FINA Pre-Budget Submission
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Recommendations

1. Modernize the Canada Labour Code to address the economic impact of labour disruptions and incremental labour regulations.
2. Implement 100% immediate depreciation for assets throughout Canada's transportation supply chain.
3. Implement a Federal Shortline Investment Tax Credit modelled after the Ontario Shortline Railway Investment Tax Credit.
4. Augment operational and capital support for passenger railways.
5. Reject calls to reintroduce extended regulated interswitching.
6. Reinvest in rail safety as a shared responsibility to protect communities nationwide.

Introduction

The Railway Association of Canada (RAC) is pleased to submit its 2026 Pre-Budget Submission to the House of Commons Standing Committee on Finance. The submission proposes recommendations to advance Canadian competitiveness by creating the policy conditions needed for all types of railways — Class 1, shortline, commuter, intercity, and tourism — to remain a pillar of strength when the country needs them most.

Across 43,000 kilometres of track, 38,000 mostly unionized railroaders keep goods and people moving, connecting farms, mines, and production sites to export gateways and moving $400 billion worth of goods each year, with volumes reaching a record 348 million metric tonnes in 2024. More than $35 billion in private sector investment over the past decade, including a record $4.5 billion in 2024, has made Canadian railways the safest in North America.[1] That record reflects an industry prepared to do its part.

The policy environment has not kept pace. Canada continues to lag the United States and other OECD countries in private sector investment. As per the government's analysis in *Budget 2025,* the transportation and storage sector is the only sector in Canada facing a higher marginal effective tax rate (METR) than its American counterpart. As Canada seeks to boost investment in infrastructure and double its non-U.S. exports, the government must level the playing field with the United States by matching their 100% immediate depreciation policy.

Additionally, over 100 work stoppages from 2023 to 2025 disrupted service and resulted in the loss of more than 1.3 million workdays in 2024 alone, the highest level since 1966, eroding Canada's reputation as a reliable trading partner when that reputation matters most.[2]

The recommendations in this submission address these challenges directly, from modernizing the labour relations framework and reducing the tax burden on transportation investments, to sustaining important safety and infrastructure funding programs. With the right policy conditions in place, Canadian railways are well positioned to meet the moment and continue moving economies forward.

[1] Rail Trends 2025, RAC
[2] The Significant Impacts of Work Stoppages, RAC

1.MODERNIZE THE CANADA LABOUR CODE TO ADDRESS THE ECONOMIC IMPACT OF LABOUR DISRUPTIONS AND INCREMENTAL LABOUR REGULATIONS

To meet the federal government's objective of doubling non-U.S. exports by 2035, action is required to address labour disruptions and strengthen the Canadian economy.

Canada's supply chains have been disrupted by over 100 work stoppages from 2023 to 2025. These labour disruptions have damaged Canada's reputation as a reliable trading partner, as highlighted in the Industrial Inquiry Commission's report on longshoring labour disputes at Canada's West Coast ports.[3]

The federal government must urgently modernize the Canada Labour Code to encourage collective bargaining at the negotiation table while strengthening Cabinet's ability to manage labour disputes at Canada's railways and ports to protect the national interest. We recommend the government adopt a phased approach that begins with the appointment of a special mediator, vested with authority to keep parties at the negotiation table and help them reach an agreement. If mediation does not produce a resolution, Cabinet should be authorized to refer the dispute to mediation-arbitration, with the result binding on all parties.

The government should also adopt the Commission's recommendation to establish a British Columbia-wide geographic certification for longshore workers, reducing fragmentation across up to 39 separate bargaining tables and improving labour stability at West Coast ports. With collective bargaining at British Columbia ports set to begin in November 2026, and the collective agreement between CN and the Teamsters Rail Conference expiring the following month, it is imperative that the federal government act now to enact these legislative amendments to protect the Canadian economy and the stability of critical supply chains.

Additionally, the previous government introduced several broad leave entitlements under the Canada Labour Code that are causing operational challenges for railways. These are now being layered on top of similar provisions already found in collective agreements, giving employees additional options not to report for work.

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[3] Employment and Social Development Canada, *Report and Recommendations of the Industrial Inquiry Commission on Longshoring Labour Disputes at Canada's West Coast Ports,* Final Report

The combined effect of overlapping labour regulations, including the interpretation of Duty and Rest Period Rules (DRPR), has negatively impacted supply chain performance. These interpretations unnecessarily limit crew availability and place avoidable strain on Canada's rail system, which undermines the competitiveness and the sustainability of Canadian railways. This is contrary to the government's stated economic objectives.

RECOMMENDATIONS:

1. Adopt the Industrial Inquiry Commission's recommendations and provide Cabinet the authority to intervene when collective bargaining fails to rapidly impose binding arbitration in supply-chain critical sectors.

2. Review and clarify the application of 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 paid leave entitlements with existing collective agreement provisions.

2. IMPLEMENT 100% IMMEDIATE DEPRECIATION FOR ASSETS THROUGHOUT CANADA'S TRANSPORTATION SUPPLY CHAIN

Federal policy changes are needed to catalyze additional private sector investment. Given current trade challenges, and the government's stated imperative to diversify Canada's trade, immediate depreciation for assets throughout Canada's transportation supply chain is required.

Budget 2025 illustrated that Canada benefits from having the lowest marginal effective tax rate (METR) in the G7. However, the Canadian transportation and storage sector remains the only sector facing a higher METR than the United States.[4] U.S. industries have benefited from accelerated depreciation for many years, making Canada a less attractive destination for investors who can achieve faster and more predictable returns south of the border.

Canada must level the playing field with the U.S. by matching their 100% bonus depreciation policy. Expanding the Productivity Super-Deduction introduced in Budget 2025 to grant immediate depreciation to the transportation sector would drive meaningful investment in Canadian supply chains. This policy would lead to GDP gains that outweigh fiscal costs, according to a commissioned cost-benefit analysis, thereby generating a net economic benefit for Canada.

RECOMMENDATION: Implement 100% immediate depreciation by expanding the accelerated capital cost allowance provision in the Productivity Super-Deduction to the transportation and warehousing sector.

[4] Department of Finance Canada, *Budget 2025: Building a Stronger Canadian Economy*, Chapter 1, Chart 1.2, "Supercharging Growth," Budget 2025, Chapter 1

3. IMPLEMENT A FEDERAL SHORTLINE INVESTMENT TAX CREDIT

The federal government should introduce a Federal Shortline Railway Investment Tax Credit, modelled after the Ontario Shortline Railway Investment Tax Credit, to incentivize private investment in Canada's shortline rail infrastructure.

Canada's shortline railways are critical links in the country's transportation system, connecting Canadian goods and businesses to Class 1 railways, ports, and global markets. By enabling goods to move efficiently on private rail infrastructure rather than public roads, shortlines offset future public infrastructure costs and enhance supply chain resilience.

Shortline railways face ongoing capital requirements to deliver safe operations, improve reliability, increase allowable weights and speeds, and strengthen resilience against weather-related disruptions.

A federal tax credit would build on proven best practices for Canada to remain competitive in attracting investment and moving goods to market.

RECOMMENDATION: Implement a Federal Shortline Investment Tax Credit, modelled after the Ontario Shortline Railway Investment Tax Credit.

4. AUGMENT CAPITAL AND OPERATIONAL SUPPORT FOR PASSENGER RAILWAYS

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

The government should increase support for existing passenger rail infrastructure through operational and capital funding, along with system-wide planning and infrastructure investment. Support for passenger rail should address current gaps in national connectivity and improve access to sustainable transportation while preserving critical freight capacity.

Certain regulations under consideration could significantly increase operational and capital costs. The federal government must therefore continue supporting passenger rail operators through appropriate operational and capital funding. Meeting demand requires continued infrastructure investment. Separate, dedicated rail lines for passenger and freight in high-traffic areas will help ensure service remains safe and efficient.

RECOMMENDATION: Create separate, dedicated rail lines for passenger and freight in high-traffic areas.

5. REJECT CALLS TO REINTRODUCE EXTENDED REGULATED INTERSWITCHING

Some shipper associations continue to call for the reintroduction of extended regulated interswitching. Canadian railways strongly caution the federal government against any attempt to resurrect extended regulated interswitching as this policy drives jobs and investment to the U.S. and is antithetical to Canada's competitiveness.

Extended interswitching was previously in place from 2014-2017 but was discontinued after an independent review in 2016.[5] As Transport Canada's Associate Deputy Minister noted in 2017: "After the assessment we did, we uncovered that… [extended interswitching] was having unintended consequences on the competitiveness of our railways vis-à-vis the U.S. railways."[6] This review led to the introduction of Long-Haul Interswitching in 2018, which provides regulated access to competing rail carriers for up to 1,200 kilometres, and remains in place today.

Teamsters Canada warned the previous government that extended interswitching "will lead to the exportation of valuable Canadian union jobs to the United States, including those in the railway and port sectors." The union recommended the federal government "abandon any plans, both current and future, to expand interswitching distances in Canada."[7] Unifor similarly warned "extending the interswitching limit has opened up the Canadian rail service to unbalanced competition with U.S.-based companies."[8]

The primary consequence of the previous 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: RAC urges the federal government to support Canadian workers and supply chains by rejecting calls to resurrect extended regulated interswitching.

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[5] Canada Transportation Act Review. 2015. *Pathways: Connecting Canada's Transportation System to the World. Vol. 1.*
[6] House of Commons Standing Committee on Transportation, Infrastructure and Communities. [Meeting 67]
[7] Teamsters Canada Submission to the 2024 Treasury Board Supply Chain Regulatory Review.
[8] Unifor Submission to the House of Commons Standing Committee on Finance on the 2024 Federal Budget.

6. REINVEST IN RAIL SAFETY AS A SHARED RESPONSIBILITY TO PROTECT COMMUNITIES NATIONWIDE

Safety is the number one priority of every railway and every railroader, and investments in rail safety and security are crucial. Whether it is infrastructure upgrades, track maintenance, technology deployment, training, or awareness programs, Canadian railways do not compromise on the investments required to keep railways safe.

The federal government's Rail Safety Improvement Program (RSIP) provides additional resources for project proponents (including municipalities and provincial governments) to enhance safety. Stable, predictable RSIP funding, structured as a permanent program, would provide certainty to sustain critical safety and security efforts.

In the interim, new funds should be made available through RSIP and approvals should be accelerated and streamlined.

Canadian rail operators are doing their part through ongoing education, outreach and awareness programs as well as upgrades to infrastructure to prevent incidents. Improving the safety and security of the public remains a shared responsibility. Railways are prepared to collaborate with the government to continue providing projects that improve safety and public awareness.

RECOMMENDATION: Support rail safety initiatives by reinstating RSIP funding and making the program permanent.

Railway Association of Canada

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About RAC

The Railway Association of Canada (RAC) represents close to 60 freight and passenger railway companies, along with a growing industrial and supply sector membership.

Contact

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