

May 1, 2001

The Secretary
Canadian Transport Agency
15 Eddy Street
Hull, Quebec
K1A 0N9

Dear Sir/Madam:

The Alberta Association of Municipal Districts and Counties (AAMD&C) represents the elected councils of Alberta's 67 rural municipal governments. Our mandate is to represent the interests of Alberta's rural local governments, and to strengthen their ability to provide effective and efficient services to their ratepayers, thereby enhancing the quality of life of all rural residents. Now in our 91st year, we are justifiably proud of our long history of representing not only rural local governments, but also the broad interests of the more than 400,000 citizens who make their homes in rural Alberta.

The efficiency of Canada's transportation system is of critical importance to our member municipalities and the citizens they serve. Rural Albertans rely heavily on air, rail and road networks to allow them to deliver their goods and services to market, as well as to remain socially and culturally connected to the broader community.

Our comments on the following pages will focus on those aspects of transportation policy which our members have told us are most critical to them: road infrastructure, rail abandonment, rail competitiveness, and the viability of regional airport facilities.

Road Infrastructure

Canada is the only nation in the developed world in which the national government does not play a significant role in supporting major highway infrastructure. Virtually all of Canada's major competitors in the global economy have recognized the importance of a national commitment to a high quality highway system; for example, the United States federal government commits some \$35 billion annually to highway projects. The growing gap in productivity between Canada and the U.S. will only continue to increase if our national government does not take immediate steps to make meaningful contributions to our nation's highway infrastructure.

The AAMD&C believes that there is a pressing need for a National Highways Strategy, and corresponding federal funding to support that strategy. A great deal of work has been done in recent years to identify possible priorities in this area, and initial studies have suggested that the cost of properly upgrading our existing national highway system exceeds \$17 billion.

While current federal initiatives like the Infrastructure Canada program do provide needed financial support to Canadian local governments, the dollars committed under these programs are nowhere near sufficient to address the required investment merely to bring existing infrastructure up to acceptable standards, let alone do any meaningful expansions or improvements to the system.

The lack of federal financial support for highways infrastructure is all the more perplexing in light of the massive revenues taken in by the Government of Canada each year through fuel taxes. Federal fuel tax revenues are estimated at \$4 billion per year, while federal funding support for highway infrastructure absorbs only a tiny fraction of these funds.

The AAMD&C believes that the Government of Canada must undertake a comprehensive and immediate review of Canada's road infrastructure requirements, in concert with provincial and local governments. Through a collaborative and consultative process involving all three levels of government, we believe that a progressive and urgently needed National Highways Policy can be developed to guide the future development of Canada's critical road infrastructure. The CTA should be amended to more clearly reflect the federal government's responsibilities in these areas.

Rail Abandonment

The AAMD&C is also greatly concerned with the condition and viability of local road networks throughout rural Canada. While local governments face a number of challenges in financing the construction and maintenance of their road networks, one of the critical factors impacting these networks is the ongoing migration of traffic from rail lines onto local roads.

Federal policy initiatives over the past decade or more have significantly encouraged this trend, and municipalities have been left to deal with the implications, in terms of increased traffic on local roads, increased maintenance costs for those roads, and increased demands for construction or upgrading of these roads to a higher standard.

The AAMD&C welcomes the Government of Canada's initiative in at least partially offsetting some of these costs through the new Grain Roads program. However, at this point, it does not appear that the funding available under this program will fully address the additional costs imposed on municipalities by rail line abandonment. We certainly encourage the Government of Canada to increase the funding allocated under this program, and ensure that the program remains in place to address future needs of municipalities confronting abandonment of local rail lines.

The AAMD&C also welcomes the legislative amendments introduced in 2000, introducing compensation of \$10,000 per mile of abandoned rail line for affected municipalities, for 3 years following abandonment. Unfortunately, there is already evidence of “creative” approaches by rail companies in finding ways to avoid these compensation requirements; most notably the transfer of lines to short line companies prior to abandonment, and/or the removal of lines from the list of grain dependent lines in Schedule One of the CTA prior to abandonment proceedings.

The AAMD&C recommends that the legislative provisions regarding the compensation provisions be revisited, to eliminate the possibility of this kind of corporate maneuvering, with a view to ensuring that municipalities affected by rail line abandonment will in fact receive the compensation which they have been promised as a result of last year’s legislative initiative. One approach which has been suggested, and which bears serious consideration, is the establishment of a requirement that railway companies transferring grain dependent lines to short line companies be required to provide the \$10,000 per mile compensation in trust for a period of 3-5 years, to ensure that these funds will be available for affected municipalities if the line is in fact abandoned within that time frame.

The AAMD&C also has a number of more specific suggestions with respect to the current rail abandonment process:

- the designation of individual rail lines as “grain dependent” or not should be subject to regular review, with full consultation with all affected parties. Some lines may experience significant changes in their dependence on grain traffic due to changing local economics (e.g. closure of a local mine, etc.), and their status with respect to “grain dependency” should be re-evaluated at that time.
- railways should be required to clearly identify those rail lines which they consider “core” lines, and which they fully intend to continue operating into the foreseeable future. All other lines should be eligible for sale to any parties interested in paying appropriate market value for that property, and who offer a clear commitment to continuing the operation of that rail line.
- rail sidings should be protected from abandonment, given their critical importance to the operation of rail lines.
- The CTA should be amended to clearly require that, once a decision to abandon a rail line has been made, the line in question should be offered on a first right of refusal to federal, provincial and municipal governments, followed by adjacent landowners. Only after all of these parties have declined the opportunity to purchase the rail line should the property be made available to other interested purchasers.
- The Act should include specific requirements to notify the Canadian Transport Agency, shippers, local municipalities, and other affected parties of any impending transfer of the rail line to a new owner.

- The CTA should include specific provisions requiring the rail owner to provide information to local governments relative to the viability of the rail line and/or potential viability of a short line operation.
- The CTA should be amended to clearly exclude the value of government funding for rail line rehabilitation from the net salvage value of the rail line. Recent rulings on this issue have effectively left taxpayers in affected municipalities paying at least twice for the rehabilitation of these rail lines: once when the grant was first provided, and again when the rail line is purchased upon abandonment.
- The CTA should include specific provisions governing the reclamation requirements relating to abandoned rail lines, requiring rail companies to properly reclaim these properties prior to completion of abandonment.

Rail Competitiveness

The AAMD&C is a strong supporter of joint running rights as a means of ensuring that Canadian shippers, particularly prairie farmers, have access to competitive alternatives for rail service. We have formally supported the Omnitrax/Hudson Bay Railway application for joint running rights currently before the Canadian Transport Agency, and continue to advocate an immediate move to implement joint running rights in Canada's rail network.

Regional & Small Airports

The viability of Canada's small airports is of substantial concern to our membership. Many rural communities, particularly in more remote parts of Canada, rely very heavily on these airport facilities as their primary link to the rest of Canada, including as a key means of transporting goods to and from the community.

Since the Government of Canada began divesting itself of the responsibility for operating these airports over the past decade, the viability of many of these facilities has come into serious question. Many local communities are now finding themselves forced to make extremely difficult choices between providing substantial financial subsidization which they can ill afford to these airport operations, or possibly losing these critical transportation links to the rest of the country.

The AAMD&C believes that the Government of Canada needs to establish a multi-stakeholder task force to review the viability of Canada's small and regional airport network, and develop recommendations on maintaining these critical infrastructure assets. Without prejudging the outcome of such a review, we strongly believe that there is a clear need for meaningful federal funding support for Canada's small airports. The current Airport Capital Assistance Program (ACAP) has provided much needed support, but does not include sufficient funds to meet the overall financial requirements of Canada's small airports.

Another item of substantial concern is the proposed new emergency response regime as outlined in CAR308. The AAMD&C does not support the imposition of new financial requirements on local airport authorities and the municipalities which often support these operations, particularly when the Government of Canada did not require the same standard of performance of itself when it was responsible for the administration of these facilities. As a general rule, the AAMD&C believes that all federal legislation should include provisions requiring the Government of Canada to compensate provincial and local governments for any additional costs incurred as a result of new standards or requirements imposed by the federal government.

In closing, I would note that the AAMD&C's primary concern in addressing the various issues outlined in this submission is our desire to ensure that rural Canadians have access to an efficient, effective and affordable transportation system. We believe that the various recommendations we have provided will result in a more competitive and efficient rail system, a more productive and reliable highway network, and an airport system which ensures that rural and remote communities have access to services which are taken for granted by citizens in this country's metropolitan areas.

Thank you for your consideration of our recommendations. We wish you well in your important deliberations.

Yours truly,

Jack Hayden
President

JH/gs

cc: Hon. Ed Stelmach, Alberta Minister of Transportation
Federation of Canadian Municipalities
Saskatchewan Association of Rural Municipalities
Association of Manitoba Municipalities