Short line railroads in Canada

A new era

The age of the short line railroad began in this country with the passage of the Canada Transportation Act in 1996. **Walter Weart** takes a look at the factors that have led to their success.

Since the passage of the 1996 Act, about 40 new railroad companies have started operation on lines that otherwise might have been abandoned. These new railroads are called short lines, but can range in size from one or two to several hundred kilometres.

While short lines generally exist for several reasons, they most frequently provide rail access for local industries with a connection to other, usually larger, railroads.

“One of the big advantages of the short line movement has been to maintain service which might have otherwise disappeared,” explains Gérald Gauthier, director, industry liaison for the Railway Association of Canada (RAC). Loss of rail service could have meant local industry closures, with resulting job losses and economic consequences.

According to the RAC, short lines have built their traffic to about 1.5 million carloads annually, 30 percent of the domestic and international traffic originated in Canada.

“We connect with about 90 short lines in the US and Canada and they provide us with between 20 and 25 percent of our business,” says Mark Hallman, a CN spokesman.

But it takes more than a change in the law to breed success. Why do these new operators survive and grow where previous owners failed?

“We understand our customers’ core business and we look at how we can help them,” says James Allan, general manager of the Ottawa Central Railway, which operates about 160km of track in the Ottawa area. He adds that they seek business ‘one car at a time’.

For Gord Peters, president of Cando Contracting Ltd, the parent company of Athabasca Northern Railway (a former CP line which operates between Boyle and Fort McMurray in Alberta), the answer is responsiveness to customer needs. The railway is also employee-owned and has flexible work rules.

In some cases, a local municipality purchased the track to preserve service. Two such railroads are in Ontario: the 54km-long Orangeville Brampton Railway, owned by the Town of Orangeville and the 101km-long Barrie Collingwood Railway, owned by the City of Barrie and the Town of Collingwood. Cando operates and maintains the track and provides all of the necessary equipment for the municipalities.

“When we found out that CN was going to shut down this track, officials in both Collingwood and Barrie realized that we had to preserve the railroad to keep service to our local industries as well as try to attract new ones,” says John Sisson, city clerk for the City of Barrie. The line currently handles between 1,200 and 1,500 cars per year.

Shippers served by these new small railroads can explain the reason for this growth.

"We have a very good relationship with the Ottawa Central and they have worked closely with us. The big [rail]road that served us in the past was too large to pay much attention to us," says Rene Kirouac, general manager of Smurfit Stone's Pontiac Mill in Portage-Du-Fort, Quebec. He adds that the Ottawa Central will soon take over switching service at the plant, replacing the mill's own locomotive.

"We get excellent service from the Trillium Railway, and their ability to support us has allowed us to switch incoming wheat from ship to rail," says Rick Monroe, plant manager for the Smuckers Foods of Canada Company in Port Colburn, Ontario. He adds that the unit train rates and service made this possible.

Even the Class 1 railroads agree with this assessment of the value of short lines.

"Together, short lines help us to extend our network reach while also providing support to over 900 local communities. CPR believes short lines are integral partners in meeting the shipping needs of these communities and our customers," says Ed Greenburg, a CP spokesman.

However, the short lines are facing some significant problems that the operators must overcome if they are to grow, and in some cases, survive.

The capacity of railcars is being increased from 119,295kg (263,000lb) to 129,727kg (286,000lb), which puts greater strain on the track and requires upgrading and reconstruction. Without this upgrade, a railroad's ability to serve its customers could be jeopardized.

The Canada Strategic Infrastructure Fund has indicated interest in partnering with the provinces and the private sector to invest in rail. So far only Quebec has taken advantage of this opportunity. An announcement was made in 2005 about a joint federal-provincial and private sector investment in Quebec short line infrastructure. Gauthier says the RAC strongly supports the use of the fund to provide assistance for the small railroads.

"Not only do we have to prepare for heavier cars, we must make up for a maintenance shortfall by the previous owner," says Mario Brault, president of the Quebec Gatineau Railway. He adds that his company has upgraded part of their line and has increased its business by 25 percent since taking over, making the rail improvements very important.

Other factors, such as taxes and some other costs, work against the success of these smaller railroads.

"Our track is taxed at the same rates as the CP mainline, even though we earn a fraction of the revenue that they do," says Wayne Ettinger, president and CEO of Trillium Railway, which operates two short line railways in southern Ontario: the Port Colborne Harbour Railway and the St Thomas & Eastern Railway. He adds that as his lines are subject to provincial regulations, they must pay for mandatory government inspection while the Class 1 railroads do not.

The future of the industry will likely involve consolidation of ownership, as both CN and CP have rationalized their networks and now must deal with their own growing volume. Nonetheless, the short lines will still seek new business opportunities. MM&D