Executive Summary

It is recommended that the federal Minister of Transport and the Minister of Transportation of Ontario work in partnership to implement the reforms necessary to ensure the long-term viability of Ontario's short line railways by:

- *Establishing a tax credit program to offset track and bridge rehabilitation costs;*
- *Modifying eligibility criteria for federal infrastructure programs to allow short lines to apply for funding directly, without a government sponsor;*
- *Creating a federal/provincial rail infrastructure program to meet capital investment needs through grants and low-cost, long-term financing; and*
- *Assisting in the establishment of a pooled short line insurance regime.*

Ontario's regional or short line railways play a critical role as "first and last mile" feeders to the continent-wide rail system. By lowering costs and providing a more locally-responsive service, they have revived several light-density lines slated for abandonment by Canadian Pacific (CP) and Canadian National (CN). Nationally, short lines originate one-fifth of all rail tonnage.

Short lines also produce many environmental benefits, including reductions in high-carbon fuel consumption and greenhouse gas emissions. As a result, the Ontario Climate Change Action Plan has recommended a study to determine the actions required to improve short line competitiveness.

However, with only marginal profitability, these short lines have struggled to overcome the deferred maintenance they inherited from CP and CN. Adding to the pressure are new safety requirements, a lack of access to federal funding for safety upgrades and a need to improve their infrastructure to handle the 130,000-kg cars now standard on the main line railways.

Due to light traffic and revenues, as well as large operating expenditures, Ontario's short lines are generally able to devote only 12 per cent of revenues for capital investment, which is less than half the amount required to meet the rail industry's required level of re-investment.

By comparison, the U.S. short line industry is far healthier and able to invest to a higher degree because of progressive federal and state policies that recognize the ongoing need for public investment to maintain a state of good repair and attract new, revenue-producing traffic.

The challenges facing Canada's short lines were addressed in the March 2016 report of the Canada Transportation Act (CTA) Review. A strong case was made for a new rail freight policy that fully recognizes the critical role played by short lines and a need for innovative Canadian policies and funding programs based on the successful U.S. models. Greater federal/provincial engagement on all rail freight policies and programs was also recommended.

The opportunity to enact the CTA Review's short line recommendations has been created by the new federal Transportation 2030 policy announced on November 3, 2016. It pledges $10.1 billion to eliminate bottlenecks and build more robust trade corridors. The inclusion of short lines in this strategy is critical if they are to contribute fully to Canada's global competitiveness by providing them with the policies and funding they require to not just survive, but to thrive.