Railway Association of Canada

FINA Pre-Budget Submission

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Recommendations

1. Implement 100% immediate depreciation to match current U.S. policy.
2. Reject calls to reintroduce extended regulated interswitching.
3. Implement a shortline investment tax credit to revitalize regional supply chains and strengthen first-mile, last-mile connections.
4. Address the economic impact of labour disruptions and incremental labour regulations.
5. Modernize safety regulations to enable technology adoption.
6. Grant tariff relief for rail equipment.
7. Augment operational and capital support for passenger railways.

Introduction

The Railway Association of Canada (RAC) is pleased to share its 2025 Pre-Budget Submission with the House of Commons Standing Committee on Finance. This submission aims to improve Canadian competitiveness and ensure all railways (Class 1, shortline, commuter, intercity, and tourism) continue moving economies forward.

This submission focuses on Canadian economic vulnerabilities following the imposition of tariffs by the Trump Administration. These tariffs underscored longstanding structural challenges within Canada's economy.

Private sector investment in Canada trails the U.S. and other OECD countries, hindered by a less competitive tax environment. Canada's supply chains have faced repeated disruptions, with over 60 transportation-related work stoppages in 2023 and 2024. In 2024, more than 1.3 million workdays were lost in the transportation and warehousing sector, the highest level recorded since 1966.[1] These disruptions have damaged Canada's reputation as a reliable trading partner.

Over the past decade, Canada's railways have invested more than $22.7 billion private sector dollars to enhance the fluidity, safety, and resiliency of the country's 43,000 km rail network.[2] These investments have contributed to making Canadian railways the safest in North America and a global leader in efficiency. Canadian rail freight rates are the lowest on average among major market economies: 11% lower than in the United States.[3]

Railways are essential to Canada's trade-based economy. Freight railways move $380 billion worth of goods annually, carrying half of Canada's exports, while passenger railways connect millions of Canadians to their destinations. Over 37,400 mostly unionized railroaders work around the clock to keep goods and people moving.

The federal government proposed important new funding tools to strengthen Canada's trade corridors. RAC welcomes the commitments [4] in Budget 2025, including the $5 billion Trade Diversification Corridors Fund and the First and Last Mile Fund.

Global uncertainty compels Canada to do more to strengthen supply chains. Government must create conditions for investment through tax competitiveness and modernized labour laws, enabling service reliability in essential sectors like rail and ports. These actions will protect Canada's national interest and support long-term competitiveness.

1 https://doi.org/10.25318/1410035201-eng

2 https://www.railcan.ca/wp-content/uploads/2024/02/SPARK-RAC-RAIL-TRENDS-2024-EN7-DIGITAL.pdf

3 https://www.railcan.ca/wp-content/uploads/2023/02/International-Comparison-of-Railway-Freight-Rates.pdf

4 https://liberal.ca/cstrong/costing/

1. IMPLEMENT 100% IMMEDIATE DEPRECIATION, MATCHING THE POLICY CURRENTLY IN PLACE IN THE U.S.

A decline in overall capital spending since 2014, has triggered an urgent need to invest in trade infrastructure. While Canadian railways have increased their capital spending over that same period by 62%,[5] all supply chain players must invest to diversify Canadian trade.

Canadian railways and other transportation stakeholders have been advocating for a new fiscal framework that encourages all infrastructure industries to invest more.[6] Accelerated depreciation is the most effective tool to quickly stimulate investments and raise Canada's productivity and growth to levels comparable with other G7 countries.

U.S. industries have benefited from accelerated depreciation for many years, making Canada a less attractive destination for investors. To illustrate this gap, the table below compares the depreciation regimes for railway assets in Canada and the U.S.. Canada needs bold, simple action – 100% immediate depreciation.

Leveling the playing field with the U.S. is essential to support Canadian competitiveness. This would drive investment in Canada's transportation infrastructure - infrastructure essential for growing interprovincial and international trade beyond the U.S..

5 https://www.railcan.ca/wp-content/uploads/2024/02/SPARK-RAC-RAIL-TRENDS-2024-EN7-DIGITAL.pdf

6 https://movingeconomies.ca/

CANADIAN VS U.S. TAX DEPRECIATION REGIMES FOR RAIL

Depreciation Rates Canada v. U.S.

	Canada (current) [1]	Canada (proposed) [2]	U.S. [3]
		Track Infrastructure	
Year 1	10%	15%	100%
Total by Year 4	34%	38%	100%
		Rail Yard Facility (Building)	
Year 1	4%	6%	100%
Total by Year 4	15%	17%	100%
		Railcars	
Year 1	15%	23%	100%
Total by Year 4	48%	52%	100%
		Locomotives	
Year 1	30%	45%	100%
Total by Year 4	76%	81%	100%

1. The Accelerated Investment Incentive is currently being phased out. In 2025, the enhanced first-year allowance is set at the class rate (2 times the normal rate, essentially suspending the half-year rule).

2. Page 48 of *Canada Strong: Mark Carney's Plan,* states that a Mark Carney-led government will extend the Accelerated Investment Incentive. If implemented, the CCA claimed in year 1 would equal 1.5 times the class rate (or 3 times the normal rate).

3. In July 2025, the *One Big Beautiful Bill Act* reinstated and made permanent the 100% bonus depreciation for qualified assets that were placed in service after January 19, 2025.

RECOMMENDATION:

Implement accelerated depreciation measures, to match current U.S. policy.

2. REJECT CALLS TO REINTRODUCE EXTENDED REGULATED INTERSWITCHING

Some shipper associations have recently called for the reintroduction of extended interswitching. FINA should strongly urge the government to reject these calls.

The primary consequence of the previous two extended interswitching "pilots" (2014–2017; 2023–2025) was the diversion of Canadian rail traffic to a U.S. carrier. Every carload of freight interchanged to a U.S. railway under extended interswitching takes away the work of Canadian railroaders. Canada needs policies that incentivize investment in our supply chains, not divert it.

RECOMMENDATION:
In an environment where a) it remains critical for Canada to stay competitive with its largest trading partner, and b) the federal government replaced extended interswitching with Long-Haul Interswitching in 2017, RAC urges the federal government to support Canadian workers and supply chains by confirming that it will not reintroduce extended regulated interswitching.

3. IMPLEMENT A SHORTLINE INVESTMENT TAX CREDIT TO REVITALIZE REGIONAL SUPPLY CHAINS AND STRENGTHEN FIRST-MILE, LAST-MILE CONNECTIONS

Shortline railways are critical enablers of Canada's economic development and regional connectivity. These locally operated railways provide essential first-mile and last-mile service that links rural communities and industrial zones to Class 1 railways, ports, and global markets.

High fixed costs, aging infrastructure, commodity volatility, and policy imbalances with other transportation modes (trucking), combined with the tax and expanding regulatory burden, are threatening the sustainability of shortline rail operations.

Bolstered shortline infrastructure would contribute to regional economic development, improve supply chain fluidity, lower costs for businesses, and enhance safety while lowering emissions and reducing the strain on public infrastructure.

Many House of Commons committees have recommended a support program for shortlines, and a joint letter from multiple associations highlighted this need in 2020.[7] Yet there is still no dedicated federal support for shortlines despite their outsized impact.

The United States provides substantial support to its shortlines. In FY 2022, shortlines received half of the $1.4 billion USD in CRISI grants—about $20,000 CAD per mile. In FYs 2023 and 2024, they received $1.3 billion USD, or 52% of total funding.[8] This does not include the Section 45G tax credit or additional state-level support.

The Province of Ontario has taken important action to address this gap by introducing a tax credit to support Ontario's shortline railways in Budget 2025.[9] The federal government should expand Ontario's model nationally with a tax credit of up to $8,500 per shortline track mile.

This can be achieved by creating a dedicated shortline carve-out within the new First Mile Fund, introduced by Prime Minister Carney to connect energy extraction sites to rail lines and roads.

RECOMMENDATION:

Incentivize investment and unlock broader economic and trade benefits by creating a nation-wide Shortline Railway Investment Tax Credit (comparable to U.S. Section 45G), providing up to $8,500 per shortline track mile per year.

7 https://www.railcan.ca/wp-content/uploads/2023/10/Supporting-Canadas-Shortline-Railways-03-12-20.pdf

8 https://www.aslrra.org/aslrra/document-server/?cfp=aslrra/assets/File/public/news/2024/fy-23-24-crisi-grants.pdf

9 https://budget.ontario.ca/2025/pdf/2025-ontario-budget-en.pdf

4. ADDRESS THE ECONOMIC IMPACT OF LABOUR DISRUPTIONS AND INCREMENTAL LABOUR REGULATIONS

The government must focus on policy changes that improve supply chain efficiency and strengthen the Canadian economy. In the past two years (2023 and 2024), more than 60 work stoppages have disrupted Canadian supply chains.[10]

These disruptions have damaged Canada's reputation as a reliable trading partner, as highlighted in the federal Industrial Inquiry Commission's report on longshoring labour disputes at Canada's West Coast ports.[11] The Commission's findings present a roadmap for labour stability. Parliament should grant cabinet the authority to rapidly impose binding arbitration in supply chain-critical sectors when collective bargaining fails.

Recent amendments to the *Canada Labour Code* have introduced extensive new leave entitlements. These are now being layered on top of similar provisions already found in collective agreements, giving employees additional options not to report for work.

The combined effect of new and overlapping labour regulations, including the interpretation of Duty and Rest Period Rules (DRPR), has negatively impacted supply chain performance. This past winter, these interpretations unnecessarily limited crew availability and placed avoidable strain on Canada's rail system. The federal government is layering additional labour requirements on top of already comprehensive safety regulations, which undermines the competitiveness and, the sustainability of Canadian railways. This is contrary to the government's stated economic objectives.

RECOMMENDATIONS:

1. Strengthen supply chain reliability by adopting the Industrial Inquiry Commission's recommendations and providing cabinet the authority to intervene when collective bargaining fails and rapidly impose binding arbitration in supply chain-critical sectors.

2. Review and clarify the application of Duty and Rest Period Rules (DRPR) so interpretations do not unnecessarily reduce crew availability, particularly where there is no science-based evidence of improved fatigue outcomes.

3. Amend the Interpretive Guideline to prevent duplication of new paid leave entitlements with existing collective agreement provisions.

10 https://doi.org/10.25318/1410035201-eng

11 https://www.canada.ca/en/employment-social-development/programs/labour-relations/reports/industrial-inquiry-commission-longshoring-west-coast-ports.html

5. MODERNIZE SAFETY REGULATIONS TO ENABLE TECHNOLOGY ADOPTION

RAC encourages FINA to request the federal government support the use of technology to replace redundant manual inspection requirements where evidence shows improved safety outcomes. Railways have demonstrated, through years of real-world data and collaboration with Transport Canada, that inspection technologies such as Brake Effectiveness Tests, Equipment Inspection Portals, and Track Geometry Measurement Systems can outperform traditional manual methods. Updating regulatory frameworks would enhance safety, reduce inefficiency, and support continued innovation in Canada's rail sector.

RECOMMENDATION:
Modernize regulatory frameworks to enable the adoption of safety technologies that have been proven, through real-world data, to outperform manual inspection requirements.

6. GRANT TARIFF RELIEF FOR RAIL EQUIPMENT

Canadian railways import significant volumes of steel, safety-critical equipment, exclusively manufactured in the U.S.. Railways do not have alternate sources for these specialized materials. As a result, railways have had to apply for tariff remission from Finance Canada. If Finance Canada does not grant these remission requests, Canada's retaliatory tariffs will only increase transportation costs for Canadian shippers

RECOMMENDATION:
FINA should urge Finance Canada to grant the rail industry's outstanding remission requests, which are in Canada's national interest.

7. AUGMENT OPERATIONAL AND CAPITAL SUPPORT FOR PASSENGER RAILWAYS

Passenger railways connect communities, move millions of passengers safely each year, and showcase Canada's tourism economy.

The COVID-19 pandemic had a major impact on ridership. While recovery is underway, progress remains uneven. In 2024, VIA Rail carried nearly 4.4 million passengers, a 7% increase year over year, but still 12% below 2019 levels.

Meeting future demand requires continued infrastructure investment. Separate, dedicated rail lines for passenger and freight are necessary to ensure safe, reliable, and efficient service for both.

The federal government must continue supporting passenger rail operators in their recovery through operational and capital funding, along with system-wide planning and infrastructure investment. Long-term projects such as HFR or HSR will take time to deliver. In the meantime, improvements should enable both freight and passenger services to thrive.

RECOMMENDATION:
Separate, dedicated rail lines for passenger and freight are necessary in high-traffic areas.


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