

## 7.0 Conclusions and Recommendations

While no time is ever a good time to deal with a crisis – and New Brunswick is now facing three within its rail sector – the timing here is fortuitous. For too long, the issue of rail transportation has been ignored by most of our elected officials nationally, provincially and regionally. That seems to be changing rapidly, as the result of some recent high-profile events in railroading that has heightened public, media and political awareness of the growing fragility of our rail system and the policies that underpin it.

The continuing downward spiral of VIA has also received media attention, particularly in Atlantic Canada. Questions are being asked regularly in the House of Commons by several concerned members who have taken the time to investigate the rail passenger situation in Canada and abroad. These, as well as other MPs and senators, are expected to be notching up the rail agenda on Parliament Hill in the coming months.

The timing is also good in that there are winds of change swirling about our federal government, VIA and CN. The biggest and potentially most beneficial change is within the federal cabinet, with the appointment of MP Lisa Raitt as the new minister of transport on July 15, 2013. While she has not, as of this writing, made any bold or broad policy statements on rail, she is known to be actively addressing the tragic consequences of last summer's Lac-Mégantic derailment and explosion. This and several subsequent rail incidents involving dangerous commodities raised serious questions about the state of our rail system and the regulatory and legislative environments in which it operates.

Minister Raitt has the advantage of possessing some useful transportation experience and knowledge. As well, she was born and raised in Cape Breton, where her father served as secretary-treasurer and lead negotiator for the Cape Breton Railway, Transportation and General Workers.

Then, there is the upcoming change-out of VIA senior management, with president Marc Laliberté departing at the beginning of 2014. A recruitment firm is now searching for a replacement, although Ottawa sources report it is proving difficult to find anyone with the required skills who is interested in what one retired Ottawa transportation civil servant describes as “the worst job in North American railroading; the winner always winds up getting hamstrung and then fired.”

Nonetheless, the appointment of a new VIA president does bring hope for the erasure of the business style and policies that have typified the current administration of the railway and led to the reduction in the *Ocean's* service levels. The attitudes and approach of the current VIA administration also no doubt contributed to the bankruptcy of IRSI.

In fact, it's difficult to find anything that has been done at VIA in the last four years that has been beneficial to rail passengers, taxpayers or even VIA itself. But there is reason to hope for better under a new management team. The recruitment advertisement for the position appears to suggest that the successful candidate will be an agent of change.

Perhaps the only positive action taken by the outgoing VIA administration has gone largely unnoticed. This was the challenge the corporation launched through the federal regulatory process regarding CP's attempt to deny it proper track access after taxpayers footed the bill for a major upgrading project on a strategic segment of CP's Ontario route network. VIA won that battle and it augers well for the future. It is proof the freight railways do not reign supreme when it comes to their cavalier treatment of passenger trains, rail passengers and the taxpayers who fund the VIA system.

At CN, too, there is some reason for cautious optimism. While current CN president Claude Mongeau hasn't taken any steps to fix the company's reputation as the least cooperative of North America's seven Class I railways in terms of their treatment of the passenger trains that must use their tracks, he is much more sensitive to public, media and political criticism than his predecessor, E. Hunter Harrison.

Faced by a series of recent high-profile derailments involving dangerous commodities, Mr. Mongeau has even more reason to be concerned about CN's public image, especially since there has been much talk in Ottawa – even among pro-business western Conservative MPs – about introducing new regulations dealing with rail safety and shippers' rights.



**RENEW IT OR LOSE IT:** The Newcastle Subdivision cannot survive for long in its present condition. The line must be renewed soon, especially the 60-mile section between Rogersville and Bathurst, which desperately needs new continuous welded rail (shown above), new ties, deeper ballast and bridge repairs. Whether under CN or public ownership, the public's interest and investment must be fully protected to prevent a repeat of the current CN abandonment threat.

Being portrayed as an uncaring corporation playing hardball with VIA or attempting to wring the maximum financial benefits out of a taxpayer-funded initiative to save the Newcastle Subdivision would not be good for CN's image at this time.

There is also the in-depth investigation to which VIA is going to be subjected by the Office of the Auditor General (OAG) this year. That opens the door for the discovery of many of the problems outlined in this report that are affecting rail passenger service in Atlantic Canada and across the nation.

Finally, there is the increasing media coverage of the positive steps being taken by the federal and several state governments to improve the U.S. rail passenger and freight systems. While this revival will be a long and complicated process fraught with partisan political battles, it still stands in stark contrast with Canada. The realization in the U.S. is that the nation cannot compete globally against others that are investing heavily in rail improvements and expansion. Thanks to media reports, this is now becoming known to the Canadian public and questions are being asked.

To borrow from Bombardier's pro-rail website, "The climate is right for trains." However, that climate needs to improve drastically in Canada – and soon.

## **7.1 Key Recommendations**

There are major issues that must be dealt with by multiple parties – the federal and provincial governments, VIA, CN and others – if the three serious situations confronting railroading in New Brunswick are to be resolved before they become irreversible. In the order in which they have been dealt with in this report, they are:

### **7.1.1 CN Newcastle Subdivision**

- Rehabilitation cost estimates should be verified by a third party.
- Examine ownership and operational alternatives, including ownership by the federal and/or provincial governments, with operation contracted out to an experienced short line company.
- Examine the possible redirection of federal funds earmarked for the delayed Shining Waters Railway project in Peterborough – before they expire.
- Ensure a public ownership stake in recognition of government expenditures to protect the taxpayers' investment.
- Consider the establishment of a freight car pool for forest products shippers.



**A RAILWAY NO MORE:** Difficult as it may be to believe a strategic transportation corridor such as CN’s Newcastle Subdivision could be scrapped, other equally-important main lines have vanished because of changing corporate priorities and a lack of political and public opposition. A prime example is CP’s route up the Ottawa Valley, which is shown here being dismantled in 2012. The CP line’s abandonment should serve as a grim reminder that the same fate awaits the Newcastle Subdivision if action isn’t taken now. Photo by Ray Farand

### 7.1.2 VIA Rail Canada Passenger Service

- Re-routing passenger trains to the CN line through Edmundston is not an option. Such a move would abandon the communities that need and use the service the most, and run the train through an area with no significant revenue potential, resulting in a major economic loss to VIA.
- A daily passenger train better meets the public need, offers greater potential to build ridership, results in better equipment and crew utilization, and promises reduced subsidy requirement per passenger-mile – in other words better value for the taxpayers’ dollar. The *Ocean* should be returned to daily frequency as quickly as possible.
- VIA should make maximum use of its most durable, reliable and flexible equipment – the rebuilt Budd stainless steel passenger cars – and reduce or eliminate the use of the high-maintenance and unreliable Renaissance equipment presently employed on the *Ocean*.

- VIA should consider using its recently rebuilt Budd rail diesel cars (RDCs) between Moncton and Campbellton to augment service until such time as the *Ocean* can be returned to daily operation.
- Transfer rail stations outside VIA's major terminal points to municipal ownership, as is the case in many smaller towns and cities throughout the U.S.
- Promote better integrated and co-ordinated operation between VIA and Maritime Bus services.
- Introduce the long-delayed act of Parliament to properly establish VIA as a full Crown corporation with a clearly defined mandate, rights and obligations, supported by stable year-to-year funding, and reconstitute its board of directors to include expertise in rail operations and passenger transportation.
- Develop a long-term plan to re-equip VIA with modern, functional, comfortable and cost-efficient rolling stock.

### **7.1.3 Reviving Industrial Rail Services**

- Given that VIA is lacking in new equipment and has an urgent need for the refurbishment of its aging and unreliable rolling stock, and that the facilities and expertise to accomplish this exist in Moncton, the minister of transport should initiate a process to restore a productive business relationship between VIA and the owners of Industrial Rail Services.
- Recognizing that the bankruptcy of Industrial Rail Services absorbed a large amount of public money, but failed to achieve the desired objective for VIA, as a result of missteps by both parties, a thorough investigation should be undertaken to identify what went wrong, and implement safeguards to prevent a recurrence of this type of unfortunate situation.

## **7.2 A Critical Role for Municipalities**

While municipalities have little official power to bring about changes in Canada's rail freight and rail passenger industries, they are far from being unconcerned or without influence, as the commissioning of this report demonstrates. They can and should exercise this influence to bring about the changes in the current New Brunswick railway sector that will be beneficial to the citizens they represent.

In lockstep with the broader recommendations offered above for other stakeholders, there are three main courses of action the municipalities can pursue in assisting to resolve the challenges now confronting Atlantic Canada and its rail sector.



**RESTORING A MARITIME ICON:** While the long-term objective should be the restoration of the *Ocean* to daily service and its re-equipping with modern, bi-level rolling stock, there are several interim steps that should be taken. Chief among these is the replacement of the inadequate and unreliable Renaissance equipment with the more popular and efficient Budd rolling stock that was formerly used on the train. Photo by Ray Farand

### 7.2.1 CN’s Newcastle Subdivision

The Strategic Rail Assets Committee that is now attempting to produce a solution that will preserve the CN Newcastle Subdivision does not fully represent the interests of all the stakeholders. The municipalities from Moncton to Campbellton are just as much stakeholders as CN, VIA and the two upper levels of government, and as such should be more intimately involved in the process. There are many questions to be answered before any proposal by CN to repair the line at public cost under its continued ownership should be seriously entertained.

Therefore, it is recommended that the municipalities, their economic development agencies, Enterprise Greater Moncton and the affected shippers:

- Request a meeting with the Strategic Rail Assets Committee for an update on their work and ongoing inclusion in the development of a solution that will retain and upgrade CN’s Newcastle Subdivision;

- Request that the committee hire an independent rail engineering firm to investigate and deliver an objective report on the condition of the line;
- Request that, in addition to any costing produced by CN regarding the rehabilitation of the line to the required state of good repair, alternate quotes be obtained from independent contractors; and
- Request that a study be undertaken to determine if it would be preferable to have the line purchased and/or transferred to federal and/or provincial ownership for continued operation as a short line railway, similar to the approaches that have been taken in the Gaspé, Maine and other jurisdictions.

### **7.2.2 VIA Rail Canada Passenger Service**

While some municipalities on the route of VIA's reduced *Ocean* have voiced their views through municipal council resolutions, there are other methods by which they can make their views known on behalf of the citizens they represent. The time to do so is now.

Therefore, it is recommended that the municipalities:

- Pass resolutions calling on the federal government to prepare a plan to restore the *Ocean* to daily service and, in the interim, provide daily service over the Moncton-Campbellton route segment following a plan similar to the one outlined in this report to make use of VIA's available Budd RDCs;
- Make a direct approach to Minister of Transport Lisa Raitt to make her fully aware of the impact of the reduction in the *Ocean's* frequency and the need for quick corrective action by VIA;
- Suggest to the minister that an effective first step in the renewal of VIA would be the appointment of former Amtrak president and Cape Breton resident David Gunn to the board of directors;
- Call on the minister of transport and VIA to thoroughly investigate the advantages in transferring ownership of its stations to the municipalities;
- Request that VIA form a consultation committee to allow for municipal input into its corporate planning;
- Request an in-depth investigation of the cuts to the *Ocean* as part of the audit process to which VIA is subjected by the Office of the Auditor General; and
- Encourage the Federation of Canadian Municipalities (FCM) to step up its efforts to make VIA a major concern with the appropriate federal cabinet ministers.

On this last point, the federal government should be reminded the FCM represents more than 2,000 communities nationwide. The relentless service and funding reductions that have characterized VIA since its inception in 1977 are having a negative economic, social and environmental effect on many. The firsthand observations and representations of these cities and towns should assist in shaping any government plan to maintain, revive and expand Canada's national rail passenger service.

### **7.2.3 Reviving Industrial Rail Services**

Hope remains that Industrial Rail Services can be successfully revived as a competitive, long-term player in the equipment remanufacturing sector of the North American rail industry. Tempered by its experience with VIA and with a clearer view of the challenges of a very unpredictable niche market with slim profit margins, the new Industrial Rail Services could play a specialized and welcome role in New Brunswick's economy.

Questions still need to be answered about how the company could have collapsed and what needs to be done to get it rolling again. Although some may regard this as purely a private sector matter, it is not. It involves the conduct of a seemingly unaccountable Crown corporation, the effect its actions are having on our passenger railway's future, and the dubious expenditure of a large amount of public funding.

As the provider of VIA's annual operating funds, Transport Canada should have a long-term stake in the operation of Industrial Rail Services. The company is one of only a few Canadian firms capable of providing heavy repair work for VIA.

The need for a cost-competitive re-manufacturing contractor will become more urgent as VIA struggles to maintain a safe, reliable fleet. It is apparent that VIA's ability to meet its daily equipment needs is deteriorating rapidly as it grapples with a massive backlog of deferred maintenance and an absence of a fleet renewal plan.

Therefore, it is recommended that the municipalities:

- Request that the minister of transport initiate a process to bring IRSI and VIA back to the table for a full and frank discussion of the situation that led to the company's collapse with a view to reconstructing the fractured business relationship and resuming the remanufacturing of rolling stock in Moncton; and
- Contact the Office of the Auditor General to request a full investigation of the IRSI situation – as well as the serious reduction in the service level of VIA's *Ocean* referenced in Chapter 5.2 of this report – as part of its periodic audit of VIA's activities and finances.

The clock is ticking on all three of these vital aspects of New Brunswick's rail sector. The time for action by all levels of government is now. By taking the actions recommended above, the municipalities that have funded this report – and others – can play an important role in making that happen.