



TRANSPORT ACTION CANADA

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Subject: Federal infrastructure funding for Short line railways.

7 March 2016

The Honourable Marc Garneau, PC, MP
Minister of Transport
Tower C, Place de Ville
330 Sparks Street
Ottawa ON K1A 0N5

Dear Minister:

This is a follow-up letter relating to the meeting with your departmental staff to discuss *The VIA I-4-10 Plan*, released in November 2015 by Transport Action Canada. Our Atlantic president Ted Bartlett and I met for an hour with Deputy Minister Jean-François Tremblay and two of his senior officials on February 26th last. This meeting was held one day after you had released the report of the *Canada Transportation Act* review chaired by the Honourable David Emerson. Mr. Bartlett has already sent a first follow-up letter dated 29 February 2016.

During the course of the discussion we touched on a number of transportation issues apart from VIA Rail, including Marine Atlantic ferry rates, the endangered railway line in Cape Breton (and investment in this and other short line railways), and, of course, the report of Mr. Emerson's panel. We mentioned at the meeting that we have considered for some time that Canadian short line railways labour at a competitive disadvantage compared to their American counterparts (and to Canadian truckers). This was brought home to us by presentations at the Railway Association of Canada (RAC) Railway-Government Interface meeting in Ottawa in 2015, and we more recently discussed our concern with a representative of RAC. Since then, RAC has made a Submission (9/2/2016) to the Pre-budget 2016 Consultations.

It would be fastidious to repeat in detail RAC's arguments, with which we agree, and its recommendations, so a short summary of our position, based on the need for increased investment in railways to ensure their safety and their competitiveness, follows.

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In the RAC Submission it is first recommended "that the Government of Canada should ... introduce an accelerated capital cost allowance to encourage railways to invest in track and related property ... and car owners to invest in tank cars ...". Without repeating the details of this recommendation, Transport Action Canada endorses it in the terms outlined by RAC.

We agree that "the New Building Canada Plan and its predecessor have not been a significant source of funding to shortlines. Municipal and provincial public sector infrastructure projects are typically selected over shortline projects. Comparatively, U.S. shortlines have access to a variety of funding programs at the Federal and State levels. ...".

The second RAC recommendation is that "the Government of Canada should create a capital funding program of \$300 over seven years starting in 2016 and ending in 2022 (to help) shortlines invest in their infrastructure" and "The funds would be accessible through a refundable tax credit mechanism ... This fixed funding amount per track mile would be similar to the U.S. program for shortlines, but would accelerate for the first two years to foster shovel-ready projects. This investment will help remove traffic from the roads, reduce congestion and relieve governments of road maintenance costs.

Thirdly, RAC recommends that "the Government of Canada allocate \$1 B to VIA Rail's corridor fleet renewal project and hence permit VIA to leverage this investment to secure an additional \$3 B for its... dedicated track project". While Transport Action's *VIA 1-4-10 Plan* suggests a slightly different strategy, our association strongly endorses the principle of federal investment in fleet renewal and passenger rail improvements as an urgent necessity.

To return to the subject of short lines such as the Cape Breton railway, it is our contention that Canadian shortlines are currently undercapitalised, and in comparison with their American equivalents are at a severe competitive disadvantage – a situation for which the Government of Canada is urged to take a strong leadership role with taxation-based incentives for investment and direct infrastructure grants. I wish to repeat our thanks for the opportunity to dialogue with your staff on these important transport dossiers.

Sincerely yours,



Harry Gow
President

cc Jean-François Tremblay, Deputy Minister, Transport Canada
Ted Bartlett, President, Transport Action Atlantic
Peter Miasek, President, Transport Action Ontario
Louis-François Garceau, président, Le Groupe TRAQ
Ron Haskell, President Transport Action Prairie
Matthew Buchanan, President, Transport Action BC