




WESTERN CANADIAN
SHORT LINE RAILWAY
ASSOCIATION

WRITTEN SUBMISSION FOR THE PRE- BUDGET CONSULTATIONS IN ADVANCE OF THE 2020 BUDGET

By: The Western Canadian Short Line
Railway Association

August 2nd, 2019



Recommendation 1: That the government provides funding for \$90M in 2020/2021 and \$200M over the following five years for Western Canadian short line infrastructure improvements to enhance Canada's grain and oil transportation networks, facilitate export capacity, and improve safety.

Recommendation 2: That the government earmark funds for short line railways within the New Building Canada Fund, the Railway Safety Improvement Program, and the National Trade Corridors Fund.

Recommendation 3: That the government amends the Safe and Accountable Rail Act to include short line railways in The Fund for Railway Accidents Involving Designated Goods.

Recommendation 4: That the government provides funding for \$500,000 per year for three years for the Western Canadian Short Line Railway Association to develop a Marketing department and Legislative department to further the competitiveness of the small and medium-sized shippers on Western Canadian short line railways.

WCSLRA's Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

INTRODUCTION

The Western Canadian Short Line Railway Association represents 17 short line railways in Western Canada. We believe that short line railways are a crucial part of Canada's transportation network and that federal funding to support infrastructure improvements should be made available immediately. While this has been echoed in both the Canada Transportation Act Review Report in 2015 and the 2018 Railway Safety Act Review Report, there has been no federal funding mechanism tailored to short line railways to date.

While present in all Western provinces, Saskatchewan has the most extensive network of short line rail. Saskatchewan short lines own and operate 24% of Saskatchewan's 8722kms of track and are present in 18% of urban municipalities and 26% of the province's rural municipalities. The short line railways serve over 70 small and medium-sized businesses.

WCSLRA member railroads do not want to be supported by government funds over the long-term. In the short-term, however, an injection of infrastructure funding would allow short lines to improve their assets, allowing them to travel at faster speeds, carry more cars and be a more viable option for new businesses looking for building locations in Western Canada. Our goal is to be similar to the short line model in the U.S., where short lines are productive and competitive feeder mechanisms for the Class 1 railways.

Recommendation 1: That the government provide funding for \$90M in 2020/2021 and \$200M over the following five years for Western Canadian short line infrastructure improvements to enhance Canada's grain and oil transportation networks, facilitate export capacity, and improve safety.

On February 25, 2016, the Canada Transportation Act (CTA) Review Report was tabled in Parliament. The Review focused on the efficiency of the transportation network and found that infrastructure reinvestment in short line railways was required if they were to continue to be viable in the long term. The Review Panel recommended that to ensure network capacity and overall competitiveness funding similar to the 45G Tax Credit in the United States be implemented in Canada.

The 2018 Railway Safety Act Review Report recently supported these recommendations and further outlined issues that short line railways face. "Over the past ten years, there have been increasing financial demands on short line railways resulting from new regulatory requirements related to dangerous goods, grade crossings, SMS and carbon taxes. Also, a new federal liability and compensation regime for the shipment of crude-by-rail under the Canada Transportation Act (CTA) has put pressures on narrow operating margins, because the current compensation regime does not cover accidents on the provincially-regulated track. As such, short line railway companies that handle dangerous goods are required to purchase

comparable, private liability insurance (i.e., \$25 million coverage) for operations where trains travel at much slower speeds because of track limitations.” (<https://www.tc.gc.ca/en/reviews/railway-safety-act-review/documents/enhancing-rail-safety-canada-working-together-safer-communities.pdf>)

Short line railways purchased rail lines that were in varying states of disrepair. While they continue to operate safely by operating at reduced speeds and patrolling before and after each train, immediate and long-term capital investment is necessary to allow short lines to replace ageing infrastructure and to accommodate heavier traffic.

The Western Canadian Short Line Association surveyed members to determine the number, cost, and benefits of projects that are currently shovel ready, defined as ready to commence planning and implementation within one year. The information below represents preliminary estimates. It includes costs associated with planning and feasibility studies, architectural and engineering design, construction (including materials, equipment, and labour), field supervision of construction, insurance and taxes during construction, general office overhead, equipment and furnishings, and inspection and testing.

Should infrastructure monies become available, further detail and more precise costing related to servicing, municipal fees, professional fees, organizational expenses, construction costs, contractor quotes, and contingencies would be required.

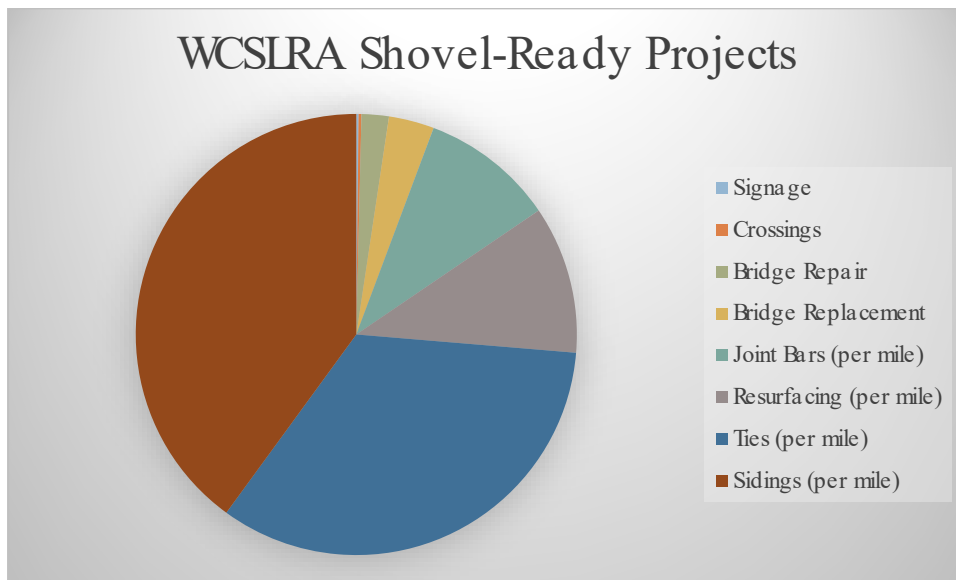
Benefits of proposed projects:

- Improved safety through resurfacing and renewal of tracks, bridges, and crossings,
- Additional capacity through the ability to provide higher volumes, increased speeds, and longer trains.
- Competitive positioning for grain shipping through fewer interrupted service issues and increased confidence in service.
- Opportunities to attract new businesses to offset move away from producer cars.

The following table outlines those projects which could commence in the short term. They represent improvements to existing short line infrastructure that would allow expansion of Canada's economy through enhanced rail efficiency.

Work	Quantity	Price	Total
Bridge Repair	6	\$ 300,000	\$ 1,800,000
Bridge Replacement	3	\$ 1,000,000	\$ 3,000,000
Sidings (per mile)	36	\$ 1,000,000	\$ 36,000,000
Joint Bars (per mile)	1260	\$ 7,000	\$ 8,820,000
Resurfacing (per mile)	1,950	\$ 5,000	\$ 9,750,000
Ties (per mile)	2,070	\$ 14,666	\$ 30,358,620
Crossings	75	\$ 2,500	\$ 187,500
Signage	30	\$ 5,000	\$ 150,000
		Total	\$ 90,066,120

The following chart depicts the breakdown by type of shovel-ready project. The two areas which require the most investment are improved sidings to allow increased traffic, and tie replacement and resurfacing to ensure safety and allow increased loads and speeds.



Short line railways wish to be competitive and productive partners to the Class 1 railways. To do so, we require an injection of capital to improve our lines so we can safely carry heavier loads and travel at faster speeds.

Recommendation 2: That the government earmark funds for short line railways within the New Building Canada Fund, the Railway Safety Improvement Program, and the National Trade Corridors Fund.

We have recently experienced issues with the Railway Safety Improvement Program (RSIP) and the Building Canada Fund, that the government has expanded to “include” short lines, but that in reality, we cannot access. The National Trade Corridors Fund has been pursuing large-scale projects that do not make sense for many of our members; we would like to see this fund adjusted so that smaller-scale projects on short line railways would also be included.

Railway Safety Improvement Program (RSIP)

WCSLRA members applied for funding in the RSIP's last two funding cycles, but only two short lines were approved of 110 approved applications in 2017/18, and only one short line was approved in 2018/19. In discussions with Transport Canada, we were told that we did not provide projects that were ranked highly enough and that they were only approving crossings, while some of our applications were for LEDs – despite LEDs being specifically mentioned in the application materials.

Another issue presented itself when we investigated our lack of approvals. Despite our short lines having accessed the traffic counts from the Saskatchewan provincial government Rail Safety branch, and including them in our applications, it became apparent in discussions with Transport Canada that the traffic counts that are being used to rank projects are from a Transport Canada-maintained spreadsheet that is outdated. Transport Canada staff could not answer when or how it had last been updated, and comparisons between the province's data and Transport Canada's data showed a significant deviation for some of our member short lines in 2017/18. This had a significant impact on our applications, as decisions were being based on the outdated and incorrect information.

Building Canada Fund

This program has also been inaccessible to short lines to date, despite short lines being encouraged to apply by both levels of government.

A letter from the Minister of Infrastructure and Communities dated July 31, 2017, to Mr. Perry Pellerin, President, WCSLRA states:

“Short Line Rail is an eligible category for funding under the Provincial-Territorial Infrastructure Component of the New Building Canada Fund. Under this program, proposed projects must first be prioritized by the province before they are submitted to Infrastructure Canada for consideration. The Government of Canada works closely with provincial, territorial and municipal partners to fund infrastructure projects, but it is these orders of government that are responsible for the planning, prioritization, design, financing, and operation of their infrastructure assets. As the projects you are writing about could be constructed in Saskatchewan, Manitoba, and Alberta, I would encourage you to contact their ministries of infrastructure.”

The WCSLRA took the Minister's advice and contacted the Director, Rail Policy, and Programs, at the Government of Saskatchewan. The response included:

“MHI [Ministry of Highways and Infrastructure] has not provided any letters of support or agreed to act as a sponsor for any shortline's application under Building Canada Fund. Government Relations indicated to us that private-sector applicants could apply if they have a sponsor. However, it must not be an agent such as MHI that is involved in the funding decision chain.”

After the program was first announced back in 2013, Cabinet directed the province's \$437 million in PTIC funding to be divided as follows:

- \$196.5 million administered by MHI
- \$240.2 million administered by Government Relations to all other eligible PTIC applicants for municipal projects.

Ultimately, the major challenge for shortlines is that when the funding was originally allocated, nothing was specifically set aside for shortline projects.”

As a result, no Saskatchewan short lines were able to apply for funding under the Building Canada Fund.

National Trade Corridor Fund

The WCSLRA discussed applications with staff from the National Trade Corridor Fund but were given the impression that our projects are too small to be considered for this funding. The WCSLRA would very much like if there was more inclusion of small projects in the NTCF as short lines are a critical piece of the trade corridor in Western Canada.

Recommendation 3: That the government amend the Safe and Accountable Rail Act to include short line railways in The Fund for Railway Accidents Involving Designated Goods.

Currently, although our dangerous goods shippers are required to pay into The Fund for Railway Accidents Involving Designated Goods, short line railways are not covered by the fund. Upon discussion with Transport Canada, this is because the risk of short line railways has not been established, even though we meet all required safety legislation and regulations. This does not make sense and should be reversed as the accident upon which this Fund was developed happened on a short line railway.

Recommendation 4: That the government provides funding in the amount of \$500,000 per year for three years for the Western Canadian Short Line Railway Association to develop a Marketing department and a Legislative department to further the competitiveness of the small and medium-sized shippers on Western Canadian short line railways.

The Western Canadian Short Line Railway Association would like to further assist its members in developing opportunities for new business, whether that be aligning buyers for producer cars or dealer cars or establishing new businesses. The Association would like to hire a Business Development Officer and attend trade shows and conferences to attract new businesses to our lines, allowing our short lines to prosper in the long-term.

We would also like to hire a Legislative Officer to assist our short lines and their members with shipper remedies provided in the Transportation Modernization Act. Currently, many of our shippers are small and medium-sized businesses that cannot hire legal representation. We would like to provide an expert to help the businesses currently on our lines to thrive.