



## **Saint John Port Authority**

### **Submission to the Rail Freight Service Review Panel**

In 2008, the Government of Canada initiated a review of rail freight services in Canada aimed at improving the efficiency, effectiveness and reliability of service within the system, facilitating economic growth and trade expansion and improving accountability among stakeholders. The review consists of a series of studies and analytical work and the establishment of a Review Panel to examine the findings of the reports, gain stakeholder input and propose recommendations to address identified problems and issues, in a final report to the Minister of Transport, Infrastructure and Communities. Subsequently, the Minister of State (Transport) announced the appointment of the Review Panel in September of last year. Saint John Port Authority appreciates this opportunity to provide input into this extremely important examination of the competitiveness of rail in Canada.

While those who use rail services directly can provide the greatest input into the state of rail service and its efficiency and cost-effectiveness, ports are a key link in Canada's trade and the transportation corridors established across the country and competitive rail service is essential to their success in providing cost-effective means of transportation.

As one of four national ports in the Atlantic Region, the Port of Saint John handles over 26 million tonnes of cargo and generates revenues in excess of \$12 million annually. The port handles a diverse range of commodities, the highest volume of which is petroleum. Other commodities are potash, containers, scrap metal, break-bulk and project cargo and other bulk commodities. The port is also the second largest cruise port-of-call in Eastern Canada. A new sector for the port is LNG and Canada's first LNG terminal opened here in 2009. Those having the highest volume of rail traffic are the petroleum, potash and container sectors.

#### **History of rail service**

In the past, the Port of Saint John was served by both of Canada's national railways and in fact was the Atlantic terminus for Canadian Pacific.

In the 1970s both Saint John and Halifax entered into the emerging container sector of the marine transportation network and the Port of Saint John handled 14 container lines at Rodney Container Terminal at its peak. Today, there is one carrier providing a service to the U.S. East Coast and the Caribbean handling about 45,000 teus per year. As the container trade evolved, larger vessels were introduced, trading patterns changed, the structure of Shipping Line consortia changed and ports of call were rationalized. As a result, Saint John saw a dramatic drop in container business. With these changes and the growing interest of Canadian Railways in the United States, Canadian Pacific gradually withdrew from Atlantic Canada and the Port of Saint John.

Ultimately in the early 90s, CP sold its assets in Atlantic Canada to New Brunswick Southern Railway (NBSR), owned by the Irving interests. Further to this in 2000, NBSR entered into a long-term Operating Agreement with Canadian National for the operation of its rail assets in the Saint John area. As a result, NBSR is now the sole railway serving port facilities.

Today, the majority of consumer and manufactured goods are carried in containers and rail service to Canada's main consumer markets is critical to the port's ability to maintain and compete in this business. In this respect, the port is no longer served directly by a Class 1 railroad and relies on short line operators to provide the connection.

### **Atlantic Gateway**

Rail plays an integral part of the development of the Atlantic Gateway and to the efficient movement of goods through the ports. Saint John, Halifax and Belledune are the only national ports in the Region and their ability to do business is essential to the national economy and to Canada's international trade

### **Saint John Port Authority**

The Port Authority has reviewed the various reports and submissions that have been posted to date. From a Saint John Port Authority perspective, the key concerns respecting rail service are the competitiveness of rates and differentials between Saint John and Halifax and the provision of track maintenance on port property.

#### ***Competitive Rail Rates***

When CP withdrew from Atlantic Canada in the mid-nineties, it put Saint John and Southern New Brunswick at a significant disadvantage which directly had a cost and operational impact on the port's container terminal and business as noted earlier.

NBSR connects to Canadian Pacific through the Montreal, Maine & Atlantic Railway, a U.S. short-line operator and connects to CN in East Saint John. NBSR also connects southbound to PanAm Rail in Massachusetts. This provides a number of options for rail customers, however, it requires an interface between rail service providers to gain access to a Class 1 operator. This ultimately results in an uncompetitive rate structure.

Case in point, despite the fact that Saint John is closer to centres such as Montreal and Toronto, it is impossible to acquire a competitive quote from Canadian National that is comparable to containers moving in and out of Halifax. This is primarily due to the interface with the short-line operator and the associated costs.

#### ***Track maintenance***

Historically, the port was served by Canadian Pacific on the west side of the harbor and by Canadian National on the East and responsibility for track maintenance on port property clearly rested with the railways.

On the West side, a trackage agreement between Canadian Pacific and the National Harbours Board (and its successors) was signed in 1941. To the best of the Port Authority's knowledge, this agreement was never terminated and the Authority's position is that it remains valid today. Some time ago, Canadian Pacific was asked to respond to this issue and to date has not done so. NBSR on the other hand, is seeking siding agreements with port operators within which maintenance would be provided at the expense of the client.

With the acquisition of the CP interests by NBSR and the signing of the Operating Agreement between them and CN, NBSR has not taken on the responsibility for track maintenance and only carries it out in areas where the volume of traffic justifies the investment in maintenance. This is contrary to the best interests of the port and the role railways play in the port environs.

On the East side, port facilities consist of Long Wharf, Lower Cove and Barrack Point Potash Terminal. Similarly on this side of the port, Canadian National has always been responsible for track maintenance and the Port Authority and its stakeholders have never been advised otherwise. In respect to track maintenance, it would seem that the same rationale applies as for the West side. For example, while rail service is provided to the potash terminal, track has been removed from the lead into the port's Lower Cove terminal effectively cutting off rail service. This again was done without the knowledge or consultation with the Port Authority or its operators in this area.

## **Recommendations**

Railways be required to enter into levels of service agreements with ports and their stakeholders. This could include arrangements for the provision of track maintenance within ports;

Railways be required to consult with Port Authorities and stakeholders when contemplating removal of track leading to or located on port property;

Port Authorities be given authority to prevent track removal in cases where the interests of the port are put at risk;

Regulations governing interchanges between rail operators be reviewed to remove any impact on cost to the customer;

Short line & Class 1 Railways be encouraged to develop a more customer-friendly process to provide seamless and cost-effective rail service to customers across the rail system;

Port Authorities be provided with a mechanism for dispute resolution and be provided with official standing in any cases requiring federal arbitration; and

Safeguards be installed to ensure continued and adequate continuity of rail service to port facilities.

We appreciate the consideration of the Panel in reviewing the above comments and recommendations and we are available to answer any further questions or to elaborate on points made.