

ASSOCIATION OF REGIONAL RAILWAYS OF CANADA

Canada "Other Railways" - Vital to the Canadian Economy

When Canada's railway industry took shape in the 19th century, it was characterized by many small railways.

Over time, most of these charters were purchased by Canadian National Railways (CN) and Canadian Pacific Railway (CPR) and were integrated into their national systems.

Some short lines have continued to operate independently and successfully over many decades and have been important to shippers in various parts of the country. These "other" railways are not well known.

In the mid-1980's, Tom Payne, a CPR locomotive engineer, was successful in establishing Canada's first new short line in about 70 years when he purchased a CN branch line in Alberta and started the Central Western Railway (CWR). After the CWR was formed, the government passed the *National Transportation Act* of 1987, followed by the *Canada Transportation Act* of 1996. Both pieces of legislation, and particularly the CTA, 1996, simplified and facilitated the sale of light-density branch lines by CN and CPR to independent short line operators.

This led to a major restructuring of the railway industry by allowing CN and CPR to focus on what they do best, i.e., high-density, long-haul main lines, and to place branch lines in the hands of short line specialists who can focus on operating a flexible, low-cost service and provide resident management and marketing in the communities that they

serve.

In the past decade, the number of short lines and regional railways has grown to about 40 and they are found across the country in all provinces from Nova Scotia to Vancouver Island in British Columbia.

These companies vary from terminal switching railways such as the Essex Terminal Railway in Windsor, Ontario, to larger regional railways such as BC Rail with 2,300 kilometres of main line track, and the Hudson Bay Railway, which serves the Port of Churchill on Hudson Bay. Short line and regional railways now originate about one-third of all rail tonnage each year and feed traffic to the Class I railways.

In recent years, North American companies that have specialized in owning, operating, and managing short lines have been formed and many of the 40 Canadian short lines are owned by several of these companies, such as OmniTRAX, RailAmerica, la Société chemins de fer du Québec, and Genessee & Wyoming.

Two of the regional railways remain in the public sector. BC Rail is owned by the British Columbia government and the Ontario Northland (ONR) is also under provincial ownership.

While all of these railways are freight operators, some have passenger operations that provide service to isolated communities. Several, such as BC Rail and ONR, have taken advantage of the spectacular scenery that they traverse and attract tourists from all

over the world.

A reasonable question that could be asked is "if CN and CPR could not operate these lines profitably, why can an independent operator be successful?" The answer is that a short line operator can concentrate its marketing effort locally and can be flexible in its service delivery. Another important element for many short line operators is that they have a lower cost structure and a labour force that can be deployed in a more flexible manner than the Class I railways with their craft-based labour unions.

This segment of the railway industry has grown and matured in recent years, and a number of the short lines felt that the time had come to form an association focused exclusively on the issues and concerns of the short lines. To give this industry a voice, BC Rail, The Hudson Bay Railway, The Carlton Trail Railway, and Ferroequis Railway Corporation formed the Association of Regional Railways of Canada (ARRC) in September 2001 to represent their interests. It became obvious when the report of the Canada Transportation Review Panel was published that the short line voice had not been heard. ARRC is now providing such a voice and giving the industry more prominence.

Short line and regional railways play a vital role serving industries in smaller communities across the country and they look forward to working with all levels of government, with shippers, and with other stakeholders to ensure the success of these "other railways" in supporting Canadian producers and exporters.