

The New Brunswick Gateway Council is made up of representatives from a number of prominent New Brunswick transportation stakeholders and providers. Our objective is:

- To improve the competitiveness and efficiency of the transportation of goods and people through New Brunswick as part of the Atlantic Gateway
- To promote awareness of trade, tourism and the transportation system and their importance to local, provincial, regional and national economies.

Please refer to the appendix for a complete list of Council members and other stakeholders

We have reviewed the reports prepared by QGI, NRG Research, and CPCS Tanscom as well as the submittals that pertain to the business environment in New Brunswick and Atlantic Canada. Additionally we have surveyed our own members and other stakeholders and conducted other research to assemble this submittal.

New Brunswick /Atlantic Canada have some special needs

We believe additional consideration should be provided to New Brunswick and Atlantic Canada where economic statistics suggest businesses and citizens would most benefit from new commerce and employment opportunities.

- Improving rail service and competitiveness with careful consideration of the business needs and objectives of the servicing railroads as well as the other participating business entities will foster significant improvements in international commerce, quality of life and jobs for Canada.
- The New Brunswick and Atlantic Canada region is challenged with higher unemployment and lower per household income than the central and western regions of Canada. Atlantic Canada unemployment is currently running 11.5% as compared to an average of 6.9% across the rest of Canada. Per household income also ranks below that of the other provinces.
- Because it's tied to population, New Brunswick and Atlantic Canada have less representation in the National Government which has resulted in reduced allocation of resources as well.
- New Brunswick and Atlantic Canada have some significant rail challenges,
 - The Atlantic Provinces are served intra-province by only one Class 1 railroad. The middle and western provinces all have the competitive benefit of two Class 1 railroads.

- There has been an ongoing reduction in available trackage and communities served. Total trackage is down 30% in just the last 20 years..
- The new Ethanol regulations will require more rail traffic as the product is currently only available by rail.
- The Federal government has an obligation to serve Atlantic Canada in reducing some of these barriers
- There are environmental benefits to moving more goods via rail
 - Rail is more fuel efficient
 - Reduced traffic congestion on our roads improves throughput and safety
 - Reduced need for maintenance and expansion of our highway infrastructure
- The Canadian government should continue with the work that is already in place in developing this national transportation corridor
- New Brunswick and The Atlantic Provinces are in an excellent position to attract Net New Business to Canada in the form of international trade due to their unique combination of products and geographic location.

New Brunswick /Atlantic Canada offer strategic advantages to Canada

New Brunswick and Atlantic Canada have some important attributes which can make us an important source of increased commerce, income, and jobs. We need the support of Transport Canada to capitalize on these strengths.

- We are a close neighbor to the New England states. We are the closest point in Canada to serve this market of 50 Million consumers and associated businesses.
- Saint John and New Brunswick have the potential to become a major rail hub for bulk and break bulk cargos in and out of Canada
 - The port is linked to 4 railroads by the servicing short line, NB Southern. The Canadian National, the Montreal Maine and Atlantic, the Pan Am, and the Canadian Pacific.
 - The Port of Saint John already handles over 50 Million tons of bulk cargo per year.
 - Saint John has a diversity of commodities handled which makes it well suited to niche players in the shipping industry
 - The other New Brunswick Ports are also well equipped as bulk players that can also benefit from a central transportation hub
 - The forest products industry has left New Brunswick ports with excess capacity for handling bulk products.
- All Rail service in Atlantic Canada goes through New Brunswick

Recommendations For Rail Freight Service Actions

We've identified the following as key areas for further analysis and consideration for the benefit of all Stakeholders, including the railroads as well as the shipping community and general population of New Brunswick.

Develop an operating spirit of cooperation and collaboration

Given the absence of definitive competition among rail service providers it is incumbent on the government to find ways to foster relationships between and among shippers and carriers which serve the best interests of all parties. Railroads should not be required to operate at a loss. Nor should shippers be subject to arbitrary changes in rates and service or unreliable service.

Through subsidies, allocation of resources, regulatory pressure, collaboration with US authorities and operators and other means at their disposal, it is in the best interest of the province and the country to work towards equitable, workable, and commercially viable solutions. The government and particularly Transport Canada is in the unique position to make this happen.

Ensure rate competitiveness. Address inequities

The cost of rail service needs to be addressed at a National level. Short Lines may not always have the ability to be effective in protecting smaller shippers on light density lines in due to their dependence on Class 1 Railroads.

We need to improve options by promoting lowest distance options and stay away from historical methods of promoting circuitry to protect length of haul and the advantages of only one routing alternative. We must work together to protect "shortest and most efficient" distance/route to the marketplace.

Encourage/Provide more short haul traffic

CN is focused on developing and maintaining their presence with long haul moves. There are numerous cases where shippers in Atlantic Canada are forced to use truck shipments because rail is priced to be infeasible. This has put shippers at a significant disadvantage in providing goods and services to the market.

Increasing short haul traffic will improve commerce and competitiveness of businesses in the region. At the same time it will reduce truckload volume with the associated improvements in highway congestion, required maintenance and expansion while reducing the environmental impact.

Develop an Integrated rail system with short lines

Canadian National is focused on efficient long haul service, transferring operations to short lines as well as excessive pricing on short haul moves. While this approach is advantageous to CN and some shippers, there needs to be support to develop third party operators to handle this traffic through a feeder infrastructure. i.e. a hub and spoke system. The impact will be net new business for the parties involved. This opportunity needs further exploration and development.

Establish committed and enforced Levels of Service

Service levels must be considered in light of what is achievable given the infrastructure and actual volumes of traffic that need to be moved. Performance must be in line with global performance standards. Shippers must be able to depend on reliable and timely service in order to compete in today's world marketplace. It is incumbent on shippers and railroads to work together to establish what service levels are acceptable and include those parameters in contracts. In the case of small shippers with less commercial clout there needs to be a mechanism to insure they are not unfairly disadvantaged.

Consolidate Atlantic Canada stakeholder organizations

There are numerous stakeholder organizations which leads to overlap and conflicting messages regarding what needs to be done and where priorities should be focused. There are a number of disjointed councils and interest groups, each with their own agenda and priorities for improving the transportation infrastructure in New Brunswick and Atlantic Canada. It would be helpful to move to a coalition of stakeholders who can work together to identify, rationalize, and prioritize these opportunities based on the needs of the entire region. Transport Canada can play an important role in facilitating this.

Identify and implement actions to influence Northeast US rail operations and infrastructure

The best opportunity to improve breadth of service and competition for rail traffic in the province is through the enhancement of rail links to the South through Maine and the Northeast US. Railroad service there is fragmented across numerous short lines which in some cases are struggling financially. Any influence Transport Canada can bring to bear as a major ally and trading partner with the US to improve the health and operational effectiveness of these lines will be extremely useful in that regard.

This development would be a significant factor in establishing and growing New Brunswick as an international gateway.

Provide the incentives and coordination to increase thru traffic between Atlantic Canada and the New England corridor

At present virtually all traffic handled by the NB Southern either originates or terminates on that line. We need to put in place the incentives, infrastructure and efficiencies to encourage through traffic. This will increase competition for freight into or out of the province in a perceived and real manner.

Provide for more efficient issue and dispute resolution

The normal channels for resolution of issues and provision of funding for infrastructure projects are slow, tedious, and expensive. They need to be made more accessible and responsive to the needs of the shipping community.

Conclusion

New Brunswick businesses face strong and ever increasing competition, from both domestic and international interests. The Atlantic Provinces and New Brunswick in particular face some of the highest unemployment rates and lowest family income in Canada. This is an unfortunate situation given the region's wealth of natural resources, access to international and domestic shipping lanes, and proximity to one of the largest consumer markets in the world. Transport Canada is in a unique position to help improve the quality of life for these citizens by addressing the transportation infrastructure and operational challenges we face.

Though we have not had the time and resources to quantify it we have clear indication that the kinds of efforts indicated above will have a significant and positive impact on quality of life for Atlantic Canada citizens through increased international trade, job creation, and a more vibrant economy.

- Develop an environment of cooperation and collaboration
- Insure rate competitiveness.
- Encourage more short haul traffic
- Improve interchange activity among railroads
- Establish committed Levels of Service
- Coordinate Stakeholder organizations
- Encourage improvements to Northeast US rail operations
- Increase thru traffic between Atlantic Canada and the New England corridor
- Establish more efficient dispute resolution

These opportunities will require more in depth study to identify and quantify the cost benefit relationships and key success factors. We look forward to the opportunity to contribute to that effort in any way possible.

New Brunswick Gateway Council

Appendix A: New Brunswick Gateway Council Membership

Bayside Port Corporation	Mike Power	President
Belledune port Authority	Rayburn Doucett	President & CEO
CN Railroad	Yves Leneiux	Dir. Network Strategies
Ganongs Chocolates	Harold Ryan	Logistics Manager
Irving Oil Limited	Blaine Higgs	Director, Logistics and Transportation
Irving Transportation Services	John Murphy	Vice President
Moosehead Breweries	Joel Levesque	V.P. Public Affairs
Port of Dalhousie	Chris Winchester	Chairman
Potash Corp of Saskatchewan	Mark Fraccia	General Manager
Saint John Airport	Bernard LeBlanc	President & CEO
Saint John Port Authority	Alwyn Soppitt	President & CEO
Atlantica Centre for Energy	John Herron	Director, Communications & Business Development
Bay of Fundy Marine Coalition	Mike Gushue	Managing Directorcha
City of Moncton	Ben Champoux	Business Development Specialist
Town of St. Stephen	Ian Stewart	General Manager
Enterprise Chaleur	Donald Hammond	Executive Director
Enterprise Charlotte	Michael Rouse	Executive Director
Enterprise Fundy	Frank Tenhave	Executive Director
Enterprise Saint John	Lois Vincent	Manager, Entrepreneur Development
New Brunswick DOT	Doug Johnson	Assistant Deputy Minister
Port of Saint John Employers Assoc.	Don Scott	Vice President and General Manager
Saint John Board of Trade	Imelda Gilman	President
Saint John Industrial Parks	Brian Irving	General Manager
Town of Sussex	Ralph Carr	Mayor
ACOA (NB Division)	Mathew English	Senior Policy Analyst
Transport Canada	Michel Doiron	Regional Director General, Atlantic

OTHER STAKEHOLDERS

AIM	Jacques Thibault	
Crosby Molasses	Jim Crosby	President
Cyber Freight Systems	Peter Clark	Director, Atlantic Canada
Empire Stevedoring	Andrew Chodos, Doug Beckingham (SJ)	
Fort Reliance	Kevin Scott	Business Development
Logistec Stevedoring	Curtis Doiron	Sales Manager
McCain International	Shari McNally	Distribution Manager
NB Southern Railway	Ian Simpson	General Manager
Tropical Shipping	Gordon Cole	General Manager

Appendix B: A Sampling of Analysis Feedback & Observations

- New Brunswick should continue to focus development efforts on bulk commodities. Intermodal shipping will remain a niche play in the Province. Non Bulk shippers should also be considered in developing rail solutions however.
- Rail infrastructure in the province is not fully utilized. There are a number of moves that are not utilizing rail that should be.
- Some NB business is constrained by not having enough rail service
- Threats of track abandonment are a problem for planning and investment. Track miles in service have decreased by over 30% in the last twenty years.
- Removed or abandoned track has limited existing operations and future growth potential
- CN does not support short moves. They also limit the short lines ability to originate or terminate short haul moves.
- Northern New Brunswick tracks are subject to slow orders due to track condition. This effects transit time and reliability, impacting competitiveness.
- Rate increases are usually higher than inflation or other indicators would warrant and for some shippers at unspecified intervals.
- Car and container movements are not in balance which makes for higher one way shipping costs. Ancillary costs can consume the majority of any backhaul opportunities identified.
- A significant number of participants in this assessment were happy with the service and reliability of their rail service. In many cases these are companies where shipping is arranged and managed by a supplier or customer so they may not have a complete perspective on the situation.
- Some described various situation where unreliable or limited service has impeded their ability to do business
 - Need for additional rolling stock due to long cycle times or limited switching
 - Additional storage requirements
 - Lost business due to long transit times, inconsistency, or lack of control over service commitments
- Some shippers are pleased with their overall relationship with their rail service provider(s)

- Some shippers are frustrated with unjustified price increases to areas where they have little or no alternatives.
 - Year over year as much as 25%
 - Increases at random time intervals
 - Vastly different pricing on similar trips
- Feedback on pricing varies by customer.
 - Customers who pay the freight are much more critical
 - There are a number of situations where rail costs are not considered a challenge. These appear to be shippers who receive products FOB plant and therefore may not have a good perspective on the situation.
- Allocation of resources for infrastructure is difficult, limited, and unbalanced.
 - Short lines (within one Province) don't have access to federal funds
 - Community Support in conjunction with Commercial interests
- Need a more efficient vehicle to sort out disputes and or resolve responsibilities
 - Track Maintenance
 - Operating rules
 - Billing issues, etc.
- LOS agreements and enforcement are seldom if ever in place in. The railroads have opposed requests to include them in agreements.
- Most shippers perception is that they are a captive market. With severely limited competition driving up cost and diminishing service.
- Canadian Pacific railway has not shown a lot of interest in developing business to the East Coast. The market perception is that they don't serve New Brunswick ports.
- Many shippers are reluctant to ship from Montreal to New Brunswick because of customs concerns. This is generally not a problem as these goods move through the US in Bond.
- Several shippers have already or are considering moving away from intermodal because the cost of rail and/or drayage are higher than truck with longer transit times and less consistent service and control.
 - Montreal rail to Saint John port competes with Truck to New York & New Jersey
- Not utilizing and promoting Rail as a Green alternative