



Government
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Saskatchewan



Transforming Saskatchewan's Railway Network



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Federal and Provincial Railway Network

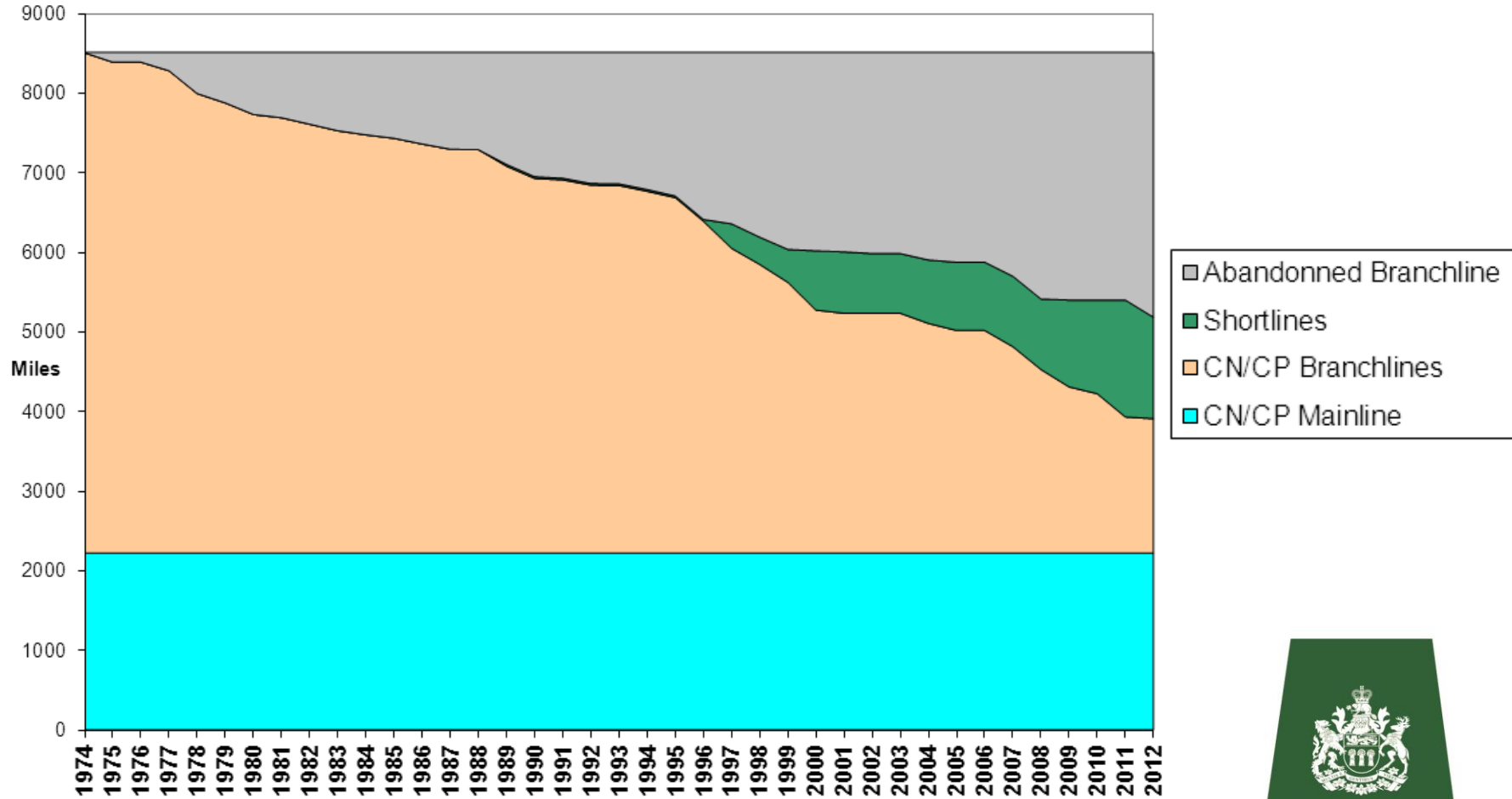
- Approximately 45,000 km of operated railways in Canada
- Over 60 railway companies in Canada
- Two primary mainline railways in Saskatchewan:
 - Canadian Pacific Railway (CP)
 - Canadian National Railway (CN)
- Currently 13 Short line railways in Saskatchewan
- Short line railways is the common term 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

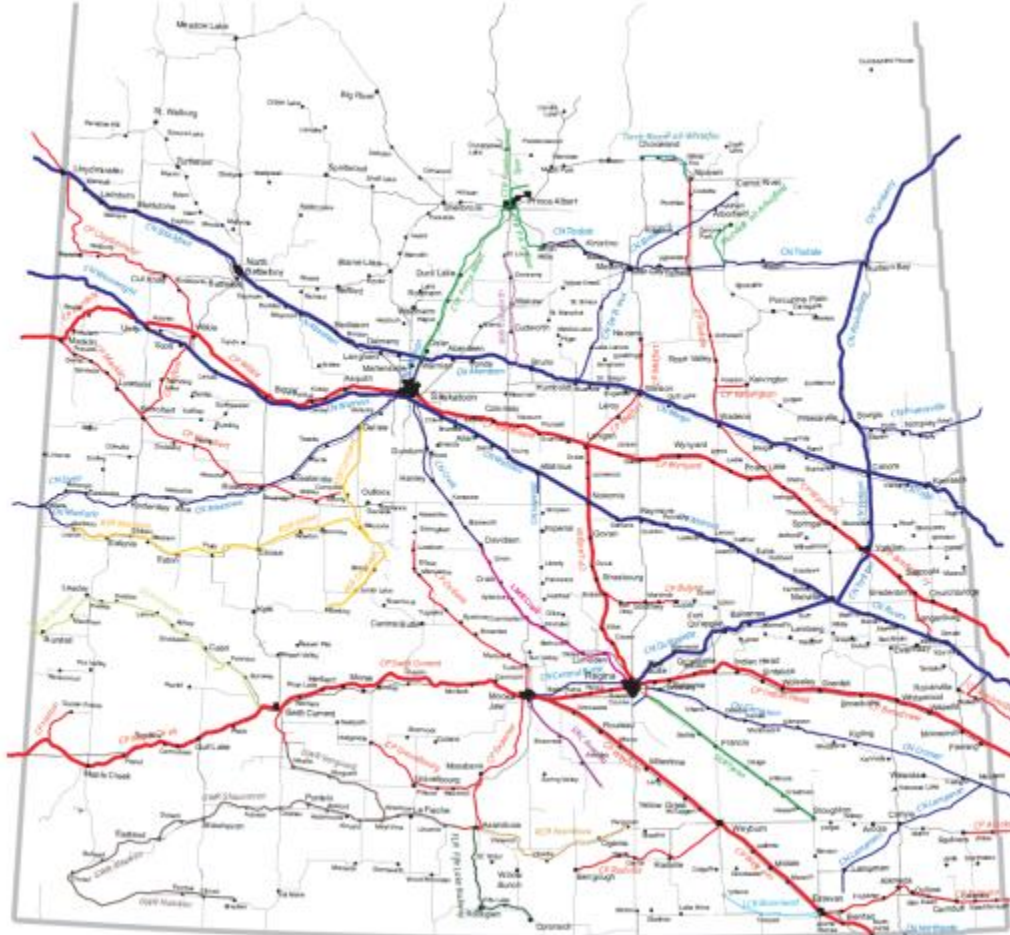


1996 Canada Transportation Act

- 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







- CN Main Lines
- CN Branch Lines
- CP Main Lines
- CP Branch Lines

Southern Rails Cooperative	71 km	—
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 = $\$260 + \$3/\text{shortline mile}$
 - 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.)
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- 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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