



Railway Association
of Canada

Association des chemins
de fer du Canada



CANADIAN FEDERATION
OF AGRICULTURE

FEDERATION CANADIENNE
DE L'AGRICULTURE



CANADIAN
MANUFACTURERS
& EXPORTERS



Canadian Steel Producers Association



CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA

ASSOCIATION CANADIENNE DE
L'INDUSTRIE DE LA CHIMIE



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FREIGHT MANAGEMENT
ASSOCIATION OF CANADA

ASSOCIATION CANADIENNE
DE GESTION DU FRET



Pulse Canada



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Responsible Distribution Canada
Distribution Responsable Canada

March 12, 2020

Hon. Marc Garneau
Minister of
Transport

Hon. Catherine McKenna
Minister of Infrastructure and
Communities

Hon. Jonathan Wilkinson
Minister of Environment
and Climate Change

Hon. Seamus O'Regan
Minister of Natural
Resources

Honourable Ministers,

We are writing to express our concern over the lack of federal government support for Canada's shortline railway industry.

Shortline railways provide a competitive, safe and efficient first-mile last-mile service that enables international market access for shippers across the country. These railways have a diverse customer base that depends on their service to remain competitive and continue to operate in Canada.

Shortline railways perform a vital role in Canada's rail-based supply chain. In fact, approximately 20 per cent of carloads in Canada originate on a shortline railway. As such, we believe that the federal government can and should do more to support shortline railways and their customers.

There are numerous benefits to moving freight by shortline rail. Here are a few examples:

- Rail is approximately four times more fuel efficient than truck, thus offering a low-carbon transportation option to customers;
- Moving freight by shortline rail alleviates road and highway congestion and translates into less wear and tear on public infrastructure;
- Shortline railways provide a competitive low-rate service that allows their customers to transport their goods to domestic and international markets; and
- Rail continues to be the safest method for transporting dangerous goods over land in Canada.

The shortline industry is committed to safety and sustainability. Shortline railways are experiencing several headwinds that constrain their ability to invest and serve customers in Canada. However, high fixed-costs, commodity volatility, an expanding regulatory agenda driven by carbon pricing, grade crossings, and insurance requirements for transporting dangerous goods are eroding the sector's ability to remain competitive in Canada.

A current example is the Ontario based Huron Central Railway. Challenged by high fixed-costs and decreased revenues, this railway requires government investment immediately to continue its operations beyond the first quarter of 2020. Without this investment to complement the railway's multi-million-dollar capital expenditure plan, its closure will have an adverse impact on several forest product and manufacturing companies serviced by the railway between Sault Ste. Marie and Sudbury. Furthermore, closure of the Huron Central Railway would put jobs in the area at risk.

Shortline challenges are widely understood and were recently documented in the statutory reviews of the *Canada Transportation Act*¹ and the *Railway Safety Act*². These reviews underscored the need for the

1 Pathways: Connecting Canada's Transportation System to the World, 2015. https://www.tc.gc.ca/eng/ctareview2014/CTAR_Vol1_EN.pdf

2 Enhancing Rail Safety in Canada: Working Together for Safer Communities - Transport Canada, 2019. <https://www.tc.gc.ca/en/reviews/railway-safety-act-review/enhancing-rail-safety-canada-working-together-safer-communities.html#sec5-1-4>

federal government to support the shortline sector in Canada, a point of view that is also shared by the Canadian Chamber of Commerce and its members³.

The RAC and shipper groups across Canada encourage this Government to recognize the benefits of shortline railways and create a dedicated funding program that will stimulate investment. While previous efforts under the New Building Canada Fund, and more recently the National Trade Corridors Fund, have aspired to support shortline railways, these programs have not created the necessary and reliable investment required by most shortline railways to maintain, upgrade and grow this critical rail network.

Comparatively, federal and state-level governments in the United States are leveraging the benefits of shortline railways by creating dedicated funding programs to support their competitiveness. For example, the Section 45G program is an effective federal tax credit program that allows shortline railways to receive a credit of 50 cents for each dollar they invest (capped at \$3,500 per mile) in infrastructure improvements related to track and important assets such as bridges. Initially created in 2005, this program has spurred \$4 billion in infrastructure investments since it was enacted.⁴ Similarly, the newly created federal Railroad Rehabilitation & Improvement Financing Express Program sets aside \$7 billion exclusively for shortline railways to invest in their infrastructure.

Once again, the Railway Association of Canada, along with the signatories here within, believe that more should be done to ensure the viability and competitiveness of shortline rail in Canada. Collectively, we ask that the federal government recognize the value these railways provide to Canadian manufacturers and businesses, as well as the related benefits to Canadians, by creating a dedicated funding program that supports the competitiveness and sustainability of shortline rail in Canada.

We stand ready to work with you in the development of critical initiatives to enhance the future of the shortline railway industry in Canada.

Sincerely,



Marc Brazeau, President and CEO
Railway Association of Canada



Mary Robinson, President
Canadian Federation of Agriculture



Dennis Darby, President and CEO
Canadian Manufactures & Exporters



Catherine Cobden, President
Canadian Steel Producers Association



Bob Masterson, President and CEO
Chemistry Industry Association of Canada



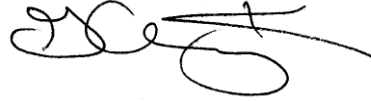
Derek Nighbor, President and CEO
Forest Products Association of Canada

³ Canadian Chamber of Commerce – 2019 Policy Resolutions. <http://www.chamber.ca/advocacy/policy-resolutions/PolicyResolutionsBook2019.pdf#page=112&zoom=100,0,217>

⁴ Shortline Tax Credit White Paper http://files.aslrra.org/images/news_file/012819-ShortLineTaxCredit-WhitePaper_Final.pdf



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