

# Report

## **Summary Report: Overview of Studies Undertaken with Respect to Rail Services on the Sydney Subdivision**

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# Contents

<b>1</b>	<b>INTRODUCTION</b> .....	<b>1</b>
1.1	Report Organization.....	1
1.2	Background.....	1
<b>2</b>	<b>RAIL/TRUCK STUDY</b> .....	<b>2</b>
2.1	Study Mandate.....	2
2.2	Methodology.....	2
2.3	Major Findings.....	2
2.4	Key Conclusions - Rail/Truck Study.....	3
<b>3</b>	<b>RAIL ENGINEERING ASSESSMENT</b> .....	<b>3</b>
3.1	Study Mandate.....	3
3.2	Methodology.....	3
3.3	Major Findings.....	4
3.3.1	Operating and Maintenance Costs for Current Rail Line.....	4
3.3.2	Review of Geotechnical and Infrastructure Improvements.....	4
3.3.3	Cost Estimates to Maintain and Operate Class 3 Track over a Five-Year Period.....	4
3.4	Key Conclusions – Engineering Study.....	6
<b>4</b>	<b>ECONOMIC OPPORTUNITIES IN CAPE BRETON</b> .....	<b>6</b>
4.1	Study Mandate.....	6
4.2	Methodology.....	6
4.3	Major Findings.....	6
4.3.1	Donkin Mine.....	6
4.3.2	Provincial Energy Ventures (PEV).....	6
4.3.3	International Iron Beneficiation Group (IIBG).....	7
4.3.4	Intermodal Shipping.....	7
4.3.5	Sydney Container Terminal.....	8
4.3.6	Atlantic Industrial Minerals.....	9
4.3.7	Railcar Refurbishment.....	9
4.3.8	Tourist Trains.....	9
4.4	Key Conclusions: Economic Opportunities in Cape Breton.....	9
<b>5</b>	<b>CONCLUSIONS</b> .....	<b>10</b>

# 1 Introduction

On October 6<sup>th</sup>, 2014, Genesee and Wyoming (G&W), the operator of the Cape Breton and Central Nova Scotia Railway (CBNS) declared its intent to discontinue service and abandon the track between Sydney and St. Peter's Junction – the Sydney Subdivision.

Following this event and to assist in forward planning, the Minister's Rail Advisory Committee (MRAC) was established.

The membership of the MRAC Committee includes the chief administrative officers of the five municipal units in Cape Breton, representative business owners who, prior to a November rate increase, were using the rail service on the Sydney Subdivision, as well as federal and provincial officials. Federal officials have observer status.

To support its mandate, MRAC commissioned three studies to gather current and objective information on:

- An assessment of the use of rail versus trucking to ship goods;
- An engineering study on the condition of the rail line; and
- An assessment of potential economic opportunities that could serve to increase rail traffic over the Sydney Subdivision.

The three studies are appended herewith.

This summary report was commissioned by MRAC to provide the Committee with an overview of the key findings arising from the three studies and the conclusions that can be drawn from them individually and collectively.

## 1.1 Report Organization

This report begins with background information on the Sydney Subdivision and the events leading up to G&W's declaration of intent to abandon that portion of the line. Summaries of

each of the studies are provided using a standard template that briefly provides details on the study mandate, the methodology used, the major findings and conclusions. Overall summary conclusions are provided at the end of this overview.

## 1.2 Background

The Cape Breton and Central Nova Scotia Railway (CBNS) is the operator of a 245-mile short line railway between Truro and Sydney, with spurs at Stellarton, Point Tupper and Sydney. This short line railway is presently owned by Genesee and Wyoming (G&W). G&W owns 63 railroads in six countries, including the United States, Canada, Bolivia, Australia, Mexico, and the Netherlands.

The Sydney Subdivision, a portion of the overall Truro to Sydney CBNS line, comprises a 98-mile section between St. Peter's Junction (at Point Tupper) and Sydney.

Even though it has Class 3 track, G&W had most recently operated at Class 2 and Class 1 track speeds: up to 25 mph (40 km/h) for Class 2 and 10 mph (15 km/h) for Class 1 rail.<sup>1</sup> Railways are

<sup>1</sup> Within Transport Canada's Rules Respecting Track Safety – TC E-54 – Part II – Track Safety Rules, Subpart A - Classes of Track, Transport Canada classifies track based on operating speeds as follows, with the maximum allowable operating speeds applying (in miles per hour):

Maximum allowable operating speeds		
Over track that meets all of the requirements prescribed in this part for-	The maximum allowable operating speed for freight trains is -	The maximum allowable operating speed for passenger trains is -
Class 1 track	10	15
Class 2 track	25	30
Class 3 track	40	60
Class 4 track	60	80
Class 5 track	80	95*

\* For LRC Trains, 100

classed to operate within certain safe speed limits due to a number of factors. There are five possible classes as noted in footnote 1.

G&W had been operating at the equivalent of Class 1 speeds in the line's last year of operation for reasons noted in the summary of the engineering study. As noted in footnote 1, speeds for freight on Class 1 rails are limited to 10 mph.

Based on estimates provided by G&W, the breakeven volume for the Sydney Subdivision is 10,000 return carloads per year. For the past 10 years, the Province of Nova Scotia has been providing the owners with an annual subsidy to offset losses resulting from reduced traffic volumes on this portion of the line. By 2014, traffic on the line had declined to less than 500 carloads per annum. This led to G&W applying to the Nova Scotia Utility and Review Board (UARB) to discontinue service.

The Department of Transportation and Infrastructure Renewal advised the team that they had offered to continue the operating subsidy, but that G&W declined the subsidy prior to applying to the UARB for discontinuance of service. Subsequently, G&W increased rail rates to offset this funding. The rail rate increase established by G&W in November 2014 had a significant impact on Cape Breton shippers, none of whom presently use the Sydney Subdivision.

## 2 Rail/Truck Study

The "Assessment of Rail / Truck Shipping between Cape Breton and Mainland Nova Scotia" report was completed by MariNova Consulting Ltd.

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Source: <https://www.tc.gc.ca/eng/railsafety/rules-tce54-832.htm>

### 2.1 Study Mandate

This study focused on determining commodities and volumes being shipped by rail over the Sydney Subdivision and the associated shipping costs, and surveyed recent and past users of rail service to determine the following:

- Anticipated increase in trucking volumes without rail service;
- Anticipated truck shipping costs;
- Anticipated time differential of truck versus rail; and
- Any other impacts of shipping by truck (timeliness of service, deterioration of product, capital investment required).

A high-level analysis of trucking capacity presently available within the region was also provided.

### 2.2 Methodology

The consultant conducted 19 interviews with users of the rail service on the Sydney Subdivision. Major trucking firms that transport cargo into the Cape Breton region were also contacted, to determine their capacity to handle what was previously rail-based cargo, and to determine rates and service levels.

Recognizing that the raw materials used by three Cape Breton manufacturers are sourced in the southern United States and Quebec, originating railways were contacted to obtain rate and routing information.

### 2.3 Major Findings

The following major findings emerge from the study:

- **Sensitivity to Changes in Rail Rates:** Until November 2014, Cape Breton based shippers interviewed in this study had been using rail for inbound cargo only. The rail rate increase established by G&W in November 2014 had a significant impact on

Cape Breton shippers, none of whom presently use the Sydney Subdivision.

- **Service & Efficiency:** Cost and time are two key factors in choosing which mode of shipping is preferable. In general, shipping by truck is more cost effective and efficient than rail over shorter distances while longer haul shipments are generally more cost effective using rail. Sydney-area shippers are now shipping bulk materials inbound by rail to Port Hawkesbury and transloading at the Port Hawkesbury Paper (PHP) facility before completing the journey to Sydney by truck. The resultant cost per pound for Sydney-area shippers is higher than shipping by rail. Shipping by rail is also slower than shipping by truck.
- **Outbound shipping:** For outbound shipments from Cape Breton, no notable issues were identified. There is presently plenty of trucking capacity available, with shippers able to take advantage of aggressive backhaul rates being offered by trucking companies.
- **Impact on Roads** - The additional truck traffic as a result of the loss of train service, based on 2014 data, amounts to 1,500 one-way trips, representing a very small percentage of the traffic on the highway between Port Hawkesbury and Sydney. As noted in the Rail/Truck Study, the impact of this increase in truck traffic on roads is negligible.<sup>2</sup>

## 2.4 Key Conclusions - Rail/Truck Study

The use of rail is generally slower and less expensive while trucking is generally faster and more expensive. The increase in rail rates to

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<sup>2</sup> The total annual cost of an additional 1,500 trucks moving between Port Hawkesbury and Sydney is estimated at \$12,105-\$15,075. See RTG Consulting, "Environmental and Social Impacts of Marine Transportation in the Great Lakes St. Lawrence Region", January 2013, p. 67.

ship over the Sydney Subdivision, and subsequent decisions by former users to stop their shipments at Port Hawkesbury, has had an incremental impact on those shippers, leading to higher costs and, in some cases, less efficient service.

## 3 Rail Engineering Assessment

The "Evaluation of CBNS Sydney Subdivision: Preliminary Review of Operating, Costs, Geotechnical and Infrastructure Improvements – Rail Line – Subsidized Portion of Sydney Subdivision" was completed by CANARAIL Consultants Inc.

### 3.1 Study Mandate

This study provided a preliminary review of operating costs, maintenance costs, and geotechnical and infrastructure improvements that might be required on the Sydney Subdivision, based on previous studies done for CBNS or other authorities. The review also included an outline of the work required and cost estimates to operate the line as Class 3 track. Limitations to operating double stack container trains on the Sydney Subdivision were also noted.

### 3.2 Methodology

The methodology used in this study focused on a desk-top review of existing studies and reports, augmented by a two-day site visit and interviews. During the site visit, CANARAIL representatives performed a visual inspection of the line, accompanied by two CBNS personnel. The two-day track inspection focused on the track structure. A secondary focus was on the geotechnical locations identified in a report previously completed by Stantec. The inspection was a combination of hi-rail<sup>3</sup> and walking.

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<sup>3</sup> Hi-rail comes from highway and rail. It is a road-rail vehicle that can operate both on rail tracks and on a conventional road.

### 3.3 Major Findings

CANARAIL grouped their major findings under the headings of operating and maintenance costs for the current rail line, and the review of geotechnical and infrastructure improvements required.

#### 3.3.1 Operating and Maintenance Costs for Current Rail Line

Findings related to operating and maintenance costs include the following:

- Track Management (rail, ties and ballast) - The study found the rail surface condition to be good, although it identified a few locations where the base of the rail is showing signs of aggressive rusting from exposure to salt water. As many ties are reaching the end of their useful life, a 5-year wood tie replacement program was recommended at a rate of 15,000 ties per year. While currently there is sufficient ballast for Class 3 track, minor surface re-ballasting will be required. A 5-year program to add 5,500 to 6,000 tons annually is recommended. In total, the estimated cost of \$13.3M for track management (over a five-year period) was deemed to be realistic.
- Maintenance and Repair Costs<sup>4</sup> – Information gleaned from a track inspection conducted in June 2015 was reviewed to assess operating and maintenance expenses in a number of areas, including 27 bridges on the line. In CANARAIL's assessment, the annual operating expenses for track, bridges and culverts was under estimated by upwards of 50% and is likely in the \$600,000 range. In terms of capital expenditures, the study confirmed that an annual expenditure of \$300,000 for signals and communications

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<sup>4</sup> According to the CANARAIL Report, based on the field data gathered during the track inspection of 16th and 17th June 2015, this rail line was being maintained to the Class 3 requirements as per Transport Canada's.

was adequate, but it was difficult to assess the required geotechnical repairs with accuracy using the available information. Repairs needed to bridge structures would require significant capital expenditure, but, without further investigation, only a range could be provided. The June 2015 inspection report indicated costs to repair bridge structures at between \$4.8 M and \$ 14.5 M, with the likelihood that it will be closer to the higher end of the range.

#### 3.3.2 Review of Geotechnical and Infrastructure Improvements

Based on information from a limited geotechnical study available for review (an assessment of certain sections along the line undertaken by G&W in the fall of 2014), CANARAIL suggests that the geotechnical costs are insufficient to address outstanding issues. More detailed estimates would be required to fully assess the potential cost. Costs are currently estimated by CBNS at \$2.5M over a five-year period. In the opinion of CANARAIL this estimate is not sufficient to safely repair and stabilize the area where major damage by erosion was observed.

The study also noted that the track structure may be acceptable for movement of double stack container cars; however, the Grand Narrows Bridge and the Fairmont Street Overhead Bridge are not compliant with Transport Canada rules in this regard. The Canso Causeway is compliant and able to accommodate double stack container cars.

#### 3.3.3 Cost Estimates to Maintain and Operate Class 3 Track over a Five-Year Period

The following table has been developed from the CANARAIL report using information provided to CANARAIL by G&W through the Nova Scotia Department of Transportation and Infrastructure Renewal and the *Bridges and Culverts – 2014 Bridge Inspection Report* prepared by PARSONS in May 2014.

Cost Element	CBNS Estimates (provided by G&W)		CANARAIL Assessment of Budgeted Line Item
	Annual (\$M)	Five-Year (\$M)	
<i>Capital:</i>			
Geotechnical Remedial Work	\$0.5M	\$2.5M	Insufficient funds allocated (no revision provided as not within scope of mandate)
Signals and Communications	\$0.29M-\$0.33M (annual average)	\$1.6M	Insufficient funds allocated - labour not included (no revision provided as not within scope of mandate)
Track Maintenance (Rail, Tie, Ballast)	\$2.56M-\$2.77M	\$13.3M	Realistic funds allocated
Bridges	\$1.94M	\$ 9.7M (\$4.8M-\$14.5M)	Costs at higher end of range, \$14.5M
Culverts	\$0.2M	\$1M	Insufficient funds allocated (no revision provided as not within scope of mandate)
<b>Sub-total Capital</b>	<b>\$5.49M-\$5.74M</b>	<b>\$28.4M</b>	
<b>Operating (and regular maintenance)*</b>	<b>\$0.6M</b>	<b>\$3.0M</b>	Insufficient funds allocated Annual operating dollars identified for track, bridges and culverts underestimated by 50%. No annual operating costs associated with geotechnical
<b>TOTAL</b>	<b>\$6.09M-\$6.34M</b>	<b>\$31.4M</b>	<b>Insufficient on 4 major items</b>

\*Operating costs include train operations (crew, fuel, etc.), track maintenance (brush cutting, ultrasonic testing, periodic inspection etc.), inspections and repairs on bridges and culverts, signal maintenance and other costs such as insurance, snow removal, etc.

The CANARAIL study drew upon various sources to gather these estimates and then provided comment as per the scope of their mandate. With the above recommended five-year maintenance schedule completed to appropriate standards, CANARAIL confirmed that the Sydney Subdivision could meet the safety requirements for Class 3 track; however, some remedial work is required to maximize performance and maintain class status. A track inspection would be required after this work is completed to ensure standards were met before confirmed as Class 3 track. It is important to note that CBNS has recently been operating the line at Class 1 speeds to ensure safety. CANARAIL noted there were 48 areas

where the train speed was reduced on the Sydney Subdivision due to safety concerns related to track conditions.

There was insufficient data to provide a realistic cost estimate to upgrade the Sydney Subdivision to Class 4 track. The challenges to provide an estimate include the increased demand for wood ties, the significant work that would need to be done on the large number of curves on the line, the cost of upgrading the structures on the line, roadbed stabilization – geotechnical works, and upgrading of automated safety devices and sight lines at public road-rail crossings. A relevant factor is

also that the Hopewell Subdivision is currently only Class 3 track.

### 3.4 Key Conclusions – Engineering Study

Overall, CANARAIL’s assessment of the CBNS-provided estimate that \$31.4M is required over a five-year period to operate the Sydney Subdivision at Class 3 speeds is underestimated. CANARAIL’s assessment is based on the position that the costs for bridge structures are underestimated by up to \$5M, geotechnical costs are not supported with detailed estimates, and three other areas of cost are deemed to be insufficient or do not include all cost elements. As such, it is highly probable that the five-year costs for maintenance and repairs are significantly higher than estimated.

## 4 Economic Opportunities in Cape Breton

The “Assessment of the Upcoming Economic Opportunities in Cape Breton in Relation to Rail Services” study was completed by Group ATN Consulting Inc.

### 4.1 Study Mandate

The purpose of this study was to examine five potential economic opportunities in Cape Breton and their impact on increased rail traffic on the Sydney Subdivision over a planning horizon of 3-5 years. The study also identified other projects or initiatives that had the potential to increase rail traffic on the Sydney Subdivision. The five projects examined were:

- Donkin Mine;
- Provincial Energy Ventures;
- International Iron Beneficiation Group Ltd;
- Intermodal traffic with a potential to convert to rail; and
- The Sydney Container Terminal.

The other potential opportunities examined were the following:

- Atlantic Industrial Minerals;
- Rail car refurbishment; and
- Tourist trains.

### 4.2 Methodology

The study was undertaken using interviews, supplemented by a literature review and a benchmarking exercise. The stakeholder list was extensive including CN, G&W, the project proponents, and collateral interviews with government officials, community-based organizations, union leadership and site visits.

### 4.3 Major Findings

The following is a summary of key observations arising from an examination of each of these economic opportunities and their potential to impact rail traffic.

#### 4.3.1 Donkin Mine

The Donkin Mine site holds significant promise for Cape Breton under the leadership of the new and highly experienced owners, Cline Group LLC. While it is likely that this project will proceed and will offer real benefit to the area, at the present time it is not expected to have any impact on the Sydney Subdivision.

#### 4.3.2 Provincial Energy Ventures (PEV)

PEV proposes to spend \$75 million of its own resources to develop a bulk cargo transshipment facility on the former Sysco site. The facility would handle coal shipped from the Great Lakes on laker-type vessels, which would be transhipped into larger Cape-size vessels for overseas shipment, now enabled as a result of the dredging of Sydney Harbour. When fully developed, the project could result in 250 ship calls per annum and 3-5 million tonnes of cargo handled at Sydney. This project could have the added positive benefit of assisting in the development of port infrastructure and services at the Port of Sydney. In addition, over time, there may be synergies with Donkin if the coal produced there was to be shipped via Sydney.

Notwithstanding the potential positive economic impact of the PEV development, the study finds that it is unlikely to increase rail traffic on the Sydney Subdivision.

#### 4.3.3 International Iron Beneficiation Group (IIBG)

Due to geopolitical and other factors, the project is unlikely to proceed at any site in North America within the planning horizon for this study. The status of the project was indeterminate at the time the study was conducted. The proposed technology has not yet been fully commercialized and the 51% Russian partner – steelmaker Severstal – had divested its North American steel plants.

#### 4.3.4 Intermodal Shipping

The review of intermodal shipping assessed whether cargo bound for Newfoundland via Marine Atlantic Inc, which is currently moved by truck, could be converted to rail in order to add volume on the Sydney Subdivision.

Following extensive review and discussions with officials of both CN and G&W, a combination of factors render this prospect unfeasible at this time. Principal among these is the economic feasibility - an intermodal operation is not competitive with trucking; the revenues are insufficient relative to the costs associated with developing this service.

Other factors include the following:

- Current in-transit times by rail over the CBNS line from Truro to Sydney are in the range of 18-23 hours (4-5 hours Truro to Stellarton; 6-8 hours Stellarton-Port Hawkesbury; 8-10 hours Port Hawkesbury Sydney), as compared to the service currently offered by trucks (6 hours Moncton to North Sydney). This means that cargo, particularly time sensitive cargo, cannot meet the daily Marine Atlantic sailing schedule;

- The only portion of Marine Atlantic traffic that can be considered as potential intermodal cargo is the ‘trailers only’ business and only a very small portion of this business is presently carried in intermodal containers. Most of the companies serving Newfoundland and Labrador use regular highway trailers, either as a ‘trailer-only’ or ‘tractor trailer’, including the driver. Most of the intermodal containers that are presently shipped to Newfoundland move with the privately-owned Oceanex short sea service via Montreal and Halifax;

Only five of the trucking firms using the Marine Atlantic ferry have intermodal containers in their fleets and an estimated 2.5% of Marine Atlantic's traffic can be considered "intermodal", which consists of intermodal containers being shipped by rail from central Canada to Moncton and then trucked to the ferry in North Sydney. Even if intermodal service to Sydney was competitive with trucking, users of the ferry service would need to be convinced to switch modes, from trucking to intermodal, i.e. from using “trailers” to intermodal “containers” at a significant cost.

- The potential to offer intermodal service between Moncton and Port Hawkesbury only, where backhaul cargo is available was also examined. The economics of this concept also proved unfeasible because of very low truck rates in this corridor;
- Other issues to overcome include the need to accommodate double stack containers on the whole Truro-North Sydney line, the need for an intermodal facility at North Sydney and the need to invest in toplifters and other container handling equipment;
- Intermodal transportation is typically most efficient beyond a threshold of 500 miles

(800 km), principally longer haul routes where carriage by truck becomes less efficient because of the regulatory requirements relating to the need for the driver to rest. There is no such advantage in the Moncton-Sydney route. In this case, the trailer can be driven there in 5-6 hours, and another one brought back the same day.

The use of intermodal transportation to increase rail traffic on the Sydney Subdivision is not considered to be feasible at this time.

Ultimately, to create a stronger case for the use of intermodal to contribute to the sustainability of the Sydney Subdivision, the economic opportunities study highlighted a number of conditions would need to be met. These included sufficient volume of traffic, an originating distribution point where longer-haul traffic makes more sense versus short-hauling by truck, a line that can be operated throughout the run at class 3 speeds or better, a schedule that meets Marine Atlantic's sailing times, investment in North Sydney to handle containers, and investment by trucking companies in intermodal equipment.

Further analysis would be needed to assess the potential of achieving these conditions. The study notes that, although under the present conditions CN and G&W's assessment of intermodal is that it is not economic in the near term, both operators were open to continuing a dialogue.

#### **4.3.5 Sydney Container Terminal**

With the recent dredging of Sydney Harbour, several groups have been actively promoting Sydney as a potential site for a container terminal. There is a great deal of enthusiasm and significant effort is being made to attract a terminal operator and shipping line.

The presence of the newly-dredged port is seen as offering an opportunity to sustain the Sydney

Subdivision if a container terminal were to be built. However, without information on what that potential opportunity might entail and the accompanying volume projections, it has not been possible, in the context of the Economic Opportunities study, to either confirm or discount this potential opportunity.

The recently re-structured Port of Sydney Development Corp has been engaged by the Cape Breton Regional Municipality under a two-year contract to market Sydney as a gateway to North America. CBRM officials and potential partners have highlighted the importance of rail access in the overall vision for the port. Officials have been actively promoting the port, including a recent promotional trip to China.

This proposed development takes place at a time when the international shipping and port development industry is very dynamic. The past 10 years have brought enormous change to the global container industry, but the pace of change has accelerated in the past 18 months. Before the price of fuel began dropping, shipping lines had begun to relentlessly reduce costs by building larger ships which they 'slow steam'. Consolidation of global shipping lines into four alliances further accentuates this drive for efficiency. In addition, Montreal, Saint John, Halifax, New York, Baltimore, Norfolk, Charleston, Savannah, Jacksonville, Miami, all have recent and ongoing investments in container handling capacity. Boston and Philadelphia are both contemplating expansion. Across North America and globally, ports have invested in new terminals, container handling equipment, raising bridges and dredging, making the market increasingly competitive.

Because the local market and manufacturing base in Sydney and its immediate hinterland are so small, rail service would likely be required for a large proportion of any cargo handled. As such, the development of a container terminal would likely result in increased rail traffic. Whether this development could take place within the 3-5 year planning horizon cannot be

determined at this time, however, developments of this type can have fairly long lead times, in some cases, spanning years.

#### 4.3.6 Atlantic Industrial Minerals

Atlantic Industrial Minerals proposes to build a limestone mine near Glencoe, Cape Breton with the possibility of also constructing a cement plant in Point Tupper. The raw limestone could be shipped to Point Tupper by truck, by rail or by conveyor. There are two options with respect to rail: 1) a spur from Glencoe to River Denys, or 2) trucking from the mine to River Denys where it would be loaded to rail. In either case, this development would only impact the western end of the Sydney Subdivision, unless the cement plant was to use Donkin coal for fuel, in which case there could be some volume, estimated 100,000 tonnes annually (or 500 cars) to move by rail from Sydney to Point Tupper annually. Although at a very early stage, this potential development has some promise as both an economic development project and one which could positively impact the rail service, though not the whole of the Sydney Subdivision.

#### 4.3.7 Railcar Refurbishment

The consultant team was made aware of discussions that have taken place regarding the potential to establish a railcar refurbishment facility in the Sydney area. There is a view that the recent tragedy at Lac Mégantic, Québec, along with more stringent regulations for shipping petroleum by train, could lead to an opportunity to establish a facility for this purpose in Cape Breton in an existing rail maintenance facility at Victoria Junction, presently owned by Emera. A review of similar facilities across North America reveals that there is already significant capacity in areas closer to concentrations of rail infrastructure and traffic. In the absence of specific details, this would need to be considered as a developmental opportunity only.

#### 4.3.8 Tourist Trains

A 2009 study by Mary Tulle and Associates Tourism Consulting examined the viability of a passenger train to be operated in Cape Breton, between Port Hawkesbury and Sydney. The 2009 study illustrated a number of the same challenges to the movement of passengers that had also impacted the movement of goods, including the need to improve infrastructure to facilitate higher safe operating speeds along the line. Examination of other tourist train locations undertaken during the study along with the findings of the aforementioned report leads to the conclusion that there are significant hurdles to overcome for the Sydney Subdivision to become a tourism-focused rail line, assuming it could generate traffic volumes to support a business case.

### 4.4 Key Conclusions: Economic Opportunities in Cape Breton

The benchmarking exercise undertaken as part of the opportunities study, found that a well-balanced transportation infrastructure, including rail, is seen as a key component of a modern economy. From an economic development perspective, the presence of the railway is also seen as an important asset in attracting investment. And at a time when environmental considerations are so prominent, the case for rail is often framed as an environmental one – it is seen to be more efficient and releases fewer GHG emissions than other conventional transportation modes.

However, as noted, the projects reviewed in the Opportunities Study are in various stages of development and several are at a very early stage. While there are some very promising projects within this portfolio from an economic development perspective, with the exception of the possibility of the successful development of the container terminal, there is no single project that is likely to make significant use of the full length of the Sydney Subdivision at a threshold to meet the volume identified as being required for viability. As noted, it is not known at this time whether this project is likely to proceed

and, if it does, whether it will happen in the next 3 to 5 years (the period of investigation for the Opportunities Study).

## 5 Conclusions

The permanent loss of the Sydney Subdivision is a serious concern for those who relied on the railway in the past, those involved in economic development, and the community at large.

Historically, the railway to Sydney has been an important economic link for business and contemplation of its demise is of considerable concern.

Overall, considering the findings of the three studies commissioned by the MRAC Committee, the results point to significant challenges in achieving viability on the Sydney Subdivision, at this time.

The increase in G&W rates in November 2014 to ship over the Sydney Subdivision, and subsequent decisions by former users to stop their shipments at Port Hawkesbury, have had a significant impact on those shippers formerly using the CBNS service. Because of their unique needs, this particular group now experience less efficient service at a higher cost. In short, the price increase made rail uncompetitive as compared to trucking. The available trucking capacity coupled with aggressive backhaul rates by trucking companies explains why shippers used rail for inbound but not outbound cargo.

In its present state, the condition of the line, and more particularly, the speeds with which trains can travel and the turnaround time on the line between Truro and Sydney is a major deterrent to attracting more business to rail. Addressing these deficiencies would require significant capital investment and ongoing maintenance of the line.

The engineering study identifies (from secondary sources) what needs to be done, and estimates an investment requirement of more than \$31.4 million over five years. This does not include an assessment of the expenditures related to the operation of the Hopewell Subdivision.

It is also important to note that short lines typically have difficulty competing with trucking, unless they have a base load of cargo.

A switch from truck to rail, of cargo heading to Marine Atlantic, particularly intermodal containers, was fully reviewed and deemed to be unfeasible at this time for the reasons noted in the foregoing analysis. The conditions that might create a stronger case for a switch to intermodal are also outlined.

Of the potential economic development projects reviewed, only the proposed container terminal could result in a significant increase in rail traffic over the Sydney Subdivision. The status of the Sydney Container Terminal is unknown at this stage, and hence, could not be definitively used to predict volumes in the rail utilization analysis conducted during the study.

In summary, the investment required to address deficiencies in the line, the lack of a base-load for rail traffic, and the limited or unknown potential of current economic development opportunities to generate rail traffic, combine to create a challenging set of circumstances for the future of the Sydney Subdivision over the next 3 to 5 years.