Needed: Canadian Public Policy and Investment Changes

The majority of Canada's short lines have been created in the last quarter-century as a result of broad multi-modal deregulatory policies first enacted by the Conservative government of Prime Minister Brian Mulroney and then expanded by the Liberal government of Prime Minister Jean Chretien. In terms of their rail components, these policies were said to be the Canadian equivalents of the three pieces of legislation that largely deregulated the U.S. rail industry:

- Regional Rail Reorganization (3R) Act of 1973;
- Railroad Revitalization and Regulatory Reform (4R) Act of 1976; and
- Staggers Rail Act of 1980.

These three pieces of legislation were designed to revive key components of the U.S. Northeast and Midwest rail system, many of which were bankrupt at the time the acts were passed. One contributor to the decline of what amounted to roughly one-quarter of the U.S. rail system had been excessive regulation, which had placed the railways at a competitive disadvantage vis-à-vis trucking and inland marine transportation, which benefitted enormously from the publicly-funded construction of the infrastructure on which they are dependent.

However, Canadian policy makers failed to grasp that deregulation was not the only driver of the U.S. rail industry's reorganization and revival. Coupled to the legislation was a considerable amount of public funding to rehabilitate the portions of the system that would be retained after the abandonment of duplicate main lines and unprofitable light-density branches.

While U.S. deregulation made it easier for the Class I railways to abandon lines and for new short line operators to purchase them, it was federal and state assistance that made it possible for many of them to revive and improve service on lines that had suffered from years of deferred maintenance by the cash-strapped Class I railways.

This major point was missed in the formulation of federal deregulatory legislation in Canada. In point of fact, both the National Transportation Act (1987) and the Canada Transportation Act (1996) were as much about ending government investment in transportation facilities and services as they were about a reduction in regulatory constraints on carriers.

Similarly, the legislation enacted by some provinces to facilitate the establishment of new short lines under less burdensome provincial regulations was not backed by policies recognizing the need for investment. While the number of short lines nationwide has climbed from 12 in 1996 to more than 50 today, these railways have not thrived the way many of their U.S. counterparts have under the more realistic policies and programs that have been enacted there.