

2023 FEDERAL PRE-BUDGET SUBMISSION

Railways: A Backbone of Canada's Economy



Railway Association
of Canada



RECOMMENDATIONS

SUPPORTING STRONG SUPPLY CHAINS

Recommendation 1: Develop and implement measures that contribute positively to supply chain fluidity and capacity and that involve all supply chain players.

- RAC contributed workable solutions to the National Supply Chain Task Force. Our response lays out a fact-based response to several troubling recommendations contained in the Task Force's final report.
- The federal government should reject calls to expand interswitching distances beyond the current 30km and should not impose additional regulatory burdens on railways that will only lead to more supply chain chokepoints, slowdowns, and barriers to investment. The result will be increased costs which will be inflationary.
- Railways are reliable links in integrated supply chains, not a bottleneck, and it is important that their efficiency and reliability is maintained. Railway terminal dwell times averaged less than 8 hours in 2022, while dwell times at Canada's busiest ports roughly doubled since 2019 to 156 hours. To improve the fluidity and competitiveness of Canadian supply chains, port congestion must be addressed through strategic investments.
- RAC recommends that the federal government not make destabilizing changes under Part 1 of *The Canada Labour Code* to ban replacement workers during a strike or lockout, which would undermine safety, incentivize more and longer labour disputes, and increase supply chain disruptions for Canadians.
- Railways believe that all supply chain partners must be involved in developing practical and effective solutions to make and keep our supply chains healthy and strong, while enabling global trade.
- The federal government should commit to elaborate and implement measures contributing to supply chain fluidity and capacity measures that involve all players from coast to coast to coast. Right now, for instance, there are challenges related to loading grain in the rain. (It rains 165 days per year in Vancouver.) Fixing issues like this will have immediate beneficial impact on the grain supply chain.
- Significant economic players from coast to coast to coast are willing to step up to the task. We need all players at the table and contributing.

SUPPORTING STRONG SUPPLY CHAINS (CONTINUED)

Recommendation 2: Increase support for shortlines to enhance supply chains' fluidity and improve safety, while lowering emissions and reducing the strain on public infrastructure.

- Shortline railways are essential to improving the fluidity of supply chains. They remove traffic from publicly funded highways and, in many cases, provide vital services to rural and remote communities across Canada.
- In Canada, approximately 20% of carloads originate on a shortline railway. But because they are considered 'low-density' lines, they have been underinvested for years.
- To date, neither the New Building Canada Plan nor the National Trade Corridor Fund (NTCF) have been a significant source of funding for shortline railways, despite the sizeable their economic impact and the irreplaceable economic development they create.
- The federal government should create a dedicated, multi-year capital funding program to support shortline infrastructure investments similar to other jurisdictions (U.S., Québec) to make funding programs available to shortline railways.

Recommendation 3: Commit to facilitate the express entry of skilled rail professionals to Canada to ensure railways have access to the skilled professionals they need to continue improving supply chains' fluidity.

- Canada's railways need more assured access to human capital and in-demand skills.
- Key professions could be added to the National Occupation Classification (NOC) codes for Express Entry eligibility.

Recommendation 4: Extend, by three years, the phase out of the Accelerated Investment Incentive.

- Ongoing investments in rail are necessary to support a robust, fluid supply chain and facilitate future growth of the Canadian economy.
- Canadian railways are significantly disadvantaged due to slower tax depreciation relative to U.S. railways.
- With an extended phase out of the *Accelerated Investment Incentive*, the government should also introduce higher tax depreciation rates to spur ongoing investments.

RECOMMENDATIONS

SUPPORTING PASSENGER RAIL

Recommendation 5: Invest in intercity passenger rail service to create employment, growth and leverage the environmental benefits of rail.

- Passenger rail services, enhance accessibility and mobility, and boost tourism.
- Intercity passenger rail service unlocks business opportunities and provides a gateway to local economies in a more sustainable way.
- The federal government can play a role in ensuring the continued development and level of service of passenger rail services on dedicated track/rights of way wherever possible. If we are serious as a country about our ambition with respect to passenger rail, we must also be serious about funding it appropriately.

Recommendation 6: Provide additional capital and operation funding to commuter railways to ensure transit is part of Canada's economic recovery.

- Public transit plays a key role in helping Canadians go back to work with a safe and affordable means of transportation, thus contributing to a positive economic recovery.
- Commuter railways and municipalities continue to face huge financial challenges induced by the pandemic and require additional support to increase efficiency and maintain service.

Recommendation 7: Provide tourism rail operators with immediate access to capital and create a task force to develop a long-term strategy that rebuilds confidence and repositions Canada as an attractive tourist destination.

- Tourism railways are a critical component of Canada's vibrant tourism industry and its annual \$105 billion (pre-pandemic) economic footprint.
- The past couple of years had devastating impacts on tourism railways.
- There is an opportunity to elevate tourism railways with world-class infrastructure.

RECOMMENDATIONS

ENHANCING SAFETY & ADVANCING DECARBONIZATION

Recommendation 8: Increase federal rail safety infrastructure spending, including the Rail Safety Improvement Program, to further ensure that the movement of people and freight by rail continues to be safe, green, and responsive to customer needs.

- Canada's railways continually look for new ways to improve safety. They invest billions of dollars annually to improve the safety of their operations and their infrastructure, adopting new technologies and practices and increasing more effective training to improve safety culture.
- Rail safety is a shared responsibility that calls for further investment from the federal government. RAC members request that funding or funding in-kind be allocated for the effective implementation of Enhanced Train Control.
- RAC members repeat their request that the regulatory framework be based on a data-driven, performance-based approach that adapts to evolving technologies, and that the exemption process be streamlined to allow for the implementation of technologies being recognized as equal to or better than existing regulatory required practice.
- Collaboration is needed to ensure that grade crossings comply with the *Regulations and the associated Grade Crossing Standards* for everyone's safety.

Recommendation 9: Create a robust funding program to support research, development, and deployment of low-carbon and alternate fuel technologies in the Canadian rail sector.

- Already the most fuel-efficient means of transporting people and goods over land, railways can play a key role in helping the Government of Canada achieve its international climate commitments.
- Adequately funded programs are key to supporting railways as they research, develop, test and implement additional technology solutions.

BACKGROUND

Rail continues to be a backbone of Canada's economy. Canadians benefit from resilient freight and passenger railway services. As evidenced throughout the global pandemic, railways are central to Canada's economy and interact with all facets of society: consumers, suppliers, shipping groups and communities from coast to coast to coast.

Freight railways support economic prosperity by connecting Canadian businesses to domestic and international markets and provide Canadians with the goods required to stay healthy and safe. Canada's freight railways provide world-leading values to shippers and customers; an independent international study¹ of rail freight rates found that Canada's rates are the lowest of all market-based economies surveyed, and 11% lower than in the United States. This is an important competitive advantage that is serving Canadian producers and consumers well as record levels of inflation have impacted business operations.

Passenger railways, including inter-city and commuter trains, ensure that millions of Canadians can safely and sustainably travel to and from work.

And tourism railways contribute to Canada's vibrant travel/tourism/hospitality industry and its annual \$105 billion (pre-pandemic) economic footprint by creating economic opportunities for Canada's middle class.

Canada's railways can play an important role in energizing the economy in these challenging times.

CANADA'S RAILWAYS: AN ESSENTIAL COMPONENT OF THE CANADIAN ECONOMY

Canada's railways transport approximately \$350 billion of originating goods annually. In fact, railways move approximately 70% of all intercity traffic and 50% of Canada's total exports. Each year, 3,600 locomotives and more than 34,000 dedicated railroaders transport goods and people across nearly 43,000 kilometres of rail track across Canada 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.

¹ CPCS, International Comparison of Railway Freight Rates, January 2023.

The rail transportation sector 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 percent of their own revenues back into their networks each year — more than \$20 billion over the past decade. These significant annual investments into rail infrastructure support the strong and growing demand for Canadian products, and the fluidity of getting Canadian products to global markets.

CANADA'S RAILWAYS: CRITICAL TO HOW WE LIVE, WORK AND TRAVEL.

Railways are the most fuel-efficient mode of moving people and goods over land. Trains are on average 3-4 times more fuel efficient than trucks. One 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. The *Pan-Canadian Framework on Clean Growth and Climate Change* and Transport Canada's *Transportation 2030* both highlight the value of moving more goods and people by rail.² In fact, shifting just 10% of truck traffic to rail would reduce emissions by four megatonnes of CO₂e per year. By taking vehicles off the road, railways reduce environmental impacts and prevent degradation of public infrastructure.

As the transportation sector considers decarbonization options, in support of Canada's international climate commitments, the rail sector will continue to lead the way through research and development initiatives.

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 Canadians continue to benefit from resilient freight and passenger railway services.

The Railway Association of Canada is pleased to offer these recommendations for consideration.

Rail companies are committed to developing and maintaining industry best practices in safety, innovation, environmental sustainability, and economic growth. RAC members are committed to transporting people and goods — safely and reliably. With the right support, including the implementation of the recommendations included in this submission, railways will be well-equipped to help facilitate economic resiliency for all Canadians.

² Pan-Canadian Framework on Clean Growth and Climate Change, page 18; Transport Canada, *Transportation 2030: Green and Innovative Transportation*

CONTACT

Comments and questions can be directed to **Caroline Healey**, Executive Vice-President & General Counsel at (613) 564-8103 / CHealey@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.



ANNEX A: RAIL NETWORK IN CANADA



RAC MEMBER RAILWAYS

- Agawa Canyon Railroad, ULC
- Alberta Prairie Railway
- Amtrak
- ArcelorMittal Infrastructure Canada s.e.n.c.
- Barrie-Collingwood Railway
- Battle River Railway, NGC Inc.
- BCR Properties Ltd.
- Big Sky Rail Corp
- BNSF Railway Company
- Boundary Trail Railway Co.
- Cape Breton & Central Nova Scotia Railway
- Capital Railway
- Carlton Trail Railway
- Central Manitoba Railway Inc.
- Chemin de fer Arnaud Québec
- CN
- Compagnie du Chemin de Fer Lanaudière inc.
- CP
- CSX Transportation Inc.
- Eastern Maine Railway Company
- Essex Terminal Railway Company
- exo
- GIO Rail Holdings Corporation

RAC ASSOCIATE MEMBERS

- Absopulse Electronics Ltd.
- Ashcroft Terminal
- Atlantic Industries Limited
- Bayside Canadian Railway
- British Columbia Institute of Technology
- CAD Railway Industries Ltd.
- Canadian Heartland Training Railway Services Inc.
- Canadian Rail Research Laboratory
- Canadian Urban Transit Association
- Cando Rail & Terminals Ltd
- Cégep de Sept-Iles
- Colliers Project Leaders
- Confederation College of Applied Arts and Technology
- CPCS Transcom Limited
- Crescent Point Energy
- CSTP Inc.
- Davanac Inc.
- Dillon Consulting Limited
- Dominion Railway Services Ltd.
- Drain-All Ltd.
- Forma-Train
- Frauscher Sensor Technology USA Inc.
- GATX Rail Canada Corporation



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| Goderich-Exeter Railway Company Limited | Greeman Asset Management Solutions Inc. |
| Great Canadian Raitour Company Ltd. | Groupe Pelletier Entretien |
| Great Western Railway Ltd. | Harsco Rail |
| Hudson Bay Railway | IMTT Quebec Inc. |
| Huron Central Railway Inc. | J Lanfranco Fastener Systems Inc |
| Keewatin Railway Company | Jones Rail Industries Ltd. |
| Knob Lake and Timmins Railway | Koch Fertilizer Canada ULC |
| Last Mountain Railway | L.A. Hébert Ltée |
| Metrolinx | Lanyi Rail Solutions Ltd. |
| New Brunswick Southern Railway Company Limited | McCarthy Tétrault |
| Nipissing Central Railway Company | Messer Canada Inc. |
| Norfolk Southern Railway | NARSTCO |
| Ontario Northland Transportation Commission | Nu-Edge Rail LTD |
| Ontario Southland Railway Inc. | Ontario Steel Haulers Inc. |
| Orangeville Brampton Railway | PNR Railworks Inc. |
| Ottawa Valley Railway | Rail Cantech |
| Prairie Dog Central Railway - Vintage Locomotive Society Inc. | Rail-Werx Inc. |
| Québec Gatineau Railway Inc. | Red River College |
| Québec Iron Ore Inc. | Rees Rail Services Ltd. |
| Québec North Shore and Labrador Railway Company Inc. | RTC Rail Solutions Ltd |
| Roberval and Saguenay Railway Company, The | Sait Polytechnic |
| Romaine River Railway Company | Sands Bulk Transport |
| Société du chemin de fer de la Gaspésie | Sandy Cooke Consulting Inc. |
| South Simcoe Railway | SC3 Automation Inc |
| Southern Ontario Railway | Siemens Mobility Limited |
| Southern Railway of British Columbia Ltd. | Société du port ferroviaire de Baie-Comeau (SOPOR) |
| St. Lawrence & Atlantic Railroad (Québec) Inc. | Soulanges Railway Services Inc. |
| St. Paul & Pacific Northwest Railroad Company LLC | Standard Rail Corporation |
| Toronto Terminals Railway Company Limited, The | Stantec Inc. |
| Train Touristique de Charlevoix Inc. | Stein Monast |
| Tshiuetin Rail Transportation Inc. | Suncor Energy Products Partnership |
| Union Pacific Railroad Company | Toromont Cat |
| VIA Rail Canada Inc. | Torq Transloading |
| West Coast Express Ltd. | T-Rail Products Inc. |
| White Pass and Yukon Route Railroad | Tybo Contracting Ltd. |
| | Universal Rail Systems |
| | VIP Rail ULC |
| | Wabtec Corporation |
| | Whiting Equipment Canada |
| | X-Rail Signalisation Inc. |

