

## **Rail Freight Service Review**

Submission of the New Brunswick Department of Transportation

Department of Transportation  
March 25, 2010

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### **1. Introduction**

The Rail Freight Service Review provides an opportunity for the users of rail service to provide input on a variety of rail service issues from a customer perspective. The New Brunswick Department of Transportation (NBDOT) also appreciates the opportunity to provide comments on rail service from a provincial perspective and to support the concerns of New Brunswick industry, stakeholders and rail users.

New Brunswick's recognition of the importance of rail transportation is articulated in several strategies. The provincial transportation strategy "*New Brunswick at the Centre*" and the Atlantic transportation strategy "*Charting the Course*" recognize that freight and passenger railways are an important component of a multimodal system. Many shippers in New Brunswick depend on rail to move their product to market.

In addition, "*An Action Plan for Self-Sufficiency in Northern New Brunswick*" supports the maintenance and enhancement of rail services in the north as part of the strategic infrastructure on the northern industrial corridor and a gateway to external markets.

Rail is a vital component in the Atlantic Gateway and Trade Corridor for moving international trade through the gateway to North American markets. CN's main line moves 97 percent of all Atlantic Gateway and Trade Corridor international traffic, with other strategic short lines throughout the region feeding into the CN network. The province has also demonstrated its support of the rail industry by providing property tax exemption on rail right of way.

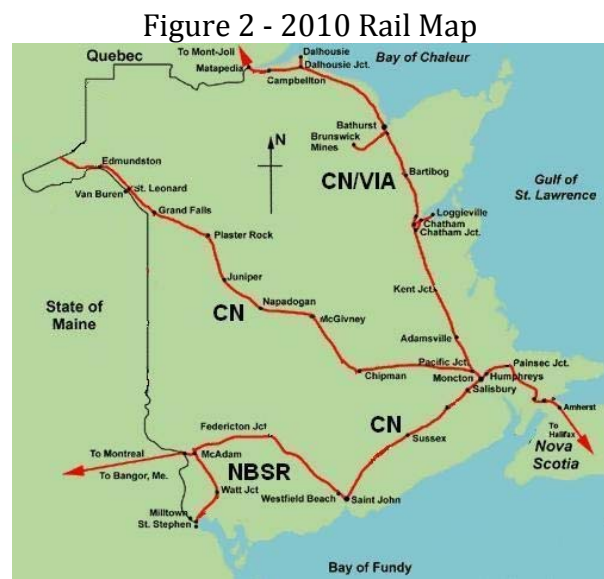
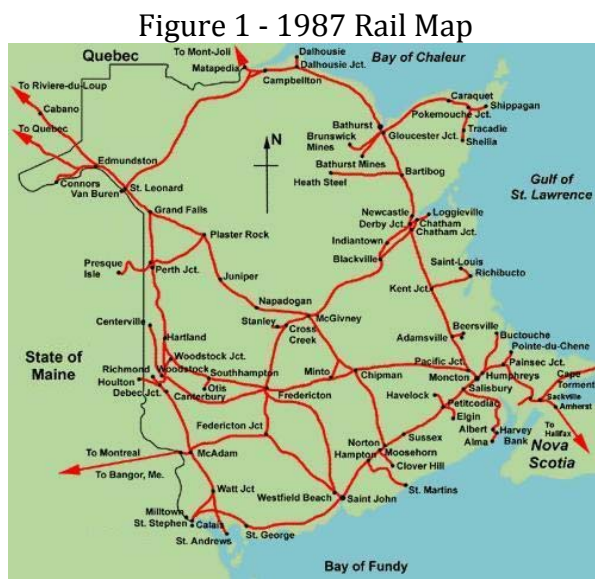
Our objective is to implement these strategies by working in partnership with our transportation users and rail service providers to increase the level of service, decrease rates and develop new markets.

This submission includes comments on rail freight service as well as rail infrastructure funding.

## 2. Rail Service in New Brunswick

The rail market in New Brunswick is a small share of the total market in terms of traffic volumes, track and revenues, but does provide a relatively stable market for CN. The market growth potential for rail traffic is significant, particularly in the context of the development of the Atlantic Gateway and Trade Corridor.

In 1987, New Brunswick had 1,342 miles of track operated by Canada's two Class I railways, CN and CP. Today, only 860 miles of active track remains with only one Class I railway, CN. This trend is illustrated in Figure 1 and Figure 2. This remaining rail infrastructure is essential and needs to be built upon.



CN operates close to 80% (661 miles) of the remaining track mileage with other federal and shortline railways operating on 20% (179 miles) of track. VIA Rail operates over approximately 200 miles of track on CN's northern line.

The rail network in New Brunswick has 596 public level highway/railway grade crossings, approximately 450 private and farm crossings and 99 grade separations. Three level crossings are located on the National Highway System: Route 2, the Trans Canada Highway and Route 15. This presents an ongoing challenge for rail and passenger safety. Rail safety is a predominant policy focus for NBDOT, with involvement in both provincial and federal rail safety initiatives, and support of new rail technology focused on safety outcomes.

### 3. CN Service Goals

From a corporate perspective, CN has stated their guiding principles for operation include service, cost control, asset utilization, safety and people. With respect to their customers, CN's corporate goals are improved service, enhanced competition and increased opportunity. With respect to governments, CN supports regional economic development and seeks to provide a competitive alternative to trucks by reducing highway traffic congestion and contributing to environmental goals. These CN commitments support our transportation strategies; however, further evaluation may be appropriate in light of the comments below.

#### Customer Comments on CN Service

The following comments were provided to NBDOT from rail users in New Brunswick.

- *Schedule and service changes:* CN changes schedules and service levels without consulting or notifying customers. This creates unnecessary hardships for shippers.
- *Rate setting:* CN sets non-negotiable rate structures. Shippers are captive since CN is the only Class I railway operating in New Brunswick.
- *Ineffective dispute resolution:* Shippers fear retaliation if they apply to the Canadian Transportation Agency (CTA) for dispute resolution.
- *Rate and service levels on the Saint John line:* are much higher than comparable rates and service levels on connecting main lines.
- *Shortage of containers:* Container supply and availability is unpredictable ("hit and miss"). Shippers then must scramble to use alternate transportation.
- *Shortage of temperature controlled intermodal containers:* This makes use of the CN network difficult for perishable goods, particularly in the summer.
- *Poor supply chain logistics:* Importing from the southern states is difficult given the number of carriers needed to conduct shipments in a cost effective manner.
- *Limited weight capacity of track:* Up-weighting of CN's northern line to the 286,000 lb standard is essential for shippers on this route.

#### NBDOT Comments on CN Operations

- *CN service market captivity*
  - Certain commodities are better suited to be shipped by rail.
  - Shortline railways are captive to set rates because only CN can move products beyond their systems.
- *Improved customer service in the region*
  - CN needs to be more responsive to customer needs and ensure car supplies and schedules meet customer demand.
  - Marketing efforts need to be enhanced to attract additional freight for new business.

- *Up-weight track to 286,000 lb*
  - CN's northern line through New Brunswick needs to meet the 286,000 lb. standard. It is currently difficult for shippers and ports to make full use of rail services.
- *Infrastructure improvement*
  - Eliminate level crossings on the National Highway System (NHS). Federal funding should be reinstated for grade separations. Section 13 of the *Railway Safety Act* deals with grants for the construction of grade separations. Although this section still exists, funding has not been available since the late 1970's and should be restored with prime consideration given to level crossings on the NHS. Transport Canada should put a policy in place to fund the grade separation of any level crossing on the NHS.
  - Reduce the number of level crossings through consolidation, particularly on CN's northern line to improve shipping times and VIA's on-time performance.
- *Competitive rate structure*
  - Current CN rates are comparable to truck rates and higher than shortline railway rates. Class I rail rates should be lower than truck rates, comparable to shortline railway rates, and valid for at least five to ten years to enable long-term business planning and forecasting.
- *Develop and promote innovative ways to shift traffic to rail*
  - The New England Governors and Atlantic Premiers support a shift of 10% of truck traffic to rail by 2020.
- *Co-production*
  - Federal policies must do more to balance the interests of rail users with those of the national rail carriers. For example, co-production agreements between CN and shortlines to improve rail service could be the model for the future.

## **Shortline Issues**

### **Jurisdictional Issues**

Shortline railways are an integral part of the national rail transportation network; they enable Class I railways to focus on mainline activities and at the same time feed rail traffic to the national network. In many cases, these shortline railways fall under provincial jurisdiction because they do not cross provincial / international boundaries. As a result, these Shortline railways are ineligible for federal funding programs offered to railways that do engage in extra-provincial trade. Railways are a vital transportation component and should receive the same status regardless of jurisdiction.

### **Grade Crossing Improvement Program (GCIP) Funding**

Section 12 of the *Railway Safety Act* provides for grants for crossing safety improvements. The GCIP is currently available to federally regulated railways and its availability should be extended to include provincially regulated railways. The scope of the GCIP should also be expanded to include funding assistance to allow all railways to up-weight sections of their system not currently at the 286,000 lb. standard.

## 4. Conclusion

With only one Class I carrier in New Brunswick, shippers in the region face a lack of consistent car supply, specialized container types, high, non-negotiable rates and arbitrary schedule changes without prior notification. These factors contribute to making rail service a less appealing transportation option. Shippers are given no choice but to ship by other methods or place themselves in the position of not meeting the demands of their customers.

Rail service in New Brunswick is essential for the primary resource sector as well as for international and interprovincial shipments using the Atlantic Gateway and the Trade Corridor. CN needs to optimize regional rail service by focusing on long-term rate stability and service predictability. If CN does not want to consider this strategic direction, then they should partner with shortline railways and permit them to operate on CN track. This would require a new corporate philosophy to facilitate a shift to co-production agreements and building partnerships.

The CTA process for dispute resolution requires a review by the federal government. Many rail users in a captive market fear reprisals should they choose to use these CTA provisions. With respect to rates, many shippers, especially resource industries, need to plan and forecast over the long term. CN's rates are typically 30-day rates. In order to plan effectively, companies require longer-term fixed rates to enable them to use rail instead of trucking.

Overall, rail service could be enhanced by federal government expansion of funding programs for grade crossing improvement, grade separations and funding for up-weighting to the 286,000 lb. standard. Funding should also be accessible to all railways regardless of jurisdiction.

NBDOT does not support more regulatory provisions. The issues raised by rail service users can and should be addressed outside the regulatory environment; however, if they cannot be resolved, then a new regulatory process may be necessary to balance the interests of rail users with those of the national rail carriers.