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**TO:** GENERAL COMMITTEE

**SUBJECT:** BARRIE COLLINGWOOD RAILWAY (BCRY) – MARKET FEASIBILITY STUDY AND SERVICE DELIVERY AND MODERNIZATION REVIEW

**WARD:** ALL

**PREPARED BY AND KEY CONTACT:** S. SCHLICHTER, DIRECTOR OF ECONOMIC AND CREATIVE DEVELOPMENT, EXT. 5036

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**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

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### **RECOMMENDED MOTION**

1. That the CPCS Transcom Limited Market Feasibility Study attached as Appendix “A” to Staff Report ECD001-20 concerning the Barrie Collingwood Railway, be received.
2. That staff in the Economic and Creative Development and Operations Departments be authorized to engage with the County of Simcoe and relevant stakeholders to analyze the recommendations presented in the Deloitte Service Delivery and Modernization Review to determine the possible future operations of the BCRY and report back to General Committee.

### **PURPOSE & BACKGROUND**

#### Report Overview

3. The purpose of this Staff Report is to provide members of Council with an update concerning the Barrie Collingwood Railway operations and key actions staff are undertaking as a result of findings from the Market Feasibility Study conducted by CPCS and jointly funded by the City of Barrie and County of Simcoe, and the Audit and Accountability Fund, work Service Delivery and Modernization Review completed by Deloitte for the City of Barrie. Both studies were completed in 2019.
4. The Barrie Collingwood Railway (BCRY) is a short-line railway that was purchased from Canadian National (CN) Rail in the 1990s by the Town of Collingwood and the City of Barrie. The City of Barrie owns, operates and maintains 35 kilometres of active rail within Innisfil, Barrie and Essa Township.
5. Purchased from the Town of Collingwood in 2017, the County of Simcoe now holds the Town of Collingwood’s interest in the rail line. The current ownership structure is as follows - the County of Simcoe and the City of Barrie each have a 50% interest in the Utopia Rail Yard. The County also owns the rail infrastructure north of the Utopia Yard into Collingwood (potentially to be

decommissioned for trail use), while the rail infrastructure south of the yard currently serving all rail customers is owned by the City of Barrie. CANDO Rail is the operating contractor for the rail line.

6. The rail service facilitates the transporting of goods across Canada and the United States by seamlessly feeding into the trunk networks of the major railway, Canadian Pacific (CP). The line also has running rights to CN Rail (CN). The interchange with CP is located at the Utopia Rail Yard, a 10.95 acre site that can support forms of trans loading and other support services. There are currently 33 crossings (15 active and 18 passive), four customer sidings, and three spurs along the line.
7. Four industrial customers use BCRY services averaging approximately 220 carloads per year - commodities shipped include bulk clays, chemicals, industrial products and oversize structures. One additional company has added carloads to the line, projected to bring additional carload volume of 120 – 150 carloads per year. Two of the current users (one located in Barrie and the other in Innisfil) have indicated a dependence on the rail line as being critical to their business operations.
8. Council motion 18-G-045 gave approval for the City of Barrie to conduct an Economic Feasibility and Impact Study in partnership with the County of Simcoe and granted authorizations for the City to enter into discussions with the County of Simcoe to determine the County's interest in retaining their 50% share of ownership in the Utopia Rail Yard and overall interest in the BCRY operation as a whole.
9. Discussions with the County of Simcoe were held while the Service Delivery and Modernization Review was completed by Deloitte in Q3 and Q4 of 2019.
10. Findings of the Service Delivery and Modernization Review determined that the operation of the BCRY is not a legislated, nor mandated service of the City, and that given its financial performance, the City should seek to reduce to reduce its responsibility for rail over the long term, and immediately implement three financial improvement measures.
11. Based on the findings of the Market Feasibility Study and the Service Delivery and Modernization Review, further actions are required to achieve the following:
  - a. Reduce the City's fiscal and operational commitment to the BCRY;
  - b. Validate a financially sustainable business model for the BCRY;
  - c. Assess the potential of BCRY as an economic and employment driver.

#### BCRY Analysis – Work Program

12. In order to effectively implement the immediate actions of the Service Delivery and Modernization Review and address the long-term needs of the BCRY, an independent consultant will be retained and managed through Economic & Creative Development and Roads Parks and Fleet and will undertake the following:
  - a) In-depth consultation with current users of the rail to review recommendations of the Service Delivery and Modernization Review report and assess impacts, alternatives and opportunities that will support their continued business operations in the City of Barrie, under the following scenarios:
    - o Maintaining rail operations & associated models that reduce City's fiscal responsibility;
    - o Reduced rail service concentrated to the Utopia Rail Yard, through the provision of transloading services;
    - o Discontinuing rail operations.

- b) Validate market opportunities identified within the Market Feasibility Study and current prospects to secure a more accurate revenue projection of the BCRY;
- c) Actively engage with the County of Simcoe, Town of Innisfil and Essa Township to review recommendations of the Service Delivery and Modernization Review, and Market Feasibility Study to validate interest and fiscal interest in the BCRY and jointly addressing users of the railway located within those municipalities;
- d) Proactively engage with CP rail as a recommendation of both the Deloitte Service Delivery and Modernization Review report and the Market Feasibility Study to review findings from both reports and interest, opportunity and supports for continued operations at the Utopia Rail Yard;
- e) Consultation with CANDO on market attractiveness, alternatives and opportunities for City to reduce its role in short-line rail service.

## ANALYSIS

### BCRY Market Feasibility Study

- 13. The City of Barrie and the County of Simcoe issued a Request for Quotations (RFQ) for the Market Feasibility Study and selected CPCS Transcom Limited (CPCS) to complete the work.
- 14. The study work completed by CPCS made a number of suggestions that could contribute to improving the long-term viability of the BCRY. The Study can be found in Appendix 'A'. A summary of key findings is below:
  - a) For customers of the BCRY, choosing rail over trucking is usually due to rail being a lower cost service over long distances (usually over 500km) for goods that are shipped in bulk volumes and require less urgent delivery. In the case of Barrie, Simcoe County area, this would mean that companies that source or send products outside of Ontario in large quantities will be good candidates for capitalizing on the economies of scale of rail.
  - b) CPCS narrowed the list of potential new customers that are already in Barrie/Simcoe County (or planning to locate to Barrie/Simcoe County) to seven companies, many whom are either near the BCRY track or have inbound/outbound products that are low-value but ship in large quantities that could benefit from rail service.
  - c) To provide additional value to its customers, the BCRY should consider building a new low-cost common-use team track facility or upgrade the current ramp in the Utopia Yard (estimated at \$80,000 total cost) for customers to trans load from rail to truck (or vice versa). Additional locations were also identified as potential trans loading locations in Barrie and Innisfil, which would be in close proximity to existing or potential new clients.
  - d) The CPCS study identified a number of funding programs available to the BCRY that could potentially help with one-time project costs for supporting upgrades/development of team track facilities, asset management planning, or rail safety initiatives.
  - e) BCRY's long-term strategy should focus on enhancing its relationships with CP Rail. Improving dialogue between CP and current and prospective BCRY customers will lead to CP better understanding the traffic potential on the BCRY. Higher involvement by CP could lead to additional business opportunities, driving increases in traffic which would drive increased levels of service by CP making the interchange more frequent and reliable for users.
  - f) If the BCRY is able to add customers and show signs of profitability, a private company may seek to acquire the shortline. This would allow the City of Barrie and County of

Simcoe to transfer ownership to a more knowledgeable private party and use the funds from the sale for other priorities.

Audit and Accountability Fund - Service Delivery and Modernization Review Recommendations:

15. Findings of the Service Delivery and Modernization Review recommends the City should seek to reduce to reduce its responsibility for rail over the long term, and immediately implement three financial improvement measures to reduce the City's fiscal obligations to the rail.
16. In the short-term, Deloitte has recommended that the City immediately increase its decision authority on rail operations, review contract arrangements with the current operator, to identify opportunities for efficiencies, and engage the County of Simcoe and its rail-impacted municipalities (Essa Township and Town of Innisfil) to discuss their interest in supporting the BCRY.
17. Deloitte has recommended that over the long term, the City seek to reduce its responsibility for rail by either, transferring ownership and maintenance to the users of the line, consolidating operations to the Utopia Yard, or divesting rail in its entirety.
18. More analysis needs to be conducted in consultation with users and stakeholders to validate the best course of action over the long term. Procuring a dedicated resource to pursue the recommendations of both the Market Feasibility Study and the Service Delivery and Modernization Review will allow the City to work with all users and stakeholders to complete a comprehensive analysis and recommendations on the long-term solution for the BCRY.

County of Simcoe

19. The Economic Development Department of the County of Simcoe has submitted a report to be contemplated by Simcoe County Committee of the Whole on Tuesday, March 10<sup>th</sup> that requests authorization for County staff to consult with the City of Barrie and relevant stakeholders to determine possible future operations of the BCRY and best course of action over the long term.
20. Pending direction from County of Simcoe, staff will prioritize the work and analysis of the BCRY operating alternatives accordingly.

**ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS**

21. As part of the analysis of the future operations of the BCRY, environmental or climate change matters would be identified and included as part of the report back to General Committee

**ALTERNATIVES**

22. The following alternatives are available for consideration by General Committee:

**Alternative #1**

General Committee could not authorize staff to pursue discussions with stakeholders on the future of the BCRY.

This alternative is not recommended as the BCRY service customers in municipalities outside of the Barrie. As such, it is prudent to explore the interest of the County and other stakeholders in supporting and investing in the BCRY as a regional transportation asset.

**Alternative #2**

General Committee could recommend an alternate solution for the BCRY.

While this alternative is available, it is not recommended. Staff have determined a course of action based on the recommended options identified in the Service Delivery and Modernization Review that will address the future operations of the BCRY.

**FINANCIAL**

23. Staff will require additional resource to complete a thorough analysis of the options presented by the Service Delivery and Modernization Review. A third party consultant will be contracted to complete the work.
24. Current 2020 operations of the BCRY have achieved cost reductions due to increased car storage revenue and increased car traffic. As such, those funds will be allocated to support the procurement of the consultant to complete the work.
25. Staff expects that all costs associated with this work will be accommodated within existing budget.

**LINKAGE TO 2018-2022 COUNCIL STRATEGIC PLAN**

26. The recommendation(s) included in this staff report support the following goals identified in the 2018-2022 Strategic Plan:  
  
Growing Our Economy  
  
Offering Innovative & Citizen Driven Services
27. Completing a full operational analysis of the BCRY in consultation with key stakeholders will look at ways to retain existing rail use employers, while at the same time seeking to reduce the fiscal responsibility of the City, in order support tax dollars going further.

APPENDIX "A"

BCRY Market Feasibility Study



[www.cpcs.ca](http://www.cpcs.ca)

FINAL REPORT



# Barrie Collingwood Railway Short Line Rail Market Feasibility Study

(Client Ref: FIN2018-094Q)

## Final Report

Prepared for:

City of Barrie and County of Simcoe

Prepared by:

CPCS

**Solutions** for  
growing economies

CPCS Ref: 18296  
February 25, 2020

### **Acknowledgments**

CPCS acknowledges and is thankful for input provided by the City of Barrie and County of Simcoe, CANDO Rail Services Ltd, and other stakeholders consulted in the development of this report.

### **Report Publication**

This study was initially submitted to the City of Barrie and County of Simcoe in February 2019. In February 2020, the report was prepared for public disclosure by removing all commercially confidential and sensitive information of third parties. To that end, no material changes were made to the conclusions and recommendations for this version of the report; however, some of the research on which this report was based on may no longer be current.

Cover image source: [Jeremy Fleming/Wikipedia](#)

# Table of Contents

<b>Acronyms / Abbreviations</b> .....	<b>i</b>
<b>Executive Summary</b> .....	<b>ii</b>
Infrastructure .....	iii
Policies & Competitiveness .....	iii
Long-Term Strategy .....	iv
<b>1 Introduction</b> .....	<b>1</b>
1.1 Background .....	1
1.2 Objectives .....	1
1.3 Methodology .....	2
1.4 Limitations .....	2
<b>2 BCRY Review</b> .....	<b>3</b>
2.1 Infrastructure .....	3
2.2 Operations .....	11
2.3 Rail Operations Agreements .....	12
<b>3 Policies &amp; Competitiveness</b> .....	<b>13</b>
3.1 Rail and Road .....	13
3.2 Modal Competitiveness .....	15
<b>4 BCRY Customers</b> .....	<b>18</b>
4.1 Current Customers .....	18
4.2 Prospective Rail Customers .....	18
4.3 Companies Unsited for Rail .....	19
<b>5 BCRY Market Potential</b> .....	<b>20</b>
5.1 Customer Overview .....	20
5.2 The CP Relationship .....	21
5.3 Value Proposition .....	22
<b>6 Long-Term Strategy</b> .....	<b>23</b>
6.1 Utopia Yard .....	23
6.2 Partnerships .....	25
6.3 CP Diamond .....	25

6.4	Governance Structures.....	28
<b>7</b>	<b>Future Budget.....</b>	<b>30</b>
7.1	Crossing Agreements.....	30
7.2	Revenue and Traffic Level .....	35
7.3	Costs .....	35
7.4	Revenue-Neutral Outlook .....	40
7.5	Grants and Funding Options .....	41
<b>8</b>	<b>Conclusions .....</b>	<b>42</b>
8.1	Infrastructure .....	42
8.2	Policies & Competitiveness .....	42
8.3	Long-Term Strategy.....	43
	<b>Appendix A: Grants and Funding .....</b>	<b>44</b>
	<b>Appendix B: Draft Work Plan.....</b>	<b>49</b>

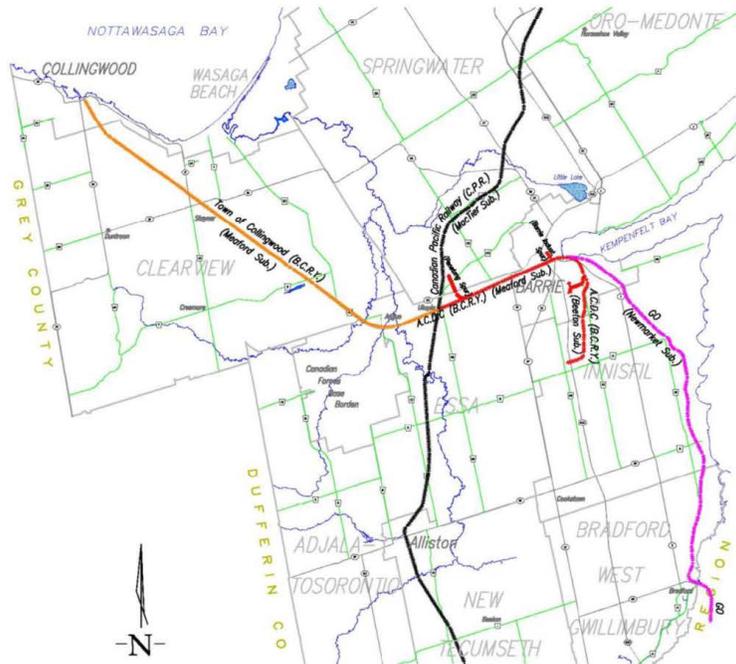
# Acronyms / Abbreviations

BCRY	Barrie Collingwood Railway
CN	Canadian National
CPR	Canadian Pacific Railway
CTA	Canadian Transportation Agency
MTO	Ministry of Transportation Ontario
PPP	Public-Private Partnership

# Executive Summary

The Barrie Collingwood Railway (BCRY), is a shortline railway located in the Simcoe region. It connects Barrie and surrounding municipalities to the CP line and the Metrolinx Barrie GO line. The number of carloads handled on the shortline has been on a steady decline, dropping from 891 railcars in 1998 to 217 in 2010 and 210 in 2017. The costs to operate and maintain the railway and crossings have not declined, however, resulting in a BCRY operating deficit, and in turn, causing the current owners (City of Barrie and County of Simcoe) to fund the BCRY. To this end, CPCS was retained to identify new potential customers, assess the condition of the current infrastructure and operations, and explore any partnerships or governance structures that may improve the long-term viability of the BCRY.

Figure ES-1: Rail map of the BCRY



Source: ACDC AGM Presentation to the Board, 2011

## Infrastructure

The rail infrastructure north of the Utopia Yard is owned by the County of Simcoe, the rail infrastructure south of the yard is owned by the City of Barrie, and the Utopia Yard is jointly owned by the two parties. The portion of track owned by the County is used solely for car storage (approximately 2,000 ft is currently used), while Barrie's track is used to serve customers in the Township of Essa, City of Barrie and County of Simcoe. The two sections are divided by a rail diamond that crosses the CP cross-country rail line. The BCRY's current mainline track is well maintained by Cando and is in the process of being upgraded from 80 or 85 lb/yd rail to heavier 100 lb/yd rail. There are currently 33 road crossings (15 active and 18 passive), four customer sidings, and three spurs. **It is our understanding that all active crossings have agreements with the respective road authorities however we do suggest to negotiate agreements for passive crossings as to avoid the cost burden for any surface crossing maintenance.** The Utopia Yard is the only common-use facility available to customers and upgrades to the ramp and ground should be considered to improve transloading capabilities.

## Operations

The operating agreement between Cando Rail Services (Cando), a railway contractor, and the BCRY stipulates that Cando will service BCRY customers, maintain track infrastructure and market the BCRY to potential clients in exchange for a guaranteed monthly fee plus a defined percentage of any profit made by the railway. In addition to the monthly fee, the BCRY sets an annual budget for maintenance and upgrade costs, this has generally been in the range of \$330,000. The Cando-BCRY governance structure is known as a public-private partnership and incentivizes the operator (Cando) to grow the business while the BCRY takes on the risk of low traffic levels. The agreement is set to expire on December 31, 2020. The Corporation of the City of Barrie may renew the agreement for four individual one year extensions to be renewed each year, if approved by the City. **In terms of a quick-win, the BCRY should continue to explore greater engagement with the stakeholder group which includes current customers, area municipalities, CP, and Cando, before initiating a change to the governance structure.**

## Policies & Competitiveness

Provincial agencies such as Metrolinx and the Ministry of Transportation have plans to develop regional infrastructure but no projects are set to directly impact freight rail movement. For customers of the BCRY, choosing rail over trucking is usually due to rail being a lower cost service over long distances (usually over 500km) for goods that are shipped in bulk volumes and require less urgent delivery. In the case of the Simcoe region, this would mean that companies that source or send products outside of Ontario in large quantities will be good candidates for capitalizing on the economies of scale of rail.

## BCRY Customers

The BCRY has four regular customers that require a total of approximately 220 switches per year. Through consultations, CPCS narrowed the list of potential new customers to seven companies, many whom are either near the BCRY track or have inbound/outbound products that are low-

value but ship in large quantities.<sup>1</sup> The BCRY handles commodities from several industries including chemicals, lumber, clay and industrial products.

#### BCRY Market Potential

To improve the long-term viability of the BCRY, the organization can take two steps to improve its services. First, the BCRY can facilitate conversations between current and potential customers and CP. A stronger relationship with CP would open the BCRY and the Simcoe region to new business opportunities (e.g. attracting companies to the area) and enable the BCRY to have a deeper knowledge of how to help their own customers gain access to rail. Second, improvements to the Utopia Yard would help attract customers that do not have a siding and help retain current customers due to better loading/unloading facilities.

#### Long-Term Strategy

BCRY's long-term strategy should focus on enhancing its relationships with CP. Improving dialogue between CP and current and prospective BCRY customers will lead to CP better understanding the traffic potential on the BCRY. Higher involvement by CP should lead to an increase in traffic which should also bring an increased level of service by CP (i.e. more frequent and reliable interchange).

**To provide additional value to its customers, the BCRY should consider building a new low-cost common-use team track facility or upgrade the current ramp in the Utopia Yard for customers to transload from rail to truck (or vice versa).** Multiple locations were identified in Barrie or Innisfil which would be in close proximity to existing clients or potential new ones.

The current structure between BCRY and Cando is one where the track is owned by a public entity (City of Barrie and County of Simcoe) but operated by a private company (Cando) with incentive to increase revenues (splitting profits). If the BCRY is able to add customers and show signs of profitability, a private company may seek to acquire the shortline. This would allow the City of Barrie and County of Simcoe to transfer ownership to a more knowledgeable private party and use the funds from the sale for other priorities.

#### Future Budget

To increase the BCRY's revenue to the point where it would generate a profit, the BCRY will have to attract at least three new customers (or approximately 1,100 additional railcars per year). The railway should also apply for project funding from federal or provincial governments to reduce the costs of a large upgrade projects or to construct a common use transload facility. There are five funding programs that are available to the BCRY that can help with one-time project costs for expanding operations, asset management planning, or rail safety initiatives.<sup>2</sup>

<sup>1</sup> We cannot disclose the list of customers due to confidentiality reasons

<sup>2</sup> The Southwestern Ontario Development Fund, the Municipal Asset Management Program, and the Rail Safety Improvement Program, the National Trade Corridor Fund, and the Small Communities Fund.

# 1 Introduction

## 1.1 Background

The Barrie Collingwood Railway (BCRY) is jointly owned by the City of Barrie and County of Simcoe and was the first municipally-owned shortline railway in Canada. Like many Canadian shortlines, BCRY faces issues related to underutilized capacity, revenue shortfalls and lack of capital funding. Approximately 200 to 300 cars use the railway each year, well below maximum capacity. As a result, BCRY has been running annual deficits since the economic downturn of the late 2000s. Another consideration is the effect of regulatory frameworks on capital funding for infrastructure improvements. BCRY is a provincially regulated shortline but must adhere to the *Railway Safety Act* under the *Canada Transportation Act*. Despite these challenges, opportunities exist for expanding BCRY business operations. BCRY is connected to the Class I CP network giving local businesses access to the entire North American market.

Given these challenges and opportunities, the City of Barrie and County of Simcoe have decided to conduct a market feasibility study to determine what options are available to the BCRY to reach a revenue-neutral business model.

## 1.2 Objectives

The objectives for the project can be summarized as follows:<sup>3</sup>

1. “Regional asset assessment of BCRY short-line rail, serviced sites, existing sidings, transloading capabilities from Utopia Yard, Vine, and system-wide. Scope BCRY’s competitiveness by looking at strengths, weaknesses, opportunities and threats facing the rail line. An assessment of the impact and consequences to local businesses that currently use the rail line, should the use of the Utopia yard be discontinued.”
2. “Analysis of the short-line rail sector, trends, typical industry users of traditional rail, and rail demand (industry and usage) in the region. Analysis of opportunities to attract new rail user businesses – industry sector targets, health of industry, and alignment with existing, regional manufacturing base. Develop a value proposition for BCRY given its location, infrastructure, and assets.”
3. “Based upon market assessment, costs to maintain and operate rail, can the BCRY operate revenue neutral within the region? Identify potential public/private sector partnerships and/or governance models that would add to the long-term financial

<sup>3</sup> As stated in the Terms of Reference (pp. 21-23 of 25)

health & sustainability of BCRY. Identify specific actions the City of Barrie and the County of Simcoe can take to grow rail traffic in the region.”

### 1.3 Methodology

This report was primarily prepared using information gathered during consultations with several current and prospective rail customers between September and November 2018. We also consulted with the Township of Essa, Town of Innisfil, City of Barrie, County of Simcoe, and CP.

### 1.4 Limitations

The analysis in this paper relies on the information provided during stakeholder consultations and BCRY documents. Many statements are estimates from company representatives based on their knowledge of the situation (including historical traffic numbers, past attempts of using rail, etc.).

## 2 BCRY Review

### Key Chapter Takeaway

The BCRY track is in good condition. Cando staff are very adept at effectively maintaining it with a limited budget. Cando collects revenues from rail-related services but is “topped up” by BCRY each month if the revenue threshold is not met. There are 33 crossings located in three municipalities.

### 2.1 Infrastructure

The ownership structure of the track is as follows: the rail infrastructure north of the Utopia Yard is owned by the County of Simcoe, the rail infrastructure south of the yard is owned by the City of Barrie, and the Utopia Yard is jointly owned by the two parties.

Mainline track is comprised of conventional track structure with 80, 85 and 100 lb/yd rail on wooden sleepers. Most of the rail is 80 or 85 lb/yd and quite old (100 years in some cases). The heavier 100 lb/yd rail was installed in more recent years as part of replacement programs. Ties are wood and are generally old but with clear evidence of replacement programs. Ballast is generally in reasonably good condition. Repairs to rail and sleepers have been made with used materials and ballast is sourced locally.

All track is class 1<sup>4</sup> limiting freight speeds to 10 mph. It is our assessment that Cando has done a very good job in maintaining the condition of track given what we know of their budget and resources. In fact, it is our assessment that much of the main track could meet the requirements for class 2 track; however, we do not advocate making the changes as the benefits would be nil or very close.

Operation of trains on all track is governed by Rule 105 (Operation on Non-Main Track) of the Canadian Rail Operating Rules. Six axle locomotives are prohibited on the line as locomotives are heavier than 265,000 lbs. The heaviest car permitted is 263,000 lbs (gross weight).

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<sup>4</sup> Rules Respecting Track Safety (TC E-54)

There are 15 grade road-rail crossings with active protection (with lights and/or gates); and 18 passive crossings (only a sign or is grade separated), as summarized in Figure 2-1.

**Figure 2-1: Active and passive crossings per municipality.**

Location	Active crossings	Passive crossings	Total
City of Barrie	11	12	23
Town of Innisfil	3	1	4
Township of Essa	0	4	4
County of Simcoe	1	1	2

Source: Cando

**2.1.1 Main Track**

Mainline track consists largely of the Meaford subdivision from mile 7.5 to mile 0; and the Beeton subdivision from mile 83.6 to mile 77.0. The two lines meet at Meaford sub mile 7.5 and Beeton sub mile 83.6 which is near the current Barrie GO Train station on the Newmarket subdivision. All subdivisions were once part of the CN network. BCRY rail infrastructure is located within the City of Barrie and two municipalities within the County of Simcoe: Township of Essa and Town of Innisfil, as follows:

**Meaford subdivision**

- Mile 7.5 to mile 3.0 – Township of Essa
- Mile 3.0 to Mile 0.0 – City of Barrie

**Beeton subdivision**

- Mile 83.6 to mile 79.57 – City of Barrie
- Mile 79.57 to mile 77.0 – Town of Innisfil

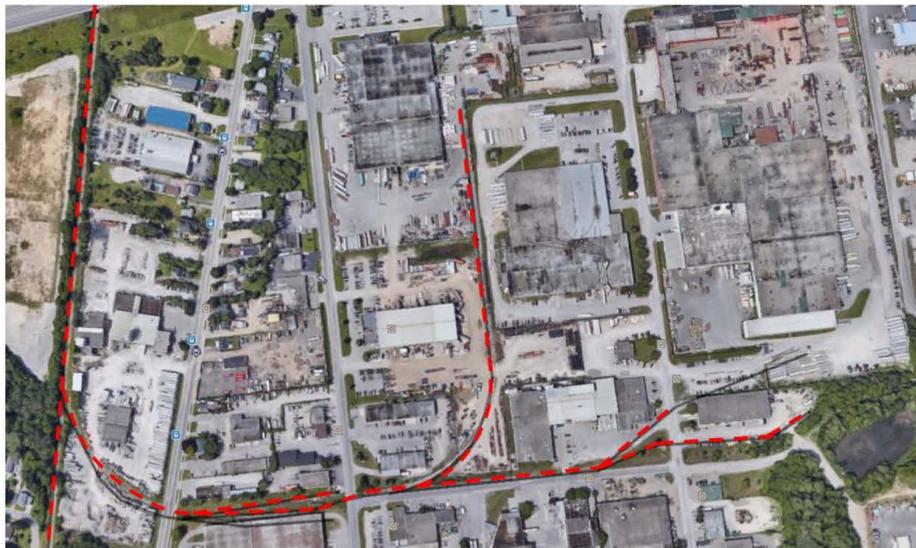
The Meaford subdivision starts in the west at Utopia Yard (mile 7.5). Track west of mile 7.5 is not in-service and cannot be used without the authorization of both the Superintendent and the Engineering Supervisor of BCRY (Cando). Located west of mile 7.5 is the railway crossing at grade (CPR Mactier subdivision). Approximately 2,000 feet of track west of the railway crossing is used for car storage. At the west end of Utopia yard, there are three tracks that are used to interchange rail cars with CP. In addition to Utopia Yard, there exists two spurs on the Meaford subdivision:

- Mile 5.6: Penetang spur – Extends 2 miles north. Southern portion of the line is used for rail car storage. No movements are permitted beyond Country Road 90. (Figure 2-2)
- Mile 0.6: Customer spur – Used to access customer tracks. (Figure 2-3)

Figure 2-2: Penetang Spur (Meaford Sub Mile 5.6)



Figure 2-3: Customer Spur (Meaford Sub Mile 0.6)



In addition, there is siding off the main track with switches at approximately mile 5.5 and 5.7. It is used routinely for rail car storage.

Meaford subdivision mile 0.0 is the junction with the Beeton sub (mile 83.6) and is near the connection to the GO Newmarket subdivision (at Allandale Station). BCRY equipment is not permitted on the GO lines. The Meaford subdivision is very flat (two small hills) and straight (just one curve near junction).

The Beeton subdivision begins at mile 83.5 and proceeds in a south-west direction to mile 77.0. It has more curvature and grade than the Meaford subdivision. Two spurs are located on the subdivision:

- Mile 82.2: Bayview Industrial spur – Once served Molson Brewery and Bemis Manufacturing. Track is inactive but is in place.

Figure 2-4: Bayview Industrial spur (Beeton Sub Mile 82.2)



Three customer sidings are located along the Beeton subdivision at miles 82.4, 77.9, and 77.4.

The Beeton subdivision has a greater amount of grade and curvature than the Meaford subdivision. There is a fair amount of undeveloped industrial land along the Beeton sub. At the end of the subdivision (near mile 77.0), there is a run around track.

Figure 2-5: Customer Siding #1 (Beeton Sub Mile 82.4)

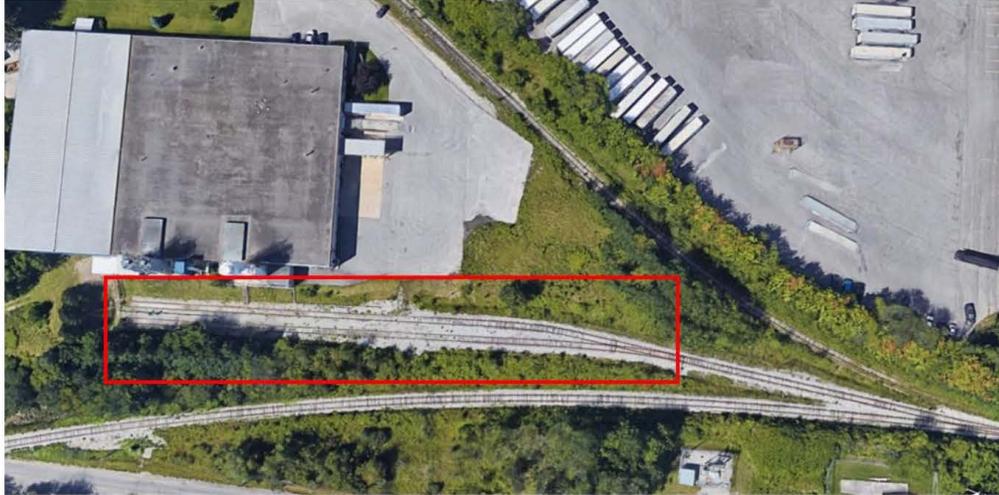


Figure 2-6: Customer Siding #2 (Beeton Sub Mile 77.9)

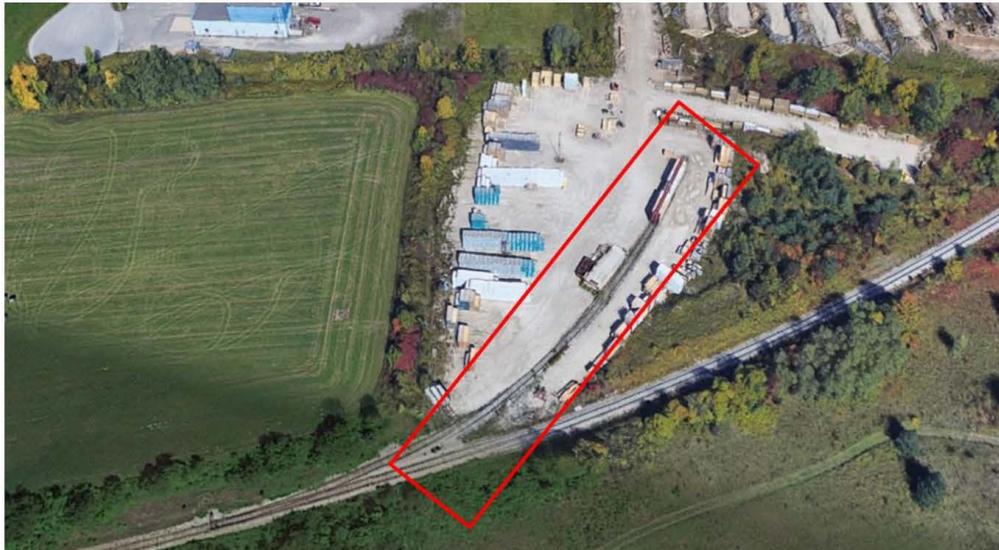


Figure 2-7: Customer Siding #3 (Beeton Sub Mile 77.4)



### 2.1.2 Customer Sidings

There are currently four customers with rail sidings, as detailed above. Much of the land alongside the Meaford and Beeton subdivisions is used for industrial purposes and much of the industry has inbound and outbound goods that are often moved by rail (an example being scrap metal). At Meaford sub mile 0.7 and 0.9, there is evidence of former customer sidings that have been removed. We understand that the sidings were once used by two customers, respectively, and have been removed for approximately 15 years.

Given the straightness and levelness of the Meaford subdivision, construction of new customer sidings would be less difficult and costly than typically encountered. Although with more curves and grade, the same can be said of the Beeton subdivision. The Innisfil Heights Industrial Park provides ample space for rail expansion and new companies that could take advantage of the rail infrastructure.

The spur at mile 0.6 on the Meaford subdivision has capacity for increased rail use. The same can be said of the Bayview Industrial spur though this would require reactivating the spur and likely undertaking some rehabilitation work. The Penetang industrial spur on account of its location appears to hold little value beyond storage; at least for the foreseeable future.

### 2.1.3 Utopia Yard

Figure 2-8: Utopia Yard – East End



Utopia Yard is at the west of the currently used BCRY network. Three yard tracks diverge from the Meaford sub at mile 7.5 just west of the grade crossing on Simcoe County Road 56.

- The first yard track provides access to CP interchange track. Diverging from this track is a short stub-end track with a side ramp of which is poor condition and shows little sign of recent use.
- The second yard track provides access to the locomotive maintenance shed. It has short diverging track.
- The yard track provides access to CP interchange tracks and connects back into the second track.

There are three interchange tracks with CP. Switch stands are locked with CP locks (for which BCRY operating personnel have keys).

Figure 2-9: Interchange Tracks with CP



With the exception of the ramp and the track to access it, yard infrastructure is in generally good condition in the yard especially considering speeds and available resources.

To the west of mile 7.5 at approximately mile 7.8 lies the railway crossing with CP. To occupy the track, trains or maintenance equipment must comply with Canadian Rail Operating Rules (CROR) rule 611 (Automatic Interlocking Signal Indicating Stop). The diamond is maintained by CP and is in very good condition.

Figure 2-10: Diamond between BCRY and CP



There is the ramp in Utopia Yard that is currently not in functioning condition on account of the driving surface alongside the ramp and possibly the track ties (it was difficult to assess the condition due to the bushes).

Figure 2-11: Ramp in the Utopia Yard



#### 2.1.4 Transload and Common-Use Facilities

Beyond the Utopia Yard, there are no BCRY tracks where rail customers can load or unload rail cars. One BCRY customer currently transloads dried carbon from rail car to truck in the yard. We understand that the ramp has been used in the past by rail customers but is not in a state that it can be used going forward. In the past, additional customers have used Utopia Yard for rail-truck transload. The costs to reinstate the ramp facility to operating condition is not significant and it is our assessment that the benefits of doing so would exceed the costs. A breakdown of transload facility options and costs can be seen in Sections 7.3.2 and 7.3.3.

There exists no other common-use facilities customers can use. However, Cando identified a location near mile 79.5 Beeton subdivision that could be used. The site has good road access, is

located on straight and level track and we are told that the land is owned by BCRY. Currently the track is used to store used (but valuable) track materials (e.g. rail, sleepers and other track material).

In addition, based on preliminary discussions with current rail customers, it is likely that some would be agreeable to permit usage of their track for neighboring businesses (if the circumstances are right). The possibility also exists for some customers along the mainline to load or unload rail cars that are parked on the mainline track. This will be explored in upcoming analysis.

### 2.1.5 Locomotive and Maintenance Equipment

BCRY has one locomotive which is an EMD Phase III GP9. The locomotive is maintained by Lambton Diesel Specialist Inc. from Sarnia. BCRY also possesses various maintenance equipment and rail wagons.

Figure 2-12: Locomotive used by the BCRY



## 2.2 Operations

### 2.2.1 Staffing

Cando currently has five staff for BCRY's day-to-day operations: three for general maintenance and two for locomotive-related tasks. The current operations provide service two to three days per week, but have proved to be flexible to accommodate current customers.<sup>5</sup>

### 2.2.2 Cost and Revenue Structure

The compensation structure between Cando and the City of Barrie is outlined in detail in the BCRY Operating Agreement signed by both parties on January 1<sup>st</sup>, 2015, and is valid until December 31<sup>st</sup>, 2020.

#### Revenue

Cando collects revenues from three sources: switching revenues from CP,<sup>6</sup> signal crossing charges from road authorities, and moving and storing cars. The BCRY and Cando have a

<sup>5</sup> Verified through consultations.

<sup>6</sup> Switching occurs when the BCRY receives railcars from CP and delivers them to customers on their line, or takes railcars from customers and delivers them to the diamond to then be switched onto the CP line

revenue threshold agreement when if the revenues fall short of a specified amount (on a monthly basis, the shortfall is made good by the City of Barrie. If revenues exceed the threshold, the additional revenue is split between the City of Barrie and Cando. The revenue threshold is adjusted (only if upwards) to reflect the average annual change in the transportation component of the Canadian Consumer Price Index of the previous year.<sup>7</sup>

Revenues collected by Cando (for the BCRY) were estimated based on multiple consultations with Cando and customers. In 2018, revenues from car storage, switching fees and crossing revenue were estimated to be \$300,000. With the rise of oil prices, car storage revenues will likely decrease in the near future. This is primarily due to the fact that the majority of stored cars on BCRY tracks are oil cars, which are in greater demand as oil prices rise.

### Costs

There were three cost categories budgeted during the signing of the operating agreement: capital improvements, general maintenance, and additional/contingency fees. The Capital Improvement Plan was conceived at the initiation of the contract but is updated semi-annually and must be approved by the City of Barrie. A list of tasks for general maintenance work (e.g. spot brushing, switch repairs, crossing signs, etc.) has been pre-approved and costs are borne by the City of Barrie. Finally, additional fees are paid annually by Cando to meet regulations, or contingency requirements, and these are refunded by the City of Barrie. Totalling items from the initially planned budget for capital improvements, the annual capital budget is approximately \$237,500.<sup>8</sup>

Based on our consultation with Cando, it was stated that the annual budget is closer to \$330,000 for maintenance and upgrade costs. The discrepancy likely comes from higher than expected costs but also from one-time costs such as crossing upgrades (\$200,000 allocated to an upgrade last year) and raising the road profile at a crossing (\$65,000 fix).

In addition to service-related costs, the City of Barrie has stated that it must pay annual property taxes for the railway right-of-way for the portions in the Township of Essa and Town of Innisfil.

## 2.3 Rail Operations Agreements

### 2.3.1 CP

CP and BCRY interchange loaded and empty rail cars on the three designated interchange tracks as per the AAR's (Association of American Railroads) Car Service Rule (CSR) 7 which is the standard arrangement for interchange of cars between railways.

<sup>7</sup> The changes in the Transportation Group of the CPI for 2015, 2016, and 2017 were -3%, +1.1%, and +3.9%, respectively.

<sup>8</sup> One-time improvements were completed in 2015 that totaled approximately \$225,000 which are not included in the \$237,500 estimate

# 3 Policies & Competitiveness

## Key Chapter Takeaway

As part of the Greater Golden Horseshoe Area, Barrie and the County of Simcoe are influenced by decisions taken from organizations such as Metrolinx and Ontario's Ministry of Transportation. There are currently no short-term plans that will significantly impact either trucking or rail competitiveness to the Barrie region, but long-term plans will try to slowdown the increasing congestion on the roads of southern Ontario.

## 3.1 Rail and Road

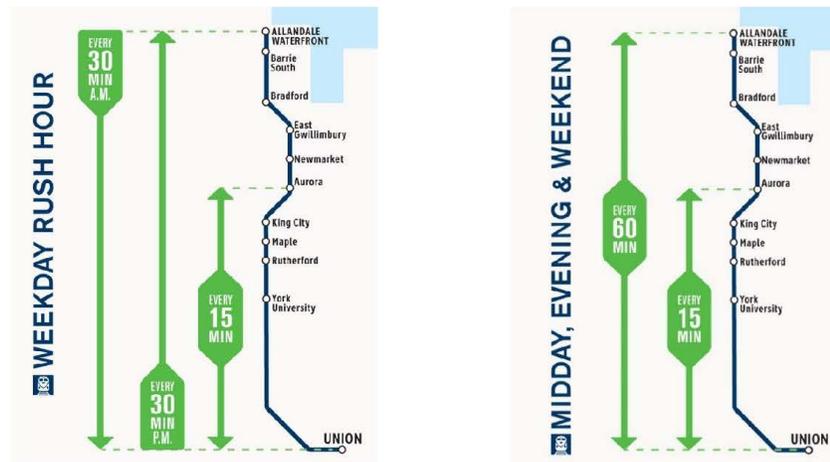
### 3.1.1 Metrolinx

As CN currently has running rights along portions of the Newmarket subdivision on the Metrolinx line; thus giving BCRY an alternative to CP. This holds potential for reducing rail rates for customers on the BCRY particularly for those who currently have traffic that is interchanged between CN and CP (as the cost of interchanging would not be incurred). It appears that since the formation of the BCRY, the intention was for the two lines to interchange at Bradford. However, this has not occurred for some time and is likely on account of low BCRY traffic levels.

Although this holds some promise, the likelihood of traffic materializing through this route seems slim given current traffic levels are likely not sufficient for CN to implement a service or actively market to customers on the BCRY.

With that said, it is important to note that Metrolinx has started its Barrie Corridor Expansion Project which will expand the current single track from Toronto to Barrie to two tracks. Although Metrolinx also plans to increase the frequency of trains to and from Barrie, the double track may provide CN with better opportunity and flexibility in using the track (subject to agreement by Metrolinx) particularly if traffic levels are higher than recent years on the BCRY.

Figure 3-1: Metrolinx's current and proposed schedule for the Barrie GO line



Source: Metrolinx

### 3.1.2 Simcoe Needs Assessment

In the Simcoe Area Multi-Modal Transportation Strategy Needs Assessment Study conducted by IBI Group in 2014,<sup>9</sup> many proposed interventions would impact rail services in the Simcoe region. Mainly, the two most influential projects were not considered passed the preliminary screening phase. The first project considered building additional freight yards in the Simcoe region to “encourage economic development and reduce truck volumes on provincial and county facilities” but the report also stated that the “Simcoe Area is not considered to be a preferred location for future rail and intermodal yard development.” This plan’s end result would be uncertain as it would bring additional rail traffic, but not necessarily to the BCRY. The second project consisted of adding dedicated truck lanes on Highway 400. This reduces car and truck conflicts and travel time by expanding road capacity. The benefits of this type of project have not been researched enough to warrant further consideration. However, there remained multiple projects in the final scenario analyses which would benefit trucking over rail, including the widening of Highway 400, interchange improvements, HOV lanes on Highway 400, and more frequent GO Barrie service (which would take cars off the road). Based on the study results, Barrie is not a primary target for the development of a logistical hub, but will continue to act as a “spoke” off of the main hub of Toronto.

### 3.1.3 Southern Highways Program

Ontario’s Ministry of Transportation publishes annually five-year investment plans for Ontario’s highway network.<sup>10</sup> In the latest Southern Highways Program report covering 2017 to 2021, the only plans related to the Toronto-Barrie corridor (mainly Highway 400) were an expansion of

<sup>9</sup> Submitted to Ontario’s Ministry of Transportation

<sup>10</sup> <http://www.mto.gov.on.ca/english/highway-bridges/southern-and-northern-highways-programs.shtml>

the HOV lane from Major Mackenzie Dr. to King Rd. and two interchange modifications in Simcoe. These are projects that are unlikely to cause any significant improvements in the competitiveness of trucking.

#### 3.1.4 Greater Golden Horseshoe Transportation Plan

Ontario's Ministry of Transportation is developing a new long-term plan for the Greater Golden Horseshoe area (GGH). The goal of the plan is to look at what the transportation landscape will look like in 2051 and consider how every mode will contribute to the mobility of people and goods in the GGH. The study has concluded its feedback period for the Draft Goals and Objectives phase, but there will be opportunities to get involved during the three next phases (draft vision, network options, and draft plan).<sup>11</sup> If not already done, it would be useful for the City of Barrie and County of Simcoe to reach out to the Ministry of Transportation to let the agency know of their interest in the planning process.<sup>12</sup>

#### 3.1.5 Trucking Rates

Many consultations mentioned the rise in trucking rates and the lack of supply throughout 2018. These concerns are part of a larger trend occurring throughout North America. With the current economic expansion, the trucking industry has struggled to keep up with the pace of increased shipments. According to the *2018 Trucking Perspectives* published by Inbound Logistics in September 2018, 78% of shippers said they have seen their trucking rates rise over the past year while 62% of survey responders believed that there is a shortage of trucking capacity.<sup>13</sup> Therefore, it is essential that companies in Barrie are made aware of rail as an alternative so that they can take advantage of potential cost savings.

### 3.2 Modal Competitiveness

As a rule of thumb, shippers and logistics providers will favour moving product using the lowest cost mode of transport. However, other factors also influence shipper decisions indirectly through cost. Below are some examples of how these factors influence cost:

- **Travel time:** Increasing travel time increases the holding/inventory costs (especially for high-value, time-sensitive products) and transportation equipment costs (e.g. rail cars) experienced by the shipper.
- **Reliability:** Decreasing reliability also increases the holding cost and transportation equipment costs experienced by the shipper, especially for high-value, time-sensitive products, because more buffer time must be built into schedules and/or more buffer stocks must be held in the supply chain. Some shippers frame this as “consistency of supply

<sup>11</sup> <http://www.gghtransport2051.ca/wp-content/uploads/sites/18/2017/07/How-We-Develop-it-EN-OCT2017.pdf>

<sup>12</sup> Email: [contact@gghtransport2051.ca](mailto:contact@gghtransport2051.ca)

<sup>13</sup> <http://www.inboundlogistics.com/cms/article/2018-trucking-perspectives/>

chains”: i.e. however long it takes to ship, the transit time should be consistent between shipments.

- **Risks/information:** Product damage from loading, unloading, and transit can increase the cost to shippers. For example, handling of wood pellets needs to be limited to avoid the breakdown of the pellets. Refrigerated cargo is often monitored to ensure the product integrity.

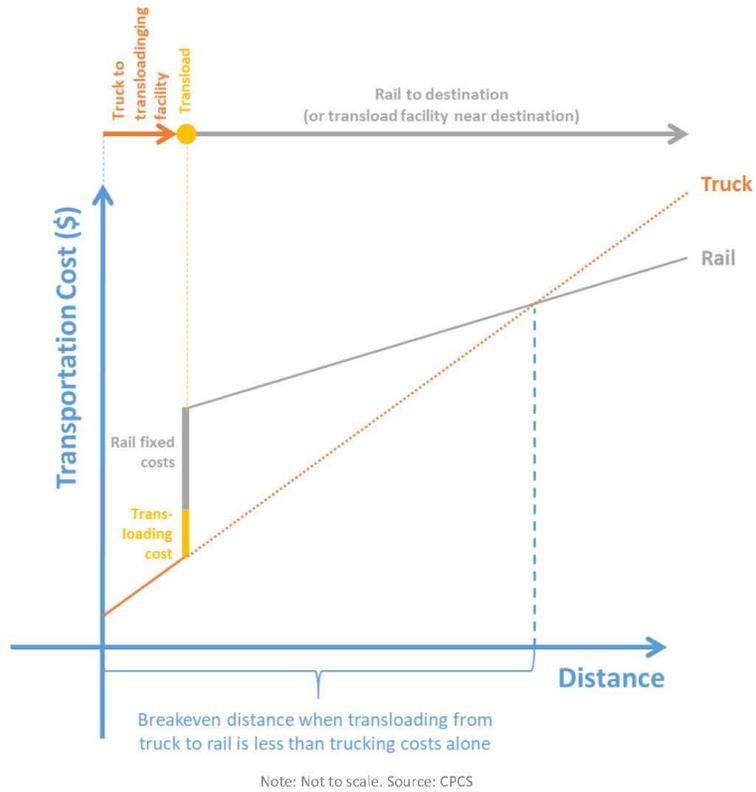
Ultimately, the specific trade-off made between these factors is influenced by the commodity (e.g. weight, value, volume, perishability) and their market characteristics (e.g. origin, destinations, cost of alternative transportation), and shipper preferences. For example, a high-value shipment of auto parts as part of a just-in-time supply chain for an assembly plant is likely to be transported by higher-cost but faster and higher-reliability trucking. By contrast, a delivery of lumber, which is low-value and can be easily stockpiled, is likely to be transported by rail to benefit from the lower shipping costs.

Generally, the greater the volume of cargo that can be transported in one move, the lower transportation cost per tonne-kilometre due to economies of scale (fixed costs spread over a large volume). To this end, rail generally has a lower cost per tonne-km than trucking for longer distance moves. However, handling costs, and the cost of positioning rail cars, can make rail more costly per tonne-km for shorter distances. The breakeven point in distance between truck and rail usage is generally 500 km; i.e. when the transportation distance is longer than 500 km, rail can be more economical. In addition, many bulk commodities are well-suited for transload where the inbound cargo is unloaded from a rail car at a transload facility and trucked the last mile; or it is trucked the first mile to the transload facility and loaded on to rail. Transload facilities can range from a track or tracks with road access on both sides; a track or tracks with side or end ramps; manned facilities for cross-dock operations;<sup>14</sup> and commodity-specific bulk handling facilities. The simpler ones are much more common, not capital or operating cost intensive and owned by a municipality or the railway. Figure 3-2 below demonstrates the relationship between distance and transportation costs for trucking and rail.

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<sup>14</sup> Transferring goods directly from an inbound truck/railcar to an outbound truck/railcar

Figure 3-2: Example of generic cost profile of a transloading facility



# 4 BCRY Customers

## Key Chapter Takeaway

Two companies have provided the majority of BCRY traffic in recent years; with three others providing much smaller amounts. Almost all of the traffic is inbound and most is reasonably long-haul (800 miles or more). Generally, customers are satisfied with the service provided by Cando but have had difficulties in communications with CP. In addition, there are a number of additional companies who seem to have rail-suitable traffic and are interested in the rail option.

### 4.1 Current Customers

Through in-person consultations and internal documents, we estimate that the BCRY handles approximately 220 railcars per year and that its customers have varying degrees of rail infrastructure. One customer has a double track siding, two have single track sidings, and one customer has no rail infrastructure. The customer without infrastructure unloads shipments at the Utopia Yard with their own equipment.<sup>15</sup> The BCRY handles commodities from several industries including chemicals, lumber, clay and industrial products. Historically, BCRY customers use the shortline to receive inputs for their business, modify them onsite but ship the final products by truck.

To target the “low hanging fruit”, we have searched for potential customers along the BCRY track, companies that are close to existing sidings, and companies recommended by other stakeholders. Our findings are found in the following section.

### 4.2 Prospective Rail Customers

We identified 13 potential customers that are close to the BCRY track and have products or services that require bulk shipping. Companies identified produce or use products such as lumber, scrap metal, cement, and plastics. Findings from our consultations include:

- A stakeholder indicated the need for open access to both sides of the track, which may require repairs to the loading ramp

<sup>15</sup> Company representatives indicated that surface conditions have sometimes been less than ideal, and have recommended improved drainage and ice thawing capabilities at the site.

- A former customer used rail to a much greater extent in the past and remains bullish on possibilities for it in the future given the distances much of the incoming materials travels (including eastern and western Canada). They indicated that they have seen a move in recent years from rail car to intermodal container
- We found that materials used by potential customers are currently sourced from locations such as New Brunswick, Quebec, eastern US, and Ohio
- Multiple stakeholders use CN's MacMillan Yard in Vaughan to transload materials to rail for long-distance transport or off of rail to then truck to Barrie
- One stakeholder did a trial run of shipping products cross-country but it determined that it was not as competitive or efficient as their current fleet of trucks. The main issues were AAR regulations for load securement (too complex and expensive to be competitive) and the schedule of shipments
- A stakeholder considered repairing the siding a few years ago but cancelled the initiative due to concerns of a BCRY shutdown.
- A stakeholder mentioned that their future focus was on using rail as its primary mode of transportation but the business case analysis was still ongoing

#### 4.3 Companies Unsited for Rail

We analyzed an additional 11 companies from three of Barrie's top manufacturing sectors (automotive parts, machinery and fabricated metal). However, after evaluating the products each business used/produced, facility size, and proximity to the BCRY track, we determined that rail would not be a competitive transportation option.

# 5 BCRY Market Potential

## Key Chapter Takeaway

The BCRY's operations could expand considerably if it were able to gain only a few new customers. Optimistically, our analysis estimates that traffic could reach 3,275 railcars if several new customers switched to rail. A renewed relationship with CP would help improve service for current customers and could result in the addition of rail service for current industries and the addition of new industries requiring rail service.

## 5.1 Customer Overview

To determine the potential number of railcars the BCRY could expect moving forward, we questioned potential customers on the amount of materials/products shipped in and out of their facilities on an annual basis. We then converted these estimates into railcars by assuming a railcar load of 80 tonnes. We estimate that total *potential* new business could range from 2,350 railcars to 3,050 railcars per year.<sup>16</sup> However, we cannot guarantee that a company will reach the number of railcars estimated if it switches to rail, so these values should be taken as an optimistic scenario. Potential customers would require certain actions before considering rail such as re-activating a siding, the availability of a nearby transload facility, better level of service from CP, better rates, or building a siding.

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<sup>16</sup> This would be in addition to the current 218 railcars delivered per year

## 5.2 The CP Relationship

### 5.2.1 The Importance of the CP Relationship

Notwithstanding the slim possibility of implementing an interchange agreement with CN at Bradford, the fortunes of BCRY largely ride with CP. From this, it should not be inferred that we recommend little can be done to improve the plight of BCRY. Quite to the contrary, we believe there are very specific steps that can be taken, however, they will need to be taken either in tandem with CP or in line with their protocols and processes.

### 5.2.2 Current Situation

The overriding theme we have heard from current and prospective rail customers has been that CP has little interest in BCRY traffic based on:

- Shippers' inability to connect to the right person at CP to discuss opportunities for rail; and
- CP's unreliability in interchanging traffic with BCRY.

In our experience, Class I railways focus on large rail customers that have regular shipping schedules and do not necessarily prioritize smaller clients. This is complicated on account that the rail shippers and receivers on the BCRY are not located on CP sidings. It is also aggravated by the fact that most customers on the BCRY are the destinations for rail traffic and few (if any) are the shippers. If there was one or many major shippers on the BCRY, there may be a regional sales associate who better tracks service delivery and new opportunities for rail on the BCRY. Another recurring theme is that government's and railway's objectives are aligned but do not communicate effectively with each other, resulting in some win-win projects not materializing.

### 5.2.3 Introductory Meetings with CP and Future Opportunities

On a number of occasions in November 2018, we had telephone meetings with staff of CP and are pleased to report they have been forthcoming with information and are interested in further engagement after study conclusion. CPCS has identified a CP representative who has agreed to be the point person at CP and will coordinate with other CP staff depending on the request. To note, the usual process for inquiring customers is to contact the CP representative, whose team will work to understand the company's rail needs then assign a commodity group and regional account manager who will help with siding, scheduling, and transportation logistics.

Two other CP initiatives are noteworthy:

- CP is expanding an initiative for city partnerships in 2019 in the hope of connecting directly with municipal business development staff.
- Another initiative that could help with planning is an annual meeting with all stakeholders, including CP, to address comments and issues from the community. We understand from our consultations that this was a practice several years ago but the

meetings were eventually cancelled. The meetings could be advertised to help attract new business and answer any preliminary questions that new customers may have.

#### 5.2.4 Business Development

A closer relationship with CP can open doors to opportunities that were unavailable in the past. During the project, CP inquired into land availability in the Barrie and Simcoe area close to the BCRY track.

### 5.3 Value Proposition

The value of the BCRY stems from three factors:

#### 1) Location

Barrie and Innisfil are heavily industrialized and the BCRY trackage is well-connected or in close proximity to much of the industry. There is also adjacent land available for industrial development with the added value of excellent rail connectivity potential. Being located just north of the GTA with excellent connectivity provided by Highway 400 and CP's transcontinental main corridor, BCRY is very well positioned to be a hub between rail and road by way of:

- Industry that transforms bulk inputs into products for the GTA and beyond; or
- Transload facilities for transferring bulk goods from rail to truck for delivery within the GTA and broader region.

Most current BCRY customers are of this ilk in that inputs are coming in by rail and outputs are being trucked to clients. In addition, there are local industries that have inputs that are well-suited to rail (plastics and lumber, as examples) and could switch to rail under the right circumstances.

#### 2) Cost Effectiveness

Cando provides low-cost, quality switching and is likely well below the cost CP could offer to provide this switching service itself. This is clear from CP's long-term engagement of Cando to provide switching services to CP at its Vaughan Intermodal Terminal. Cando's yard crews handle key tasks that have allowed CP to increase its network velocity and build capacity all while maintaining safe operations. Cando has also done an exemplary job in maintaining track infrastructure; they could almost certainly construct transload facilities or private sidings at much lower costs than CP or specialized contractors.

#### 3) Right time for Rail

On account of rising truck rates (resulting partially from reduced capacity due to driver shortages), rail is becoming more attractive. Railways are more aggressively looking beyond large customers and major industries to find new traffic. This seems clear thus far from our response from CP. In addition, they have shown a willingness to collaborate with municipalities to identify and develop win-win opportunities.

# 6 Long-Term Strategy

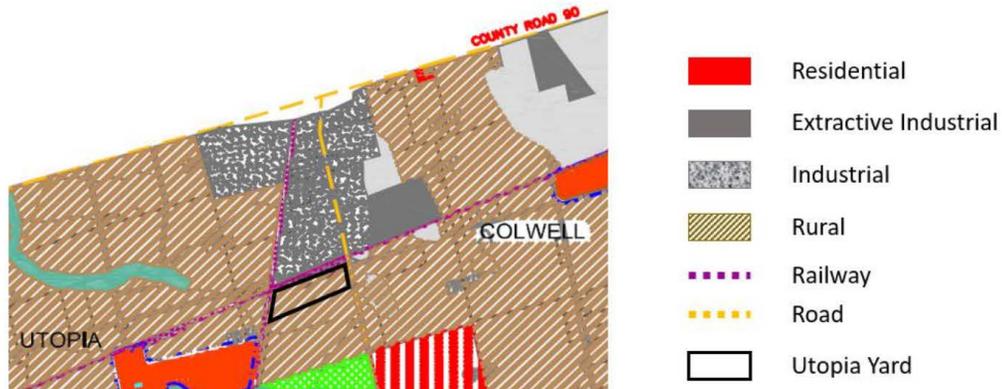
## Key Chapter Takeaway

BCRY’s long-term strategy needs to focus on enhancing its relationship with CP as well as enable communication between CP and current and prospective rail customers of BCRY. Equally important is regular effective dialogue between CP and the municipalities served by BCRY. In addition it must continue to provide reliable and timely rail service. Lastly, it should look closely at re-establishing or building one or more team track facilities for customers to transload from rail to truck (or vice versa).

### 6.1 Utopia Yard

The Utopia Yard is located southeast of the CP-BCRY rail diamond and is zoned as “rural”. An attempt to re-zone the Utopia Yard to “industrial” in November 2017 failed due to strong opposition from citizens of the Township of Essa during a public meeting. An industrial designation is required to expand activities in the yard, including the proposed transload facility for fuels.

Figure 6-1: Zoning map for the Utopia Yard and surrounding lands



Source: Township of Essa Land Use Designation Map

Per the Township of Essa Land Use Official Plan, the industrial zones are for “non-obnoxious forms of industry such as manufacturing, assembly, processing, fabrication, storage, repair, warehousing and research establishments,” while activities considered noxious have to do with

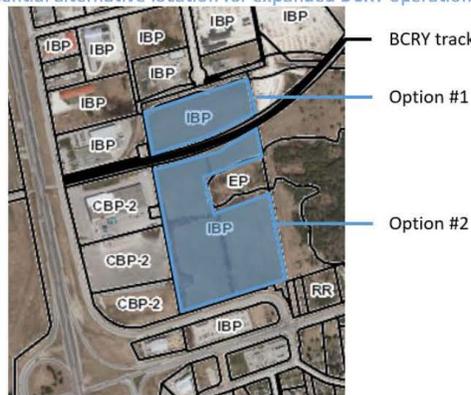
excess emissions of noise, smoke, odour or pollution. New industrial zones are subject to an amendment to the Zoning By-Law and Site Plan Control and require a Planning Report to be submitted and accepted by the Township.

The Planning Report must include:

- The reasons that justify the use of the subject lands for industrial and the rationale as to why the specific industry cannot be located in an existing designated area;
- The site characteristics and the proposed alternatives to the site;
- The implication of the development on the agricultural community and the natural heritage features of the municipality;
- The servicing implications and the effect on the road system.

If BCRY wants to diversify its operations (e.g. by developing a fuel depot), it may be easier to acquire another plot of land already designated as industrial, or a rural property further away from the community which could be re-zoned as industrial. One such example would be in the Innisfil Heights Business Park, as seen in Figure 6-2. Near the end of the BCRY track, two locations are available on either side of the track with road access and close proximity to Highway 400.

Figure 6-2: Potential alternative location for expanded BCRY operations



Source: CPCS Analysis of the Innisfil Land Use Map

The Industrial Business Park (IBP) designation accommodates commercial, office and light industrial uses and employment-related commercial uses and accessory retail uses along the

Highway 400 corridor in a business park setting.<sup>17</sup> The notable permitted uses for an IBP designation consist of:

- bulk fuel depot,
- bulk storage yard,
- cartage, express or truck terminal
- contractors shop or yard

## 6.2 Partnerships

### 6.2.1 CP

As discussed in Section 5.2, we believe that it is in the interest of both CP and the BCRY to collaborate and expand the client network in the Simcoe and Barrie area. CP can leverage its customer base to attract new business. The BCRY plays a vital role for local customers and CP by providing a gateway to the continental railway network and doing so cost-effectively.

### 6.2.2 CN and Metrolinx

As discussed in Section 2.3, interchanges between CN and BCRY on Metrolinx's Barrie GO line may be possible; thus giving BCRY an alternative to CP. If implemented, BCRY customers who have traffic originating on the CN network or destined for the CN network could potentially receive reduced rates by bypassing the interchange and going directly to Barrie. Although this holds some promise, the likelihood of traffic materializing through this route seems slim given that current traffic levels are likely not sufficient for CN to implement a service or actively market to customers on the BCRY. In short, concentrating BCRY's efforts to growing the relationship with CP will be far easier and less time-consuming than starting a new partnership with CN.

## 6.3 CP Diamond

Although we have not received a copy of the agreement governing the diamond, we understand that BCRY is senior and that this has not been disputed by CP. Currently, CP undertakes maintenance of the diamond.

The benefits of being senior at the diamond stem from a governing agreement entered by both parties, since the *Canada Transportation Act* has nothing to say about railway-railway crossings (diamonds).<sup>18</sup> Similarly under the *Railway Safety Act* a diamond is just a "line work" which is a subcategory of a "railway work".

That the junior railway (CP) maintains the diamond while not obligatory is the usual practice: see pp. 70-72 of H.E.B. Coyne, *The Railway Law of Canada* (Toronto, 1947). As long as the diamond remains a diamond, CP will continue to bear the costs of its maintenance irrespective of how the arrangement was arrived at originally: there may have been an agreement between

<sup>17</sup> <https://innisfil.ca/living/ourbylaws/buildingconstruction/zoning>

<sup>18</sup> The *Canada Transportation Act* does cover explicitly road, utility and private (farm) crossings.

CP and CN (the predecessor of BCRY) when the CP line was built over the CN line or there may have been a decision by one of the many predecessors of the Canadian Transportation Agency concerning the same.

Under the scenario where BCRY wished to convert that portion of the right of way into walking train trail or longer the diamond into or a pedestrian or road crossing brings us to section 101 of the *Canada Transportation Act* which provides as follows:

**Filing agreements**

*101 (1) An agreement, or an amendment to an agreement, relating to the construction, maintenance or apportionment of the costs of a road crossing or a utility crossing may be filed with the Agency.*

*Note: Based on section 101(1), BCRY's will certainly need CP's approval. Section 87 of the Canada Transportation Act defines "road" as "any way or course, whether public or not, available for vehicular or pedestrian use."*

**Effect of filing**

*(2) When the agreement or amendment is filed, it becomes an order of the Agency authorizing the parties to construct or maintain the crossing, or apportioning the costs, as provided in the agreement.*

**No agreement on construction or maintenance**

*(3) If a person is unsuccessful in negotiating an agreement or amendment mentioned in subsection (1), the Agency may, on application, authorize the construction of a suitable road crossing, utility crossing or related work, or specifying who shall maintain the crossing.*

**No agreement on apportionment of costs**

*(4) Section 16 of the Railway Safety Act applies if a person is unsuccessful in negotiating an agreement relating to the apportionment of the costs of constructing or maintaining the road crossing or utility crossing.*

The relevant provisions of section 16 of the *Railway Safety Act* read as follows:

**Reference to [Canada Transportation] Agency**

*16 (1) The proponent of a railway work, and each beneficiary of the work, may refer the apportionment of liability for the construction, alteration, operational or maintenance costs of the work to the Agency for a determination if they cannot agree on the apportionment and if no recourse is available under Part III of the Canada Transportation Act or the Railway Relocation and Crossing Act. The referral may be made either before or after construction or alteration of the work begins.*

**Agency to apportion expenditure**

*16 (4) Where a matter is referred to the Agency under subsection (1), the Agency shall, having regard to any grant made under section 12 or 13 in respect of that matter, the relative benefits that each person who has, or who might have, referred the matter stands to gain from the work, and to any other factor that it considers relevant, determine the proportion of the liability for construction, alteration, operational and maintenance costs to be borne by each person, and that liability shall be apportioned accordingly.*

In view of section 101 of the *Canada Transportation Act*, BCRY's right of seniority at the diamond are lost in the event the diamond is removed. The original diamond agreement between CN and CP (if one exists) may dictate the respective responsibilities of the parties for removing the diamond. It is likely that CP will remove the diamond and restore its track at its own costs given the salvage value of the diamond and the high level of maintenance required. In the event however that BCRY and CP cannot agree on who is to bear the costs of removing the diamond and restoring the track, the matter/dispute may be referred to the Canadian Transportation Agency under section 16(1) of the *Railway Safety Act*. Section 16(4) of the same Act provides the general guidelines as to how the Agency is to apportion the costs of altering the diamond. The junior-senior principle may be taken into account but, as explained by the Agency in Decision No. 517-R-2003, dated September 10, 2003, at the end of the day "the Agency considers each case on its own merits".

In the event BCRY wishes to install a vehicle or pedestrian crossing at the location of the diamond, CP will probably be under no obligation to cover the cost of construction of the crossing, and will likely choose not to. In addition, CP will probably have to bear little or no future costs of maintenance of crossing surfaces or protection. This said, because the Agency is given discretion in all cases brought to it under section 16(1) of the *Railway Safety Act* any opinion by us on this issue (without a thorough examination of the relevant facts and previous decisions of the Agency and its predecessors) must remain tentative. We refer you to a recent decision by the Agency (Decision No. 40-R-2018, dated June 14, 2018 in re: Application by the Corporation of the City of Cambridge and the Corporation of the City of Kitchener against the Canadian Pacific Railway Company (CP) pursuant to subsections 101(3) and 101(4) of the *Canada Transportation Act* and section 16 of the *Railway Safety Act*) whereby the Agency addressed the following issues:

- a. *Should the Agency authorize the construction of a road crossing at the proposed location?*
- b. *If so, is the proposed road crossing a suitable crossing?*
- c. *If so, how should the Agency apportion the costs for the construction, alteration, operation, and maintenance of the proposed crossing between the municipalities and CP?*

This being said, when the parties agree and sign and file an agreement with the Agency, it becomes an order of the Agency: see, for e.g. Order No. 2011-AGR-241, dated June 21, 2011, in re: Agreement between the Canadian Pacific Railway Company and the Town of Cochrane pursuant to subsection 101(2) of the *Canada Transportation Act* relating to the construction and maintenance of a road crossing (pedestrian) as well as the installation and maintenance of a road crossing warning system.

## 6.4 Governance Structures

### 6.4.1 Current Structure: Public-Private Partnership (PPP)

The BCRY's current governance structure can be classified as a PPP where the rail infrastructure is owned by a public entity (City of Barrie and County of Simcoe)<sup>19</sup> while a private company (Cando) handles the operations, maintenance and some marketing in exchange for a monthly fee and a share of the profits. The current operating agreement was signed on January 1, 2015 and will expire at the end of this year on December 31, 2020.<sup>20</sup> The general terms of the contract stipulate that Cando will provide operational services with their own equipment (e.g. locomotive) and labour in exchange for a guaranteed monthly fee regardless of actual revenues, plus a split of any revenues that exceed the value of the monthly fee.<sup>21</sup> The Corporation of the City of Barrie owns the rail track and surrounding property of the operation zone.

With this governance structure, the public bears the risk of low traffic while incentivizing the private partner to maximize revenue to increase their own compensation. However, since the current operation has not been profitable for the past few years, Cando has only been receiving their guaranteed monthly fee. Without any improvements, this situation is more reflective of a management contract than a public-private partnership. To return to a PPP style governance structure, Cando would have to become an active partner in the search for new customers instead of just playing an operator role. The attempt to build a fuel depot at the Utopia Yard is a great example of how the initiative of the private partner could benefit both partners in the long-run.

### 6.4.2 Alternative 1: Management Contract

Under the management contract option, the BCRY would periodically competitively tender the operation of the railway. Tendering can help lower operational costs if there are competing bids, however it also demands oversight on the side of the BCRY during the tendering process and may cause turnover between operators. Furthermore, the BCRY would assume responsibility for the marketing and promotion of the rail services as an operational contractor would have little incentive to do so given long lead times to develop business. An example of a shortline railway with a management contract is the Orangeville Brampton Railway (owned by the Town of Orangeville and the Orangeville Brampton Rail Access Group but operated by Trillium Railway Co.).

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<sup>19</sup> The rail infrastructure north of the Utopia Yard is owned by the County of Simcoe, the rail infrastructure south of the yard is owned by the City of Barrie, and the Utopia Yard is jointly owned by the two parties.

<sup>20</sup> The Corporation of the City of Barrie may renew the agreement for four individual one year extensions to be renewed each year, if approved by the City on the same terms at least 120 days prior to the expiry of the original agreement.

<sup>21</sup> Revenues that count towards profit are: switching revenue, signal crossing charges to road authorities and revenues from car storage.

#### 6.4.3 Alternative 2: Private Ownership

Under the private ownership option, the City of Barrie and County of Simcoe would sell the majority, or complete, ownership of the rail infrastructure to a private company. This type of opportunity would typically be pursued by a company that believes it can grow traffic/revenue, reduce operational costs to increase profit, or it finds a long-term strategic value in the railway. This would be particularly suitable if a large customer were to establish themselves along the BCRY track and require significant service. A service provider such as CP could purchase the BCRY track to provide that elevated level-of-service needed by the customer and also acquire the last-mile connection to the rest of the Barrie/Simcoe area. However, this would likely lead to higher rates as CP cannot switch rail cars as cost effectively as Cando can currently on account of higher direct and indirect costs at CP. Another bidder could be Cando, who have experience owning another shortline in Manitoba and already have employees in the Barrie region to operate the BCRY. Since they have not made an offer to purchase the BCRY, it is most likely an indication that they are content with the current agreement or are waiting for traffic to increase before considering ownership.

#### 6.4.4 Suggested Improvements

We recommend retaining the current governance structure for the time being as the alternative structures do not add significant value (management contract) or are not likely (privatization). However, we do recommend creating a board of directors for the BCRY. This would include representatives from the City of Barrie, the County of Simcoe, and perhaps CP, Cando, and industry stakeholders. This would guarantee that the direction of the BCRY is guided by users and partners and maintain a channel of communication with important stakeholders.<sup>22</sup> If the shortline shows signs of steady profitability, the City of Barrie and County of Simcoe may then choose to divest their interest from the railway and allow a private company to take over operations.

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<sup>22</sup> To note, creating a board will require funds be set aside to compensate directors for their time and travel expenses

# 7 Future Budget

## Key Chapter Takeaway

With all crossing agreements in place, municipalities or road authorities will be required to pay for a share of BCRY's maintenance and capital costs for crossings; effectively reducing BCRY's annual operating deficit; and there is some merit in considering this. However, the most effective way to grow revenue is by attracting new customers to BCRY. About three new customers will bring the BCRY to a revenue-neutral position. Construction of common-use team tracks will foster traffic growth. Five funding programs are available that could help reduce the costs of one-time projects.

Since the budget is already used efficiently to maintain the track infrastructure, we believe the best strategy to reach revenue-neutrality is to negotiate crossing agreements and grow the customer base.

## 7.1 Crossing Agreements

Cost-sharing structures for operational and capital costs at rail crossings vary from site to site based on either crossing agreements or seniority. There are three general cost categories that are governed in different ways and outlined in the *Railway Safety Act*.

### 7.1.1 Crossing Warning Systems

For signals, gates and other relevant devices, the costs of installation are borne by the new partner (road or rail). The cost distribution following installation (operational and maintenance) is then negotiated between the road authority and the railway company.

### 7.1.2 Crossing Approaches

The costs to construct and maintain road approaches are paid for by the road authority. If a track elevation change is needed from a rail perspective, the costs are the responsibility of the railway company.

### 7.1.3 Crossing Surface

The costs related to crossing surfaces are either outlined in the crossing agreement, or defer to the seniority status of the road and rail parties. As defined by the registration date or site agreement, the junior party has a larger cost share. If the railway is junior, it must pay for the construction, widening, and maintenance for the crossing surface up to the original right-of-way width, while the road authority must cover the costs beyond those limits. If the road is junior, the road authority must cover all crossing surface costs.

#### 7.1.4 Current Crossing Agreements

Although we have not reviewed any of the crossing agreements between the BCRY and road authorities, it is our understanding that there are agreements in place for crossings where signals, bells or gates are in place. The standard cost distribution is 50/50 between the two parties for scheduled maintenance of the crossing warning systems. However, it is recommended that the BCRY negotiate crossing agreements for the remaining crossings as crossing surface maintenance costs should typically be covered by the road authority. In the event the City and County wish to sell BCRY, it would be best to have the agreements in place in advance. From the Canadian Transportation Agency's *Guide to Railway Charges for Crossing Maintenance and Construction 2017*, Schedules B, C, D, and E outline standard labour, material, and equipment rates for crossing surface maintenance (e.g. planking, pavement or other suitable material placed between the rails and to the ends of the ties) for crossings that do not have warning systems (only signs). The charges are billed after the work is performed and separately from scheduled maintenance on crossing warning systems.<sup>23</sup>

The Canadian Transportation Agency ("Agency") guidelines provide an estimate of the cost of maintaining, upgrading and renewing crossings. Once an agreement has been negotiated between the BCRY and a road authority, the BCRY can submit the agreement to the Canadian Transportation Agency website at the following address: <https://services.otc-cta.gc.ca/eng/form19>.

#### Road and Utility Crossings

Under Section 102 (1-4) of the *Canada Transportation Act*:

1. An agreement, or an amendment to an agreement, relating to the construction, maintenance or apportionment of the costs of a road crossing or a utility crossing may be filed with the Agency.
2. When the agreement or amendment is filed, it becomes an order of the Agency authorizing the parties to construct or maintain the crossing, or apportioning the costs, as provided in the agreement.
3. If a person is unsuccessful in negotiating an agreement or amendment mentioned in subsection (1), the Agency may, on application, authorize the construction of a suitable road crossing, utility crossing or related work, or specifying who shall maintain the crossing.
4. Section 16 of the *Railway Safety Act* applies if a person is unsuccessful in negotiating an agreement relating to the apportionment of the costs of constructing or maintaining the road crossing or utility crossing.

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<sup>23</sup> <https://www.otc-cta.gc.ca/eng/publication/guide-railway-charges-crossing-maintenance-and-construction-2017>

### Private Crossings

Under Section 103 (1-3) of the *Canada Transportation Act*:

1. "If a railway company and an owner of land adjoining the company's railway do not agree on the construction of a crossing across the railway, the Agency, on the application of the owner, may order the company to construct a suitable crossing if the Agency considers it necessary for the owner's enjoyment of the land."
2. "The Agency may include in its order terms and conditions governing the construction and maintenance of the crossing."
3. "The owner of the land shall pay the costs of constructing and maintaining the crossing."

Figure 7-1: Detailed breakdown of each crossing situation

Municipal Responsibility	Crossing	Sub	Mile	Spur	Mile	Type	Comments/Action
MTO	Hwy 400	Beeton	77.2	-	-	GS	The road authority (MTO) pays for all maintenance costs of the substructure, superstructure and retaining walls of an overhead bridge. If this is currently the case, then no action is required by the BCRY.
MTO	Hwy 400	Meaford	0.94	-	-	GS	
Innisfil	Industrial Rd.	Beeton	77.3	-	-	FLB	Agreement with standard maintenance rates outlined by CTA
Innisfil	9 Line	Beeton	78.3	-	-	XB	Negotiate crossing agreement with road authority. The road authority will have to pay for crossing surface maintenance.
Private	Clifford Crt.	Beeton	78.06	-	-	XB	Agreement with standard maintenance rates outlined by CTA
Private	Private Crossing	Meaford	0.55	-	-	-	Negotiate crossing agreement with owner of adjacent land. The land owner will have to pay for crossing surface maintenance.
Barrie	McKay Rd.	Beeton	79.17	-	-	FLB	Agreement with standard maintenance rates outlined by CTA
Barrie	Lockhart Rd.	Beeton	80.07	-	-	GS	The road authority (City of Barrie) pays for all maintenance costs of the substructure, superstructure and retaining walls of an overhead bridge. If this is currently the case, then no action is required by the BCRY.
Barrie	Saunders Rd.	Beeton	80.83	-	-	FLB	Agreement with standard maintenance rates outlined by CTA
Barrie	Mapleview Rd.	Beeton	81	-	-	GS	The road authority (City of Barrie) pays for all maintenance costs of the substructure, superstructure and retaining walls of an overhead bridge. If this is currently the case, then no action is required by the BCRY.
Barrie	Huron Rd. S.	Beeton	81.92	-	-	FLB	Agreement with standard maintenance rates outlined by CTA
Barrie	Big Bay Point Rd.	Beeton	82.04	-	-	FLB	
Barrie	Huron Rd. N.	Beeton	82.28	-	-	FLB	
Barrie	Little Ave.	Beeton	83	-	-	FLB	
Barrie	Yonge-Burton	Beeton	83.3	-	-	FLB	
Barrie	Welham Rd.	Beeton	82.5	Bayview	0.56	XB	
Barrie	Truman Rd.	Beeton	82.5	Bayview	0.19	XB	Negotiate crossing agreement with road authority. The road authority will have to pay for crossing surface maintenance.

Barrie	Bayview Dr.	Beeton	82.5	Bayview	1.27	XB	
Barrie	Essa Rd.	Meaford	0.15	-	-	XB	Agreement with standard maintenance rates outlined by CTA
Barrie	Innisfil St.	Meaford	0.32	-	-	FLGB	
Barrie	Anne st.	Meaford	0.46	-	-	FLGB	
Barrie	Patterson Rd.	Meaford	1.1	-	-	FLB	
Barrie	Ferndale Rd.	Meaford	1.25	-	-	FLBG	
Barrie	Tiffin St.	Meaford	0.74	Barrie	0.12	XB	Negotiate crossing agreement with road authority. The road authority will have to pay for crossing surface maintenance.
Barrie	Brock St.	Meaford	0.74	Barrie	0.26	XB	
Barrie	John St.	Meaford	0.74	Barrie	0.44	XB	
Essa Township	11th Line	Meaford	3.89	-	-	XB	
Essa Township	10th Line	Meaford	4.5	-	-	XB	
Essa Township	9th Line	Meaford	5.5	-	-	XB	
Essa Township	8th Line	Meaford	6.3	-	-	XB	
County of Simcoe	Simcoe Rd. 27	Meaford	3	-	-	FLB	Agreement with standard maintenance rates outlined by CTA
County of Simcoe	Simcoe Rd. 56	Meaford	7.15	-	-	XB	Negotiate crossing agreement with road authority. The road authority will have to pay for crossing surface maintenance.

Source: City of Barrie

**Legend**

- GS: Grade separated
- FLB: Warning system consisting of flashing lights and a bell
- XB: Crossing sign
- FLBG: Warning system consisting of flashing lights, a bell and gates

## 7.2 Revenue and Traffic Level

### 7.2.1 Tariffs

The BCRY currently charges two prices for switching fees based on distance from the CP diamond. Farther customers in the Barrie/Essa regions pay a lower rate than customers in the Innisfil area. The switching cost is a relatively small component of rail costs for rail cars from distant locations with interchange between class 1 railways but a significant component of costs for railcars with a short line haul length (say within Canada). Much of the potential for growing BCRY rail traffic is with short haul length; and as such we do not recommend that consideration be given to growing rates as a means of increasing revenue at this time.

### 7.2.2 Traffic

As stated in Section 5.1, we estimated the potential for new traffic by questioning stakeholders on the amount of materials/products shipped in and out of their facilities on an annual basis. We then converted these estimates into railcars by assuming a railcar load of 80 tonnes. We estimate that total *potential* new business could range from 2,350 railcars to 3,050 railcars per year, in addition to the current 218 railcars from current customers. However, we cannot guarantee that a company will reach the number of railcars estimated if it switches to rail, so these values should be taken as an optimistic scenario.

## 7.3 Costs

Upgrades to BCRY's current infrastructure would help attract new customers and address some concerns from current customers, but will require upfront spending and long-term maintenance.

### 7.3.1 Operations

With the expected traffic level discussed in Section 7.2, we believe the only added tangible operating cost from an increase in traffic will be fuel for the locomotive. As per BCRY's operating agreement with Cando (section 3.1.d), Cando is under the obligation to "supply all fuel and operating supplies to operate the Locomotives and the Equipment and Tools." Therefore, BCRY's financials would not be impacted by a boost in traffic as the variable fuel costs are covered by Cando.

### 7.3.2 Team Tracks

#### Refurbishment of Utopia Yard Ramp

A low-cost option that could help attract and retain customers is the repair of the Utopia Yard. The refurbishment of the Utopia Yard ramp could benefit current and potential customers who do not have access to a siding. In order to make the ramp track usable the following work would be required:

- Repairs to track. Removal of vegetation from within the rail right-of-way; replacement of 50% of ties with used ones from the switch to the end of the ramp; addition of ballast

and surfacing of the track. It is assumed that rail is fine but it is possible some or all rail would need to be replaced with used rail). BCRY has used rail and ties in stock for this project.

Approximate cost: \$20K

- Repairs to driving surface on both sides of ramp. The least cost option would include removal of vegetation, addition of granular fill and compaction. Paving the area with asphalt would add significant cost but render an improved surface with less maintenance requirements and longer life.

Approximate cost: \$25K (unpaved driving surface); \$55K for paved surface

- Repair to ramp. Based on our quick review, the ramp seems to be in decent condition and would require minor repairs.

Approximate cost: \$5K

**Total approximate cost: \$50K or \$80K if paved**

Figure 7-2: Current Condition of the Utopia Yard Ramp



Source: CPCS



#### New Public Use Transload Facility

We have identified three sites that could have transload capabilities similar to the Utopia Yard (either a ramp as seen in Figure 7-2 or tracks on flat ground with elevated road ramp as seen in Figure 7-4).

Figure 7-4: Elevated Road Ramp



Option 1 (Figure 7-5) – This portion of track is in central Barrie, owned by CP but maintained by a third-party. The track is straight and runs parallel with and at the same grade as Lorena Street. The property is centralized around a cluster of companies. The fact that the track is adjacent to the road means the site can provide all-season access and maintenance will be minimal. The distance between the end of the ties and the street curb is less than 1 meter; and there is about 5 meters of land available on the far side of the track as well as parallel utility poles. As such, this site is not ideal side for a ramp. However, with some track repairs, the site could be used for spotting rail cars for local customers. However, without a ramp, there will be limitation as the type of cars that could be unloaded or unloaded; and the road authority would need to make provisions for truck parking when loading or unloading.

**Total Cost: \$5K (for track repairs)**

Option 2 (Figure 7-6) – This site is in the south of Barrie, near the border of Innisfil on McKay Road. The land is owned by BCRY and currently being used to store track materials. It has been fenced and gated on the road side on account of past thefts. The site could be upgraded to accommodate a team track with a ramp. The viability of this track is less clear as there are no current or perspective customers within close proximity so more study is required. Otherwise it is a very good site for a team track. Work that would be required includes:

- *Construction of a siding track including a single turnout for connection to mainline using used material*  
*Approximate cost: \$45K (based on used materials being purchased)*
- *Site preparation and construction of road access and driving surface using granular materials*  
*Approximate cost: \$35K*
- *Construction of earth ramp with treated lumber and asphalt driving surface.*

*Approximate cost: \$40K*

**Total approximate cost: \$100K (\$140 K if paved)**

Option 3 (Figure 7-7) – The farm land adjacent to the tracks within the Innisfil Heights Business Park could be used to construct a team track. Depending on what side of tracks is chosen, there is street access on Bowman Street to the north or Industrial Park Road to the south, as well as a side road adjacent to 2237 Industrial Park Road on the west side, just north of the tracks. The facility would benefit the Innisfil Heights Business Park customers who currently do not have sidings.<sup>24</sup>

**Total approximate cost: \$150K (excluding any land procurement costs)**

Figure 7-5: Transload Property Option 1 – Central Barrie



Figure 7-6: Transload Property Option 2 – McKay Rd, South Barrie



<sup>24</sup> Two companies already have sidings nearby

Figure 7-7: Transload Property Option 3 –  
Innisfil Heights Business Park



Source: Google Maps

The location of each transload option can be seen below.

Figure 7-8: Possible Locations for a New Transload Facility



Source: Google Maps

### 7.3.3 Refurbishment, Re-Installation or Construction of Private Sidings

In recent years, many customer sidings have been removed or not maintained so that they have deteriorated to the point they are no longer useable. It is clear that this has occurred on account

of a loss in rail traffic for one reason or another. One such example is the siding at 500 Veterans Drive (as shown in Figure 7-9). In many cases, repairs to make the sidings serviceable are minor and in the case of re-installation, significant investment is needed. Owners will need to make their own decision on whether to repair, re-install or for that matter construct a rail siding. However, BCRY should provide assurance to all current perspective rail customers of their long-term plan to maintain rail service. The BCRY should offer a customizable solution to each client that is looking to repair or install sidings. In addition, BCRY should commit to repairing or installing sidings at a competitive rate using used materials. Furthermore, consideration should be to developing costs for standardized work (track, turnouts, and site preparation as examples) and providing to customers to allow them to make an informed decisions.

Figure 7-9: Inactive Siding on the Canplas Property



Source: Google Maps

## 7.4 Revenue-Neutral Outlook

To determine whether the BCRY will be able to operate with a revenue-neutral business model moving forward, we first calculate the deficit amount on a yearly basis. Using capital budget estimates and the monthly fee guarantees to Cando from Section 2.2.2, we calculate that the BCRY's annual deficit is approximately \$790,000 (without considering revenue from switching). We then conduct an analysis of how many new customers must switch over to rail in order to decrease the current budget deficit. For prospective customers, we ordered the customers in terms of likelihood of switching to rail and determined that it would require at least three new customers for the BCRY to make an annual profit of approximately \$60,000 (approximately 1,100 additional railcars). This profit would only materialize if new customers used railcars for all shipping needs, which is not guaranteed. If seven of the potential customers we identified as "most promising" used rail, annual profits could climb closer to \$675,000.

## 7.5 Grants and Funding Options

Applying for federal or provincial grants would help reduce the cost of specific rail or rail-related projects. However, funding typically only covers one-time expenses, and therefore cannot be relied upon to reduce annual deficits. Brief program overviews are below and longer descriptions can be found in the Appendix.

The **Southwestern Ontario Development Fund (SWODF)** was established by the Government of Ontario to create jobs, encourage economic development, and attract private sector investment by supporting businesses and municipalities. This type of program would be useful for a project like the previously proposed transload facility. Project developers may receive up to 50% of their projects costs if the project creates 10 new jobs and already has \$100,000 in funding.

The **Rail Safety Improvement Program (RSIP)** provides funds across Canada to address rail safety issues and reduce the number of rail-related accidents and accidents on rail property. Eligible projects under the program are: replacing incandescent lights with LEDs, installing flashing lights, bells, and/or gates, separating railway crossing grades, closing crossings, etc. The program is currently accepting proposals for infrastructure, technology and research projects for funding in 2020-21, the deadline is on August 1, 2019. Both the City of Barrie and County of Simcoe are eligible to apply for funding with a maximum of 80% of costs covered.

The **Municipal Asset Management Program (MAMP)** provides funds to municipalities across Canada in order to better plan and manage critical assets. Although the program does not fund infrastructure upgrades directly, it can help fund plans and strategies for future plans or organizational development (similar to this project in fact and perhaps plans for a fuel depot or siding planning). Grants are available up to 80% of projects, with a maximum of \$50,000.

The **National Trade Corridor Fund (NTCF)** provides funding to projects that improve the flow of goods across the country. Typical grants are below \$50 million and the application window opens and closes periodically. Cando applied for funding for a short-line railway in Manitoba and received \$5.7 million to upgrade rail infrastructure.<sup>25</sup>

Similar to the Southwestern Ontario Development Fund, the **Small Communities Fund** provides funding to communities with less than 100,000 citizens. The program specifically mentions short-line railways as targets for funding and the program can cover up to 33% of total project costs.

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<sup>25</sup> <https://www.candorail.com/pine-falls-enhancement-project/>

# 8 Conclusions

## 8.1 Infrastructure

The railway infrastructure is located in the City of Barrie, Township of Essa and Town of Innisfil. The Utopia Yard in the Township of Essa is located beside the CP interchange and splits what was formerly the Collingwood portion of the BCRY track and the Barrie portion. The Collingwood tracks are only used for car storage while the Barrie side services BCRY's four customers. The Utopia Yard is also used by customers to unload shipments, but accessibility could be improved if the ramp was restored. There are currently four rail sidings in use along the track towards Innisfil, 15 crossings with active protection and 18 passive crossings. In general, the railway is in good condition considering the budget for maintenance and infrastructure upgrades. In the past few years, significant portions of the budget have been used for crossing upgrades.

### Operations

Cando employs a crew of five staff and provides freight services two to three days a week. Cando receives a "top up" by the BCRY if it does not meet a specified monthly revenue threshold. Based on estimates given by Cando and BCRY customers during consultations, approximately 200 to 300 cars are switched per year. Total annual revenues including car storage and switching fees are estimated at approximately \$300,000, while maintenance and upgrade costs total \$330,000.

### Rail Operations Agreements

CP and BCRY interchange load and empty rail cars on the three designated interchange tracks as per the AAR's (Association of American Railroads) Car Service Rule (CSR) 7 which is the standard arrangement for interchange of cars between railways.

## 8.2 Policies & Competitiveness

Metrolinx and Ontario's Ministry of Transportation will play major roles in the development of the Greater Golden Horseshoe Area's transportation landscape. Metrolinx plans to build a second track on the Barrie GO line and increase the frequency of trains. The Ministry of Transportation has been conducting studies to determine how to best address the increasing congestion on southern Ontario's highways, but no short-term plans should have a material impact on modal competitiveness. In terms of mode selection, rail is traditionally more competitive to trucking when shipping long-distances and in bulk.

### BCRY Customers

The City of Barrie has a growing manufacturing sector with both companies that are ideally situated and have the right type of product to utilize rail services. Based on consultations, we

believe there are seven promising potential customers that would benefit from switching to rail and have rail infrastructure near their locations.

#### **BCRY Market Potential**

To address the concerns over the long-term viability of the BCRY, the organization can take two steps to improve its services. First, the BCRY can facilitate conversations between current and potential customers and CP. By building a relationship with the commodity directors, the BCRY will gain exposure to more opportunities and will have a deeper knowledge of how to help their own customers gain access to rail. Second, improvements to the Utopia Yard would help attract customers that do not have a siding and help retain current customers due to better loading/unloading facilities.

### **8.3 Long-Term Strategy**

BCRY's long-term strategy should focus on enhancing its relationships with CP. Improving dialogue between CP and current and prospective BCRY customers as well as between CP and the municipalities served by BCRY will lead to CP better understanding the traffic potential on the BCRY and better appreciating the strategic location of BCRY given its location and its transport connectivity to the GTA. The goal is clear: increase traffic which should lead to an increased level of service by CP (i.e. more frequent and reliable interchange).

BCRY must continue to provide reliable, cost-effective and timely rail service to its customers. In order to foster rail service to prospective customers that lack sidings, it should consider re-establishing or building one or more team track facilities for customers to transload from rail to truck (or vice versa). In addition, it should take measures to encourage rail customers to invest in their own rail sidings.

#### **Future Budget**

To increase the BCRY's revenue to the point where it would exceed operational and capital costs, the BCRY will have to attract at least three new customers.<sup>26</sup> Other ways to reduce budget deficits are to apply for project funding from federal or provincial governments or to negotiate crossing agreements with road authorities. There are five funding programs that are available to the BCRY that can help with one-time project costs for expanding operations, asset management planning, or rail safety initiatives.<sup>27</sup> There are currently 15 crossing agreements in place for crossings with signals, bells or gates and the scheduled maintenance costs are split 50/50 between the BCRY and the road authorities. However, agreements should be negotiated for crossings with only signage to share the cost burden of crossing surface maintenance cost (e.g. paving).

<sup>26</sup> The three customers are potential customers that we determined had the most promise of switching to rail. We cannot disclose the list potential customers for confidentiality reasons.

<sup>27</sup> The Southwestern Ontario Development Fund, the Municipal Asset Management Program, and the Rail Safety Improvement Program, the National Trade Corridor Fund, and the Small Communities Fund.

# Appendix A: Grants and Funding

There are federal and provincial funding programs that support rail and rail-related projects. The City of Barrie and County of Simcoe could propose projects that align with their long-term needs in hope of receiving budget relief.

## Municipal Asset Management Program

<b>Program Name:</b>	Municipal Asset Management Program
<b>Program Legislative Jurisdiction:</b>	Federal
<b>Province:</b>	All
<b>Years(s):</b>	2018-2020
<b>Program Type:</b>	Grant
<b>Hyperlink:</b>	<a href="https://fcm.ca/home/programs/municipal-asset-management-program/funding-mamp.htm">https://fcm.ca/home/programs/municipal-asset-management-program/funding-mamp.htm</a>
<b>Description/Objectives</b>	
The Municipal Asset Management Program supports Canadian cities and communities to better plan, construct, and renew infrastructure.	
<b>Costs</b>	
<ul style="list-style-type: none"> <li>• Specific administrative and overhead costs</li> <li>• Software for data collection</li> <li>• Equipment rental, supplies and materials</li> <li>• Training costs, technical/professional services costs</li> </ul>	
<b>Project characteristics</b>	
Must fall under one of the categories below: <ul style="list-style-type: none"> <li>• Asset management assessments (risks and needs)</li> <li>• Asset management plans, policies and strategies</li> <li>• Data collection and reporting</li> <li>• Training and organizational development</li> <li>• Knowledge transfer</li> </ul>	
<b>Source and amount of funding</b>	
Federation of Canadian Municipalities Total funds: \$50 million (\$9.3 million disbursed) Projects may receive up to \$50,000 to cover a maximum of 80% of eligible costs.	
<b>Other Information</b>	
Recipients can only apply for one project per fiscal year. Subject to funding availability, applications will be accepted until June 30, 2020. Application windows open and close on a continuous basis throughout the year based on available funding in that fiscal year.	

### Southwestern Ontario Development Fund

<b>Program Name:</b>	Southwestern Ontario Development Fund (SWODF)
<b>Program Legislative Jurisdiction:</b>	Provincial
<b>Province:</b>	Ontario
<b>Years(s):</b>	2018-2028
<b>Program Type:</b>	Conditional Grant and loan
<b>Hyperlink:</b>	<a href="http://www.grants.gov.on.ca/GrantsPortal/en/OntarioGrants/GrantOpportunities/P/RDR017556">http://www.grants.gov.on.ca/GrantsPortal/en/OntarioGrants/GrantOpportunities/P/RDR017556</a>
<b>Description/Objectives</b>	
The Southwestern Ontario Development Fund supports projects that create jobs, encourage innovation, collaboration and cluster development. In doing so, the fund hopes to attract private sector investments and diversify Ontario's regional economies.	
<b>Costs</b>	
<ul style="list-style-type: none"> <li>• Project facility modifications/upgrades</li> <li>• Equipment and machinery</li> <li>• One-time labour or material costs</li> <li>• Specialized expertise or skills training</li> <li>• Permits and fees</li> </ul>	
<b>Project characteristics</b>	
<p>Projects in the Business stream must:</p> <ul style="list-style-type: none"> <li>• Self-fund at least \$500,000 of their project</li> <li>• Commit to creating at least 10 new jobs</li> </ul> <p>Projects in the Regional stream must:</p> <ul style="list-style-type: none"> <li>• Self-fund at least \$100,000 of their project</li> <li>• Commit to creating at least 10 new jobs</li> <li>• Focus on economic development and job creation in the region</li> <li>• Have private sector support</li> <li>• Be new to the organization</li> </ul> <p>All projects must be located in either Brant, Bruce, Chatham-Kent, Dufferin, Elgin, Essex, Grey, Haldimand, Huron, Lambton, Middlesex, Niagara, Norfolk, Oxford, Perth, Simcoe, Waterloo, or Wellington.</p>	
<b>Source and amount of funding</b>	
<p>Ministry of Economic Development, Job Creation and Trade</p> <p>Total funds: \$100 million between the Southwestern Ontario Development Fund and the Eastern Ontario Development Fund</p> <p>Business stream:</p> <ul style="list-style-type: none"> <li>• Projects can receive up to 15% of project costs, but the grant cannot exceed \$1.5 million</li> <li>• If a project is valued at above \$10 million and creates more than 50 new jobs, the project may be eligible for a \$5 million loan</li> <li>• Recipients must cover at least 50% of the total costs of their project</li> </ul> <p>Regional stream:</p> <ul style="list-style-type: none"> <li>• Projects can receive up to 50% of project costs, but the grant cannot exceed \$1.5 million</li> <li>• Recipients must cover at least 35% of the total costs of their project</li> </ul> <p>If a business has previously been approved for a project under the SWODF, it must have successfully completed this project before a subsequent project will be considered. In addition, you must not have more than two approved projects within a four-year period.</p>	
<b>Other Information</b>	
None	

### Rail Safety Improvement Program

<b>Program Name:</b>	Rail Safety Improvement Program
<b>Program Legislative Jurisdiction:</b>	Federal
<b>Province:</b>	N/A
<b>Years(s):</b>	2018-2020
<b>Program Type:</b>	Grant
<b>Hyperlink:</b>	<a href="https://www.tc.gc.ca/en/programs-policies/programs/rail-safety-improvement-program.html">https://www.tc.gc.ca/en/programs-policies/programs/rail-safety-improvement-program.html</a>
<b>Description/Objectives</b>	
The Rail Safety Improvement Program provides funding to improve rail safety and reduce injuries and fatalities related to rail transportation.	
<b>Costs</b>	
<ul style="list-style-type: none"> <li>• Staff salaries and benefits and administration expenditures</li> <li>• Purchase and lease of capital assets, technology, equipment, etc.</li> <li>• Planning, design and evaluation</li> <li>• Construction and rehabilitation of assets</li> <li>• Licenses and permits</li> </ul> Refer to references for complete list of eligible costs	
<b>Project characteristics</b>	
Must focus on one of 3 categories: <ul style="list-style-type: none"> <li>• Safety improvements to existing rail lines</li> <li>• Closures of grade crossings</li> <li>• Initiatives to raise awareness about rail safety</li> </ul>	
<b>Source and amount of funding</b>	
Transport Canada Total funds: \$55 million (\$20 million already disbursed)	
The following percentage of project costs may be recovered: <ul style="list-style-type: none"> <li>• 50% for VIA Rail or for-profit projects</li> <li>• 80% for all other recipients</li> </ul> Except for grade crossing closures, maximum grants are: <ul style="list-style-type: none"> <li>• \$25,000 for public crossings</li> <li>• \$6,000 for private crossings</li> </ul> For all other categories: <ul style="list-style-type: none"> <li>• Maximum grant per recipient cannot surpass \$10 million per fiscal year</li> <li>• Maximum grant per project cannot surpass \$500,000</li> </ul>	
<b>Other Information</b>	
The first phase (Public Education and Awareness) is now closed.	

**National Trade Corridor Fund**

<b>Program Name:</b>	National Trade Corridors Fund (NTCF)
<b>Program Legislative Jurisdiction:</b>	Federal
<b>Province:</b>	All
<b>Years(s):</b>	2018-2028
<b>Program Type:</b>	Grant
<b>Hyperlink:</b>	<a href="http://www.tc.gc.ca/en/programs-policies/programs/national-trade-corridors-fund.html">http://www.tc.gc.ca/en/programs-policies/programs/national-trade-corridors-fund.html</a>
<b>Description/Objectives</b>	
The National Trade Corridors Fund invests in transportation and infrastructure assets that play a significant role in economic growth and the flow of goods and people throughout Canada and abroad.	
<b>Costs</b>	
Any direct costs to complete the project that are considered reasonable by the Minister of Transport (e.g. site preparation, construction, studies/assessments, public outreach, licenses/permits, etc.)	
<b>Project characteristics</b>	
Must meet at least one of the outcomes below:	
<ul style="list-style-type: none"> <li>• Improves the flow of goods and people across Canada and to international markets</li> <li>• Improves transportation networks to avoid the impacts of climate change and better adapt to new innovations</li> <li>• Builds on existing investments</li> <li>• For projects in the Territorial North, projects must either improve safety or foster economic and social development</li> </ul>	
<b>Source and amount of funding</b>	
Infrastructure Canada	
Total funds: \$2 billion (\$800 million already disbursed)	
<ul style="list-style-type: none"> <li>• Maximum grant for a single project is \$255 million (for the current call for proposals, amount may vary in the future)</li> <li>• Grants below \$50 million have a higher chance of being chosen</li> </ul>	
<b>Other Information</b>	
The program is now accepting projects across Canada.	

### Small Communities Fund

<b>Program Name:</b>	Small Communities Fund (New Building Canada Fund)
<b>Program Legislative Jurisdiction:</b>	Federal/Provincial
<b>Province:</b>	All
<b>Years(s):</b>	2014-2024
<b>Program Type:</b>	Grant
<b>Hyperlink:</b>	<a href="http://www.infrastructure.gc.ca/plan/sc-cp-eng.html">http://www.infrastructure.gc.ca/plan/sc-cp-eng.html</a>
<b>Description/Objectives</b>	
This program leverages existing resources and processes of the provinces and territories to fund locally significant projects in small communities (100,000 inhabitants or less).	
<b>Costs</b>	
All direct and required expenditures associated with acquiring, planning, constructing or renovating a tangible capital asset, defined by Generally Accepted Accounting Principles (GAAP)	
<b>Project characteristics</b>	
Must be located in a community with fewer than 100,000 people and focus on one of 19 categories, relevant ones are listed below:	
<ul style="list-style-type: none"> <li>• Public transit infrastructure</li> <li>• Innovation</li> <li>• Brownfield redevelopment</li> <li>• Short-line rail infrastructure</li> <li>• Tourism</li> <li>• Green Energy</li> </ul>	
<b>Source and amount of funding</b>	
Infrastructure Canada	
Total funds: \$1 billion across Canada	
Minimum disbursements are \$25 million per year	
Federal contributions are up to 33% of total eligible costs for provincial projects, with these exceptions:	
<ul style="list-style-type: none"> <li>• 50% for provincially-owned public transit projects</li> <li>• 75% for projects in the territories (for non-private sector organizations)</li> <li>• 25% for for-profit organizations</li> </ul>	
There is no maximum value for a project.	
<b>Other Information</b>	
Applicants are advised to contact the provincial government where the project is located.	

## Appendix B: Draft Work Plan

1. Meet with CP and focus discussions on how BCRY can best serve CP and vice versa. Diamond should also be discussed to evaluate future plans.
2. Facilitate relationships between CP and current and prospective rail customers by way of meetings or communicate.
3. Better integrate rail connectivity in industrial development plans and promotions.
4. Invest in new team track infrastructure based on allowable budget.
5. Implement governance structure.

**APPENDIX "B"**  
**Excerpt from AAF Report to the City of Barrie – Service Delivery and Modernization Review – Rail Section**



**Audit and Accountability Fund  
Service Delivery and  
Modernization Review**

**Final Report to The City of Barrie**





## RAILWAY OPERATIONS

## Railway Operations – Introduction

### Background – History and Current Operations

The City currently owns the Barrie Collingwood Railway ("Railway") and co-owns the Utopia Yard with the County of Simcoe ("County"). The Railway is provincially regulated and must also adhere to the Railway Safety Act under the Canada Transportation Act. It currently faces financial challenges amounting to an annual average deficit of ~\$700,000 in 2017 and 2018, which is currently being subsidized by the City. In addition, while there are some short term financial gains in rail car storage revenue identified for 2019 and 2020 as well as some new business leads, over the long term there is no current indication that the financial performance will improve. The Railway is underutilized with only four customers, servicing approximately 220 cars annually. While the City owns the Railway, the operations are contracted out to an Operator as the City is not equipped to deliver rail car service.

The Railway is connected to the Class I Canadian Pacific ("CP") railway network which allows local business to reach to the whole North American market. As part of the contract for operating the rail line, the relationship with CP has been managed through the Operator, and the City has had little visibility into this arrangement. One of the challenges is that there is currently no dedicated Rail Department within the City, leading to siloed internal alignment. City staff from Business Development, Roads, Parks and Fleet as well as Engineering spend on average around 5-15% of their time each year dedicated to rail. As a result, the City relies heavily on the contract with the Operator to manage the operations, maintenance and direct customer outreach.

### Department Review Objectives

The City's Executive Management Team would like to understand the current situation of the Railway and what the next steps should be to decrease the current recurring deficit.

The City has taken steps to assess the condition of infrastructure and operations as well as discover the future potential of the Railway. Capturing thoughts from various documentation and City staff interviews, this report will consider two main groups of opportunities – decrease the City's responsibility of the Railway as well as improve the financial outlook – while taking stakeholders as well as internal and external economic factors into consideration.

The City would need to further discover and develop analysis to determine the best option to decrease the City's responsibility of the Railway in the longer term. As such, the first three opportunities in this report will detail the options the City should consider individually. Regardless of the longer term strategy of the Railway, it is recommended that the latter three opportunities in relation to improving the financial outlook be implemented concurrently in the immediate term.

### Key Performance Indicators

The City collects KPIs tracked by the Operator. The City and the Operator meet at the beginning of each year to review the operating and minor capital work that is required as well as the projected car volumes. The City approves the proposed work and associated budget for the year. Quarterly and ad-hoc meetings are held to track progress and associated expenses and to review needs that arise throughout the year.

#### The following KPI's are tracked:

- Number of switches per customer along with associated revenue
- Number of cars and days in storage
- Customer satisfaction response from annual customer surveys
- Number of non-compliance issues with Transport Canada regulations
- Quarterly operating/minor capital activity and associated cost for regular maintenance

This data is generally used for annual and budget planning purposes but does not typically assist with comparing/contrasting performance or other broader strategic measurements. The City may also benefit from capturing benchmarks from other Railways to compare with their own performance.

## Background – Railway Operations Current State

### Strategy & Operations

In the current state, the Railway is not managed the same way as other infrastructure assets within the City. The Railway is not managed as a business unit and three different departments are responsible for overseeing the operations of the Railway – Business Development Department; Roads, Parks and Fleet; and Engineering. In order to better understand the “full picture” of the Railway, it is suggested that an asset management plan should be updated regularly and a staff that is accountable to the success of the operations should be designated.

In the immediate term, the opportunities lie within three initiatives – reviewing the contract terms with the Operator, centralizing the City’s decision authority, and cost sharing (where relevant) with the County, Town of Innisfil, Essa Township and customers. In the longer term, in order to decrease the City’s responsibility of the Railway, a strategy which considers all stakeholders will need to be determined and executed.

### Financials

The current financial situation of the Railway is shown in the Baseline graphs within the following pages. The City is operating an annual average deficit of ~\$700,000 in 2017 and 2018, mainly due to operating costs exceeding revenues resulting from low capacity. The highest expenses to the Railway are the maintenance and threshold payments to the Operator. No significant capital projects have been budgeted for the replacement of the rail infrastructure at end of life. Nonetheless, there may be significant investments required in the future as part of infrastructure improvements.

Due to the siloed approach in managing the Railway, there is currently no central repository of information within the City which leads to a limited understanding on both the financial inflows and outflows with the Operator. As a result, there is ambiguity with the finances and the reconciliation of numbers required information from various sources.

It is important to note that the City collects property taxes from direct rail customers and indirect customers within the City of Barrie. This value is not considered in the financial model built for this analysis.

### Stakeholders & Community Impact

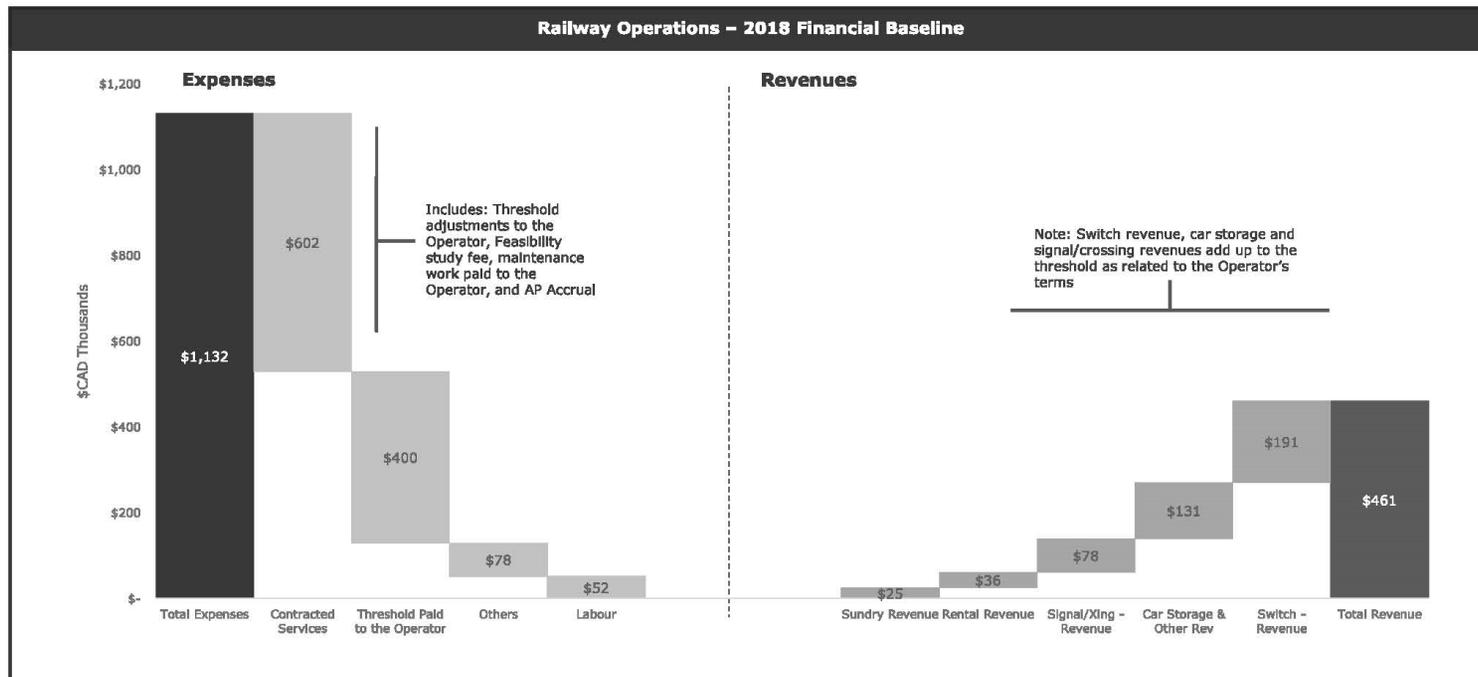
#### Stakeholders

- Currently, the Railway is managed by three different departments within the City. However, there is no single dedicated personnel to oversee railways nor is there any specialized expertise or industry experience to manage this service area.
- Business Development Department (“BDD”) – Oversees the economic and customer development part of the Railway at the City of Barrie
- Roads, Parks & Fleet (“RPF”) – Oversees the operations, maintenance activities, and contract administration of the Railway at the City of Barrie
- Engineering (“ENG”) – Oversees the capital works and asset management technical support for City staff and external agencies for the Railway at the City of Barrie
- Four main customers – The Railway has four customers who are predominantly located in Barrie and operate in industrial industries. There is a potential of adding two more customers that are currently in early discussions which could increase around 500 cars per year each.

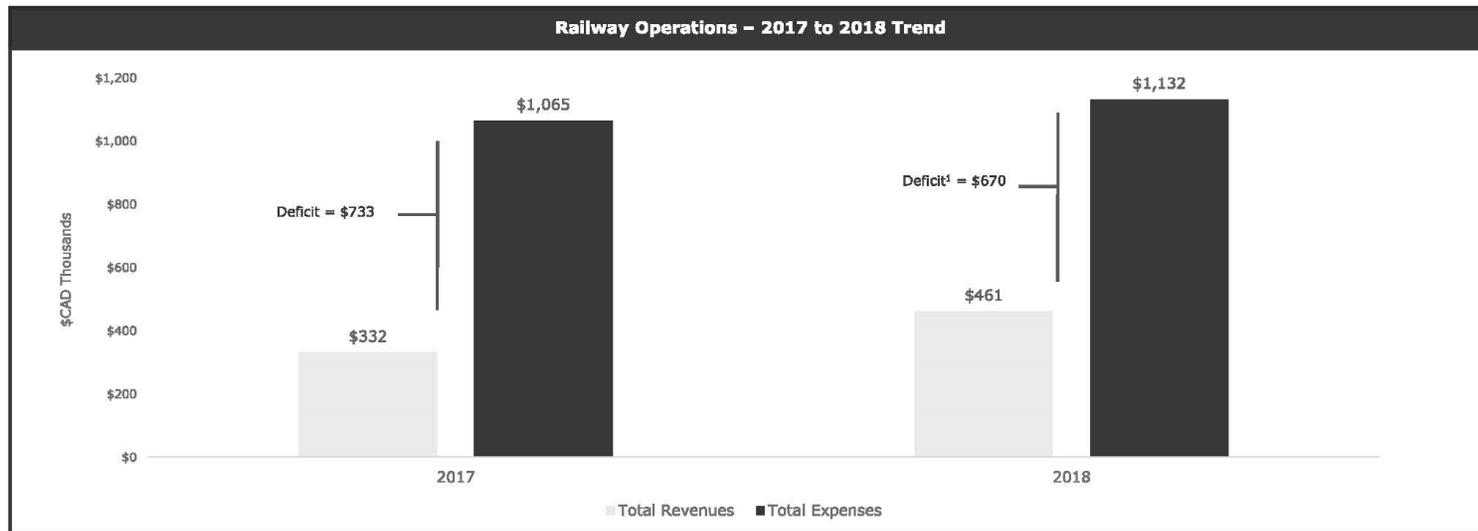
#### Community Impact

- The current customers have strong relationships with businesses in the Barrie community. This means that even though they may be small in size (i.e., less than 100 employees), the customers provide raw materials to the companies within Barrie that may have larger operations (i.e., more than 100 employees). Several of the customers own land, including sidings, along the rail lines.
- Large changes to rail operations would need to be contemplated with a variety of factors (i.e., political, economical, community, etc.) to determine the best path forward for the Railway.

### Railway 2018 Baseline



### Railway Baseline – 2017 to 2018 Trend and People Baseline



<b>People Baseline<sup>2</sup></b>	<b>Full Time Permanent</b>	8	1 Supervisor of Technical, Stormwater, and Rail Operations – 15% of time	1 Director of Roads, Park, and Fleet – 5% of time
			1 Senior Operations Technologist – 25% of time	1 Policy and Standards Technologist – 15% of time
			1 Director of Business Development – 5-10% of time	1 Supervisor of Engineering Standards – 5% of time
			1 Business Development Officer – 5-10% of time	
			1 Manager of Roads, Stormwater, and Rail Operations – 15% of time	

<sup>1</sup> Note that while there are some short term financial gains in rail car storage revenue identified for 2019 and 2020 as well as some new business leads, over the long-term there is no current indication that the financial performance will improve.

<sup>2</sup> Note that the baseline cost for labour only includes the time the Supervisor of Technical, Stormwater and the Senior Operations Technologist allocates towards Railway Operations. All other personnel indirectly spends time as mentioned but are not captured in the financial baseline.

## Future Operations of the Railway

### Analysis

The City of Barrie and Town of Collingwood purchased the railway from CN in 1997 with the vision to operate a short-line railway. However, since the economic downturn of the late 2000s, the Railway has been running annual deficits. Working with the City, a financial analysis was prepared in order to determine the feasibility of continuing to own the Railway. Below are three options the City can pursue for the future operations of the Railway:

- |   |  |
|---|--|
| <p>1. Continue to operate the Railway at status quo</p>   | <p>Given an annual average deficit of ~\$700,000 (in 2017 and 2018), this is not a feasible option for the future of the Railway. While there are some short term financial gains in rail car storage revenue identified for 2019 and 2020 as well as some new business leads, over the long-term there is no current indication that the financial performance will improve.</p>  |
| <p>2. Continue to operate the Railway with implementation of opportunities for cost savings and modernization</p> | <p>Through this review, three opportunities have been identified to assist in improving the financial outlook of the operations of the Railway:</p> <ul style="list-style-type: none"> <li>• Reviewing the contract terms with the Operator</li> <li>• Centralizing the City of Barrie’s decision authority</li> <li>• Cost sharing (i.e., County and customers)</li> </ul> <p>The implementation of these opportunities can potentially improve the cash outflows to around \$490,000 in 2021. If the City is able to add an additional approximate of 575 cars in 2022, the deficit could decrease to around \$230,000 annually in 2022 and 2023.</p> <p>Refer to opportunities: Review Contract Terms with the Operator; Centralize the City of Barrie’s Decision Authority; and Cost Sharing (i.e., County and Customers)</p> <p>Irrespective of the decision regarding the future operations of the Railway, the City should implement these three opportunities.</p> |
| <p>3. Decrease the City’s Responsibility of the Railway</p>   | <p>This review has found three options to decrease the City’s responsibility of the Railway. Despite the upfront costs, the three options will significantly improve the City’s recurring deficits relating to the Railway.</p> <p>The City should evaluate these three opportunities for best fit for relevant stakeholders and pursue one of the three options.</p> <p>Refer to opportunities: Transfer Responsibility to Private Sector; Continue Operations of Utopia Yard only; and Salvage Rail Assets and Explore Alternate Uses for the Railway Land.</p>  |

## Railway – Opportunities

### Recommendation

This report considers opportunities to improve the financial performance of the Railway in the short term as well as to decrease the City's responsibility of the Railway with the objective of decreasing financial, community, and negative economic impact to the City in the longer term.

Our recommendations for the Railway going forward:

- In the longer term, the City should look into performing more analysis to determine the scenario going forward for the Railway. The City should contact customers to discuss and determine the best outcomes for all parties, which may be: Transferring the responsibility of the Railway to the customers (as a shared service or partnership between customers); continuing operations of the Utopia Yard only; or salvage rail assets and explore alternate uses for the railway land.
- In the immediate term, the City should look to implement the following opportunities: Review contract terms with the Operator, Centralize the City's decision authority, and Cost sharing (i.e., County and customers)

Opportunity	Financial Benefits	Service Level Impact	Investment	Risk	Time to Implement
<b>Decrease the City's Responsibility of the Railway</b>					
<b>Transfer Responsibility to Private Sector</b>	High	Low	Medium	High	Long Term
<b>Continue Operations of Utopia Yard Only</b>	Medium	High	High	High	Long Term
<b>Salvage Rail Assets and Explore Alternate Uses for the Railway Land</b>	High	High	High	High	Long Term
<b>Improve Financial Outlook</b>					
<b>Review Contract Terms with the Operator</b>	Medium	Low	Low	High	Short Term
<b>Centralize the City's Decision Authority</b>	Indirect	High	Medium	Medium	Short Term
<b>Cost Sharing (i.e., County and Customers)</b>	Low	Low	Low	High	Short Term

## Opportunity Characterization

Through the service delivery and modernization review, six Railway Operations improvement opportunities were identified. Each has been categorized using the below definitions:



Financial Benefit

- H** More than \$400,000 direct and indirect benefits
- M** Between \$100,000-400,000 direct and indirect benefits
- L** Less than \$100,000 direct and indirect benefits



Service Level Impact

- H** Direct improvement that increases citizen satisfaction
- M** Indirect improvement that increases citizen satisfaction
- L** Marginal impact on citizen satisfaction



Investment

- H** More than \$100,000
- M** \$50,000 – \$100,000
- L** Less than \$50,000



Risk

- H** Highly impactful and likely obstacle
- M** Moderately impactful and possible obstacle
- L** Remote possibility of a low impact obstacle



Time to Implement

- ST** By December 2020
- MT** By December 2021
- LT** Beyond December 2021

## Decrease the City’s Responsibility of the Railway – Overview

Description	
<ul style="list-style-type: none"> <li>When the Railway was purchased by the City of Barrie in partnership with the Town of Collingwood, the Railway and its operation were considered a strategic purchase. However, since then, there have been significant shifts in the City’s industrial composition. Hence, 5 major customers have stopped using the Railway and Collingwood stopped servicing its portion of the Rail. The Railway is an asset purchased by the City of Barrie that is not a core municipal service, nor a legislated service required to be delivered by municipalities. By decreasing the City’s responsibility for the Railway, the City will ultimately remove its fiscal obligations to the Railway, and direct its resources to deliver on its core services and strategic plans going forward.</li> <li>In order to decrease the City’s responsibility of the Railway, there are three main options it would need to consider. The City should contact customers to discuss and determine the best outcomes for all parties, which may be: transferring the responsibility of the Railway to the customers (as a shared service or partnership between customers); continuing operations of the Utopia Yard only; or salvaging rail assets and explore alternate uses for the railway land.</li> </ul>	
Implementation	
<p><b>Overall, the City may need to:</b></p> <ul style="list-style-type: none"> <li>Perform further analysis to determine which one of the options for decreasing the City’s responsibility of the Railway is best to fit the City’s future needs and service commitments.</li> <li>Fully understand the extent of impact to various customers financially and operationally.               <ul style="list-style-type: none"> <li>Careful considerations need to be made when determining next steps for the Railway – the City should understand if there are any customers that are captive shippers (where the business is required to ship by rail due to transportation of dangerous goods, etc.) and other customer consequences.</li> </ul> </li> <li>The City should contact the current main customers to discuss the customers’ opinion on their go-forward involvement in the future state.               <ul style="list-style-type: none"> <li>Understanding that railway operations may be mandatory for some of the current customers – the City can bridge the customers with the Operator to transition the responsibility (as a shared service or partnership between the customers).</li> </ul> </li> <li>Understand in greater detail the County’s view on the go-forward strategy.</li> <li>Review the terms and conditions of the agreement with the Operator and determine any legal issues that may arise.</li> <li>Provide clear communication to the public relating to the analysis performed on the go-forward strategy of the Railway.</li> <li>The City should do a thorough analysis to identify if there are any environmental risks that would need to be contemplated as part of the City’s fiscal analysis.</li> </ul>	
Characterization	
<b>Service Level Impact</b>	<p>High (Low if Opportunity 1)</p> <ul style="list-style-type: none"> <li>These opportunities will all impact the current customers in various extents (service level may not change if this service responsibility is transitioned to customers).</li> <li>There will be costs associated to determining the best course of action regarding the options available (this may be a seconded personnel and/or a consultant to perform this initiative).</li> </ul>
<b>Investment</b>	<p>High (Medium if Opportunity 1)</p> <ul style="list-style-type: none"> <li>Disposal costs are also associated with any remediation costs and impact to customers.</li> </ul>
<b>Risk</b>	<p>High</p> <ul style="list-style-type: none"> <li>The risks would be high for two reasons – the effect on current customers and the potential operational risks of disposing of the railway assets.</li> </ul>
<b>Time to Implement</b>	<p>Long Term</p> <ul style="list-style-type: none"> <li>The City should make a decision on the next steps for the Railway in the short term. Full implementation of the selected opportunity will be over the long term.</li> </ul>

## Opportunity 1 – Decrease the City’s Responsibility of the Railway

### 1. Transfer Responsibility to Private Sector

Details	Financial Benefits – High
<ul style="list-style-type: none"><li>• The City could contact customers and take steps to connect the customers to the Operator, developing an arrangement where the customers can share the responsibility of the Railway.<ul style="list-style-type: none"><li>– The discovery of this opportunity should start by having a conversation with the customers to determine their opinion on their go-forward involvement in the future state.</li></ul></li><li>• If the responsibility of the rail is transitioned to the Customers, the annual crossing agreements would be between three parties: the City as authority on the road, the Customers as the owners of the rail, and the Operator as the management of the utility.</li><li>• If this opportunity is pursued, over a 3-5 year period, it may be in the City’s best interest on an economical and community lens to assist with this transition of knowledge and assist the new owner(s) with the transition of the operations of the rail.</li></ul>	<ul style="list-style-type: none"><li>• As a next step, the City should determine how they would like to financially transition this responsibility to the customers.</li><li>• The City would require further analysis (in-house or hiring an external consultant) in order to determine a valuation for the railway and potential rail land that is associated with the transition of responsibility.<ul style="list-style-type: none"><li>– Steps should be taken to understand short-line sale benchmarks of similar specifications as the Railway.</li></ul></li><li>• Note: The City currently pays fees related to the scheduled maintenance of crossing warning systems to the Canadian Transportation Agency through the Operator. The current crossing expenses incurred by the City will continue after the Railway operations are transferred to another party (~6% of base as of 2018).</li></ul>
Implementation	
<ul style="list-style-type: none"><li>• The City should review the current operating agreement as well as the previous purchase and sale agreement to determine any necessary actions prior to the transfer of responsibility.</li><li>• The City should leverage internal legal resources to draft legal agreements formalizing the future arrangements of the railway operations.</li><li>• The City should provide support to the new owner(s) through the transition of knowledge as well as relationships with the operator and potential client leads for a 3-5 year period.</li></ul>	

## Opportunity 2 – Decrease the City’s Responsibility of the Railway

### 2. Continue Operations on Utopia Yard Only

Details	Financial Benefits – Medium
<ul style="list-style-type: none"> <li>• The Utopia Yard is currently the only common-use facility available to customers for transloading from rail to/from trucks in the County of Simcoe. There are three yard tracks as described by the City:               <ul style="list-style-type: none"> <li>– The first yard track provides access to the CP interchange track. Diverging from this track is a short stub-end track with a side ramp of which is in poor condition and shows little sign of recent use;</li> <li>– The second yard track provides access to the locomotive maintenance shed; and</li> <li>– The third yard track provides access to CP interchange tracks and connects back into the second track.</li> </ul> </li> <li>• There is a ramp in Utopia Yard that is currently in poor functioning condition (i.e. driving surface alongside the ramp and possibly the track ties). The refurbishment of the ramp could benefit current and potential customers who do not have access to a siding and may improve transloading capabilities.</li> <li>• By continuing operations at the Utopia Yard, the Railway is able to service some of the existing customers (i.e., one of the customers does not have a siding and hence relies on the Yard to transload, however, amounting a minimal amount of switch revenues annually) and can pursue the viability of transitioning current railside users to transload users. Meanwhile, the financial exposure of the operations will be limited as the current costs to maintain the yard are around 2% of the base. However, there maybe a risk with regards to operating just the Utopia Yard as a contract would need to be negotiated with the current Operator or with an alternate Operator. This option continues to provide some level of service to the existing customers.</li> <li>• This opportunity can be pursued in two ways: The City could either continue owning 50% of the Utopia Yard or transition this responsibility to the customers.               <ul style="list-style-type: none"> <li>– The City should consider having conversations with customers in order to potentially bridge customers with the Operator to transition the responsibility. This will maintain the existing rail while the City phases out of its responsibility for the rail.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The current invoices from the Operator do not provide a clear breakdown between operation and maintenance provided in the Utopia Yard versus the rest of the Railway. The City would need to obtain detailed financials on Utopia Yard to determine the revenue and costs directly attributable to its operations.</li> <li>• Obtaining the attributable costs and revenue of the Utopia Yard will assist in a business case detailing the cost benefits of only operating the Utopia Yard.</li> <li>• If the City pursues the option to continue operations only at Utopia Yard, refurbishment of the ramp should be considered – the estimated refurbishment cost is set within the medium cost amount.</li> </ul>
Implementation	
<ul style="list-style-type: none"> <li>• The City would need to speak with its customers to understand the quantitative and qualitative benefits of only operating the Utopia Yard.</li> <li>• A phase-in period may need to be considered if the City was to remove operations on the rail except the Utopia Yard for customers to find alternative arrangements and modes of transportation.</li> </ul>	

## Opportunity 3 – Decrease the City’s Responsibility of the Railway

### 3. Salvage Rail Assets and Explore Alternate Uses for the Railway Land

Details	Financial Benefits – High
<ul style="list-style-type: none"> <li>The City can salvage their current rail assets such as tracks and ties, and assess other uses for the railway land, including eliminating rail set-back requirements to increase utility of existing industrial property, trail use, or other compatible uses.</li> <li>One example could be converting the railroad property to trails which can benefit the community as it provides alternate transportation and leisure options for the residents of the City.               <ul style="list-style-type: none"> <li>By converting the railway property to trails, the City may choose to leverage this land to provide a tourism aspect. It may be an opportunity to collaborate with Economic Development as well as Parks and Recreation to create community events that can bring more visitors into the City (i.e., creating a long skating trail in the winter similar to the Rideau Canal’s 4.8 miles long skate-way).</li> <li>There needs to be careful consideration if the City decides to convert to trail use as it will bring trail users essentially to the “backyard” of Barrie’s (and surrounding municipalities’) farmland. The City of Barrie can learn from the Town of Collingwood’s conversion of their railway property to trails.</li> </ul> </li> </ul>	<p><b>Salvaging rail assets:</b></p> <ul style="list-style-type: none"> <li>The estimated net salvage value of the track in service and the inventory of 100 lb. track at McKay Road Depot and Utopia Yard is around \$420,000 to \$710,000.</li> <li>The estimated net salvage value of other track materials and ties is around \$370,000 to \$430,000.</li> </ul> <p><b>Examples of elements/costs to consider while exploring alternative uses for the railway land:</b></p> <ul style="list-style-type: none"> <li>Clearing and grubbing</li> <li>Removal of contaminated soil</li> <li>Grading for hard-surfaced and natural-surfaced trails</li> <li>Laying trail cover (i.e., wood chips, asphalt, concrete, etc.)</li> <li>Drainage, signage, etc.</li> <li>Planning, design work, etc.</li> </ul> <p>Due to the scope and complexity of disposing of the assets, there is no reliable data to estimate cost. However, it is more likely than not that the costs are high.</p> <p>The recurring benefit of discontinued operations is the elimination of the recurring annual deficits.</p>
<p><b>Implementation</b></p>	
<ul style="list-style-type: none"> <li>Follow the requirements of the Shortline Railways Act, 1995, S.O. 1995, c. 2 when approaching the disposal of the railway.</li> <li>Obtain price quotes of rail assets and salvage the track in service, inventories of track, other track materials, ties, etc.</li> <li>Determine if any remediation will need to occur (environmental law/Ontario regulations for remediation) to repurpose land use.</li> <li>Consult with the Town of Collingwood to understand their business case and costs associated with turning the rail-land into trails.</li> </ul>	

## Opportunity 4 – Improve Financial Outlook – Review Contract Terms with the Operator

### Description and Rationale

- The Railway's current structure with the Operator is a Public-Private Partnership. While the City owns the railway, it pays the Operator fees which equal revenues up to a monthly base threshold.
- Sources of this threshold come from three areas:
  - Revenues from the switch rate that the Operator and CP negotiate;
  - Revenues from signal crossing charges to road authorities; and
  - Revenues generated with respect to moving and storage of cars.
- The Operator also charges the City separately for maintenance and capital improvement services as well as other fees.
- With this current contract structure, the City takes on the risk of low traffic levels. Due to the low utilization of the Railway, the current terms of the contract are not favorable for the City. Reviewing the contract terms may reveal efficiencies or opportunities to reduce the City's risks and financial outflows. The current term of the contract is soon expiring, providing opportunity to review the contract as part of the renewal process.

### Characterization

<b>Service Level Impact</b>	Low	• Service level will be impacted based on contract terms.
<b>Investment</b>	Low	• There should be little to no costs related to the implementation and negotiations of the contract except time and effort required.
<b>Risk</b>	High	• There is high risk related to the negotiations with the Operator due to uncertainty of the results.
<b>Time to Implement</b>	Short Term	• As the operating contract term is expiring soon, this decision and negotiation need to be made in the short term.

## Opportunity 4 – Improve Financial Outlook – Review Contract Terms with the Operator (continued)

### Financial Benefit – Medium

- With the current threshold and arrangement, the Railway does not generate enough revenue to meet a monthly base threshold.
  - It is estimated that even if there is a potential new customer that adds in ~575 cars/year, it is difficult for the Railway to breakeven in 2022. As well, it seems as though even with no minimum monthly threshold adjustment paid to the Operator, the Railway may still incur a deficit in 2019 to 2022.
- Assumptions used in the analysis include:
  - The potential customer is signed and operating in 2022 (with ~575 cars/year);
  - A revenue growth of 10% annually; and
  - Maintaining revenues as per the average of 2017 and 2018 for both signal/crossing revenue as well as car storage and other revenue.
- Based on analysis with management, if the City could achieve efficiencies in the operator fees by 16%, the City could save approximately \$100,000 in 2020. This could be applied to future years, should the efficiencies remain reflected annually in the contract.

### Implementation

- The City may need to review and negotiate the contract terms before the possible extension of the operating contract.
- Prior to negotiations the City should determine its priorities based on the need to maintain operations while it reviews opportunities presented in this report and fiscal efficiencies.
- Going forward, when the Operator and CP negotiates switch fees, the City should be a part of these conversations for transparency.

### Risks and Other Considerations

- The Railway has had a relationship with the Operator since the City purchased the railway. Unsuccessful negotiations may lead to a strained relationship and hence less optimal service levels.

## Opportunity 5 – Improve Financial Outlook – Centralize the City’s Decision Authority

Description and Rationale
<ul style="list-style-type: none"> <li>• Currently, a business-lens has been taken to a limited extent into the management and ownership of the Railway. Three departments (BDD, ENG, RPF) in the City currently combine their efforts in managing the asset but employees on average only spend around 5-15% of their time annually. The Railway struggles financially and operationally.</li> <li>• There is no strategic plan nor asset management plan created for the Railway. The Railway is not managed to the same degree as other businesses within the City (e.g., the Marina). This environment creates challenges in managing the marketing, finances and operations of the Railway:               <ul style="list-style-type: none"> <li>- Marketing:                   <ul style="list-style-type: none"> <li>• Targeted lead generation of new customers for the Railway is not the primary focus of any one individual at the City.</li> <li>• Most customer outreach is currently being done by the Operator.</li> </ul> </li> <li>- Finances:                   <ul style="list-style-type: none"> <li>• The revenues and expenses are spread out across multiple departments which leads to a lack of clarity on the financial situation.</li> <li>• Knowledge is often lost through employee turnover.</li> </ul> </li> <li>- Operations:                   <ul style="list-style-type: none"> <li>• There is currently no risk register for the railway.</li> <li>• Major capital replacements may not be performed until critical issues arrive.</li> </ul> </li> </ul> </li> <li>• As a result, there is a heavy reliance with the Operator to manage and operate the Rail. The City should consider placing a dedicated personnel to add accountability to oversee and manage this asset.</li> </ul>

Characterization		
<b>Service Level Impact</b>	High	<ul style="list-style-type: none"> <li>• A dedicated resource overseeing Railway operations would change how this department is managed and provides its services.</li> </ul>
<b>Investment</b>	Medium	<ul style="list-style-type: none"> <li>• The annual cost of the salary of the dedicated individual is estimated to be within the medium cost range. Given the low percentage of time spent by the current staff (5-15%) there is little gain of reducing their roles.</li> </ul>
<b>Risk</b>	Medium	<ul style="list-style-type: none"> <li>• The City would need to find an internal resource with industry background and knowledge.</li> <li>• Significant work needs to be done to understand various parts of the operations and be able to manage the operating contract.</li> </ul>
<b>Time to Implement</b>	Short Term	<ul style="list-style-type: none"> <li>• If this individual is hired within the organization, ramp-up would not take too long as they already know the current operations.</li> <li>• This opportunity is suggested to be implemented in the short term to improve financial outlook.</li> </ul>

## Opportunity 5 – Improve Financial Outlook – Centralize the City’s Decision Authority (continued)

### Financial Benefit – Indirect

- Overall, there is a lack of clarity when it comes to the Railway financials. Due to the low priority of the railway compared to other strategic priorities of the City, there has been minimal focus on the long-term operating plan of the Railway.
- The railway has four main customers (with other customers using the railway on an ad-hoc basis). The Operator works with CP to determine switch rates for customers. However, the City seems to have little to no visibility into these discussions and how the pricing is determined and does not know whether or not prices have maintained or increased for customers over the last couple of years. This lack of transparency of knowledge between all the stakeholders leads to ambiguity and a dedicated personnel may allow for a clearer picture, with centralized knowledge of the railway.
- Based on discussions with the City, it may be beneficial to hire an individual from within the organization, if the knowledge base exists. The annual salary and benefits of the dedicated personnel will depend on how the role is valued. For the purposes of this review, it is estimated that this individual would receive around \$100,000 of all-in salary and benefits, which falls within the medium cost bucket.
- Although there are no immediate financial benefits, there is a high long-term return based on more direct involvement within operations.

### Implementation

- The City would need to obtain approval from the Executive Management Team for a temporary position followed by a job analysis and recruitment process.
- Careful consideration would need to be placed into recruiting as this role will play an integral part in the success of the railway.
- Clearly define the role, timelines, and items that the personnel would be accountable for. Some examples would be:
  - Creating a strategic plan/asset management plan for the railway;
  - Review financials of the railway for the past 10 years;
  - Meet with the customers and understand their operations and financial situations with regards to the railway;
  - Create a risk register for the asset; and
  - Discuss and negotiate with the Operator to revise the contract if applicable.

### Risks and Other Considerations

- If the City decides to hire within the organization, the City may need to find a replacement or distribute this employee’s role in their previous department. Hence, careful consideration needs to be placed on the transitioning of roles. The first line of action for this dedicated employee may be to meet with the respective individuals who spends around 5-15% of their time annually and create a clear central repository of information that is easily accessible to internal stakeholders to use and analyze.

## Opportunity 6 – Improve Financial Outlook – Cost Sharing (i.e., County and Customers)

Description and Rationale
<ul style="list-style-type: none"> <li>• There is an opportunity for the City to negotiate, where relevant, with various stakeholders including the County of Simcoe, Town of Innisfil, Essa Township, and the Railway's customers to share maintenance and capital improvement costs.</li> <li>• The County owns 50% of the Utopia Yard and a portion of the rail leading up to the Utopia Yard is outside of the City's limits. There is currently no agreement with the County regarding operating costs, however, in 2019, the County has agreed to share 50% of the fencing costs with the City.</li> <li>• On an ongoing basis, the City should have discussions, where relevant, with the County of Simcoe, the Town of Innisfil, and Essa Township on the support of regular maintenance fees. There is no formal indication of the stakeholders' positions in this potential arrangement.</li> <li>• With regards to the customers, the City understands that providing the railway is a service to the community and may hinder some businesses if it were to discontinue operations. Customers are currently satisfied with the level of service but in order for the rail to continue being financially feasible for the City to continue ownership, the customers may need to assist with the costs.</li> </ul>

Characterization		
<b>Service Level Impact</b>	Low	<ul style="list-style-type: none"> <li>• There may be little to no change with regards to the service levels. However, with the costs shared amongst the stakeholders, service level could improve due to potentially better maintenance and upgrades to the Yard and rail lines.</li> </ul>
<b>Investment</b>	Low	<ul style="list-style-type: none"> <li>• There will be little to no investments required for cost sharing except some costs (i.e., time and effort) may be required for drafting an agreement with the stakeholders.</li> </ul>
<b>Risk</b>	High	<ul style="list-style-type: none"> <li>• Due to uncertainty of the reactions with the various stakeholders, there is a high risk for this opportunity.</li> </ul>
<b>Time to Implement</b>	Short Term	<ul style="list-style-type: none"> <li>• This opportunity requires analysis and conversations with the stakeholders and is suggested to be implemented in the short term to improve financial outlook.</li> </ul>

## Opportunity 6 – Improve Financial Outlook – Cost Sharing (i.e., County and Customers) (continued)

### Financial Benefit – Low

- With regards to maintenance costs, in a benchmark of around 120 short-line railways, the benchmark cost per mile of mainline operations is around \$10,000 to \$15,000. With the Railway, there is ~23 miles and over \$380,000 of maintenance costs in 2018 (amounting to around over \$16,000 per mile)<sup>1</sup>.
- It is estimated that the deficit of the railway could be decreased by around 20% from 2019 to 2020. Assumptions used in this analysis include:
  - Customers are able to assist with the maintenance costs by paying a capital improvement fee of 5%.
  - The County is able to share 50% of maintenance costs.
  - Steady increase of switch revenues of 10% annually.
  - Maintaining revenues as per the average of 2017 and 2018 for both signal/crossing revenue as well as car storage and other revenue.
  - The potential customer is signed and operating in 2022 (with ~575 cars/year).

### Implementation

- Prior to discussions with current customers, the City should understand the customers' financial situation, importance of rail to the customers' strategy and determine a range of support they may be willing to provide.
  - While approaching customers to request for the capital improvement fees, the City should be able to present the need and use of the amounts collected.
- Discussions with the County of Simcoe should start by understanding if railway is one of their strategic priorities and the importance of rail/Utopia Yard to their customers.

### Risks and Other Considerations

- As the City does not currently have much visibility into the price the operator and CP is charging to customers, more analysis needs to be done to understand the components of the current price set by the operator and CP as well as how the price is determined.
- The City may also benefit from contacting the operator to better define maintenance items in the contract.

<sup>1</sup> Note that this does not include crossing projects' capital costs.

### Summary of Opportunities – Railway Operations

