RAC QUARTERLY REPORT

Quarter 1 - 2024

July 4, 2024

Contents

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Introduction

The Railway Association of Canada's (RAC) Quarterly Report compiles weekly, monthly, and quarterly data from railways and various statistical and regulatory agencies to provide a timely update on the state of the economy, the transportation sector, and freight and passenger rail operations.[1] Links to all data sources are included throughout the report. In addition, RAC's quarterly and annual reports can be accessed on the RAC website.

Executive Summary

Canadian Economy

Canadian economy picking up steam after lagging the U.S. in the second half of 2023.

While the U.S. economy experienced 4.9% annualized growth in Q3-2023 and 3.4% annualized growth in Q4-2023, the Canadian economy remained flat. Things turned around in the first quarter of 2024, when the Canadian economy grew at a 1.7% annualized rate. The forecast for the rest of 2024 predicts Canadian and U.S. growth to be similar, between 1.2% and 1.8% each quarter.

Over three months, from December 2023 to March 2024, retail sales, trade, and manufacturing shipments all decreased. Employment and GDP grew, by 0.4% and 0.7%, respectively. However, more than half of the increase in GDP was attributable to the educational services sector, explained by the return of workers following the November-December 2023 public sector workers' strikes in Quebec.

Freight Rail

Intermodal makes a comeback, but overall gains offset by declines in grain and coal.

Total freight traffic was relatively flat in Q1-2024 compared to Q1-2023.

In Canada (including all freight railways, both shortlines and Class 1s), intermodal unit volumes were up 6%, driven by growth in Western Canada as traffic returned following last year's West Coast ports strike. Non-intermodal carloads were down 4% vs Q1-2023. Modest gains in fuels & chemicals (+4%), machinery & automotive (+2%), food products (+2%), and metals (+1%) were not enough to offset the relatively larger declines in agriculture (-15,283 carloads, -10%), coal (-10,719 carloads, -12%) and minerals (-8,937 carloads, -4%). Agriculture was down as the 2023 grain crop came in about 10% smaller than the 2022 crop and hence there was less demand to ship grain compared to the previous year; while production problems at several mines negatively impacted coal volumes.

In Q1-24, Canadian Class 1 freight traffic (CN and CPKC, network-wide), measured using revenue-ton miles (RTMs), was flat compared to the same period last year, while carloads dropped 2%. RTM growth was led by gains in high volume commodities, namely energy, chemicals and plastics (+898 million RTMs, +4%) and intermodal (+886 million RTMs, +4%); while automotive enjoyed the most significant increase in percentage terms, at +7%. Network-wide grain and fertilizers RTMs increased by 1%, which is in contrast to the Canadian data above, but is explained by growth in shipments of potash and U.S. grain (which are not included in the "Agriculture" commodity grouping in the Canadian data for all railways).

[1] Much of the data in this report are measured against the same period in previous years, for year-over-year comparisons' sake. However, in some cases, data are compared to earlier periods to provide context relative to pre-pandemic activity levels.

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In Q1-24, several important Class 1 freight performance metrics, including train speed (+2%), car velocity (+4%), and dwell (6% reduction), improved. Class 1s invested $1.1 billion, a 27% year-over-year increase, and employment edged up 2% to over 45,000 employees.

A few of the Class 1 freight indicators compared unfavourably to Q1-23. Notably, average train weight and length decreased by 3% and 2%, respectively, as train length restrictions were enacted in several weeks due to extreme cold weather. The number of cars on line decreased by 6%; however, each car was more productive (4% increase in miles per day).

Supply Chains

Moving well within Canada but challenges persist over the horizon.

Within Canada, supply chains were moving very well in Q1-24, usually the more challenging time of year. Railway dwell times averaged just 8.4 hours – 6% shorter than in Q1-23 and 14% shorter than in Q1-22. Dwell at the ports of Vancouver and Montreal were 15% and 21% shorter than they were last year, respectively. And following the lingering impacts of the July 2023 West Coast ports strike, traffic has come back through the Port of Vancouver, with double digit year-over-year gains in intermodal since December 2023.

The smooth performance (as of mid-June) of Canadian supply chains is at risk, however, if a work stoppage in the rail sector were to occur. Both Class 1 railways have been in discussions with Teamsters Canada Rail Conference since late 2023, and agreements have yet to be reached. In May, a decision by the Federal Minster of Labour to ask the Canadian Industrial Relations Board (CIRB) to determine if there are public safety concerns tied to a rail strike, has brought uncertainty to the timing of a possible labour stoppage.

Outside Canada's borders, maritime trade is facing some challenges that are impacting transportation costs and overall supply chain performance. In Q1-24, global vessel schedule reliability decreased to 53.1%, the average delays for late vessel arrivals increased to 5.6 days, and the Global Container Freight Index nearly tripled from the low rates enjoyed in the fourth quarter of 2023.

In Q1-24, as a result of drought, trade was restricted through the Panama Canal. However, thanks to increased rainfall in the spring, restrictions began to ease starting May 16th. And in the Middle East, attacks on vessels in the Red Sea are severely limiting the usage of the Suez Canal, causing vessels to redirect around the southern tip of Africa, adding around 10 days to their transit times.

Passenger Rail

Strong year-over-year growth in ridership. Majority of passenger rail services either recovered or nearly recovered to pre-pandemic levels.

In Q1-24, all RAC reporting members indicated that ridership was higher than it was in Q1-23 – with half of them reporting an increase of greater than 25%. Comparing back to 2019, ridership had fully recovered above pre-pandemic (Q1-19) levels for one third of reporting members.

The latest data on tourism expenditures show that Canada's tourism sector has recovered. Compared to 2019, annual tourism sector expenditures were up 10% and tourists' expenditures on rail services were up 3%.

Both major intercity railway companies – VIA Rail and Amtrak – boasted strong ridership numbers. VIA Rail closed out 2023 with 25% more riders than in 2022, and was 18% below the pre-pandemic (2019) level. In Q1-24, ridership increased 11% year-over-year and was just 15% below the pre-pandemic (Q1-19) level. Amtrak's Q1-24 ridership on routes with segments in Canada increased 46% year-over-year and exceeded their pre-pandemic (Q1-19) level by 14%.

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In March 2024, urban transit ridership was 18% below pre-pandemic levels – relatively unchanged since September 2023.

Despite some positive numbers, following several years of lower-than-normal ridership, government support, at all levels, for passenger rail must remain a top priority to ensure sustainable operations and an important alternative to commuting by car.

Rail Safety

Strong safety performance resulting in a double-digit improvement in the accident rate.

Safety is job one for every railway and every railroader. The improvement in the safety metrics for Q1-24 reflect this focus and commitment.

In the first quarter of 2024, the Canadian Class 1 *Federal Railroad Administration (FRA)* personal injuries rate was 16% below the 2020-2023 average[2] and the train accident rate was 28% below the 2020-2023 average.

According to Q1-24 *Transportation Safety Board (TSB)* data, the overall accident rate for Canada's federally regulated railways improved by an outstanding 29% compared to the 2019-2023 average. In addition, railways made significant progress in reducing the number of main-track derailments to 11 – just half the 2019-2023 average. Crossing and trespassing accidents were similar to levels in previous years, while the number of accidents involving dangerous goods was lower than the 2019-2023 average (but higher than the number achieved in Q1-23).

[2] 2020 is the earliest year for which data are available.

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State of the Canadian Economy

Data for all key economic indicators are provided on a seasonally adjusted basis. Therefore, the most recent data are analyzed against the past several months, rather than against the same quarter of the previous year. When comparing March 2024 to December 2023 data, total economy employment and GDP improved, while retail sales, trade, and manufacturing shipments decreased.

From December 2023 to March 2024, total employment (all industries) increased by 0.4% (75,800 jobs), from 20.32 million to 20.40 million.

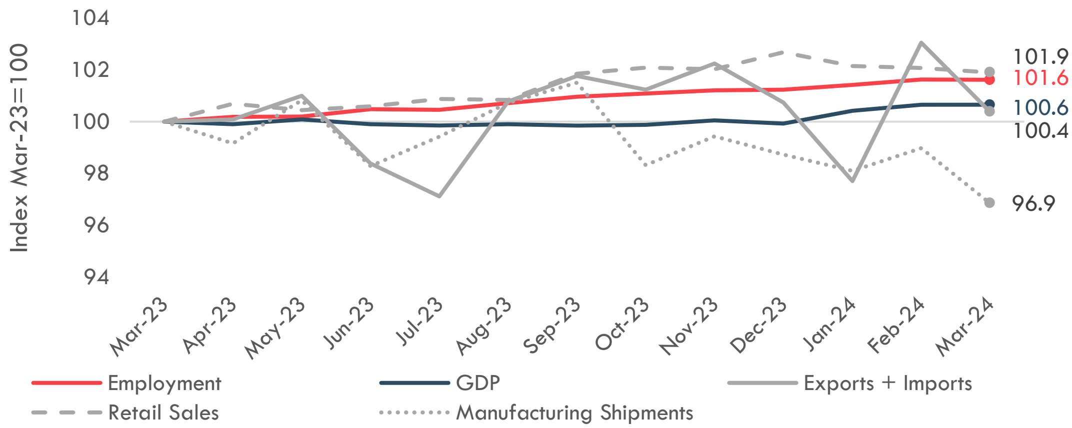
Over the same three months, GDP increased by 0.7%, from $2,202B to $2,218B. GDP increased in 14 out of 20 sectors, led by (in absolute dollar terms) increases in education, construction, and health & social assistance. The significant growth from December 2023 to March 2024 in educational services (+7.8%), and to a lesser extent health care and social assistance (+1.3%), was supported by the return of workers following the November-December 2023 public sector workers' strikes in Quebec. The transportation and warehousing sector's GDP increased by 1.1%. Decreases in GDP (in absolute dollar terms) were led by manufacturing (impacted by ongoing retooling activities at multiple automotive assembly plants) and the mining sector.

From December 2023 to March 2024, trade (exports + imports) decreased by 0.4%, from $126.6 to $126.2B.

Domestic retail sales provide insight into household consumption, which is the largest contributor to Canada's GDP at over 50% of total GDP and a key driver of intermodal rail volumes. From December 2023 to March 2024, retail sales (in current dollars) decreased by 0.8%.

Manufacturing shipments provide an indication into the strength of Canada's manufacturing sector and the global demand for its outputs. Manufacturing shipments decreased by 1.9% from December 2023 to March 2024.

Key Canadian Economic Indicators



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Growth of Key Canadian Economic Indicators

	Employment (millions)	GDP ($B, annualized)	Exports + Imports ($B)	Retail Sales ($B)	Manufacturing Shipments ($B)
December 2023	20.32	2,202	126.6	66.9	71.2
March 2024	20.40	2,218	126.2	66.4	69.9
3-month change	**0.4%**	**0.7%**	**-0.4%**	**-0.8%**	**-1.9%**

Source: Statistics Canada, [Labour Force Survey](); [Gross domestic product at basic prices](); [Canadian International Merchandise Trade](); [Retail trade sales by industry](); and [Monthly Survey of Manufacturing]()
Note: Data are seasonally adjusted. The GDP index is an index of Real GDP in chained (2017) dollars. The indices for trade, retail sales, and manufacturing shipments are in nominal dollars.

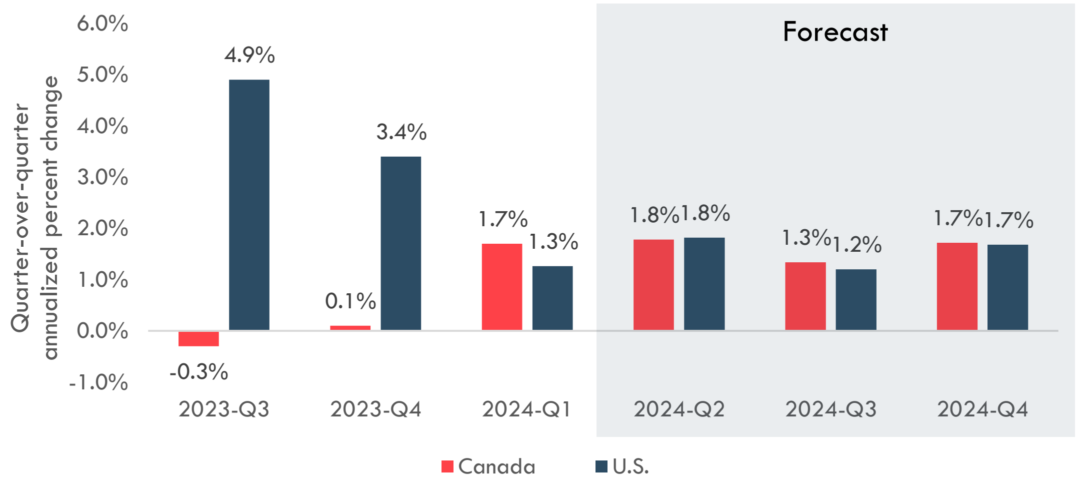
Economic Outlook

Based on Canadian banks' June forecasts, the economic outlook in this report has improved compared to the outlook presented in RAC's Q4-2023 Report. After lagging the U.S. economy by a wide margin throughout the second half of 2023, the Canadian economy grew at a 1.7% (annualized) rate in the first quarter of 2024. The forecast for the rest of 2024 predicts Canadian and U.S. growth to be similar, between 1.2% and 1.8% each quarter.

For rail, the traffic forecast is generally positive through 2024. An improving macroeconomic environment and the expectation of continued interest rate cuts should support growth across many lines of business. Expectations for most merchandise commodities (metals and minerals, energy, chemicals and plastics) are positive. International intermodal volumes are up, as volumes through Vancouver have returned following last year's strike; and despite shutdowns for retooling, automotive is well-positioned for another strong year in 2024.

However, there remain a number of potential headwinds, including: possible labour disruptions, automotive production issues, pricing pressures on short-haul intermodal, low natural gas prices impacting coal demand, geopolitical risks, extreme weather events, and whether the weather cooperates and produces an average grain crop.

Canadian and U.S. Real GDP Forecast



Source: [TD](), [Scotiabank](), [CIBC](), [RBC](), and [BMO]() forecasts. The figures presented are the average of the five banks' latest forecasts.

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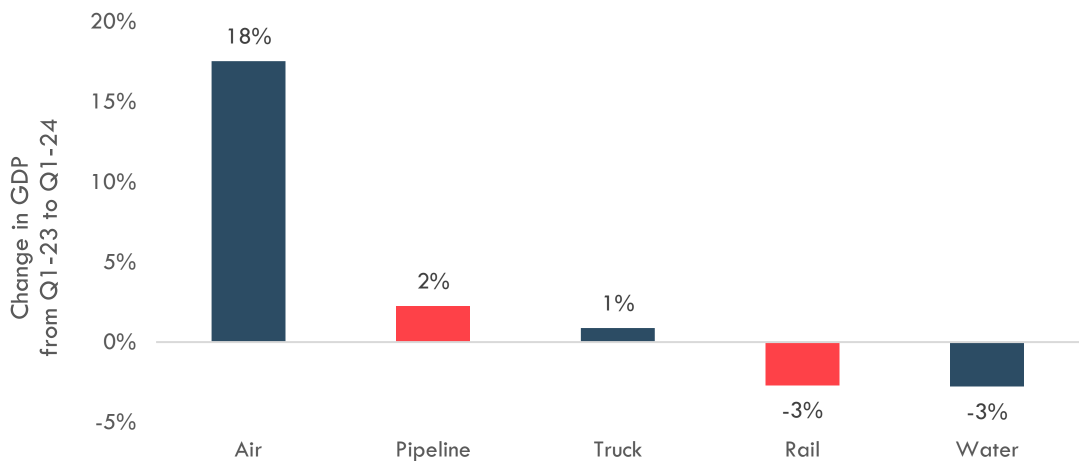
Rail and Other Modes of Freight Transportation

Each transportation mode has been impacted differently since the onset of the pandemic. The adverse impacts on some sectors were significant, especially for those that are more oriented toward passenger services. This affects the initial values used in year-over-year trend analysis and, as such, the findings in this section should be interpreted with caution.

Compared to Q1 of last year, the air transportation sector experienced the most significant growth in GDP (18%). This brought the air transportation sector's GDP up to 76% of its pre-pandemic (2019) level.

Q1-24 GDP was relatively flat compared to Q1-23 in every other transportation sector.

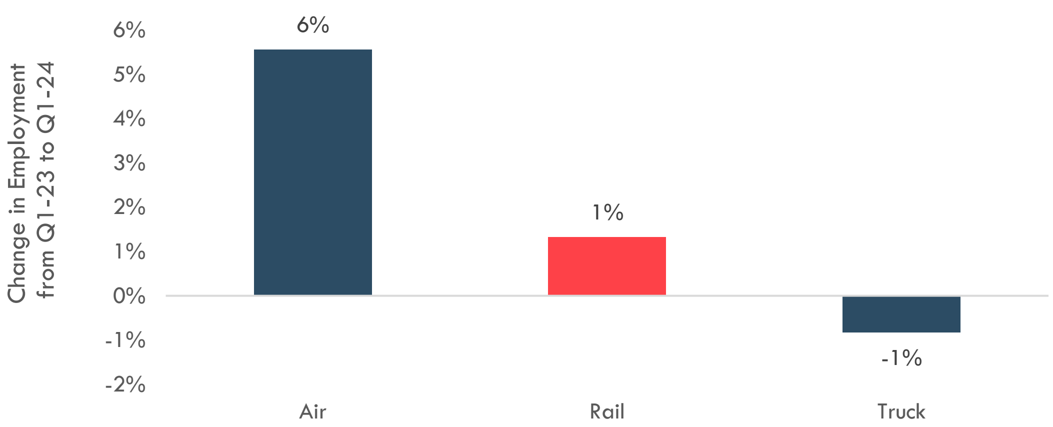
Modal Comparison of GDP, Q1



Source: Statistics Canada, Gross Domestic Product by Industry
Note: Data are seasonally adjusted.

Employment data is not available for the pipeline or water transportation sectors. For the sectors in which data is available, Q1 employment was up for air (+6%) and rail (+1%) transportation, while decreasing by 1% in trucking.

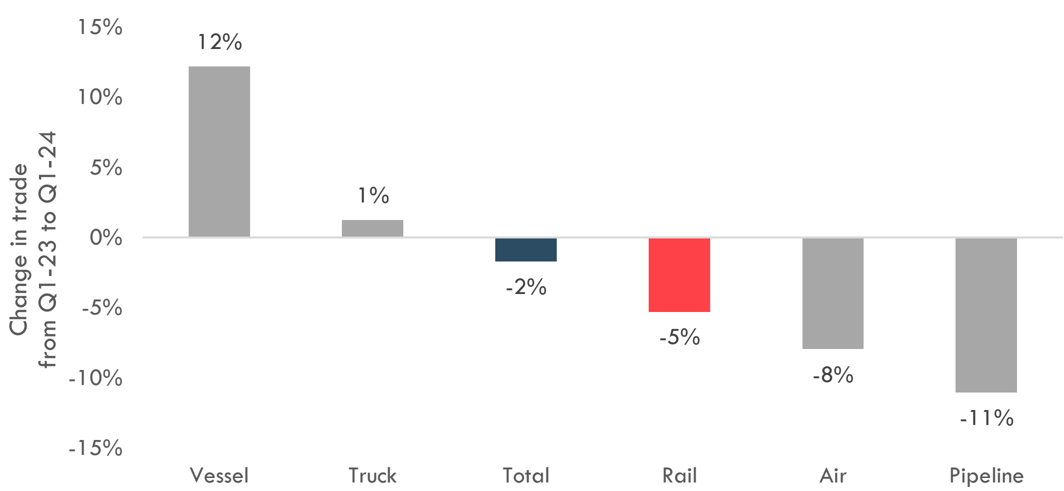
Modal Comparison of Employment, Q1



Source: Statistics Canada, [Survey of Employment, Payrolls and Hours]()
Note: The Survey of Employment, Payrolls and Hours does not provide information on employment for the marine or pipeline sectors.
Note: Data are seasonally adjusted.

Trade volumes between Canada and the U.S. were down 2% in the first quarter of 2024 compared to the same period in 2023. Trade increased by marine vessel (+12%) and truck (+1%), while other modes experienced a decline: rail (-5%), air (-8%), and pipeline (-11%).

Modal Comparison of Trade with the U.S., Q1



Source: U.S. Bureau of Transportation Statistics, [News and Statistical Releases: North American Transborder Freight Data.]()

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Network-wide Canadian Class 1 Freight Data

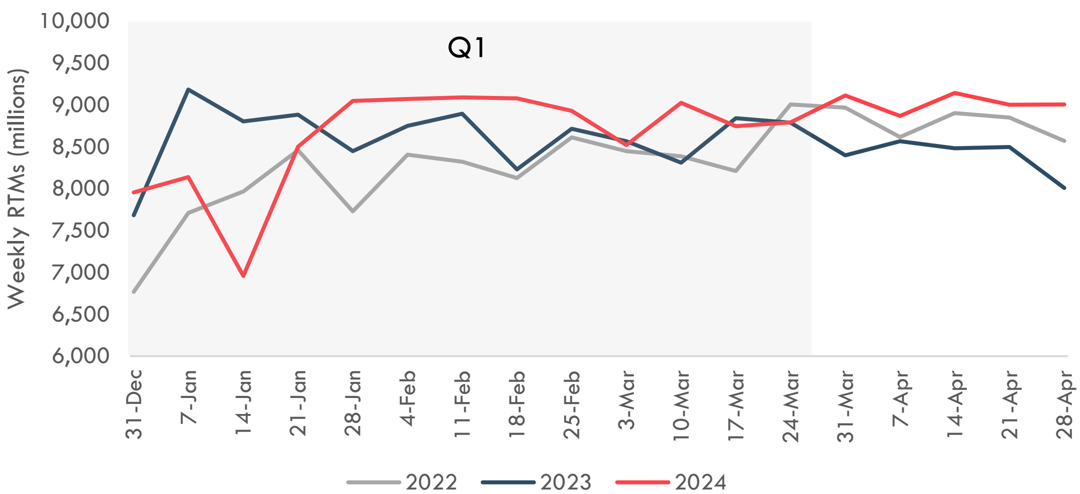
The Class 1 data cover CN and CPKC's network-wide operations across North America.

Weekly Trend

The year kicked off with extreme cold weather through the middle of January, which caused supply chain slowdowns and negatively impacted Class 1 freight traffic (measured using revenue ton-miles). Despite a slow start to 2024, traffic levels rebounded the week starting January 28th and remained solid through February and March. Class 1s finished the quarter flat over 2023 volumes. Gains in intermodal and energy, chemicals and plastics were offset by reductions in coal.

Turning to the first five weeks of Q2-2024, freight activity is picking up. Compared to the same period in 2023, total RTMs were up 8%, led by double-digit gains in energy, chemicals and plastic (+16%), intermodal (13%), grain & fertilizers (11%), and automotive (10%) (not shown).

Canadian Class 1 Revenue Ton-miles



Source: CN Key Weekly Metrics; CPKC Weekly Key Metrics
Note: The dates indicate the first day of the week (e.g., "7-Apr" corresponds to the week of Apr 7-13). The week starting December 31, 2023 (for the 2024 series), is compared against the weeks starting January 1, 2023, and January 2, 2022.

Revenues, Revenue Ton-miles, and Carloads

As shown in the figure and table below, compared to Q1-23, RTMs were flat while total carloads dropped 2%. RTMs were supported by longer lengths of haul, partially explained by the relatively stronger rail performance in long-haul intermodal compared to short-haul intermodal in Q1.

While automotive experienced the most significant year-over-year increase in percentage terms, at 7%, total growth was driven primarily by gains for higher volume commodity categories, including energy, chemicals and plastics (+898 million RTMs, +4%) and intermodal (+886 million RTMs, 4%). International intermodal was strong, with shipments returning after the West Coast ports work stoppage last summer, while domestic, shorter-haul intermodal was generally flat.

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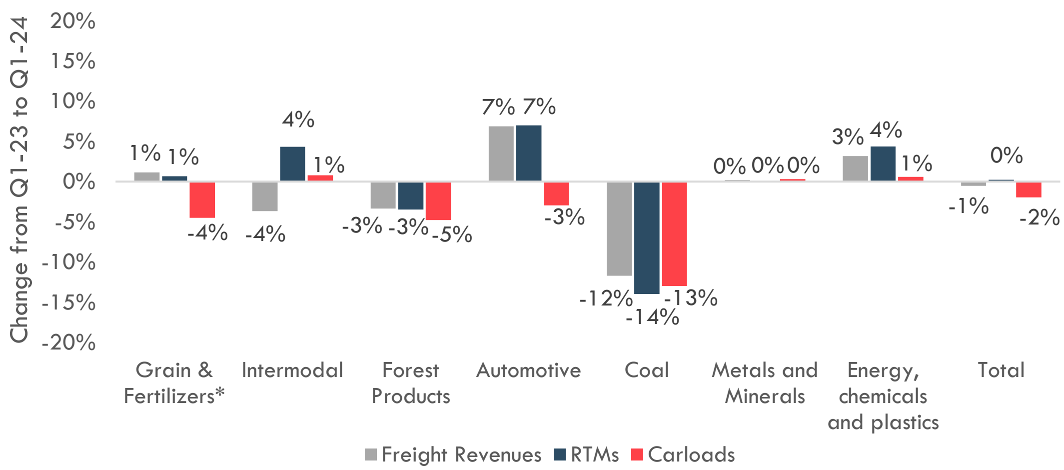
Production problems at several mines[3] and low prices for natural gas (with which coal competes) were contributing factors in the 14% reduction in coal RTMs.

Canadian railways continue to provide service to customers at competitive rates. Total freight revenue per RTM, a proxy for freight rates, was at the same level as last year. Most notably, intermodal freight revenue per RTM was down 8% (not shown), driven by pricing pressures in the truck-competitive intermodal business where rates are dropping due to excess capacity. Rail freight rates for other commodities were flat compared to Q1-2023.

In Q1-2024, Class 1 intermodal revenue ton-miles were up 4%, as volumes returned through West Coast ports following the work stoppage last summer.

Class 1 Freight Revenues, RTMs, and Carloads by Commodity, Q1



Q1: Canadian Class 1 RTMs (millions), by Commodity

	Q1-24	Q1-23	Change (%)	Change (#)
Grain & Fertilizers*	37,078	36,831	1%	247
Intermodal	21,410	20,524	4%	886
Forest Products	8,013	8,300	-3%	-287
Automotive	1,712	1,600	7%	112
Coal	9,890	11,499	-14%	-1,609
Metals and Minerals	12,051	12,048	0%	3
Energy, chemicals and plastics	21,433	20,535	4%	898
Total	**111,587**	**111,337**	**0%**	**250**

Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.
**Includes potash.*

[3] CN Quarterly Review, 2024 First Quarter

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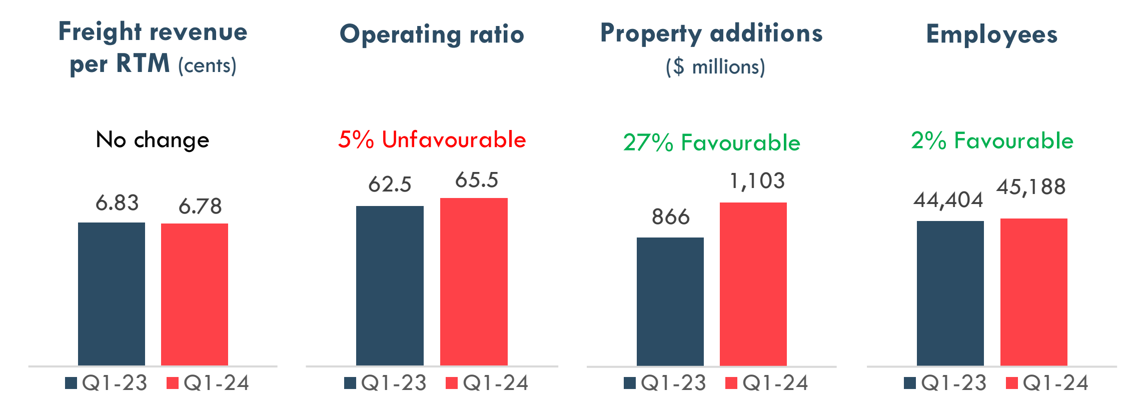
Select Key Financial and Operating Metrics

In Q1-24, several important supply chain performance metrics, including train speed, car velocity, and dwell, improved. In addition, investment and employee headcount increased to support volume growth.

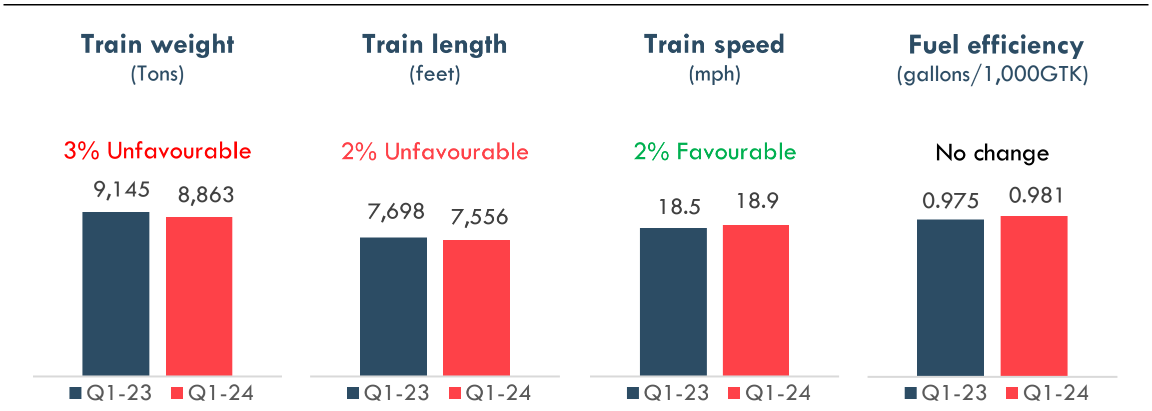
From Q1-23 to Q1-24, freight revenue per RTM remained flat while the average Class 1 operating ratio increased by 5%. Canada's Class 1 railways continued to make significant investments into their networks, investing $1.1 billion in Q1-24 – a 27% increase compared to the same period last year. Employment increased by 2% to over 45,000 employees.

Canada's Class 1 railways made capital investments of more than $1.1 billion in Q1-2024 – a 27% year-over-year increase.



Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.
Note: The operating ratio is calculated as the simple average of CN and CPKC.

In Q1-24, average train weight and length decreased by 3% and 2%, respectively. Despite extreme cold weather in mid-January that shortened and significantly slowed trains, train speed was faster in most other weeks (compared to Q1-23), resulting in an overall 2% increase in average train speed for the quarter. Data on train speeds are available by train type. In Q1-24, intermodal train speeds increased by 3% compared to Q1-23. Operating safely at higher speeds contributes to the development of premium rail services – critical for supporting modal shift to rail. In Q1-24, fuel efficiency remained unchanged.



Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.

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Note: All four metrics are calculated using the simple average of CN and CPKC.

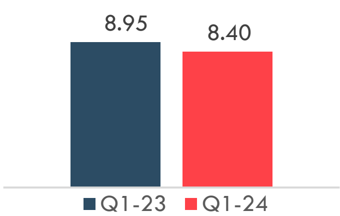
In Q1-24, railway terminal dwell times remained consistently below 9 hours throughout each week of the quarter, equal to or below dwell in Q1-23, except for the week ending January 20th, which was impacted by extreme cold weather. Overall, railway terminal dwell averaged 8.4 hours for the quarter – a 6% improvement year-over-year. Dwell at major yards (not shown) improved 9% year-over-year.

In Q1-2024, railway terminal dwell times averaged just 8.4 hours – a 6% improvement compared to Q1-2023.

The average number of rail cars on line decreased by 6% compared to Q1-23. However, the cars that were on line were better utilized, as car velocity increased by 4%, or six miles per day.

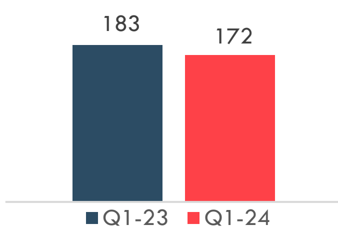
Terminal dwell
(hours)

6% Favourable



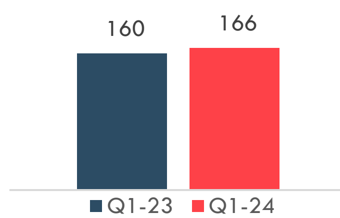
Cars on line
(thousands)

6% Unfavourable



Car velocity
(miles per day)

4% Favourable



Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data; CN Key Weekly Metrics; CPKC Weekly Key Metrics; CPKC Earnings Review Presentation
Note: Terminal dwell is calculated using the simple average of CN and CPKC.

Canadian Freight Industry Data

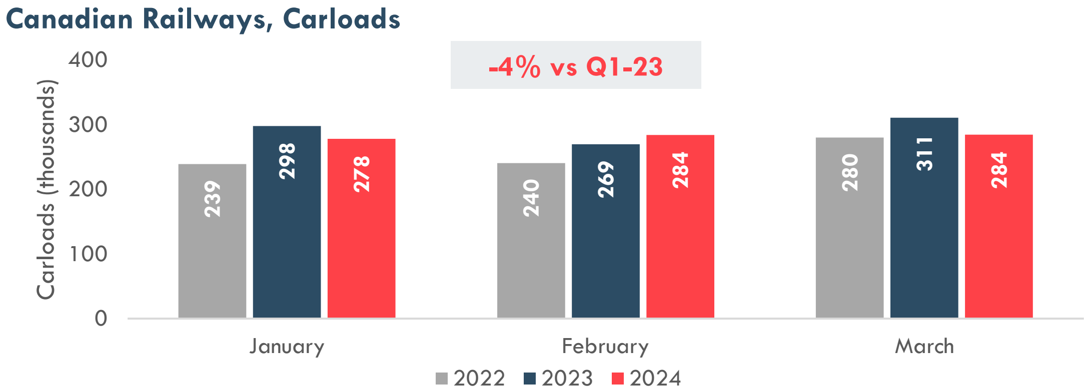
The freight industry data in this section have some overlap with the Class 1 freight data reported above. The Class 1 data cover CN and CPKC's operations across North America, whereas this section is specific to Canadian operations and include data from all freight railways, including shortlines.

Carloads & Intermodal Units

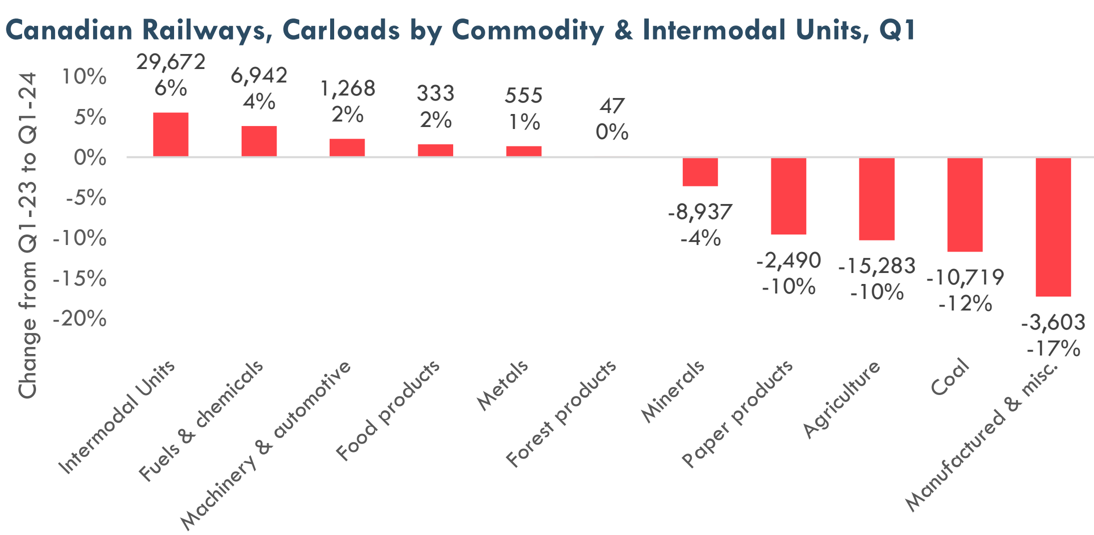
Statistics Canada reports monthly carloadings for over 60 commodities (which are categorized into 10 commodity groupings in this report), as well as intermodal units.

In Q1-24, non-intermodal carloadings were down 4% compared to Q1-23. Carloads increased for half of the commodity groupings. Small gains of no more than 4% in fuel & chemicals, machinery & automotive, food products, metals, and forest products were more than offset by a small (percentage wise) decline in minerals, and double-digit declines in paper products, agriculture, coal, and manufactured & miscellaneous.

In Q1-24, the agriculture commodity grouping experienced the most significant decline in the number of carloads (-15,283). The largest contributors to this reduction were canola (-9,451 carloads, -33%) and wheat (-7,740 carloads, -11%). The only agricultural product with a notable increase was other cereal grains, which increased by 15% or 2,440 carloads.



Source: Statistics Canada, Monthly Railway Carloadings Survey



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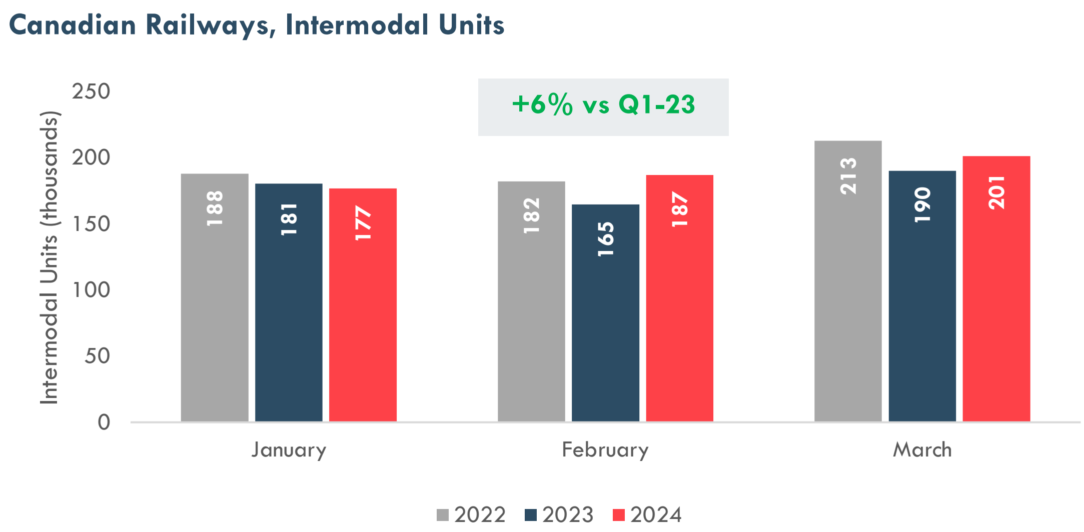
Source: Statistics Canada, Monthly Railway Carloadings Survey

Q1-24 intermodal traffic was up 6% compared to Q1-23.



Source: Statistics Canada, Monthly Railway Carloadings Survey

In Q1-2024, carloads decreased in both Eastern (-4%) and Western (-3%) Canada, while intermodal units were down 2% in the East but up 11% in the West. The year-over-year 4% carload decrease in Eastern Canada was driven by a 10,647 carload (6%) reduction in minerals and a 3,417 carload (24%) reduction in manufactured & miscellaneous goods. A 1,701 carload (11%) increase in forest products did little to offset these decreases. In Western Canada, the 3% decrease in carloads was driven by a 15,303 carload (11%) reduction in agriculture and 10,459 carload (12%) reduction in coal. These decreases were partially offset by a 6,696 carload (5%) increase in fuels & chemicals. A strong return of intermodal traffic through the Port of Vancouver supported the 11% growth in intermodal units in the West.

Q1: CDN Carloads and Intermodal Units by Region

	2024 vs 2023
Eastern Division	
Carloads	-4%
Intermodal Units	-2%
Western Division	
Carloads	-3%
Intermodal Units	11%
Total	
Carloads	-4%
Intermodal Units	6%

Source: Statistics Canada, Monthly Railway Carloadings Survey

Freight Rates

Over the past year, price indices have been relatively stable.

From December 2023 to March 2024, rail freight rates decreased while all major price indices increased, including consumer prices (+1%), industrial product prices (+2%), and commodity prices (+9%).

Over the past three months (from December 2023 to March 2024), trucking rates remained unchanged, while rail freight rates decreased by 2%. During this time, all major price indices

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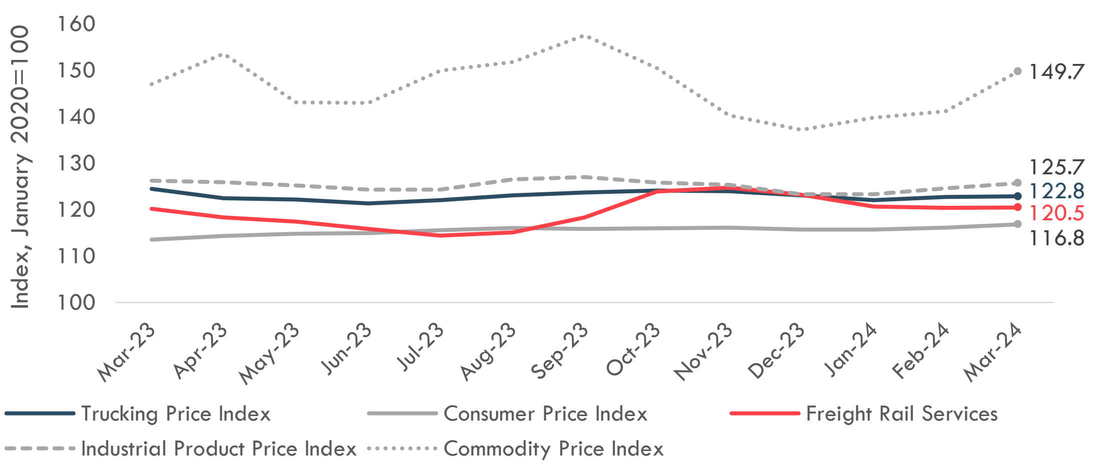
increased, including consumer prices (+1%), industrial product prices (+2%), and commodity prices (+9%).

Compared to January 2020, the period before the onset of the COVID-19 pandemic, truck rates have increased by a total of 22.8%, while rail rates have increased by 20.5%.

Price Index of Rail Services vs Other Price Indices

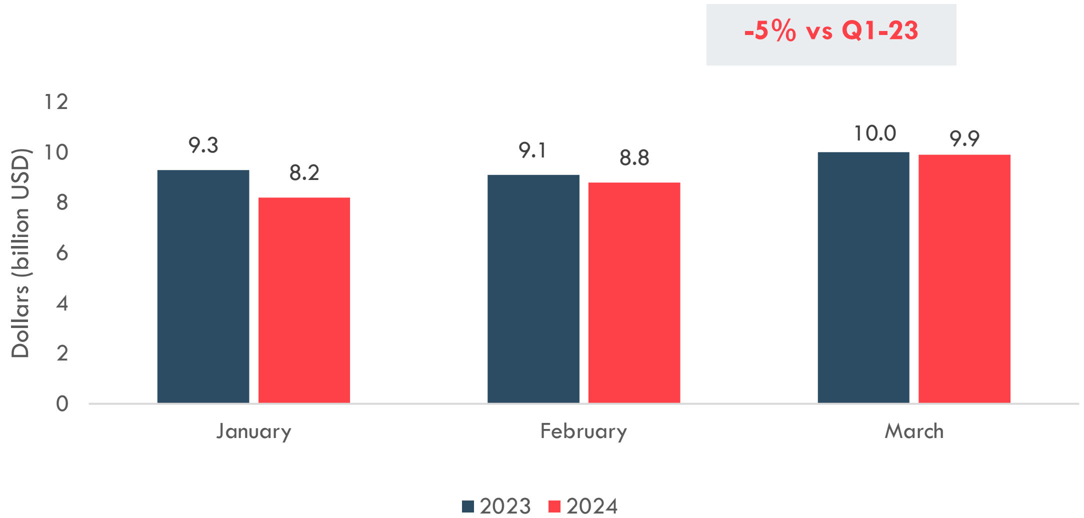


Source: Statistics Canada, [Freight Rail Services Price Index](), [Industrial Product Price Index](), [For-hire Motor Carrier Freight Services Price Index](), and [Consumer Price Index](). Bank of Canada, [Commodity Price Index]()

Exports

In Q1-24, trade by rail with the U.S. was 5% below Q1-23 levels. Much of the quarterly decrease resulted from lower trade volumes in January, when railways were working through extreme cold weather.

Rail Merchandise Trade with the U.S.



Source: U.S. Bureau of Transportation Statistics, [News and Statistical Releases: North American Transborder Freight Data.]()

Railway grain volumes fluctuate year-to-year and are very strongly linked to the size of the grain crop. In addition, the timing of shipping demand can be volatile, as it is influenced by changes in market prices. Through investments in on-farm storage, producers are able to hold grain and sell when the market is most favourable.

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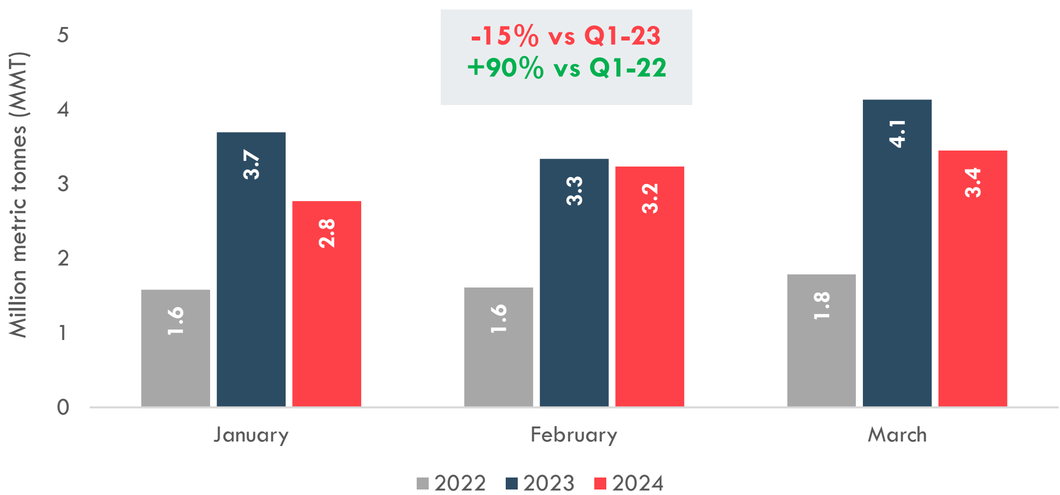
Q1 (calendar year) grain by rail volumes are strongly linked to the crop in the previous calendar year. For example, the low 2022 grain by rail volumes in the graph below are the result of a small crop in 2021 that was affected by drought. The 2022 Prairie grain crop came in significantly larger (~53% larger),[4] and as a result, grain by rail volumes were much higher in Q1-23 than in Q1-22 (more than double). The 2023 Prairie grain crop came in about 10% smaller than the 2022 crop. As a result, shipments by rail were lower (-15%) in Q1-24 than Q1-23, grain cars were put into storage (covered hoppers on line decreased by 7% compared to the previous year[5]), and a significant share of pre-planned rail grain capacity went unused by grain shippers.

Grain in Hopper Cars Destined for Western Ports

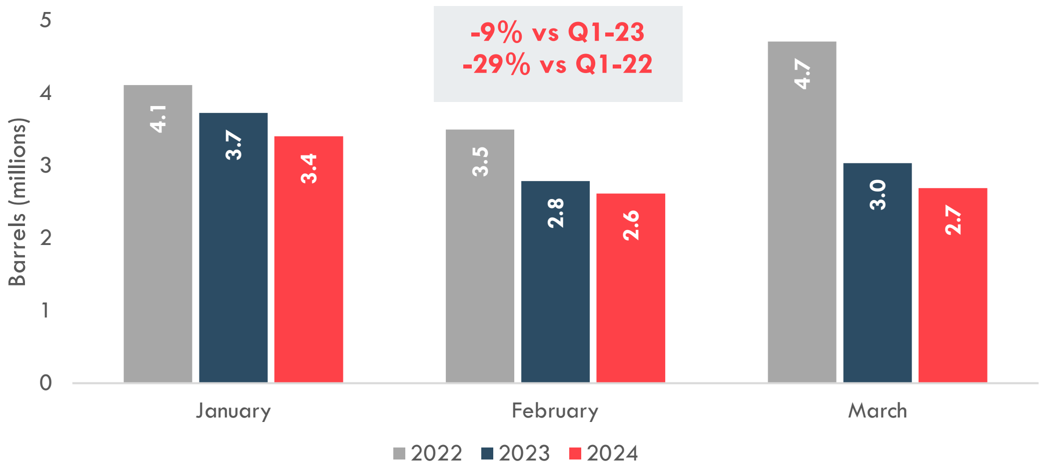


Source: Quorum Corporation, *Canadian Grain Monitor, Monthly Report*, *GMP Data Table 2B-1 M*

In each of the first three months of 2024, exports of crude oil by rail were down compared to both 2022 and 2023. For the quarter, exports of crude oil by rail were down 9% from last year and down 29% from Q1-22.

[4] *https://www150.statcan.gc.ca/n1/daily-quotidien/221202/dq221202b-eng.htm*. Year-over-year production of barley, canola, oats, and wheat increased by 53% in the Prairie provinces.
[5] *CN Key Weekly Metrics*; *CPKC Weekly Key Metrics*

Canadian Crude Oil Exports by Rail



Source: Canada Energy Regulator, [*Canadian Crude Oil Exports by Rail*]

Supply Chains

Modern supply chains are complex and, when disruption occurs at one link, the impacts are felt widely and deeply across other transportation providers, shippers, suppliers, and consumers. Rail has remained among the most reliable and least variable supply chain partner in the face of enormous upheaval over the last few years.[6]

This section looks at the current rail sector labour talks, the Port of Vancouver's recovery from the July 2023 B.C. ports strike, challenges in global maritime trade, and supply chain performance statistics for global marine vessels, Canadian ports, and Canadian railways.

Rail Sector Labour Discussions

Since late 2023, both of Canada's Class 1 railways have been in labour discussions with the Teamsters Canada Rail Conference (TCRC). As agreements have yet to be reached, both railways have offered to resolve the disputes through binding arbitration although these offers have been declined by Union leadership as of June 24, 2024. A work stoppage would not only negatively impact the railways and their workers, but would also be felt broadly by customers and partners throughout the supply chain, and ultimately, by Canadians and the Canadian economy.

B.C. Ports Strike Recovery

Container Imports **July-23 to Mar-24 vs July-22 to Mar-23**	
Vancouver	2%
Oakland	5%
Seattle-Tacoma	6%
Los Angeles	11%
Long Beach	11%
U.S. West Coast (total from 4 ports above)	*10%*

Since the July 2023 B.C. ports strike, supply chain players have worked together to get the traffic that had been diverted to U.S. ports, back through Canada's West Coast ports. Efforts have paid off, and data from the Port of Vancouver show that traffic is returning, with strong increases in year-over-year container imports since December 2023. Compared to the same month a year prior, container imports through the Port of Vancouver were

[6] Railway Association of Canada, *Strengthening all Links: Building More Resilient, Fluid Supply Chains in Canada*, May 2023.

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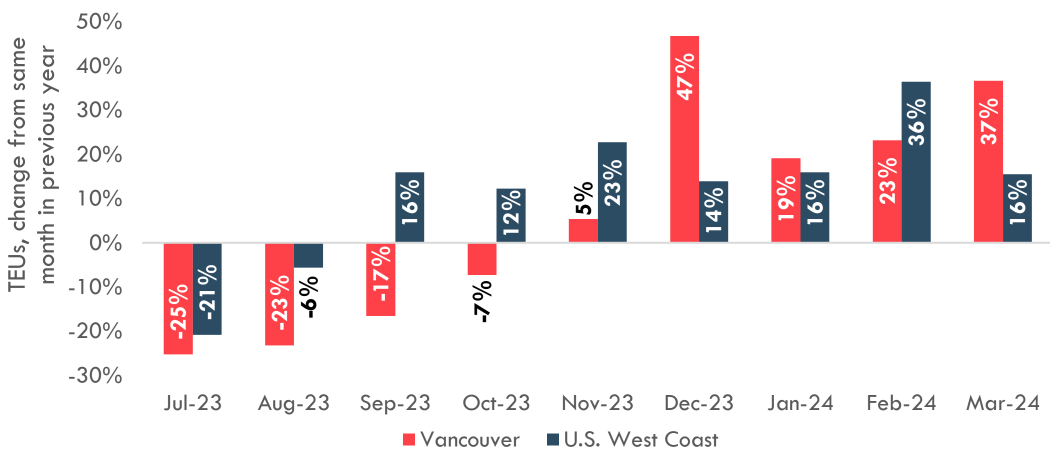
up 47% in December 2023, 19% in January 2024, 23% in February 2024, and 37% in March 2024. These gains align with the data shown earlier in the report, where Western Canada intermodal units were shown to be up 11% in Q1-24.

However, despite the gains at the Port of Vancouver in recent months, across the July 2023 to March 2024 period, year-over-year volume increases were relatively stronger at competing U.S. West Coast ports.

Compared to the same month a year prior, container imports through the Port of Vancouver were up 47% in December 2023, 19% in January 2024, 23% in February 2024, and 37% in March 2024.

Recovery of Container Imports at Major West Coast Ports



Note: Container volumes are measured in TEUs and include imports of empty and laden containers.
Note: U.S. West Coast includes the ports of Seattle-Tacoma, Oakland, Los Angeles, and Long Beach.
Source: Railway Association of Canada analysis based on data from port websites.

Challenges in Global Maritime trade

2024 kicked off with at least two significant global supply chain challenges.

In the Americas, operation of the Panama Canal has been affected by drought, and the number of daily transits has been restricted. Before May 16, the canal was limited to just 24 daily transits. Thanks to an increase in rainfall, the number of daily transits has since increased to 32 (as of June 1), and is slated to increase to 33 on July 11 and 34 on July 22.[7]

And in the Middle East, traffic through the globally important Suez Canal is being disrupted by attacks in the Red Sea. This disruption is causing vessels to be re-directed around the southern tip of Africa, significantly increasing both transit times (adding about 10 days) and costs. In the first

In the first several months of 2024, gross tonnage transiting the Suez Canal was reduced to about one-third of 2023 volumes, while volumes redirected around the southern tip of Africa have roughly doubled.

[7] https://www.seatrade-maritime.com/ship-operations/panama-canal-increases-draught-and-daily-transits

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several months of 2024, gross tonnage transiting the Suez Canal was reduced to about one-third of 2023 volumes, while volumes through the Cape of Good Hope have roughly doubled.[8] These disruptions are impacting scheduling reliability as well as causing shipping rates to increase significantly from the low rates enjoyed in September-November 2023, when the Global Container Freight Index[9] was as low as $1,048. The index jumped suddenly to $2,500 in the first week of 2024 and in late January and early February was around $3,400. After moderating in April, the index climbed to over $4,000 in early June.

[8] https://www.alixpartners.com/insights/102j9wg/suez-squeeze-continues/
[9] Freightos Baltic Index (FBX): Global Container Pricing Index.

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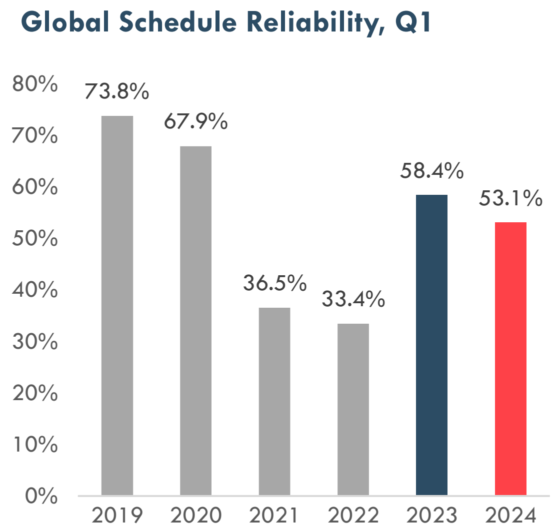
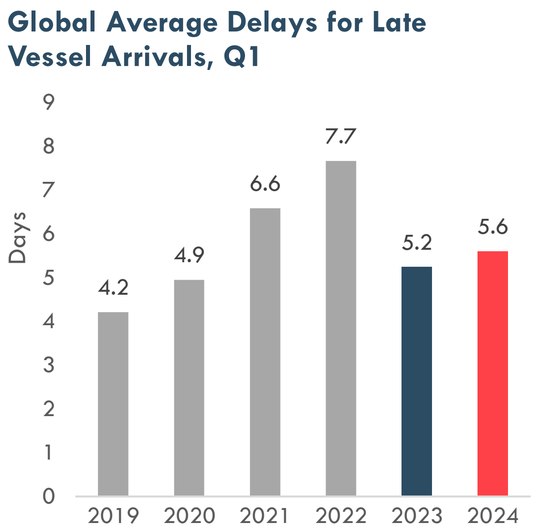
Global Marine Vessels

In Q1-2024, global marine vessel delays and on-time performance worsened. According to Sea-Intelligence's *Global Liner Performance report, Global Schedule Reliability* decreased from 58.4% in Q1-23 to 53.1% in Q1-24; and the *Global Average Delays for Late Vessel Arrivals* increased from an average of 5.2 days in Q1-23 to 5.6 days in Q1-24.



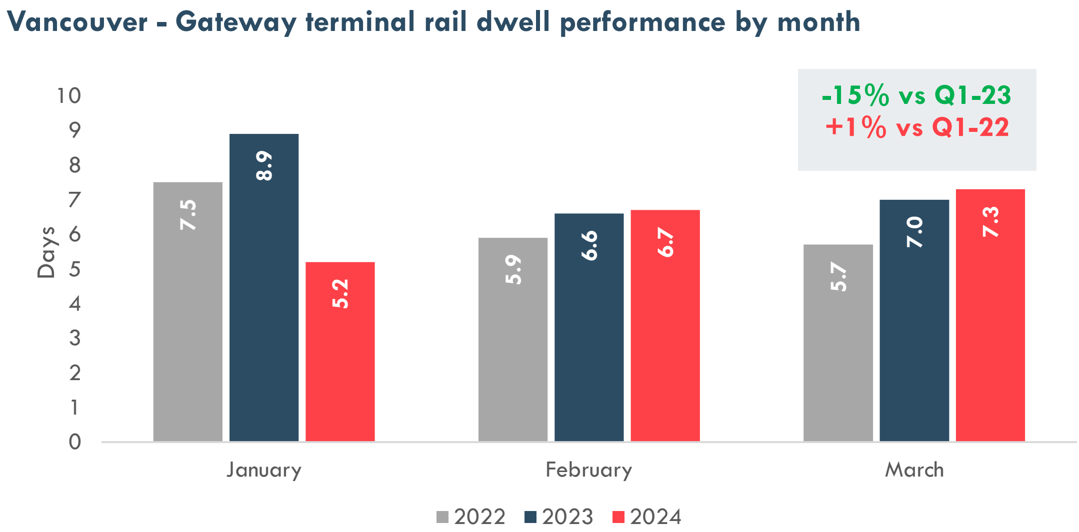


Source: Sea-Intelligence, [Global Liner Performance (GLP) report]

Canadian Ports

In Q1-24, dwell at the Port of Vancouver averaged 6.4 days in Q1-24, which was a 15% improvement compared to Q1-23, but 1% longer than in Q1-22.

Dwell at the Port of Montreal also improved year-over-year, averaging 3.3 days in Q1-24, which was an improvement of 21% improvement compared to Q1-23 and 42% compared to Q1-22.



Source: Port of Vancouver, [Supply chain performance, Container terminal rail performance]

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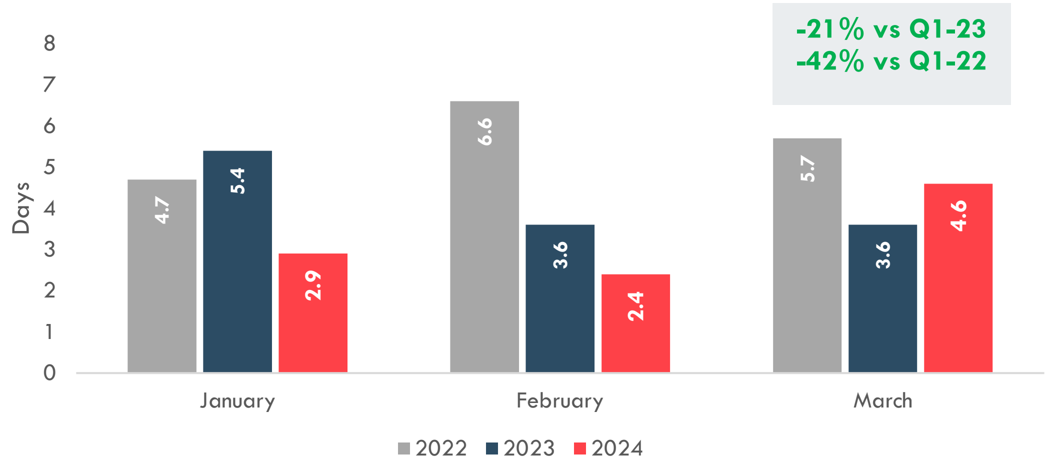
Montreal - Average terminal dwell of containers (import-rail)

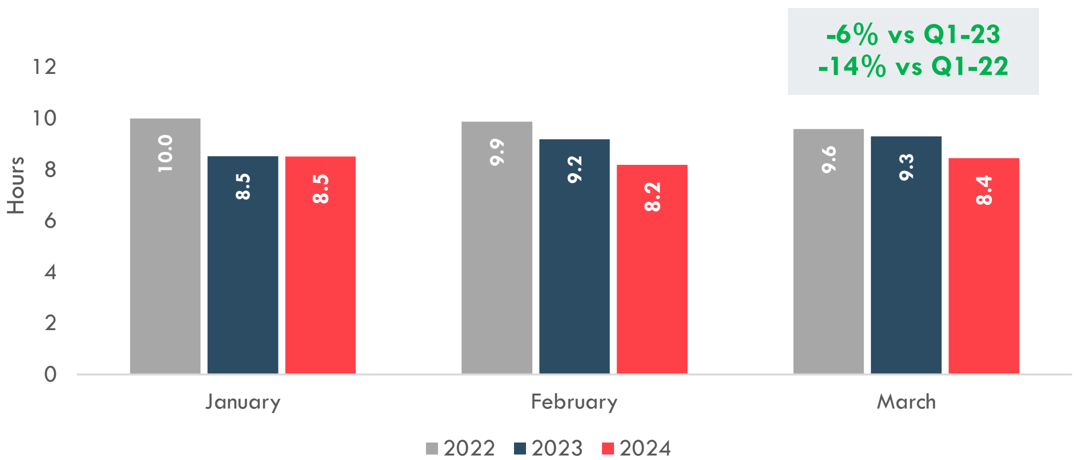


Source: Port of Montreal, [Performance Reports, Monthly Intermodal Scorecard]

Canadian Railways

In Q1-24, railway dwell times averaged just 8.4 hours. Average dwell times were 6% shorter than in Q1-23 and 14% shorter than in Q1-22.

Canadian Class 1 Railways - Average Terminal Dwell



Source: CN Key Weekly Metrics; CPKC Weekly Key Metrics; CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.
Note: The average terminal dwell time is calculated as the simple average of CN and CPKC. Weekly data have been converted into monthly data. The conversion is not exact as some months are allocated 4 weeks of data and others are allocated 5 weeks of data, and the start dates of the weeks vary across years. The year-over-year comparisons for the quarter as a whole use data from CN and CPKC's quarterly reports and may not align precisely with the constructed monthly data presented in the figure.

Passenger Rail Data

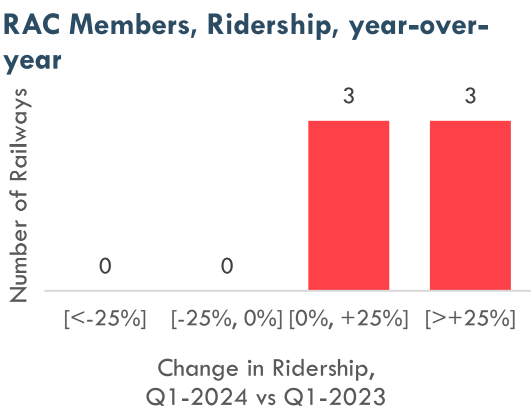
This section examines passenger railway ridership across various types of services, including intercity, tourist, and commuter.

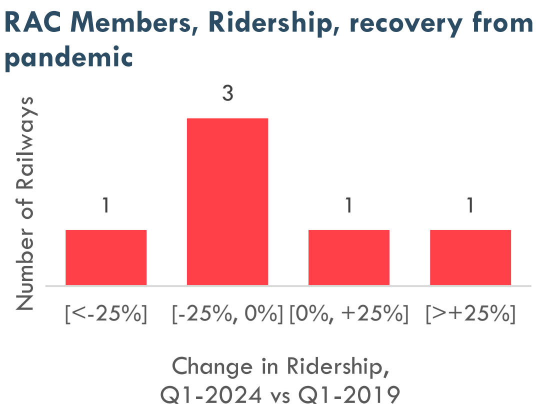
RAC Member Ridership

Passenger rail ridership was significantly impacted by the COVID-19 pandemic and evolving restrictions; and variable rates of employees returning to office work continue to affect ridership. This section looks at the recovery of passenger rail ridership among RAC members.[10]

In Q1-24, all RAC reporting members experienced year-over-year increases in ridership; however, ridership remained below pre-pandemic (Q1-19) levels for two-thirds of reporting members.

In the first quarter of 2024, all six[11] reporting members indicated that ridership was greater than it was in Q1-23 – with increases of more than 25% for three of the members. However, when comparing to the pre-pandemic (Q1-19) period, only two of the six reporting members indicated an increase in ridership. In Q1-24, one member reported an increase in ridership of above 25%, one reported an increase between 0% and 25%, three reported a decline of less than 25%, and one reported a decline greater than 25%.





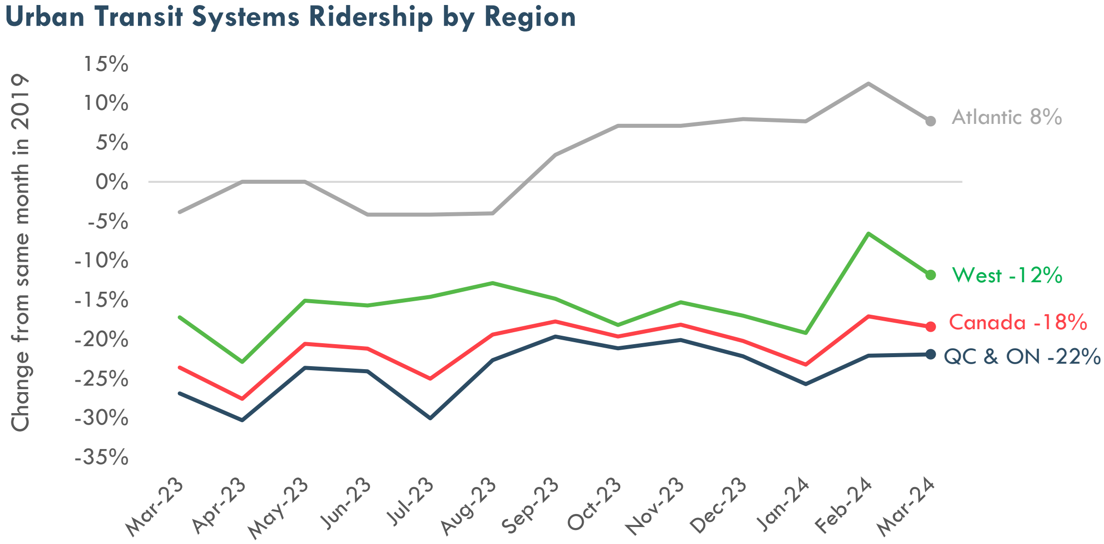
Public Transit and Commuter Rail

Urban transit ridership, and commuter rail ridership in particular, is adjusting to fundamental structural shifts in commuting patterns and the proliferation of remote and hybrid office work arrangements.

The urban transit ridership data presented below accounts for seasonality, by comparing ridership in each month to the corresponding month in 2019. In March 2024, ridership was sitting 18% below pre-pandemic levels – relatively unchanged since September 2023. The differences in the modal shares of urban transit (bus, subway, train, etc.) by region is likely a very strong, contributing factor to the uneven ridership recovery witnessed across regions. The pandemic had a relatively smaller negative impact on bus ridership. Atlantic Canada, which relies significantly on bus service, has fully recovered, while ridership in Quebec and Ontario remains down 22%.

[10] https://www.railcan.ca/membership/member-railways/

[11] Compared to other quarters, fewer RAC members have ridership to report in Q1, as the season for many tourist/excursion rail services does not start up until Q2.

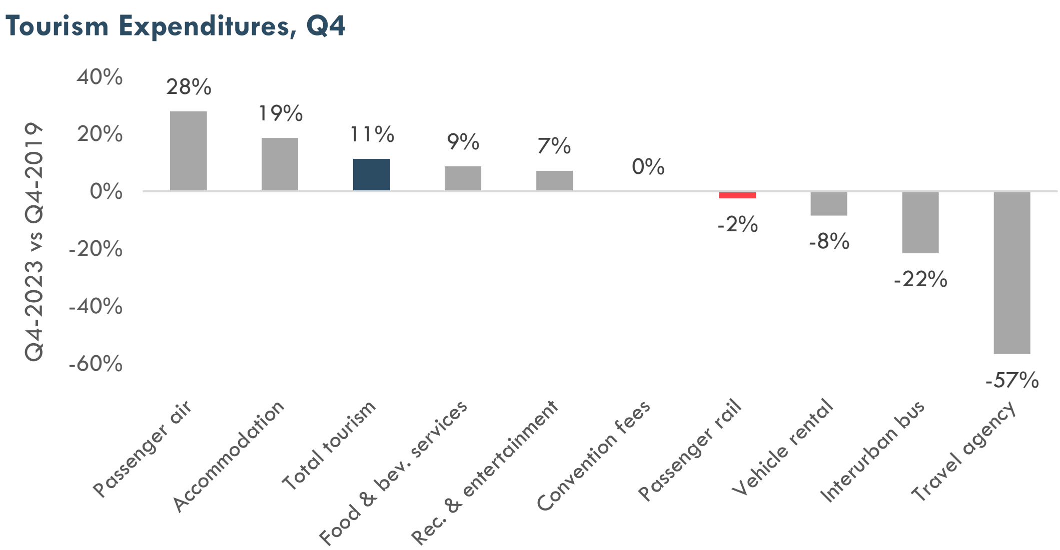


Source: Statistics Canada, [Monthly Passenger Bus and Urban Transit Survey]

Tourism Rail

There is a considerable lag in data on tourism expenditures. The latest available data cover Q4-23. Tourism expenditures are analyzed compared to their pre-pandemic (2019) levels, in order to deliver a clear picture of the extent of the recovery.

In Q4-23, the overall tourism sector had recovered, with tourism expenditures exceeding their pre-pandemic (Q4-19) level. Tourism expenditures on passenger rail services were similar to Q4-19 levels (down 2%).



Source: Statistics Canada, [National Tourism Indicators]

For the year, the results are quite similar to the Q4 results. In 2023, total tourism expenditures exceeded 2019 levels by 10%, and tourism expenditures on passenger rail services were up 3%.

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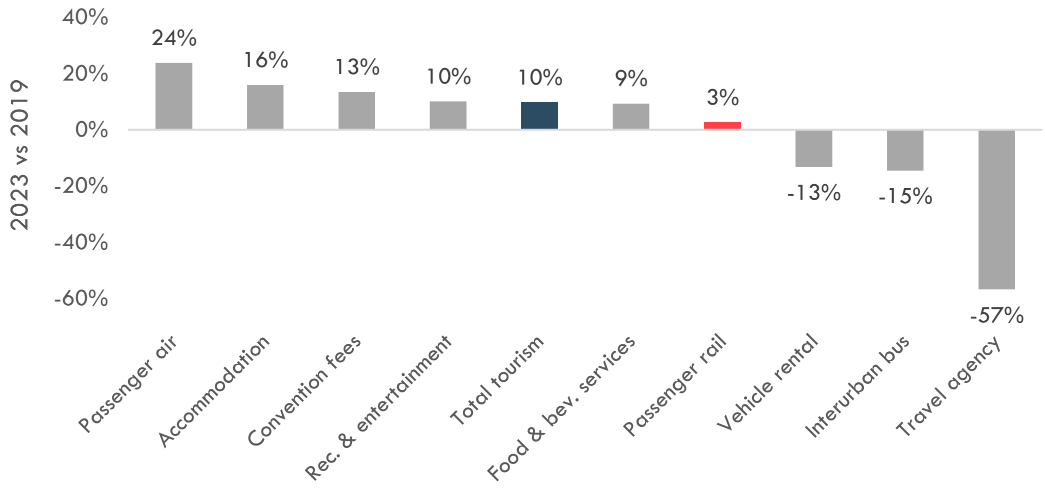
Tourism Expenditures, Annual



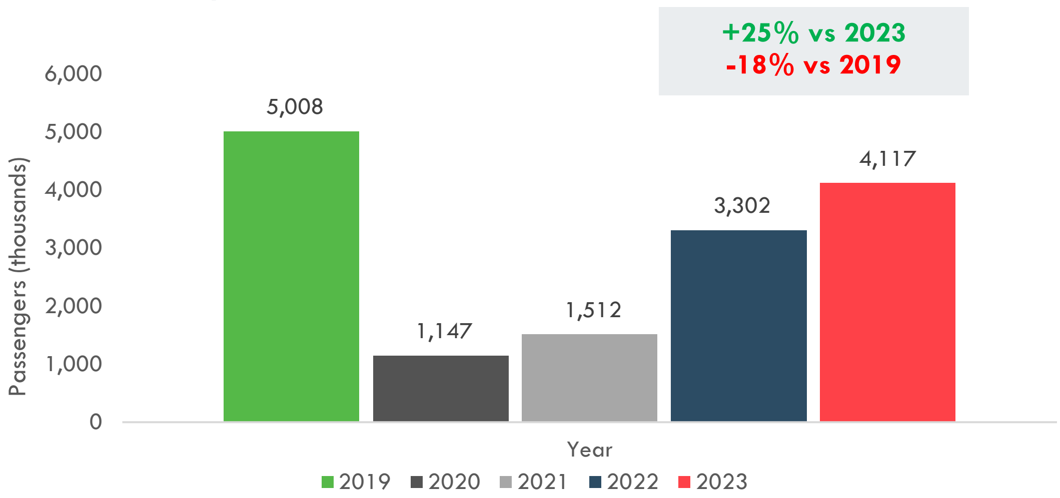
Source: Statistics Canada, National Tourism Indicators

Intercity Passenger Rail

At the time of publication of RAC's Q4-2023 report, VIA Rail's 2023 ridership figures were not yet available. Therefore, in addition to presenting the results for Q1-24, the 2023 full-year results for VIA are also included in this report.

In 2023, VIA Rail ridership increased by 25% year-over year, exceeding 4.1 million passengers. 2023 ridership was just 18% below the 2019 (pre-pandemic) level of 5.0 million passengers.

VIA Rail Ridership, Annual



Source: VIA Rail, Quarterly and Annual Reports

Turning to 2024, VIA rail started the year on a strong note, increasing quarterly ridership by 11% compared to Q1-23. Quarterly ridership was just 15% below the pre-pandemic (Q1-19) level.

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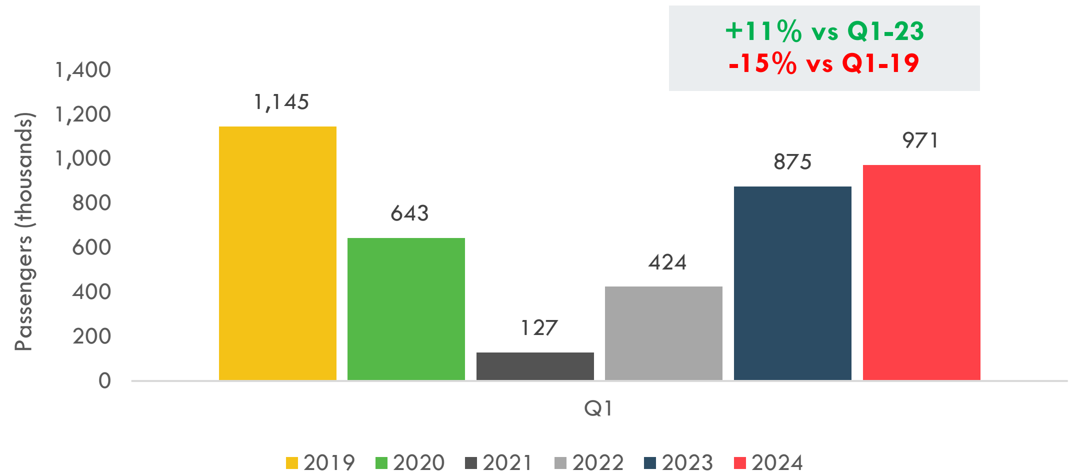
VIA Rail Ridership, Quarterly



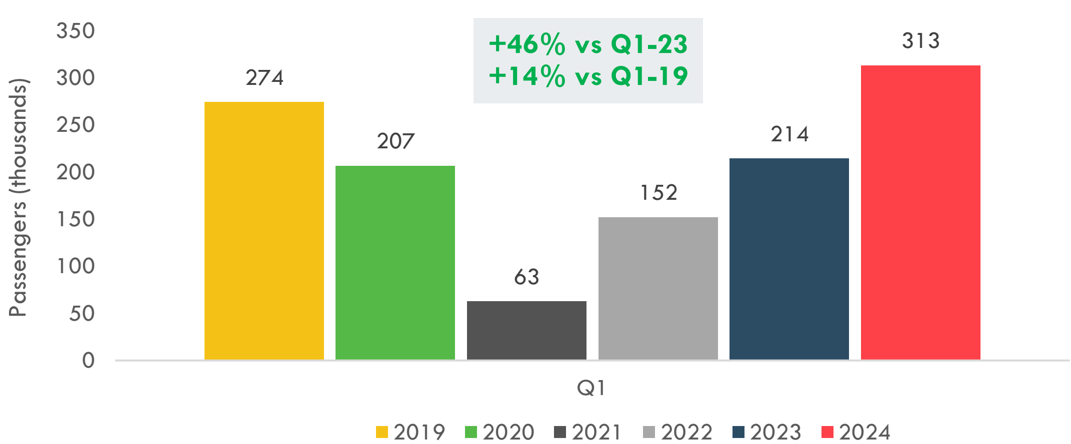
Source: VIA Rail, [Quarterly and Annual Reports]

Amtrak has many routes throughout the U.S., and three routes that include a Canadian segment. Ridership on these three routes does not imply that passengers crossed the border, as they may have travelled a particular segment on either side of the border.[12]

RAC's most recent Quarterly Report highlighted that in Q4-23, for the first time since the onset of the pandemic, ridership on Amtrak's routes with segments in Canada surpassed their pre-pandemic level (by 10%).[13] This momentum has carried into Q1-24. Amtrak's ridership on these routes increased 46% year-over-year and exceeded their pre-pandemic (Q1-19) level by 14%.

The ridership increase of 99 thousand (46%) from Q1-23 to Q1-24 was supported by the resumption of the Adirondack service (~20 thousand passengers), and increases in the number of passengers on the Maple Leaf (~14 thousand) and Cascades (~65 thousand) routes. Adirondack service will be temporarily paused over the summer for a track maintenance program.

Amtrak Ridership on Routes with Segments in Canada, Quarterly



Source: Amtrak, [Monthly Performance Reports]
Note: Includes three routes (Maple Leaf; Cascades; Adirondack).

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[12] For example, the Maple Leaf route extends from New York City to Toronto; Cascades extends from Eugene Oregon to Vancouver; and Adirondack extends from New York City to Montreal.
[13] Railway Association of Canada, *Quarterly Report Q4-2023*, p. 24, February 22, 2024.

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Rail Safety Data

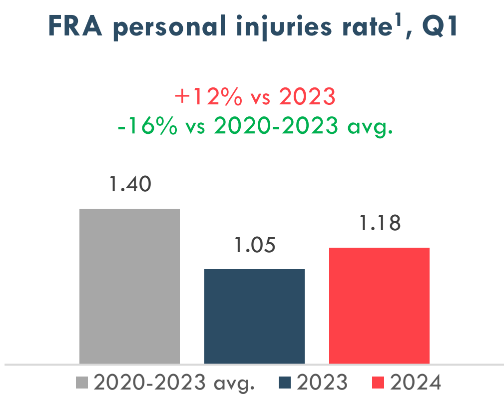
The RAC tracks Canadian rail safety performance data from the Federal Railroad Administration (FRA) and the Transportation Safety Board (TSB). Safety remains the industry's number one priority, and the data for Q1-24 reflect this.

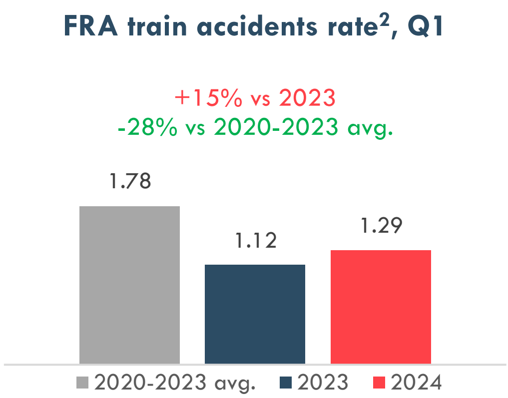
Whether looking at the FRA data or TSB data, the safety performance of Canada's Class 1 railways in Q1-24 was solid, equal to or better than the historical multi-year averages across all select key indicators.

Looking back at 2023, safety performance was exceptional. Since safety indicators fluctuate, and last year's performance was very strong, there are some instances where Q1-24 safety is recorded as an improvement over the multi-year average, but higher than Q1-23.

Federal Railroad Administration Safety Data

In Q1-24, compared to the 2020-2023 average, the Canadian Class 1 FRA personal injuries rate improved by 16% and the train accident rate improved by 28%.[14] When compared against the strong performance of Q1-23, both accidents rates increased.





Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data
Note: The rates are calculated using the simple average of CN and CPKC.
[1] Injuries per 200,000 employee hours
[2] Accidents per million train-miles

[14] 2020 is the earliest year for which data are available.

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Transportation Safety Board Data

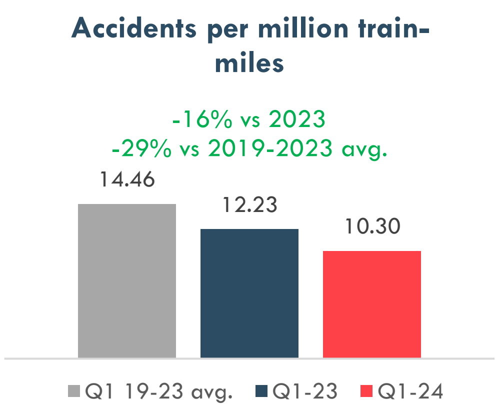
This section analyzes the most recent data from the Transportation Safety Board, which provides railway occurrence statistics of all federally regulated railways in Canada.

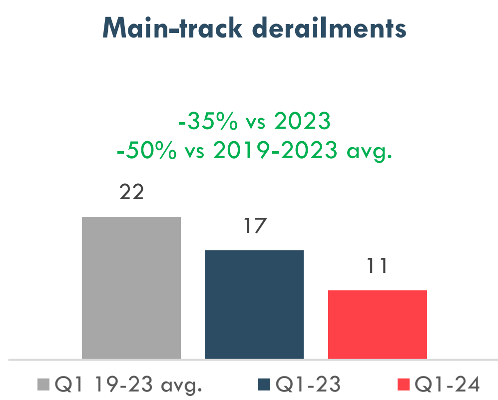
Rail safety performance in the first quarter of 2024 was outstanding. Compared to the 2019-2023 average, the accident rate improved by 29% and the number of main-track derailments was cut in half.

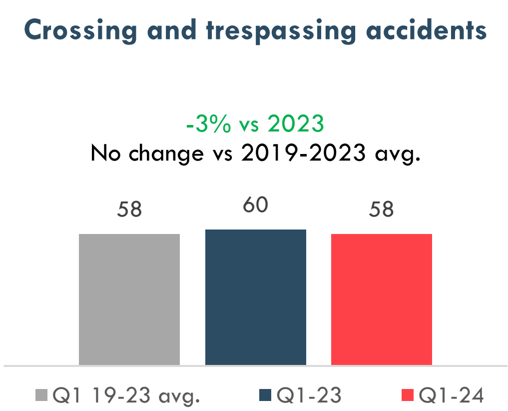
In Q1-24, the accident rate improved by an outstanding 29% compared to the 2019-2023 average, and by 16% compared to Q1-23. Railways made significant progress in reducing the number of main-track derailments to 11 – just half the 2019-2023 average. This also marks a 35% improvement compared to Q1-23.

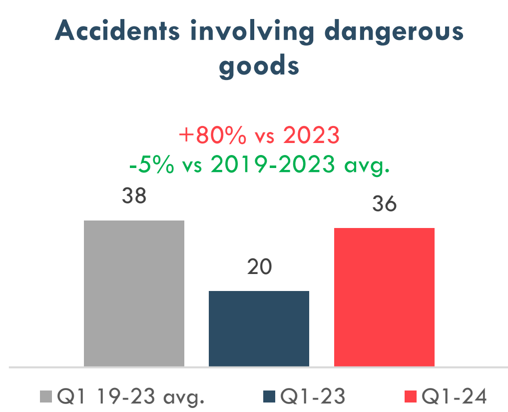
Crossing and trespassing accidents were down 3% compared to last year but were equal to the 2019-2023 average – reinforcing the need for continued support of Operation Lifesaver's rail safety education and awareness activities, as well as continued advocacy for the adoption of the RAC/FCM Proximity Guidelines to enhance safety and livability near railway infrastructure.

The number of accidents involving dangerous goods was down 5% compared to the 2019-2023 average, but was higher than in Q1-23.









Source: Transportation Safety Board, [Monthly rail transportation occurrence statistics]
Note: The TSB data are preliminary and subject to year-end validation and reconciliation.

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