think, since the report was made public. It's almost a year since the government was given the report. I'm not sure what other analysis is needing to take place in order to approve this request by Jetlines, but the CEO of Jetlines has said that unless an exemption order is granted and a clear timeline provided by the minister in the coming weeks, the opportunity will simply be lost. You made your point on that very well.

I'd like to go back to the MRE, Mr. Al-Katib, and follow up on some of your comments. How much do you think grain shipping rates would increase if the MRE were removed?

Mr. Murad Al-Katib: The only thing I can say is that without a much bigger study on that, I can't give you an exact number. If we look at grain rates today, per revenue mile they are lagging behind other commodities. I think the figure is somewhere in the range of 12% to 17% lagging behind other rates.

I think ultimately we cannot assume that the MRE comes off and automatically rates go up that 17%. I think efficient commercial operations will grant an ability of shippers to negotiate. The potash industry, with which you're very familiar being from Saskatchewan, is actually an industry that we recognized in the report as being probably a model of true efficiency in terms of infrastructure that's been set up and infrastructure that has been well suited to rail movements.

Very close to or maybe even within your constituency, at Delisle, Saskatchewan, our company, AGT Food, is currently building a rail consolidation centre to be able to take traffic from your constituency into a consolidation centre, build very long unit trains, and move into the port of Prince Rupert and into Thunder Bay with Canadian National Railway. Efficient, collaborative infrastructure moves can help to offset some of that cost uncertainty that may come from an MRE change.

That being said, we were very clear—

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Mr. Al-Katib, unfortunately I have to interrupt you. Your time is up.

Your turn, Mr. Aubin.

Mr. Robert Aubin: Thank you, Mr. Chair.

I will try to come full circle by asking a more general question.

Actually, when you look at the report as a whole and you see the number of recommendations it contains, you perhaps tend to be a tad pessimistic. I am going to ask you a multiple-choice question.

If you had to rank the Canadian model in terms of infrastructure management, would you say that we are in the top three, the top five, the top 10, or that we are not in the top anything at all?

As a follow-up question, I'd like to ask you which countries we should compare ourselves to if we are not leaders in the area ourselves.

•(1040)

[*English*]

Hon. David Emerson: Actually, you will find that there are institutionally done rankings of Canada's place in terms of transportation logistics, and we have fallen. I don't remember the precise ranking, but I think we have fallen somewhere from 14th to 16th in the world in terms of the quality of our transportation system and infrastructure. Don't quote me on it; it is in the report.

I think Australia and the U.K. are doing a pretty good job, certainly in terms of having a national transportation strategy, a

national projects pipeline, and a system for attracting private and institutional investment into their transportation system.

We have mature assets, such as some of our airports—Vancouver, Toronto, Montreal. Those airports are worth billions of dollars, and at the moment the governance structure is kind of a community authority. It doesn't use government money, but it has unlimited power to levy an airport improvement fee on passengers. The public has no say in the matter, and they are not governed by the CTA.

I think that private institutional investors would put billions into the hands of the government, which could then be invested in infrastructure we don't have, and allow those facilities to be run under a regulated private sector model. You would have a more disciplined governance arrangement in terms of better clarity, allocation of capital at these airports, and so on.

[*Translation*]

Mr. Robert Aubin: Thank you.

Do you want to add anything, Mr. Al-Katib?

The Vice-Chair (Mr. Luc Berthold): You can do it in 15 seconds.

[*English*]

Mr. Murad Al-Katib: When we look at Australia and other places, let's not forget that we have a harsh climate and big geography. I think we are doing very well as a country.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Congratulations on your 15 seconds, Mr. Al-Katib. You gave us a good answer quickly.

Time flies, but if the committee members wish, we could have a last round. The comments by the officials from each parliamentary group would be around two minutes. If you agree, we could do that and ask Mr. Emerson one final question.

As I see that you agree, we'll start with Ms. Block.

[*English*]

Mrs. Kelly Block: Thank you very much, Mr. Chair.

I want to go back to a couple of comments. The first was made by Mr. Emerson, that a re-mandated CTA is extremely important. Mr. Katib, you observed that the CTA functions in a reactive way. I wonder if either of you could comment. On a practical level, how would the CTA determine which cases to investigate, or what work to do, unless it was reacting to issues that arise within the system?

Hon. David Emerson: I will give you a quick answer.

Mr. Murad Al-Katib: The level of reaction we are talking about is that today, an actual complaint has to trigger the investigation. I think that once you start to get interactions and you have the ability to investigate *ex parte*, you could identify systemic issues and tackle them before they become a problem, which is where we were in 2013.

You asked whether 2013 was a failure or extraordinary circumstances. I think it was extraordinary circumstances: huge crop, bad weather. I think we recovered relatively well.

Hon. David Emerson: I would just say that a re-mandated CTA would have a much more comprehensive capacity and an information base to understand the workings of the system and identify problems and bottlenecks before they become a crisis.

Mrs. Kelly Block: Thank you.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

I will now give the floor to Mr. Hardie.

[*English*]

Mr. Ken Hardie: Thank you.

I'll be like Alex Trebek today. I have a quick question. We have this inequity between grain producers and other commodities in terms of things like interswitching and maximum revenue entitlement. I sense that you would rather see the grain producers move to the same level playing field as the other commodities, and not the other way around. Is that correct?

Hon. David Emerson: Correct.

Mr. Ken Hardie: Okay, good.

I have another quick question. The St. Lawrence Seaway was a transport corridor that received an awful lot of attention back in the 1950s and into the 1960s. Is it time that we had a good look at that and expanded it? Is the market there? Is the rationale there to do that?

•(1045)

Hon. David Emerson: I think when you have the option of improving rail linkages to tidewater on the east coast or in the St. Lawrence, the likelihood that you're going to solve your icebreaking and scale problems in the seaway any time soon and in an affordable way are pretty low. I think you can improve that as a niche part of the system, but I think there are better investments in terms of the long-term, high-velocity, high-speed corridors.

Murad might have a different view on that.

Mr. Murad Al-Katib: I think the seaway is a very important element. We should be looking at it. Definitely with respect to moving short sea shipping, it's still very cost effective. I think that we should look at both. The high-velocity corridor takes a lot of money, a lot of time. I think there are improvements in the seaway that can be done fairly immediately, and that will have a big impact.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

Mr. Aubin, you have the floor.

Mr. Robert Aubin: Thank you, Mr. Chair.

I feel that I'm wrapping things up again, but I will take this opportunity to ask the witnesses a very simple question.

Mr. Emerson, earlier, you quite clearly demonstrated that it is possible to obtain international financing for airports, for example, by increasing the ceiling from 25% to 49%.

Could it also be interesting to get international financing for railways, especially for the development of passenger rail, and for marine transportation?

[*English*]

Hon. David Emerson: I think the railways are already benefiting from access to foreign capital through public markets. The question would really be around passenger rail, and I think, yes, there is a possibility there. I should emphasize that there is a huge amount of Canadian long-term capital that would like to be deployed in Canada and in Canadian investments. We shouldn't just think of opening up to more private investment as a foreign investment exercise. There's a lot of Canadian institutional money looking for a home in Canada, but there are no vehicles to invest in, so they're putting it elsewhere.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Aubin.

Mr. Hardie, I don't know whether, just now, you paid me a compliment or not. I don't know Mr. Trebek. Since I watch television in French, it is more difficult for me to know, but if it's a compliment, thank you. If not, I'll get back to you.

Thank you, former minister Emerson. Mr. Al-Katib, thank you for being here with us as well. My colleagues and I enjoyed the quality of the answers you have provided to us; they will help us in the future work of the committee. Again, I congratulate your entire team for the report we read with great attention.

Minister Emerson, would you like to say a final word?

[*English*]

Hon. David Emerson: Thank you very much for inviting me and showing the interest and dedication that you're showing. I want to thank Murad Al-Katib for getting up at four or five o'clock in the morning, whatever you did, Murad, to participate.

Thank you very kindly.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you very much.

Ms. Block, I think you asked to have the floor.

[*English*]

Mrs. Kelly Block: I am. I recognize this portion of our meeting is over, but I didn't want you to adjourn before I was able to ask a question about next week's meetings. What is on the schedule for next week's meetings?

I want to also register my concern that the committee hasn't met to discuss what's coming up on the agenda, and I would like to ask that perhaps Thursday's meeting, for which I understand no witnesses have been scheduled, we could perhaps set that aside for a committee meeting to discuss committee business.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Badawey, we are listening.

[English]

Mr. Vance Badawey: I respect the comments from Ms. Block. I'm sure she's referring to the navigable waters discussion that we're going to be having and/or to moving forward with some direction with respect to the committee's next meetings, and of course the agenda set within the same. We're having a meeting on Monday with the steering committee, and I believe that's what that meeting is actually for, to set that agenda. Of course with that, we don't have to take any time away from the meetings scheduled both on Tuesday and Thursday.

[Translation]

The Vice-Chair (Mr. Luc Berthold): I now have a request to extend the duration of the meeting. Mr. Badawey said that we do not need to extend it. So I'm asking the members around the table what they want. Do you want the sitting to be suspended for a few moments then resume, or to be adjourned?

All those who want us to continue the meeting to discuss the one for next week, please raise your hand.

• (1050)

[English]

Mrs. Kelly Block: I would clarify that certainly if the subcommittee meets, it will put forward any kind of recommendation to the whole committee in terms of what the schedule is going to look like for the fall session. That would be my understanding. Since we don't have witnesses scheduled for Thursday yet, we may want to schedule some time for the subcommittee to report to the whole committee so that we can confirm what the session is going to look like, not particular to any one study, but the entire fall session.

[Translation]

The Vice-Chair (Mr. Luc Berthold): My understanding is that Ms. Block is proposing that we take some time during the committee's next meeting to talk about the planning of our fall agenda. The question could be submitted first to the subcommittee on Monday. We could talk about it then.

Mr. Badawey, would you like to add something to that?

[English]

Mr. Vance Badawey: If I may, Mr. Chairman, I don't have a problem with that per se. What I mean by that is we have a two-hour allocation for our meetings. If we can do it as part of an extension of that meeting, I don't have a problem with that, but as part of that meeting within that two-hour allocation, I do have a problem. This is simply because we're going to be discussing the very issues we discussed this morning with the Canada Transportation Act review. I'm very hard-pressed to take away from that discussion.

I would ask that, if in fact Ms. Block wants to go in that direction, which I don't have a problem with, we do it beyond the two-hour allocation, so that we don't take away from the discussion with respect to the Canada Transportation Act review.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Ms. Block, do you have a final comment to make?

[English]

Mrs. Kelly Block: I think something that's being ignored is the fact that, typically, committees meet at the beginning of a session to talk about the agenda, so that all members of the committee have an opportunity to provide input as to what a committee is going to study. Typically, you might schedule a meeting for the committee at the beginning of a session to talk about what's going to be on the agenda and what they would like to see take place. We've launched into this study without any discussion by the committee about the fall session. We had many conversations in the last session. There are a number of motions on the floor, so I think it behooves us to take the best time at the beginning of the session to talk about it as a committee.

While I recognize that we are now in a study, the committee didn't talk about the fall agenda, which is what would normally happen.

The Vice-Chair (Mr. Luc Berthold): Mr. Badawey.

Mr. Vance Badawey: Mr. Chairman, I think that for the most part we did talk about the agenda back in the spring. We passed the agenda, except for one issue with the navigation protection program. I don't have a problem discussing it at the first part of the session. I have no qualms about that, just as long as we don't take away from the current work we have already agreed upon, that being rail on Tuesday, and of course, the review of the Canada Transportation Act on Thursday.

I do not wish to be repetitive, Mr. Chairman, but my recommendation, once again, is in fact to look at extending the meeting, whether it be the Tuesday meeting or the Thursday meeting, with whatever time we feel is appropriate, to discuss the issues that come out of the steering committee on Monday.

[Translation]

The Vice-Chair (Mr. Luc Berthold): There is a motion to extend the next meeting.

Does anyone want to comment on the motion?

Ms. Block, go ahead.

[English]

Mrs. Kelly Block: I know that in the last session we developed a habit of extending our meetings in order to accommodate a fairly aggressive agenda. I'm not opposed to extending meetings for that purpose.

If the government members are not willing to schedule a time during committee to have a conversation with members of the opposition to determine what the fall session is going to look like, regardless of whether or not we talked about extending a study on interswitching, for example, on the provisions that were being phased out in Bill C-30....

Yes, we agreed to do that. We put that extension in place until August 1, 2017. We said we would report back by that time. There was an agreement to do the study, but we didn't sit down and say that it's going to happen at the very beginning of the session, that we're going to take this many meetings to do it, and that we're going to launch into another study.

I think it's a sign of disrespect to members of the opposition not to plan to have that conversation at the beginning of a session. While you say you're reluctant to do that unless we extend the meetings, I think there's an expectation that it should be one of the first things that happens during a committee meeting at the beginning of a session.

• (1055)

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Badawey, do you want to take the floor or are you done?

[English]

Mr. Vance Badawey: Point taken.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Aubin, go ahead.

Mr. Robert Aubin: Clearly, I'm the last one to join the committee and I wasn't here last fall and spring when the discussions took place. However, it seems to me that extending our working sessions should be an exceptional measure. We all have fairly hectic work schedules. Extending a committee sitting means cancelling another scheduled for any or all of us on the committee.

Furthermore, there will be a steering committee meeting. Time will be spent on those matters. There will be a report from that meeting and we will need to talk about it. It seems to me that common decency requires that, when Parliament resumes, we take the time to look at the agenda together and debate it during the meetings scheduled for committee business.

The Vice-Chair (Mr. Luc Berthold): Thank you very much, Mr. Aubin.

Mr. Badawey, would you like to talk about the same issue?

[English]

Mr. Vance Badawey: Mr. Chairman, with all due respect to both the opposition party as well as the NDP, we do have a meeting on Tuesday, and we are going to be discussing putting that on the agenda. If there is opportunity, which I suspect there will be, to discuss this issue, we can make it the first part of the discussion at the Tuesday meeting.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Ms. Block, the floor is yours.

[English]

Mrs. Kelly Block: I do want to make clear that I recognize we have witnesses scheduled for Tuesday, and I'm not asking to take time away from those witnesses or to change what we have scheduled on Tuesday. I'm happy to go forward with what is on the plan already. My understanding is that there were no witnesses scheduled for Thursday yet, which is why I asked for some time on

Thursday to be set aside for a discussion by the whole committee on the agenda going forward.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Hardie, the floor is yours.

Mr. Badawey will have the floor afterwards.

[English]

Mr. Ken Hardie: Perhaps an option is to take the subcommittee time and make it a meeting of the whole committee with everybody there to have the discussion.

[Translation]

The Vice-Chair (Mr. Luc Berthold): Mr. Badawey, the floor is yours.

[English]

Mr. Vance Badawey: No, we're trying to be accommodating here while at the same time trying to take away from the agendas that have already been established. We have three meetings set up. We have a steering committee set up on Monday. Then we have the committee of the whole on Tuesday and on Thursday. I'm sure that in the steering committee on Monday, the discussion on how we're going to move forward with the committee will be very robust.

That said, if and when those issues that come out of the steering committee meeting are brought up on Tuesday and Thursday, we can discuss them then. Whether it's Tuesday or Thursday, we can set up a Tuesday discussion based on time, and if it flows into the Thursday meeting, then so be it.

[Translation]

The Vice-Chair (Mr. Luc Berthold): My understanding is that Ms. Block, a member of the official opposition, is asking that we set aside time at next Thursday's meeting to discuss the fall schedule for committee business.

On Monday, the steering committee will meet. On Tuesday, we will hear from witnesses and I confirmed the meeting with the clerk. On Thursday, the attendance of witnesses has not yet been confirmed.

Does the committee agree with Ms. Block's request to schedule time on Thursday to discuss our work and our agenda? That's the question and I would like it answered. We must answer this question. Does the committee agree to schedule time on Thursday for this fall's agenda?

If there are no further comments, I'll ask—

[English]

Mr. Vance Badawey: Can you repeat that, Mr. Chairman?

[Translation]

The Vice-Chair (Mr. Luc Berthold): I will repeat what has been said.

A request has been made by the two opposition parties. They are asking that we set aside time next week to discuss future business.

On Tuesday, the attendance of witnesses is already confirmed. The meeting is scheduled as part of our work. I understand that the opposition is not asking to change that agenda.

For the time being, no witnesses have confirmed their attendance for Thursday. It would therefore be possible to discuss the schedule for our business on Thursday and present the recommendations made by the steering committee. I propose that we have one hour of discussion during Thursday's meeting on our work for the fall so that we can agree on the content together.

• (1100)

[*English*]

Mr. Vance Badawey: Mr. Chairman, I can't agree with that, because we have already scheduled a pretty aggressive agenda that we're proceeding with on Tuesday and Thursday, as Ms. Block has already identified. On Tuesday we have witnesses, and on Thursday we're going to be dealing with the issues that we discussed today.

May I suggest again, not to be repetitive and with all due respect, that we roll this into Tuesday's meeting, based on the two hours we're going to spend on Monday dealing with this issue, and there's no reason other members can't show up at Monday's steering committee meeting to discuss the issue. On Tuesday, we can then discuss it in the standing committee, although we may not have that much time, because we do have witnesses scheduled. We can play it by ear on Tuesday to see how much time it will run into and then we can finish it off on Thursday, but to actually formally dedicate one hour on Thursday for this issue, I can't support that, personally.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): The proposal is therefore rejected by the committee members on the government side.

Mr. Aubin, would you like to make a final comment? We will continue the discussion afterwards.

Mr. Robert Aubin: I just want to make sure I understood what Mr. Badawey meant when he said that he cannot devote Thursday's entire meeting to the discussion that we wanted to have. That is the clarification I wanted. The idea was not to devote the entire meeting to it, but probably half, which would allow us to hear from one witness in the second part of our meeting.

The Vice-Chair (Mr. Luc Berthold): Ms. Block, you have the floor first, followed by Ms. Watts.

[*English*]

Mrs. Kelly Block: Perhaps the members on the other side of the table are failing to recognize that any report coming from the subcommittee has to be ratified by the whole committee, so any decisions that come out of the subcommittee must be ratified by this committee. Therefore, I'm suggesting that you provide us time to hear the report of the subcommittee and to make decisions based on any recommendations that would come out of that subcommittee meeting. To me that is the process that all committees function by. I'm at a loss as to why members of the governing party aren't recognizing the due process that a committee goes through in setting their agenda.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Ms. Watts, the floor is yours.

[*English*]

Ms. Dianne L. Watts: Whether we find the time on Tuesday or Thursday, I think we need to talk about the agenda. Time frames were laid out. Additional things were added that we were unaware of. A simple conversation I think would rectify things and we could move forward. If that much time needs to be allocated, we need to have a conversation at some point.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): Thank you.

Mr. Badawey.

[*English*]

Mr. Vance Badawey: Thank you, Mr. Chair.

I'll move to adjourn.

[*Translation*]

The Vice-Chair (Mr. Luc Berthold): It has been moved that we adjourn. I see that all the members of the committee agree.

The meeting is adjourned.

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