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RAIL RATIONALIZATION AND THE GRAIN INDUSTRY IN SOUTHERN ONTARIO

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Introduction

This paper is essentially derived from the Summary contained in the RTG report *Southern Ontario-Rural Rail Rationalization* which was prepared for the Ontario Ministry of Transportation and the Ontario Ministry of Agriculture, Food and Rural Affairs. The overall objective included the identification of practical options to support an improved distribution system for Southwestern Ontario's grain. Railways, elevator companies, grain industry associations, municipal economic development officers and rail unions were consulted during the study.

Grain Industry

Southwestern Ontario's grain industry accounts for 87% of provincial production of soybeans and for three-quarters of provincial production of winter wheat and grain corn. It faces uncertainty since, over the coming decade, a substantial portion of the system of rail lines that serve it will be abandoned. Approximately 970,000 tonnes of Ontario grain are shipped by rail annually — 170,000 tonnes to destinations within Canada and 800,000 tonnes to destinations in the U.S. This amounts to one-sixth of all Ontario grain delivered to elevators or directly to processing plants.

Because of the particularly dense network of railway lines belonging to six independent railway companies,[1] the outcome of rail rationalization in Southwestern Ontario is less predictable than for most instances of rationalization and abandonment. This uncertainty is having an unfortunate effect. Until the consequent pattern becomes known, the grain industry is reluctant to plan the needed rationalization of its grain handling facilities.

Elevator System

No Ontario elevator is able to load trains without uncoupling the cars and substantial (costly) switching. The largest sidings accommodate only about 25 cars. The 330 country elevators in Ontario, of which 256 are in Southwestern Ontario, have a total capacity of 2.7 million tonnes, and there is a further capacity of 0.4 million tonnes in the transfer elevators at Ontario ports. Of the Southwestern Ontario elevators, 58 have railway sidings. Currently 5.4 million tonnes of grain move through the Ontario elevator system and to processing plants. This implies an average elevator turnover of only 1.7, which is very low. Inevitably there will be fewer grain elevators and less railway track in southwestern Ontario. Both the grain industry and the railways recognize this. The grain producers envisage a smaller number of large elevators, increasing farm storage and direct delivery to processors and large terminals at ports and on main railway lines.

Rail Network

There are approximately 1835 kilometres of railway lines in the study area, not including yard trackage, line segments entirely within urban/suburban areas, sidings or industrial spurs. All this railway plant is concentrated within a region that is only approximately 300 kms long by 100 kms to 150 kms wide. The rail network in the study area is shrinking. Several lines have been abandoned relatively recently (including in 1995) — a trend that shows absolutely no indication of reversal. The network shrunk during the course of the study. Yet, the outlook for rail services in Southwest Ontario is far from negative. Large volumes of rail freight move through and originate in the study area, particularly from the petrochemical and automobile industries.

By mid-1995, rail access from Southwestern Ontario to the U.S. improved dramatically from a few years ago. Rapid under-river freight train transit that includes double-stacked containers is available at both Windsor and Sarnia. U.S. to U.S. transport via Ontario[2] is quicker. Container movements through Halifax and Montreal to the U.S. Midwest are quicker, as is the movement of a substantial portion of Canada-U.S. rail traffic. The competitiveness of rail intermodal versus direct truck should also have improved.

Elevator System Scenarios

Three grain elevator system scenarios might be:

- *Continuation of the status quo.* The elevator industry is changing, but very slowly. Very few elevators can accommodate more than five rail cars, and modifications to most existing elevators would not significantly enhance the situation. Nonetheless, fewer elevators with greater rail loading capability would constitute an improvement.

- *Accelerated elevator rationalization resulting from a known rationalized network of rail lines.* The number of high throughput elevators on rail capable of accommodating unit trains need not be great. Under this scenario one would presume dominance of those Ontario elevator companies that are members of large grain trade conglomerates, operating internationally and with ready sources of finance.

- *Multi-company cooperative initiatives jointly constructing large new elevators on rail.* A cooperative facility or facilities for efficient rail loading could achieve rationalization more quickly. Venture members would be unlikely to compete against the new facility. One to four terminals should suffice for the study area.

Railway Rationalization Scenarios

Two generic railway rationalization scenarios are:

- *Status Quo Piecemeal Abandonments:* The abandonment process as defined in the *National Transportation Act, 1987* would continue. Over a decade, successive uneconomic lines will be closed. Each railway company would continue to provide service over its remaining lines to points where it wished to continue to compete. Where duplicate lines were abandoned, shippers would lose competitive options.

- *Strategically Planned Regional Rationalization:* Through a cooperative process, in which shippers — including especially the grain industry — could play a useful part, a line rationalization scheme for the region would be developed. The railways collectively would be able to divest not only lines without prospect of becoming profitable but also duplicate profitable lines that serve the same points less efficiently than would a single line.

With the *status quo* approach, the process is slow, expensive and adversarial. Shippers can be expected to fight to protect lines serving their elevators.[3] The *strategically planned* approach would be quicker, less expensive and should result in a positive working relationship between the shippers and the railways.

The railways would obtain accelerated abandonment while the shippers would obtain a more efficient and responsive transportation system.

Study Conclusions

The salient conclusions from the study are:

- It is apparent that the principal inefficiencies in the elevator/rail system can be attributed to the elevator system. Small old elevators with short sidings do not permit efficient rail loading. Modifications to most existing elevators would face difficulties. Many are positioned such that an extension of their siding would have to cross a main access road at right angles. Location of many of the elevators in an urban (including village or town) situation renders it impossible to install efficient rail loading facilities. Notwithstanding, grain industry representatives recognized this deficiency. They stressed a willingness to invest in modern efficient facilities at appropriate locations when they know where there will be continuing good quality rail service.

- The Southwestern Ontario study area has a mature industrial and agricultural economy with a comprehensive transportation infrastructure. Within this area, there seems no reason to retain railway lines where they are not now needed against a hypothetical future. At best, excess railway track is a local nuisance. Rail crossings are expensive, road networks are disrupted and neighbourhoods can be isolated. Superfluous rail lines, and particularly the level crossings that they require, are also a safety hazard.

- The railways must collectively compete with trucking, which shares a common infrastructure (among companies and with the automobile). The added cost of branch lines maintained solely to provide access to traffic that could be more economically reached over the tracks of the other company, and of essentially parallel and redundant main lines, is an unnecessary burden. This is not only a burden on the railways; it also imposes a penalty on the economy of Southwestern Ontario, including its grain industry.

Study Recommendations

The essential recommendations of the study were that:

- The Ontario grain industry concentrate its rail loading facilities and take a cooperative approach to the shipment of grain by rail;

- A strategically *planned* (as opposed to *piecemeal*) approach — including the participation of all interested shippers and governments, as well as all involved railways — be taken to the rationalization of railway lines within the study area; and

- The Ontario grain industry, with the Province providing expert advice and assistance to facilitate problem solving and agreements, take a proactive approach to cooperation with the railways to achieve planned rationalization.

A collective approach, for the limited purpose of loading export grain to rail, could avoid the overbuilding of elevator facilities for loading grain to rail while creating an operation, or operations, of sufficient size to take advantage of the positive modal characteristics of rail, particularly its economies when moving large quantities of uniform bulk product. It might also achieve sufficient throughput to obtain economies from high utilization of the investment in rail loading facilities.

A successful collective rationalization planning process would require leadership and vision. In the interest of the carriers, the shippers and the communities alike, the rationalization job could be decided and done relatively quickly; then all parties would move on in relative certainty. The lines to be retained would be well known. The railways could focus their maintenance efforts; costs for the surviving lines would fall. The railways could proceed through a — hopefully expedited — regulatory process, not only with little opposition but with the overt support of cooperating affected shippers.

Implementation of the approach suggested would require a major consensus-building and negotiation process. Further, if it is to be successful, the rationalization planning process must proceed quickly. This will require proactive leadership, a role that the Ontario government might fill.

Table 1
Scenario Railway Line Survival
in the Southwestern Ontario Study Area

Sub division	Line Segment	*Status Quo* Abandonment Process	Strategically Planned Rationalization	Notes
CP Rail System				
Goderich	Hamilton-Guelph	abandoned	abandoned	low density line, no grain shippers
Waterloo	Galt-Waterloo	spur retained	spur retained	The southern portion would be retained as a spur to a large Toyota plant and an industrial park.
Galt	Guelph Jct-London	retained	retained	main line
Port Burwell	Tillsonburg-Ingersoll	abandoned	abandoned	low density line, no grain shippers
St Thomas	Wood-stock-St Thomas	retained	spur retained	Retain all for 1st option but only Woodstock to Putnam for *planned rationalization.*
Windsor	London-Chatham	retained	retained	main line, major line segment for elevator capacity
Windsor	Chatham-Windsor	retained	possibly abandon	The is the main line with access to the Windsor tunnel to the U.S. With a planned approach (and with improved connection) one might use the CSX from Chatham to Fargo and the CASO to Windsor and the tunnel.
CN North America				
Dundas	Hamilton-London	retained	retained	main line, large non-grain rail shippers

Sub division	Line Segment	*Status Quo* Abandonment Process	Strategically Planned Rationalization	Notes
Guelph	Guelph-London	retained	retained	medium density line with some shippers, serves as a connection to the Goderich-Exeter. Possible candidate for short line.
Talbot	St Thomas-London	retained	retained	This line provides CN's main access between the main line at London and the Ford plant at Talbotville. Norfolk-Southern may also use it if its operations are shifted from the CN's Cayuga subdivision to the main line.
Strathroy	London-Sarnia	retained	retained	main line connects to new tunnel at Sarnia, important grain capacity on line.
Chatham	Komoka-Chatham	retained	abandoned	substantial grain capacity, potential for rationalization with CP main line (less than 2 km apart).
Chatham	Chatham-Windsor	abandoned	abandoned	No shippers, may either be abandoned or sold to VIA.
Paynes	St Thomas-Glencoe	abandoned	abandoned	Although the line is currently an important through route, this may change with new tunnel at Sarnia. The only traffic originating is at a grain facility near St Thomas and the Ford plant at Talbotville, both of which could have line haul services via the Talbot subdivision.
Cayuga	St Thomas-Tillsonburg	abandoned	probably retained	Low density line, no shippers, part of through route, may not be needed after tunnel opens, do not need Cayuga and CASO.
Cayuga	Tillsonburg-Cayuga	abandoned	probably retained	Low density line, endangered by new tunnel and rerouting of trains, very few shippers, minimal grain, do not need Cayuga and CASO.

Sub division	Line Segment	*Status Quo* Abandonment Process	Strategically Planned Rationalization	Notes
Hagers-ville	Nanticoke-Brantford	retained	retained	Low density line, no grain but serves Stelco, Esso and Ontario Hydro at Nanticoke. Potential short line.
Fergus	Guelph-Cambridge	abandoned	abandoned	Low density line without grain shippers
Leaming-ton	Comber-Leamington	retained in short run only	retained in short run only	will probably be retained as long as Heinz ships by insulated box cars. When cars have to be replaced will probably use containers and line will become surplus, Wheatley Elevators ships from Blytheswood.
CASO	Windsor-Fargo	probably retained	retained	Important grain originating line, very little other originating traffic, used for *bridge* traffic but could lose CN traffic to the new tunnel. Might prove the best choice for the (rationalized system) mainline to Windsor.
Joint CP Rail System and CN North America Section				
CASO	Fargo-St Thomas	probably retained	retained	Important grain originating line, very little other originating traffic, could pick up shippers if CSX line closed, used for *bridge* traffic but could lose CN traffic to the new tunnel.
CASO	St Thomas-Tillsonburg	abandoned	abandoned	One small elevator at Springfield, has not been maintained, only serves for through traffic, endangered by new tunnel.
CASO	Tillsonburg-Hewitt[4]	abandoned	abandoned	No shippers, has not been maintained, only serves for through traffic, endangered by new tunnel.
CSX Transportation				
Sarnia	Sarnia-Blenheim	retained	retained	Important line for chemical industry near Sarnia, substantial grain from Wallaceburg and Blenheim, maintain connection to CP at Chatham.

Sub division	Line Segment	*Status Quo* Abandonment Process	Strategically Planned Rationalization	Notes
Blenheim	Ruthven-Blenheim	has been abandoned	has been abandoned	Abandonment appeal disallowed during the course of this study.
Blenheim	West Lorne-Blenheim	retained	abandoned	The only substantial shippers are grain companies which could be connected to the CASO. If the Blenheim sub. were to be abandoned, the elevators at Blenheim could still be serviced from the Sarnia sub.
Goderich-Exeter				
Goderich	Goderich-Stratford Jct	retained	retained	Serves major salt mine, elevators and traffic from Exeter sub.
Exeter	Centralia-Clinton Jct	retained	retained	Substantial grain and fertilizer traffic, particularly at Hensall.

Endnotes

1. Seven railways — in approximate order of the scale of their local operations, CN North America, CP Rail System, CSX Transportation, the Norfolk Southern Railroad, the Goderich-Exeter Railway, the Essex Terminal Railway and the Port Stanley Terminal Railway — operate in the region. The Norfolk Southern has no track of its own.

2. In addition to its Canadian services over its own lines, the CSX operates from the tunnel in Windsor and through Niagara Falls. Also, the Norfolk Southern operates daily trains each way from the tunnel, mostly via CN track, through Fort Erie to Buffalo. These services carry approximately 500,000 tonnes annually.

3. Passage of Bill C-101, the *Canada Transportation Act*, would make abandonment much easier for the railways.

4. The CASO is jointly owned by CN and CP. The section east of Hewitt is operated exclusively by CP Rail. CN operates the joint section on behalf of CN and CP. West of Fargo the CASO is operated exclusively by CN.