Transforming Saskatchewan’s Railway Network

Transport for NSW
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Federal and Provincial Railway Network

• Approximately 45,000 km of operated railways in Canada
• Over 60 railway companies in Canada
• Two primary mainline railways in Saskatchewan:
  ▪ Canadian Pacific Railway (CP)
  ▪ Canadian National Railway (CN)
• Currently 13 Short line railways in Saskatchewan
• Short line railways is the common term used for provincially regulated railways with common carrier obligations
• Common carrier railways have a legislated requirement to provide rail service to any shippers that require service
• In Saskatchewan:
  ▪ 3580 km of CN & CP Mainline
  ▪ 2760 km of CN & CP Branchlines & Spurs
  ▪ 2005 km of Shortline Railways
• Total Saskatchewan Railway network of 8345 km
1996 Canada Transportation Act

• Abandonment Process For Federally Regulated Railway Lines (CN & CP) Before 1996:
  ▪ Cumbersome and Lengthy
  ▪ Required Public Hearings

• Abandonment Process For Federally Regulated Railway Lines (CN & CP) After 1996:
  ▪ Simplified 3-year Plan Process
  ▪ Advertise Commercial Sale of Line
  ▪ Offer to sell at NSV to Federal, Provincial, and Municipal Governments
  ▪ Abandonment Compensation of $30,000/mile
Southern Rails Cooperative  
Carlton Trail Railway 184 km  
Red Coat Road and Rail 115 km  
Great Western Railway 496 km  
Thunder Rail 31 km  
Wheatland Rail 74 km  
Fife Lake Railway 97 km  
Torch River Rail 45 km  
Great Sandhills Railway 201 km  
Last Mountain Railway 136 km  
Stewart Southern Railway 132 km  
Long Creek Railroad 66 km  
Big Sky Rail Corp. 356 km  
Total Shortlines 2004 km
Developing Shortlines

• Provincial Shortline Viability Dependant on:
  ▪ Sustainable Traffic Volume – Revenue is dependent on the amount of traffic
  ▪ Debt management – Variety of financing options have been used in the past:
    • Banks or Credit Unions
    • Private Finance Investors
    • Government Financing (Farm Credit Canada, Ministry of Highways Loan Program)
  ▪ Local Support (which often determines initial investment and traffic commitment)
  ▪ Strategy for initial track upgrading and maintenance (usually the new railway owners largest expense)

• Traffic Density Cars Hauled / Mile of Track Operated:
  ▪ 0 – 10 Unsustainable – May not be able generate enough revenue to cover basic operating expenses
  ▪ 10 – 20 Marginally profitable
  ▪ 20 – 40 Profitable, but may be unable to recapitalize
  ▪ 40 + Revenue adequate
Shortline Traffic

- In 2011-12 (crop year) the 12 operational shortlines hauled:
  - 13,460 railcars of grain
  - 4,670 railcars of non-grain (mostly oil & LPG)
- Traffic increased from 12,550 (2010-11) to 18,130 (2011-12)
- Increase is primarily from Big Sky Rail and new oil traffic on Stewart Southern Railway
- Big Sky Rail (BSR) took over ownership of a CN line in Sept 2011
  - 2009-2011 - CN - hauled an average of about 2200 cars/year (all grain)
  - 2012 - BSR - Traffic increased to approximately 3500 grain cars/year
- The shortlines’ traffic densities range from 4 cars/mile to 33 cars/mile (only 3 are below 10 cars/mile and only 2 are above 20 cars/mile)
- Oil Traffic:
  - In 2010-11 there was no oil hauled on the shortlines
  - In 2011-12 the oil traffic was 3100 railcars off of 2 shortlines
  - In 2012-13 the oil traffic is anticipated to triple the 2011-12 traffic
Traffic and Rail Service Diversification
Traffic and Rail Service Diversification

- Grain Transloading
- Oil Transloading
- Aggregate Hauling
Operator/Ownership Structures

- Owner & Operator are same – No Connection to Shippers
  - CN, CP, Carlton Trail Railway (CTR)
  - Traditional Railway Structure in Canada for Federal Railways
  - Shippers have no vested interest in viability of railway and vice versa
  - Creates a very adversarial relationship between shipper and railway

- Owner is a group of local stakeholders
  - Track is owned by local governments and/or group of shippers
  - Operator is sometimes a separate company
  - All of our short lines (except CTR) fit into one of the following examples:
    - Great Western Railway (GWR) – Shareholders are local producers/shippers that own & maintain track and operate trains
    - Fife Lake Railway (FLR) – Local Governments own track but contract maintenance and operations to GWR
    - Long Creek Railroad (LCR) – Local Producers own and maintain track & contract operations to Canadian Central Railway (CCR)
    - Last Mountain Railway (LMR) – Mobil Grain is primary shareholder in LMR, maintains and operates line and is also the primary shipper (shipper and railway operations are highly integrated)
Relationship With Mainline Railways

• All have a revenue sharing / interchange agreement with their mainline railway partner

• Traditional Agreement
  ▪ Mainline sets freight rate and bills shipper for the entire movement from shortline source to ultimate destination on the mainline
  ▪ Mainline then pays the shortline a share of the revenue
    • Revenue sharing formula = $260+$3/shortline mile
    • E.g. Loading point on shortline is 50 miles from interchange, Shortline will get paid $410 per car for every car delivered to the mainline partner

• Rule 11 Agreement
  ▪ Mainline railway and shortline each set the rate and bill the shipper for their respective portions of the total movement
  ▪ In recent years, CN has moved towards this type of arrangement
Rail Services

Mandate:

- **Administer The Railway Act**
  - Provide advice on the application of provisions of the Act;
  - Ensure compliance with Authorization Processes and Approvals;
  - Advise Highway Traffic Board on issuance of Operating Certificates

- **Safety**
  - Carry out responsibilities and duties of Provincial Railway Inspector;
  - Establish Provincial Railway Guidelines, Standards and Rules;
  - Work with industry to implement rail safety initiatives;
  - Ensure compliance with standards and industry rules;
  - Monitor and investigate railway accident/incidents.

- **Shortline Development**
  - Provide advisory services to stakeholders considering shortline creation
  - Manage financial assistance programs offered by the Ministry
Short Line Development Services

Provide the Following Services:
• General Advisory Services on the Abandonment / Transfer Process
• Conduct Track Inspection / Assessment
• Assist with Development of Agreements
• Advise them on Authorization Process and Requirements

Provide Assistance to Stakeholders like:
• Local Shippers
• Municipal Governments (Rural Municipalities, Towns, Cities)
• Area Transportation Planning Committees (ATPC)
• Regional Economic Development Agencies
• Regional Shortline Railway Operators
Provincial Programs

• Administered by Ministry of Highways and Infrastructure (MHI)
• Feasibility Study Grant Program:
  ▪ MHI pays 80% of the cost of a feasibility study or business plan to a maximum of $25,000
• Rail Line Loan Program:
  ▪ Funds originally allocated to the program have been exhausted
  ▪ In the past, MHI provide interest free loans of 32% of the purchase price (with no payment for 3 years)
  ▪ Applicants had to provide a viable business plan and minimum 8% local investment
• Only “Local” stakeholders are eligible for these programs
• Local stakeholder is an individual or corporation that lives or is located within 50 km of the railway line
• Risk to the Province is minimal
Provincial Programs

• Shortline Railway Sustainability Program (SRSP)
  ▪ Provides funding to existing provincial common carriers
  ▪ Funding used to upgrade and sustain track infrastructure
  ▪ Purpose of the program:
    • Improve safety
    • Improve operating efficiency of shortlines
  ▪ 50/50 cost shared program between the railway owner and the province
  ▪ $500,000 dedicated to SRSP in 08/09, 09/10, 10/11
  ▪ Program increased to $700,000 in 2011/12 and 2012-13
  ▪ Funds are allocated to each shortline based on their network kilometers
The Railway Act of Saskatchewan

- Part I – Intro, Definitions & Exemptions
- Part II – Authorization to Construct/Acquire & Crossing Approval
- Part III – Operating Authority & Abandonment Process
- Part IV – Safety (Authorization to Open and Inspector Authority)
- Part V – Freight Rate Dispute Resolution, Common Carrier Obligations
- Part VI – Land Entry and Expropriation Rights of Railway
- Part VII – General (Liability, Powers of the Board, Offence & Penalties, etc.)

- Only 2 Regulations - FOA & Financial Assistance Regulations
- All safety rules and requirements are established in Standards and Guides
- Enforcement is done through broad powers in the Act granted to:
  - Minister
  - Provincial Railway Inspector
  - Highway Traffic Board
Provincial Guidelines and Standards

Why guidelines and standards instead of regulations?
• Regulations are cumbersome and difficult to create and change
• Regulations must be strictly enforced (requires more resources to enforce and ensure compliance with regulations)
• Regulations leave no room for flexibility
• Impossible to create one-size fits all regulation that is suitable for every situation
• Can tailor and enforce rules appropriate to a wide variety of railway operations
• Easier to allow and encourage innovation
Role of Provincial Railway Inspector

• Develop and enforce provincial railway standards and guidelines
• Manage railway safety public awareness initiatives
• Manage railway authorization process
• Review and approve Railway Safety Management Plans
• Collect accident/incident reports and conduct investigations
• Conduct routine:
  ▪ Track inspections
  ▪ Train operation and equipment safety audits
  ▪ Crossing inspection programs
• The Highway Traffic Board can impose penalties for non-compliance of any provision of the Act or can revoke an operators Operating Authority Certificate
• Fines are $100,000 or $1000/day for ongoing violation
Relationship Between Province and Railways

Examples of Routine Day to Day Interactions:

• Work with Sask Shortline Railway Association (SSRA)
• Manage SRSP Applications and Payments
• Consult railways on proposed changes to standards, operating rules and new Safety Management Plan requirements
• Help resolve disputes between railways and road authorities
• Provide information on dealing with other government agencies:
  ▪ Environment
  ▪ Transport Canada (Dangerous Goods)
  ▪ Sask Watershed Authority etc.
• Provide advice and contacts to aid in developing and diversifying traffic
Thank You

Additional Information:

www.highways.gov.sk.ca

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