

2022 PRE-BUDGET SUBMISSION TO THE GOVERNMENT OF ALBERTA



Railway Association
of Canada



BY: RAILWAY ASSOCIATION OF CANADA

The Railway Association of Canada (RAC) recommends that the Government:

#1. Enhance rail safety

#2. Enhance intercommunity passenger rail service

#3. Fund public transit and commuter rail

#4. Increase support for shortline railways

#5. Reinvigorate Canada's tourism railways

INTRODUCTION

Rail is the backbone of Canada's economy and, even in challenging times, we continue to benefit from safe, resilient, efficient, and environmentally sustainable freight and passenger railway services.

The Railway Association of Canada (RAC) and its rail member companies, including six that operate in Alberta, remain committed to innovating and maintaining best practices in safety, innovation, environmental stewardship, and economic growth.

As evidenced throughout the global pandemic, railways are integral to Alberta's economy and interact with all facets of society: consumers, suppliers, shipping groups and communities throughout the province.

Freight railways, including Class-1s and shortlines, support economic prosperity by connecting local businesses to domestic and international markets and provide Albertans with the goods required to stay healthy and safe.

Passenger railways ensure that thousands of Albertans, including essential workers, can safely and reliably travel by rail to and from work and remain connected with their family and friends.

And tourism railways support Alberta's vibrant tourism industry. Moving Canadian and international tourists by rail drives regional economic activity by creating demand for local service providers such as hotels, restaurants, retail and excursion companies.

RAILWAYS ARE CRITICAL TO HOW WE LIVE, WORK, PLAY, AND RAISE OUR FAMILIES

Canada's railways transport approximately \$320 billion of originating goods annually – of which \$60 billion is from Alberta. In fact, railways move over 70% of all intercity traffic and over 50% of Canada's total exports.

Each year, approximately 3,800 locomotives and 33,300 dedicated railroaders transport goods and people across 43,000 kilometers of rail track across Canada (including over 6,300 kilometers in Alberta) and several points in the United States. These tracks require maintenance and upkeep to ensure efficient deliveries, as well as the safety of rail employees and the communities in which they operate.

Rail is also a job creator – every 1 job in the rail industry supports nearly 5 additional jobs. Railways provide 5,800 Albertans with good-paying jobs¹, supporting a total of 31,500 jobs across the province.

¹ Average railway employee salary of \$101,000 in Alberta in 2020 (Source: Railway Association of Canada, Member data).



RAILWAYS ARE LEADERS IN INNOVATION AND ENVIRONMENTAL STEWARDSHIP

Railways are one of the most environmentally friendly forms of ground transportation available. Trains are on average three to four times more fuel efficient than trucks. In fact, 1 freight train can remove upwards of 300 trucks from congested roadways. This immediately reduces greenhouse gas emissions, improves highway safety, and preserves taxpayer funded infrastructure such as roads and bridges.

The environmentally friendly profile of railways has largely been achieved by improving operational efficiencies and implementing innovative technologies. As the transportation sector considers decarbonization options, with an eye towards net-zero by 2050, the rail sector will continue to lead the way through research and development.

For instance, Canadian Pacific Railway, headquartered in Calgary, is piloting hydrogen fuel cell technology in the province of Alberta. The goal is to learn about the technical and operational requirements and capabilities of this technology, as a means of further decarbonizing the entire Canadian rail sector. The RAC recognizes the support provided by Emissions Reductions Alberta as a prime example of government supporting private sector innovation to achieve these shared decarbonization objectives.

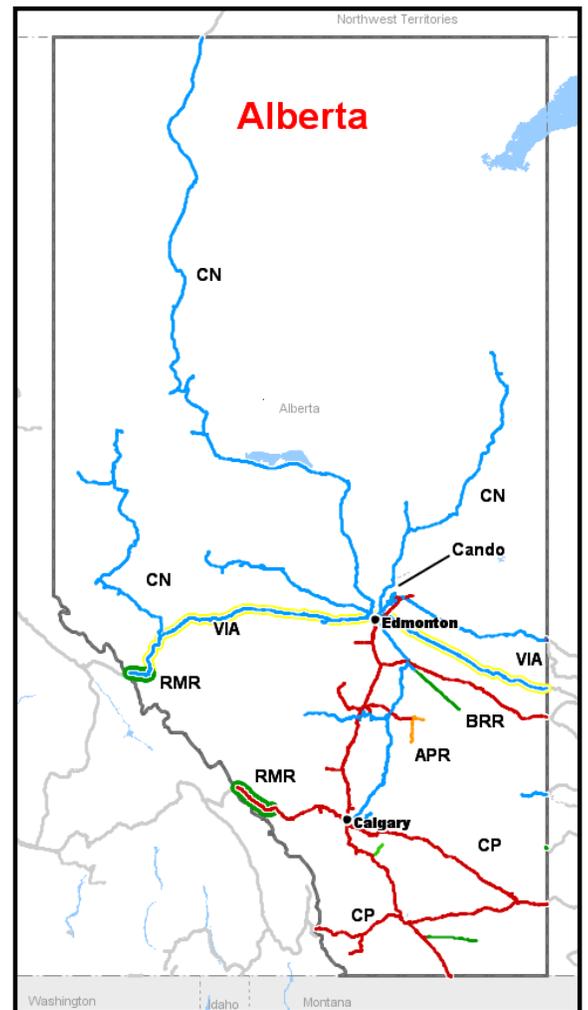
GOVERNMENT INVESTMENTS IN RAILWAY INFRASTRUCTURE PROJECTS ARE ESSENTIAL

Rail is one of Canada's most capital-intensive industries. Canadian railways are vertically integrated, including ownership of the track, real estate, as well as locomotives and rolling stock, which illustrates the need for significant investments.

On average, Canadian railways invest between 20 and 25 per cent of their own revenues back into their networks each year — more than \$20 billion over the past decade. These significant annual investments into quality rail infrastructure support the strong and growing demand for Canadian products, and the fluidity of getting Canadian products to global markets.

The RAC and its members assert that federal and provincial government investments into the rail-based supply chain will generate long-term value and ensure that Albertans continue to benefit from resilient freight and passenger railway services.

As the Government of Alberta considers investments for Budget 2022, the RAC is seeking support for the recommendations outlined in this submission.



RECOMMENDATIONS

#1 - ENHANCE RAIL SAFETY

Over the years, Canada's railway industry has developed a strong safety record thanks to substantial investments made by rail operators. Over the past decade, railways across the country have invested more than \$20 billion to ensure the safety and efficiency of their networks, and they remain fully committed to fostering a robust safety culture.

Railways, unlike some other modes of transportation, bear the infrastructure costs of continually investing in the research, implementation and maintenance of all safety infrastructure projects. However, because rail safety is a shared responsibility, the RAC and its members believe the Government of Alberta must continue to invest in projects that keep Albertans safe.

Recommendation: Commit to boosting provincial rail safety infrastructure spending. This will further drive innovation and technology in the sector, and ensure that the movement of people and freight by rail in the future will continue to be safe, environmentally sustainable and responsive to customer needs.

#2 - ENHANCE INTERCOMMUNITY PASSENGER RAIL SERVICE

Passenger railways enable Albertans to remain connected with one another. Investing in improving passenger rail services will not only help spur economic growth, but also enhance accessibility, and boost tourism. Furthermore, by reducing the reliance on automobiles, road safety will improve and GHG emissions will decrease.

Investing in expanding intercommunity rail networks, such as between the Calgary Airport and Banff, as well as between Calgary and Edmonton, will also enhance business opportunities, help connect communities and provide a gateway to the local economy for prospective residents, students, and businesses.

Recommendation: Provide additional capital funding to enhance and expand intercommunity passenger rail to help boost Alberta's economic recovery. This financial support will help restore jobs and connect people.

#3 - FUND PUBLIC TRANSIT AND COMMUTER RAIL

Recent cost-matching investments shared between the Government of Alberta and the Government of Canada to support public transit were welcome news to commuter rail operators who have seen a catastrophic drop in ridership and revenues over the past two years.

At the height of the COVID-19 pandemic, ridership on commuter railways was down by as much as 85 per cent, and operators were forced to reduce service and initiate layoffs. Commuter railways and municipalities continue to face huge financial challenges and require additional government support to fund the operating and capital costs necessary to increase efficiency and maintain service.

Recommendation: Provide additional capital funding to ensure public transit, including commuter rail, is part of Alberta's economic recovery. This financial support will help restore jobs and connect people.

#4 - INCREASE SUPPORT FOR SHORTLINE RAILWAYS

Shortline railways perform a vital role in the rail-based supply chain, providing crucial first-mile, last-mile service that connects customers and rural economies to the world. In fact, approximately 20 per cent of carloads in Canada originate on a shortline railway.

The RAC and its members appreciate Alberta's acknowledgement in the recently released 20-Year Strategic Capital Plan, Building Forward, "*that the railway system in Western Canada has been gaining importance and is critical to Alberta shippers.*"

Unfortunately, in Canada, neither the federal government, nor the Government of Alberta have been a significant source of funding for shortline railways in the province. Conversely, shortline railways in the U.S. continue to enjoy multiple federal and state-level funding programs that include grants, tax credits and low-interest loans.²

Enhanced shortline infrastructure would improve the fluidity of the transportation system, drive more traffic to the rail network, and improve safety while lowering emissions and reducing the strain on public infrastructure.

Recommendation: Create a dedicated capital funding program (similar to "[Programme de soutien aux infrastructures de transport ferroviaire et à l'intégration modale](#)" (PSITFIM) in the Province of Quebec) to support strategic infrastructure investments.

² [CPCS, Review of Canadian Short Line Funding Needs and Opportunities.](#)

#5 - REINVIGORATE CANADA'S TOURISM RAILWAYS

Tourism railways are a critical component of a vibrant tourism industry in Alberta. Moving tourists by rail drives local and regional economic activity by creating demand for local service providers such as hotels, restaurants, retail and excursion companies.

The global pandemic has had a devastating impact on tourism railways. Seasonal tourism rail operators have been forced to drastically reduce their services, suspend capital expenditures, lay off employees and in some cases cancel their operations entirely over the past year and a half.

Overall tourism rail ridership in 2021 was approximately 80% below pre-pandemic (2019) levels. More needs to be done to support tourism railways in Alberta, so that they can resume full operations, restore ridership, and serve customers now and into the future.

Recommendation: Ensure that tourism rail operators have access to capital and develop a long-term plan to rebuild confidence and re-establish Alberta as a prime tourist destination.



CONCLUSION

As the Government of Alberta explores ways of rebuilding the economy in the wake of the COVID-19 pandemic, investments into the rail-based supply chain can generate long-term value and ensure that Albertans continue to benefit from resilient freight and passenger railway services.

Rail companies are committed to developing and maintaining industry best practices in safety, innovation, environmental sustainability, and economic growth.

Railroaders' resiliency in these deeply uncertain times will help us recover from the pandemic's impacts more quickly, and increased capacity will help get more businesses reopened and more people back to work.

RAC members already have the people power to deliver as we always do — safely and reliably. We view this as a shared approach, which also involves coordination with all levels of government, as well as alignment between private and public partners.

With the right supports, including the implementation of the recommendations included in this RAC 2022 Alberta Pre-budget Submission, railways will be well equipped to carry an even greater load in our post-pandemic economic recovery and support a prosperous future for the province.

Thank you for your time and consideration.

CONTACT

Comments and questions can be directed to **Gregory Kolz**, Director, Government Relations at 613-564-8105 / gkolz@railcan.ca.

MORE ON THE RAILWAY ASSOCIATION OF CANADA

The Railway Association of Canada (RAC) was established in 1917 and represents close to 60 freight and passenger railway companies. The RAC also counts a growing number of industrial railways and railway supply companies in its associate membership. As part of the fifth largest rail network in the world, RAC members are the backbone of Canada's transportation system.

We encourage you to visit: <https://www.railcan.ca>

