

DRAFT

*Exploring Policy Imperatives for the
Development of an Efficient and Sustainable Transportation
System*

Presentation to the Canadian Transportation Research
Forum

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1. RAC & Canada's Railways

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- Represent Canadian rail industry
 - Some 60 freight, commuter, intercity and tourist railways
 - An affiliation with more than 500 rail industry suppliers
 - Growing Associate Membership
- Core rail representation from all sectors
 - Class 1s: CN and CP and US carriers
 - Short lines: Over 40 across Canada
 - Passenger: Commuter, Intercity, Tourist
- RAC = One Industry Voice



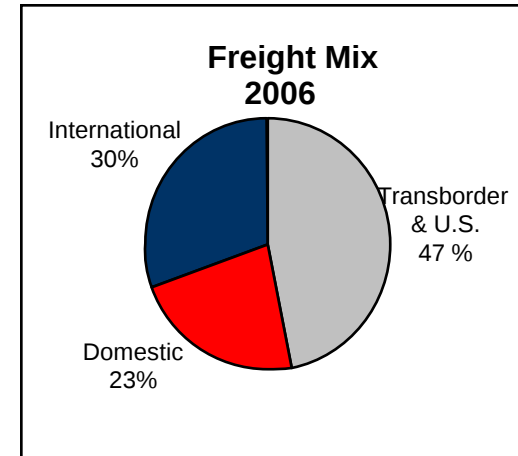
CANADIAN RAILWAYS: CONTINENTAL REACH



2. Role of Rail in Canada

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- Rail is vital to Canada's, trade, economy and society
 - Moves 244 billion revenue ton-miles of domestic & international freight annually, 65% of nation's surface freight by tonnage
 - Owns, maintains, and operates 40,000 miles of track
 - Employ a fleet of 3,300 locomotives and 100,000 freight cars
- Short Line Railways are an Integral Component of Canada's Rail and Transportation System
 - Feed 25% of traffic carried by Canada's Class 1 freight Carriers
 - Vital to the economic development of Canada's rural and resource based communities
- Passenger Rail
 - Moves more than 65 million people annually
 - 10 year growth trend in ridership, 45% increase since 1997



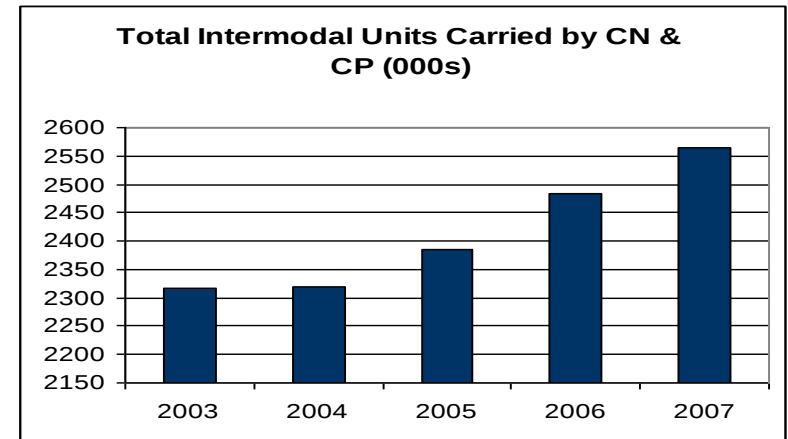
Source: 2006 CN and CP Annual Reports

2. Role of Rail in Canada-Freight

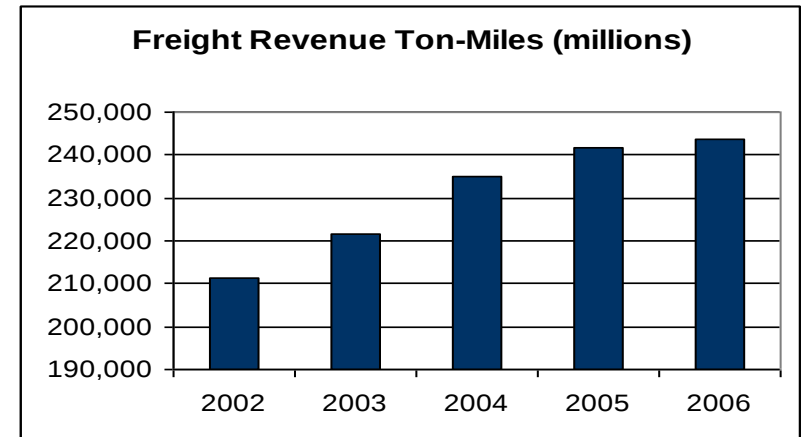
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The Freight Situation:

- Rapid Asian expansion, although softening (imports)
- Intermodal in the fastest growing component of Class 1 traffic, accounted for 30% in the growth in originated carloads over the past 10 years
- Revenue Ton-Miles for the industry increased by 15% between 2002-2006
- Increased traffic volumes presents major capacity and investment challenges
- Completely integrated system within North America



Source: CN and CP



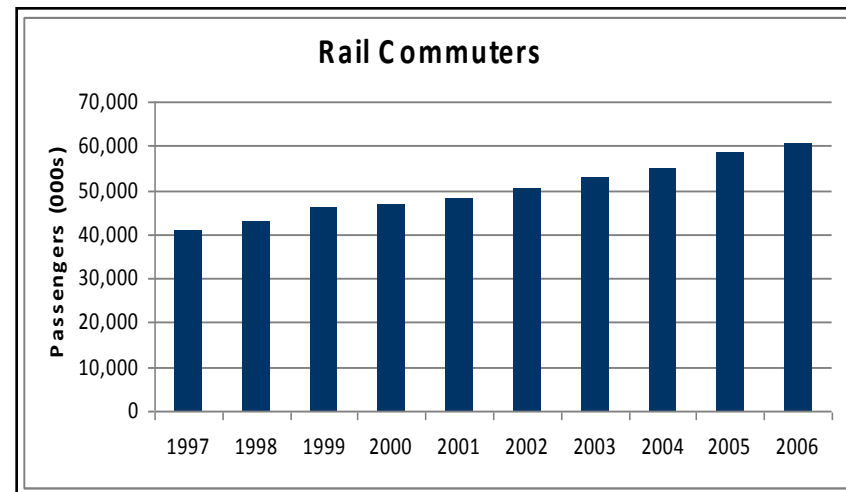
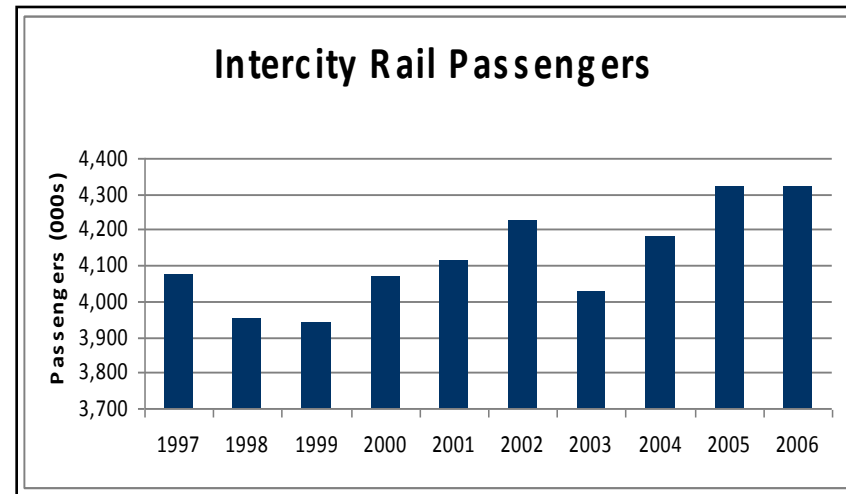
Source: RAC

2. Role of Rail in Canada-Passenger

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The Passenger Situation:

- Intercity Rail:
 - Number of passengers up 10% since 1999 to 4.3 million
 - VIA received \$600 million for capital investment (\$500 million) and operating costs (\$100 million)
- Commuter Rail:
 - commuters up by 32% to almost 61 million since 1999
 - Experiencing rapid growth and expansion-over \$1Billion has been committed to expanding GO, AMT, and WCE networks and services
- Non-Integrated System



3. The Big Challenge-How Do We Develop the Best Transportation System in the World?

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- Due to our vast geography it is imperative that Canada needs the best transportation system in the world to remain globally competitive and sustain our quality of life
- Current transportation trends point to an unsustainable future
 - Highway congestion
 - Pollution
 - Accidents
 - Border delays and port backlogs, etc.
- Our transportation system needs a rapid increase in capacity and efficiency, which requires:
 - Increased capital investment, both public and private
 - An aggressive and focused transportation R&D program to improve technology that is aligned with government policy
 - Policy barriers to productivity need to be significantly reduced (e.g. competing provincial/federal policies, taxation, drift towards re-regulation)

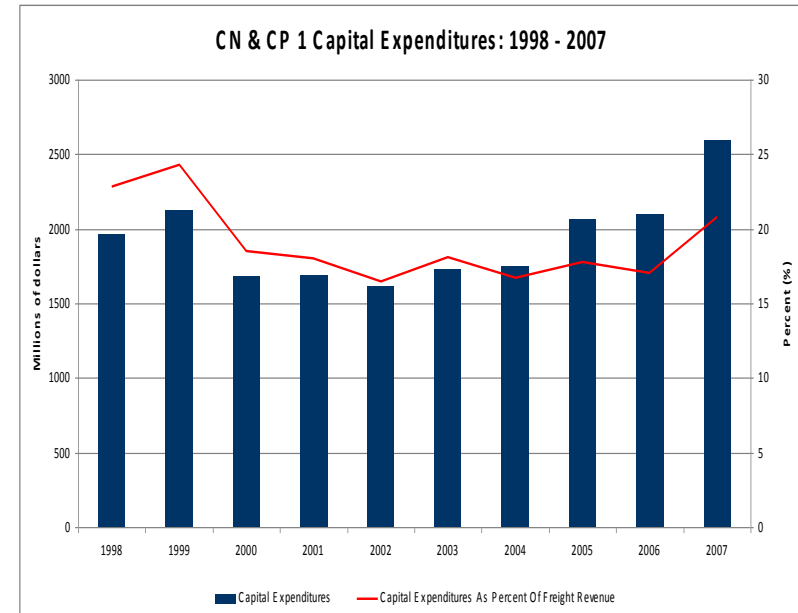


4. Meeting the Challenge-Capacity

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Initiatives to support increased capacity and system efficiency:

- System modernization, investment
 - Over \$2.5 billion in capital investment scheduled for 2008
- Asset utilization; sizing for demand
 - Maximize Assets
 - Co-production, traffic streaming
 - Deploying new technologies
 - Productivity, cost control
 - Improving operating practices,
 - Increasing car utilization; train velocity
- **IS IT ENOUGH?**



4. Meeting the Challenge- Safety

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- Major investments: human resources, technologies, rolling stock
- Flexible SMS Approach, Use of Best Practices
- Emergency response protocols
- Standards, enforcement (e.g. Dangerous Goods, car loading)
- Focused public safety programs: Operation Lifesaver, Direction 2006
- Active participants in the RSA Review and implementation of RSA Review Panel report recommendations
- **IS IT ENOUGH?**



4. Meeting the Challenge-Security

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Security:

- MOU signed between RAC and TC (2007)
 - Risk assessment and security plans
 - Drills and exercises
 - Training and awareness
 - Incident reporting
- Coordinated response with AAR post
 - 9/11 (ALERT levels, action plans, best practices)
- Various initiatives with TC, TDG, PS
- **IS IT ENOUGH?**



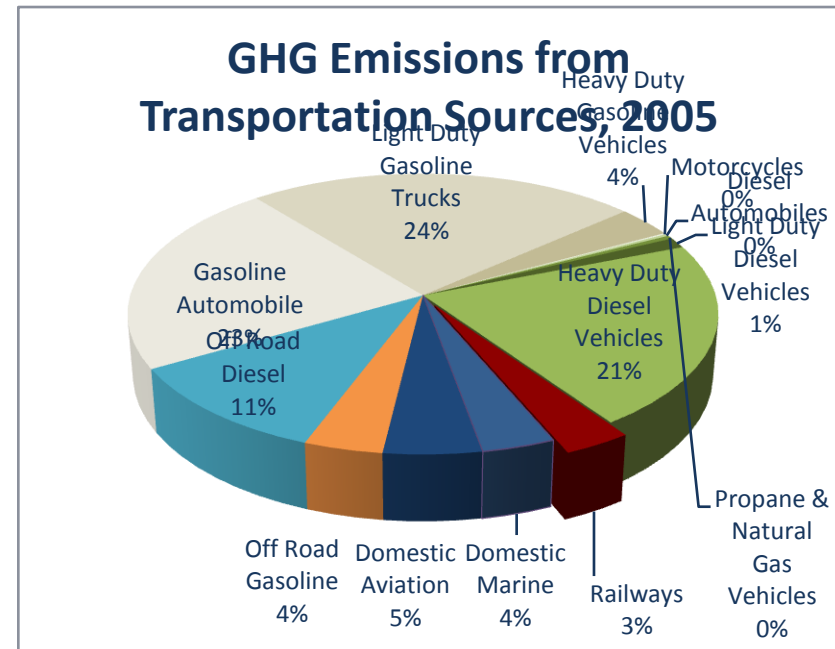
4. Meeting the Challenge- Environment

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Five pillars for improving environmental performance:

1. Public Awareness
2. Investment in Technology and Infrastructure
3. Operational Improvement
4. Market Based Solutions
5. Voluntary Approach to Reducing GHG Emissions
 - 2006-2010 Locomotive Emission Monitoring MOU with TC and EC
 - First and only industry in Canada to develop and submit a GHG Reduction Action Plan to the Federal Government

■ IS IT ENOUGH?



5. Breaking Through the Barriers

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Common Goal:

- Best transportation system to achieve:
 - Economic growth
 - Sustainable environment
 - Strong livable communities

Problems:

- Market driven, but...
 - Grain movements are regulated
 - CTA interventions
 - Poor/inadequate pricing of externalities
- Non productive taxes and fees
 - Governments must develop a greater understanding of how taxes impact investment and competitiveness



5. Breaking Through the Barriers

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Problems (Cont'd):

- Community involvement and intervention
 - Lack of understanding of the benefits
 - Ineffective consultation and communication/education framework
 - NIMBY
- Risk based safety and security
 - Risk based only in name
 - Regulations do not allow for flexibility and innovation



6. Going Forward

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Instruments:

- Positive investment climate
- Taxation
- Risk based flexible regulation
- Research and development (technology and operating practices)
- Market driven policies (e.g. carbon pricing, CTA regulations)
- Infrastructure investment, both public and private
- **IS IT ENOUGH?**



6. Conclusion

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- Three Key Priorities
 1. Common Vision
 2. Research and Development
 3. Policy integration; multimodal

