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Short Lines at a Crossroads

Other than the longer-term commitments by Saskatchewan and Quebec, public investment in short lines has been slight and it has generally arrived only under crisis conditions. In Ontario, it was only a last-minute rescue agreement in late 2010 involving the provincial and federal governments that saved the 305-km Sudbury-Sault Ste. Marie Huron Central Railway (HCR) from abandonment. The fact that this issue swirled for four years before it was resolved was very disconcerting for HCR-dependent companies, including large employers such as the Domtar paper mill at Espanola and Essar Steel Algoma at the Soo.

The HCR indicated it was having trouble dealing with the deferred maintenance on the line in 2006 and requested government assistance to restore the line to a state of good repair. Track conditions had deteriorated to the point that numerous slow orders reduced much of the line's maximum permissible speed to 16 km/hour. This not only lengthened the scheduled running times, it also drove up operating costs by requiring more crew hours to complete the train runs.

A $15.9-million stop gap plan in 2009 was funded largely by Essar, Domtar and the City of Sault Ste. Marie. The federal and provincials governments, through FedNor and the Northern Ontario Heritage Fund Corporation, contributed $1.5 million each. An additional investment package of $33.3 million was finally agreed upon in late 2010, with the federal and provincial governments each contributing $15 million and the balance provided by HCR's parent company, Genesee & Wyoming, Inc.

The involvement of the City of Sault Ste. Marie in the initial HCR retention project highlights the fact that municipal governments have proportionately done more to assist their short lines than the two upper levels of government.

A prime example is the previously-discussed GJR, which has a considerable impact on Guelph's industrial sector and has succeeded in expanding its traffic base. While it generates a net operating profit, that income has been continuously reinvested in the property to deal with deferred maintenance and bring the line up to the 130,000-kg main line standard.

The situation is not as rosy on Ontario's other two municipally-owned short lines. The first to be created was the Barrie-Collingwood Railway (BCRY), which began operating the former CN Meaford Subdivision and five related spurs in 1998. The 50-km line was purchased jointly by the two municipal governments, with the City of Barrie acquiring the local spurs and the eastern 12 km of track to a connection with CP's main line at Utopia, near Angus. The Town of Collingwood purchased the remaining portion west to serve a number of local industries. Cando Rail Services was contracted to operate the BCRY for the two municipalities.

However, the erosion of Collingwood's industrial sector and the loss of some rail shippers resulted in the town's segment of the line being mothballed in 2011. It is currently being used to store surplus freight cars and is at least earning revenue from that short-term deal.

Not only is the future of Collingwood's portion of the line uncertain, but the City of Barrie is also questioning its ongoing financial commitment to the BCRY. While the four major shippers have said BCRY service is vital, municipal politicians have called for a strategy to reduce the city's support, which is now approaching $1 million annually. Among the suggestions is a request to the Government of Ontario to eliminate property taxes paid by short lines.

Similar questions are also being asked regarding Ontario's other municipally-owned short line, the Orangeville-Brampton Railway (OBRY). Launched in September 2000, when CP transferred ownership of the remaining 55-km portion of its Owen Sound Subdivision to the Orangeville Rail Development Corporation, it is a partnership between the Town of Orangeville and five local shippers. Like the BCRY, the OBRY is operated under contract by Cando Rail Services.

In addition to maintaining a connection to the continental rail system through the interchange with CP at Streetsville, OBRY also supports the Credit Valley Explorer tourist train. Launched in 2005 with restored 1950s rolling stock, it operates from a new Orangeville station down through the scenic Forks of the Credit and the villages of Cheltenham and Inglewood.

Despite its positive impact on the industrial and tourism sectors of Orangeville, OBRY's freight and passenger operations have cost the town and its partners approximately $8 million since its inception in 2000. The five shippers have also contributed significantly by paying a per-car surcharge in addition to the freight rates they pay to CP for the total line haul, which includes a small division for OBRY.

While both Orangeville and Barrie remain supportive of their short lines, they're facing some tough choices regarding the funding. Both have pointed to the boost the short lines give their local economies and the maintenance costs they save by keeping heavy freight traffic off their publicly-funded roads. However, like privately-owned short lines, the municipally-owned railways are now facing additional costs that are being imposed on them, particularly by new federal regulations, with no sign of assistance from the upper levels of government.

While short lines were eligible for grants from the federal Building Canada Fund between 2007 and 2012, only two railways received any assistance. None have received assistance under the New Building Canada Fund, which came into effect in 2014.

Although short line projects are eligible for assistance under the federal Community Improvement Fund and the Provincial-Territorial Infrastructure Component, municipal or provincial governments must sponsor the applications and select railways for infrastructure upgrades. The problem is that municipalities and provincial governments have been more inclined to seek funding for government-owned assets such as roads and highways. Not a single short line has received any funding under these programs.

Since 2014, new federal regulatory measures have increased minimum liability coverage requirements that will substantially raise some short lines' insurance premiums. As well, revised federal railway safety management system regulations may require some companies to hire additional staff, which will stretch their budgets even further.

A serious problem today is the imposition of new federal grade crossings regulations, which will require tens of thousands of dollars of upgrading for each crossing. When Minister of Transport Marc Garneau announced the $55-million Rail Safety Investment Program on October 12, 2016, he highlighted the use of this funding for mandated crossing improvements. However, the funds are only available to federally-regulated railways, making most short lines ineligible.

While an easy response might be that the short lines should simply pass their additional costs along to shippers, this is not possible. In most cases, they have existing rate agreements with their Class 1 partners, who set the end-to-end rates for the shipments, so that isn't even an option. More to the point, rate increases would make their services less competitive, or even prohibitive, and have a consequent impact on the competitiveness of their customers.