

# **ON TRACK STRATEGIES**

**OSHAWA, ONTARIO – STUDIO CITY, CALIFORNIA**

## **INDEPENDENT ANALYSIS FOR MILTON RAIL**

**March 12, 2020**

Here is the analysis you asked me to provide on the status of CN's Halton Logistics Hub proposal in light of recent developments, particularly the mayors' meeting with members of the federal government in Ottawa on March 10. My quick response is, "There's bad news and good news."

The bad news is this issue is not going to be decisively settled for some time yet. No definitive answers were received in Ottawa. As well, CN has exposed itself so publicly on this proposal it will be difficult for them to pull back without losing face, especially with their shareholders.

However, this bad news is outweighed by the good news from inside the rail industry. It's good news for the citizens of Milton if you remain vigilant and perseverant, but bad news for CN. This is a railway facing some big problems, for various reasons and on various fronts. CN is attempting to keep the facts – which could affect its share price – under wraps.

CN has been hit twice in recent months with major service disruptions that will have a serious effect on their revenue and financial projections. The first blow was the week-long conductors' strike in November, which disrupted their operations and revenues. More serious was CN's virtual shut down for three weeks this winter due to blockades near Belleville, Ontario and other points on its Canadian network. Traffic is now seriously backed up, CN is scrambling to clear it and the company admits this will have serious financial repercussions.

Both of these hits are on top of a more basic and lingering problem, which is that CN's network requires major and sustained capital investment to counter the asset stripping and cost cutting that began in earnest after their 1995 privatization. This has only been seriously addressed recently. To rebuild CN into a robust railway that meets shipper and investor expectations will require billions in capital to expand freight capacity and recover lost operational resilience. That CN lacks a large amount of the capacity and resilience it once possessed is demonstrated by the lingering effects of the two service disruptions, which will drag on for months.

How does this affect the citizens of Milton?

It means CN is not in any position to move quickly on its Milton proposal – especially in the wake of the rather damaging findings of the Canadian Environmental Assessment Agency (CEAA), which it must address. That will be time consuming. And the capital required for the proposed Milton terminal is going to be consumed by more vital investments elsewhere.

This will provide more time for Milton RAIL and others to factually challenge and counter CN's claims that they desperately need this environmentally-risky yard to handle their allegedly overflowing freight volume. It creates an opportunity for Milton RAIL and others to refine and strengthen the case for shifting this yard to a more appropriate location.

When I appeared alongside Milton RAIL at the CEAA hearing on July 11, 2019, I mentioned the alternate Woodstock location I had recommended for consideration in my Oxford County report, *Steel Corridors of Opportunity*.

<http://oxfordcounty.ca/Portals/15/Documents/SpeakUpOxford/2018/Freight/Steel%20Corridors%20report%20web.pdf>

As far as can be determined, this potential location has not been investigated by CN, even though Oxford County has shown an interest in acquiring such a terminal and the economic activity it would generate. This location would be better suited to CN's needs. It would be on its main Toronto-Sarnia-Chicago main line, it would have excellent access to the 400-series highway system and it would be welcomed by the community.

There are other alternatives that should be explored, especially since Milton RAIL has taken the view that shifting freight from road to rail is economically and environmentally beneficial – if it is done properly. The delay in moving aggressively on its proposed Milton yard creates an opportunity for all concerned to do the research necessary to present all the credible and quite valid alternatives. As I said at the CEAA hearing and in a backgrounder for Milton Councillor John Challinor, this is the wrong yard in the wrong place at the wrong time.

<https://johnchallinor.ca/cns-milton-intermodal-terminal-the-wrong-yard-in-the-wrong-place-at-the-wrong-time/>

My recommendation to Milton RAIL is continue your research, your community outreach and your informed and positive opposition to this site – but not the concept of a new yard operated in conjunction with CN's existing Brampton Intermodal Terminal. Such a yard must be on a more strategically advantageous and environmentally acceptable site, such as Woodstock. Given its straitened circumstances, it's not unreasonable to believe CN may be more willing to now revisit this issue without losing face.

The appointment of JJ Ruest as CN president and CEO in July 2018 should also encourage you. He has a reputation for fairness and strategic thinking within the industry, so he may be more mindful than his predecessors of CN's need to display good corporate citizenship.

I encourage you to continue being an informed and unwavering voice of reason on this issue. Its outcome will affect the economic, social and environmental health and vibrancy of Milton and Canada's transportation system for generations. To use a popular saying, "Keep calm and carry on." To CN, the message should be, "Do it once – do it right – do it with fairness for all."

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