TRANSPORT ACTION CANADA

Advocating for Integrated Public Transportation across Canada

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The Honourable Pablo Rodriguez,
Minister of Transport,
House of Commons
Ottawa, Ontario,
Canada
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Via Email: pablo.rodriguez@parl.gc.ca

Dear Minister Rodriguez,

Rethinking Canada's Rail Discontinuance Policies –

Formal Rail Bank Needed

Transport Action Canada (TAC) is a long-standing, not-for-profit, nonpartisan, volunteer-based advocacy organization focused primarily on forward-thinking public transportation improvement and expansion. Our research frequently involves studying the social, economic and environmental implications of the federal passenger and freight rail infrastructure policies and comparing them to other transportation modes, primarily highways and, to a lesser extent, short-haul air travel.

1. Current Rail Discontinuance Process has Major Gap

Canada's two Class 1 railways are highly successful enterprises, focused on operating ratios designed for maximum reward to their respective shareholders, a substantial portion of which are foreign. It is therefore easy to understand their practice of shedding non-productive infrastructure in pursuit of this goal without due regard to the national interest. However, their commercial and political power should not enable undue influence over Canada's transportation policy particularly when our national supply chain demonstrates chronic underperformance and there is a need for drastic reductions in transportation-related CO_2 emissions.

Rail infrastructure shedding and disposition has been regulated under Division V of the Canada Transportation Act of 1987 which appears fair and reasonable from a strictly corporate, commercial standpoint. However, the process has historically failed to consider the longer-term, national interest aspects of permanent rail infrastructure loss and how it negatively affects our national supply chain

performance and global competitiveness. In contrast, our provinces do not abandon and repurpose roads due to underutilisation irrespective of their low utility and growing taxpayer burden.

A recent article in Canadian Geographic featured an interview with Brian Doucet, Canada Research Chair in urban change and social inclusion at the University of Waterloo, and discussed rail discontinuance. Some of the quotations are noteworthy:

- "A lot of rail has been abandoned recently"
- "Many of the rail links are extremely valuable, for example from tourist hotspot to Toronto."
- "Ontario will regret ripping out this corridor (Orangeville-Brampton)"
- "The province needed to intervene to save the corridor from being lost forever."
- "Maybe there's less of a need for it for the next 5, 10, 20 years, but having that north-south connection would be vital. All it would take is a building to go up in one parcel of land for the whole network to be compromised. Once you lose it, you can't get it back. Without protection, the likelihood of rail ever coming back would be slim to none."
- "If people wanted a nature trail (a popular proposal for defunct lines everywhere), building one didn't have to close the door to future rail. It's possible to keep the rails in place and build a trail next to it."

We believe that a "rail bank" policy, where senior governments deliberately acquire and hold rail corridors that have been discontinued, is needed. This approach has been successfully implemented in Quebec and several USA states.

2. Examples of Rail Bank Approaches

2.1 Quebec Process.

The Province of Quebec has frequently "banked" discontinued rail infrastructure by assuming ownership from the private sector as part of the Division V protocol. This involves a careful assessment of its potential future utility, securing title, legal protection against encroachment and ongoing, basic maintenance. It ensures that the infrastructure can be reinstated as a freight and/or passenger rail corridor quickly and economically by avoiding in-depth environmental assessment, NIMBYism and unauthorised encroachment. It mimics the demonstrably successful policy of several U.S. states.

Such a forward-looking approach continues to facilitate economic expansion, competitiveness and progress under federal and provincial carbon reduction strategies. These important considerations, along with rapidly evolving industrial investment and global trade patterns, make rail banking very astute policy.

Other provinces and territories have not adopted Quebec's approach and, by definition, allowed the private sector to determine their surface transportation policies. Replacing rail with increasingly taxpayer-subsidized highway infrastructure remains the default solution. Historically this was generally acceptable but increased focus on government budget priorities, taxation levels, land use and

transportation carbon emissions reduction reinforce the need for greater scrutiny of the rail corridor abandonment process.

2.2 Michigan strategy.

- Michigan recognizes the value of significant growth in short line railway operations and actively facilitates them with grants (MiRLAP funding) and lucid permitting rules as allowed by federal regulators and host municipalities.
- Rail banking infrastructure subject to discontinuance avoids historic land title disputes since the land remains a designated rail corridor under federal and state law.
- Short line corporations including WATCO and Genesee and Wyoming have acquired many Michigan routes from Class 1 railways, *both active and inactive* and continue to increase track mileage, infrastructure capability (bridge strengthening, 286,000lb rail, grade separation, transload terminals and siding upgrades) to offer high service standards.
- Quick facts:
    - Rail freight in the U.S. is expected to grow 260% between 2020 and 2050.
    - US$24.9bn in rail freight passed between the U.S. and Canada in 2017 (amount not updated since).
    - Carloads on Michigan short lines doubled between 2018 and 2021.
    - Short line employment growth between 2018 and 2021 is approximately 50% (mostly skilled trades).

3. Supply Chain Impacts.

A key takeaway from the January 31st 2022 National Supply Chain Summit was as follows:

"There was a consensus on the need for better planning and integration at all levels – from companies to government, in order to tackle the challenges at scale. This includes stimulating public-private funding and investments in critical infrastructure and a need for policy coherence across government, particularly as we look to exploit new opportunities (EVs or advanced batteries), but also in the context of promoting new innovations to decarbonize transportation (e.g. green shipping corridors)."

Although Canada's supply chain participants have since announced supportive measures such as reduced locomotive emissions, scheduling improvements and digital tracking technologies, there has been no significant investment in system redundancy, large-scale CO_2 emissions reduction, hardening against climate change and skills and labour shortages. Although some participants have actively stressed their "green" credentials there have only been modest policy initiatives including the National Trade Corridors Fund. But they fail to address the most fundamental problems: the primary one being that the private sector places shareholder interests above the national interest and, wherever possible, externalizes significant costs to taxpayers.

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4. Historical Canadian Rail Discontinuance Examples – Good and Bad

As mentioned previously the Province of Quebec seems to have recognised this problem and taken rail infrastructure, deemed unprofitable by the private sector, into public ownership where there is an expertly considered, probable future need for it. This approach has not been shared by other provinces or, to the best of our knowledge, the federal government. Examples with a variety of outcomes are as follows:

- **Ottawa Valley rail route.**
  - Originally a Canadian Pacific (CPKC) route that connected to their east west corridor at Smith's Falls and ran through Renfrew, Mattawa and North Bay to connect with their transcontinental route (Vancouver to Toronto).
  - Now abandoned and largely repurposed.
  - Closure now requires all rail traffic from eastern and western Canada to be routed through the GHTA with high population density and two nuclear plants.
  - Eliminated all rail-based supply chain redundancy.
  - Makes most businesses and institutions in the region totally truck dependent.
  - Little to no chance of reinstatement without assertive provincial and federal legislative involvement.
- **Cape Breton Railway.**
  - Remained dormant for many years pending partial demolition.
  - Would have required parallel, 4-lane highway expansion at taxpayer expense.
  - Increased CO_2 from compensatory truck traffic.
  - Now under reprieve for possible two new container ports plus tourism potential including the VIA Rail "Bras D'Or" train.
  - Considered a "near miss" loss due to absence of appropriate transportation policy.
- **Canada Southern (Windsor to Fort Erie).**
  - Originally a Michigan Central and New York Central passenger route known as the "CASO". Hosted up to 90 passenger trains daily. Ownership assumed by CN who subsequently partnered with CP to use as a freight only route avoiding major southwestern Ontario towns and cities.
  - Deemed insufficiently profitable by private sector owners as a possible intermodal route.
  - Now largely dismantled, repurposed and heavily encroached.
  - Eliminated many opportunities for short line railway operators to exploit local freight opportunities including the Blenheim area agribusiness.
  - Required significant taxpayer spending on parallel highways (#3 and #401) to facilitate accelerating regional economic and population growth.
  - Increased CO_2 emissions and loss of productive farmland.
  - Eliminated possibility of a southern tier passenger rail corridor.
  - Subverted the value and sunk cost of Welland Canal rail tunnel.

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- **Sault Ste. Marie to Hearst.**
    - Considered unprofitable by original owners due to limited short-term tonnage prospects and put up for discontinuance thereby reducing supply chain redundancy.
    - No parallel highway alternatives.
    - Significant rail tourism attraction.
    - Connection to CPKC transcontinental line now broken.
    - Portion of line acquired by U.S. based short-line operator in anticipation of critical minerals developments in northern Ontario (likely for processing in the U.S.).
    - U.S. operator is interested in supporting rail tourism with First Nations involvement.
    - Considered a "near miss" loss due to absence of appropriate transportation policy.
- **Huron Central Railway.**
    - Critical to the Sault St. Marie steel industry, mining and forest products sectors.
    - Potential for North Bay to Sault St. Marie passenger train.
    - Private sector operator threatened discontinuance and dismantling due to chronic underinvestment in track maintenance.
    - Would have required substantial taxpayer spending on parallel Hwy 17 to handle heavy truck volumes and diminished primary and secondary industry competitiveness.
    - Considered a "near miss" loss saved only by public investment from Ontario and Canada.
- **Gaspe peninsular railway.**
    - Divestment by CN in 1996.
    - A beneficiary of the Province of Quebec's enlightened rail corridor preservation and investment policy.
    - Purchased by the province in 2015, it is now operated by SFG, a four-municipality consortium, that is investing in track improvements to Gaspe.
    - Will removes 60 trucks per week from the parallel highway 132 from the Port Daniel cement plant and induce other rail freight tonnage.
    - Restores a 320km rail route between Matapedia (CN) and Gaspe.
    - Facilitates return of VIA Rail "Chaleur" services to Gaspe.
    - Tourism growth inducement.
    - Lowers transportation carbon emissions and highway maintenance costs.
- **Barrie - Collingwood Railway and London and Port Stanley Railway.**
    - Two examples of many Ontario lines where the Division V discontinuance process and absence of provincial and municipal involvement is resulting in the potential loss of rail corridors in areas of high population and economic growth.
    - Municipalities are reluctant to shoulder the municipal tax burden of rail corridors that should be banked under joint federal/provincial policy, preferring to benefit from repurposing as recreational trails or tax opportunities from commercial and urban redevelopment.

- **Orangeville-Brampton Railway**
    - Previously owned by Town of Orangeville and operated by a conglomerate of local businesses.
    - Mounting costs (property tax) drove Town to announce sale of corridor. The conglomerate ceased operation December, 2021.
    - Despite clear potential for future commuter rail, the Province showed no interest in acquiring the corridor and banking it
    - Corridor largely sold to City of Brampton for trail + utility use. Rail + trail not being considered.

Across Canada are many similar examples of where privately owned rail infrastructure has been dismantled and removed from the nation's capital stock under Division V. While the retention of some has not been justifiable even in the public interest, the above examples illustrate how current federal and provincial discontinuance and divestiture policies do not adequately support the dire need for a more robust supply chain, people mobility, tourism growth and transportation emissions reduction.

5. Potential Future CN and CP Rail Discontinuances

Both CN and CP are required to file Three-Year Network Plans, which include rail segments they plan to discontinue. The current CN plan lists 13 segments in Canada slated for discontinuance, totalling over 500 km. The CP plan also lists 13 segments, totalling over 300 km.

At least two of these warrant special consideration:

- **Tisdale Subdivision (Manitoba).**
    - 53-mile route connecting with Hudson's Bay Railway.
    - Placed on CN discontinuance list in 2019 due to absence of traffic.
    - Significant local resistance against dismantling. Requires approx. $12m (2019) for repairs.
    - Provincial and federal governments need to understand any negative implications for planned Port of Churchill expansion.
    - Needs banking pending a full assessment of role in increased freight movements, comparative business case of highway expansion versus existing rail, climate-change impacts and Arctic national security.
- **Fergus subdivision severance.**
    - Dismantling of CN/CPKC junction in Cambridge to eliminate interchange.
    - Will reduce route redundancy between the two large, important municipalities of Region of Waterloo and City of Hamilton.

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6. Recommended actions on Supporting Short Line Rail and Changing the Discontinuance Regime.

1. Recognising that the private sector will continue to prioritise shareholder interests, it is critical for the federal government and provinces to work collaboratively on transportation optimisation by making better use of existing freight and passenger corridors by carefully scrutinizing all recent and planned discontinuations.
    a. Give due consideration to population expansion and distribution, economic growth, primary and secondary industry locations regarding critical minerals and evolving demographics for the next half-century at the minimum. This time aperture generally exceeds that of the private sector.
    b. Ask the C.D. Howe Institute to update its 2019 report on public subsidy levels for Canadian highways including the impact of predicted EV population growth and the reduction of gas and diesel taxes and little prospect of provincial road pricing through 2035. Having an accurate assessment of actual highway costs will further justify the rail option.
2. Establish a facilitating national policy on short line railway sustainability with particular attention to infrastructure state of good repair and crossing safety.
3. Consider the model of the Surface Transportation Board in the USA in modal selection and regulation that preserves and optimises the private/public sector relationship.
4. Together with the provinces, establish a rail bank process for key corridors that have been discontinued, where they are preserved intact, either with or without the rail in place.

We trust you find this letter constructive and topical given the many global issues Canada is facing today. Transport Action Canada would welcome the opportunity to expand on these comments and looks forward to your response in due course.

Respectfully submitted,

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c.c. The Honourable Steven Guilbeault, Minister of Environment and Climate Change.
Southwest Ontario Plan (MTO/Arcadis).
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