



CANADA'S RAILWAYS

A Review of Canadian Rail Activity in the North American Free Trade Agreement Era

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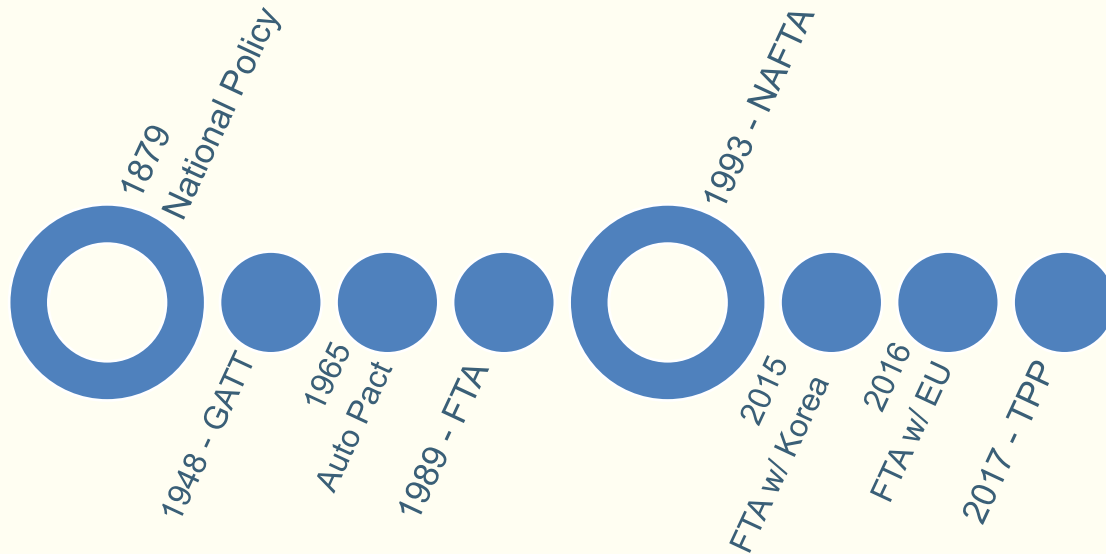
Methodology & Data Sources

Study question: How can NAFTA decertification effect Canadian railways?

Methodology:

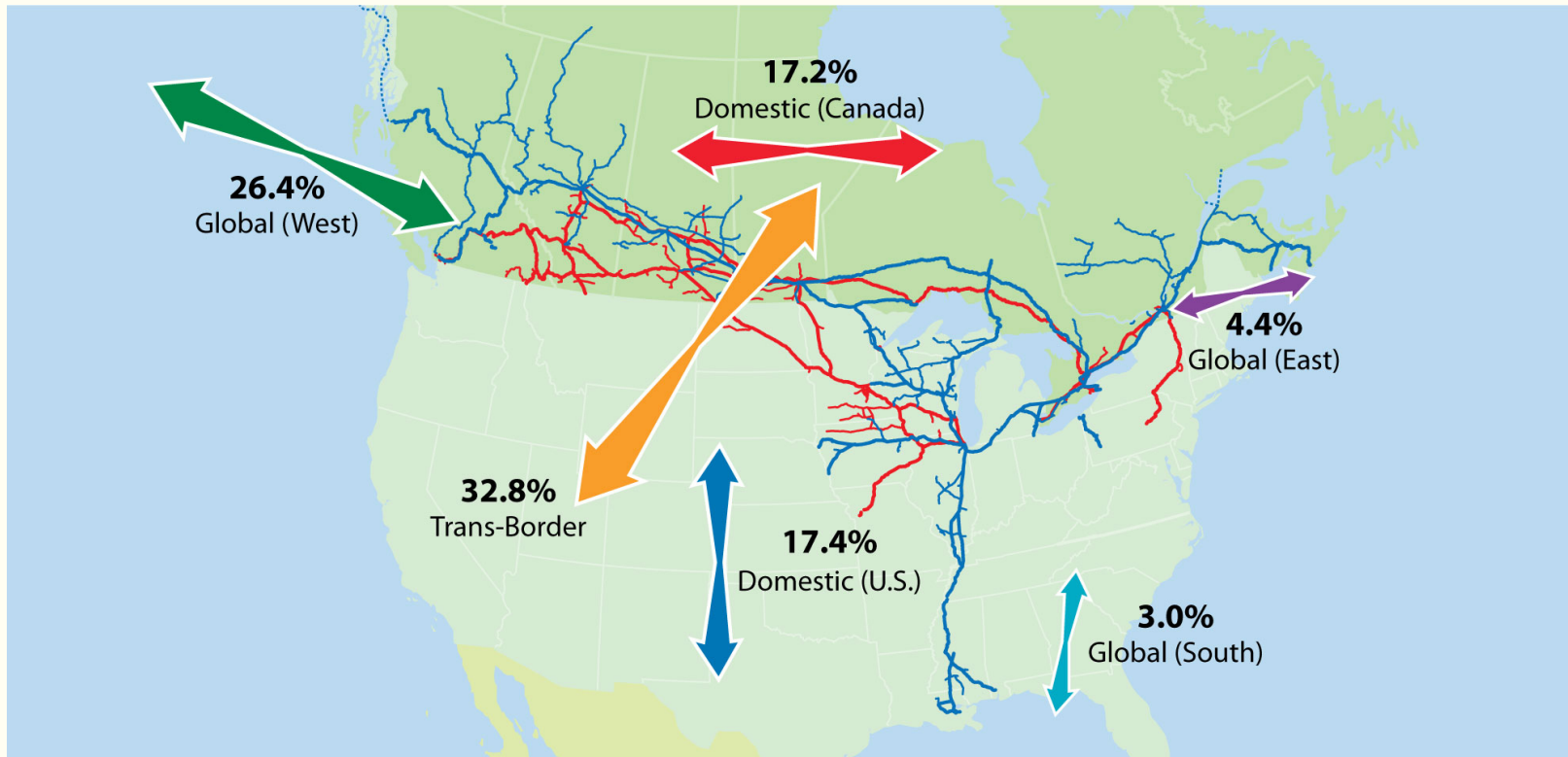
1. Complete literature review of trade policy in Canada
2. Inventory trade flow data between Canada and the United States before and after NAFTA
3. Analyze inventory and determine bi-directional trade facilitated by rail;
4. Develop hypothetical model to characterize impacts to rail traffic from decertification

Results from literature review



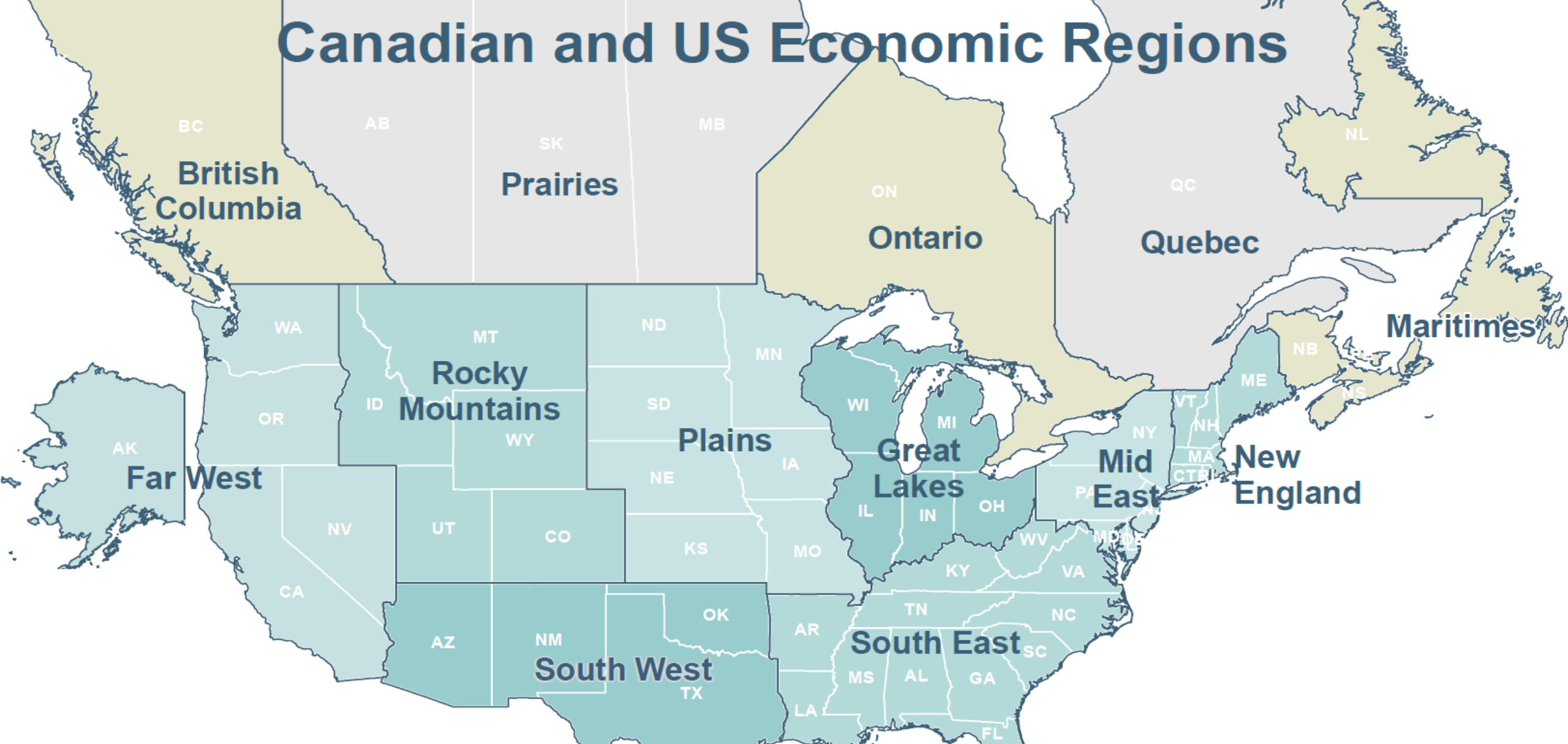
- Protectionist based policies stagnate growth
- Transition towards trade liberalization has stimulated GDP growth
- NAFTA has unlocked an era of free trade agreements

Rail trade profile



\$280 B	Value of goods
50%	Canadian exports
75%	Canadian rail traffic is exported
Top Rail Exports	<ol style="list-style-type: none">1. Agriculture and food2. Grain3. Forest products4. Coal5. Fertilizer materials
65%	Rail revenues generated by trade

Canadian and US Economic Regions



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Overall Trading Profile – Canada/U.S.

Canada-US Trade Summary Table

In Billion 2017 Canadian dollars

	1990-1993 Average	2014-2017 Average
Total Annual Bi-directional Average Trade Flow		
Maritimes	\$10.2 B	\$30.1 B
Quebec	\$50.2 B	\$83.8 B
Ontario	\$209.6 B	\$356.7 B
Prairies	\$40.9 B	\$159.7 B
BC	\$23.1 B	\$40.4 B
North	\$47.1 Million	\$242.0 Million

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Trading Profile – Ontario

2014-2017 By-directional Trade Flows, in 2017 (\$CND)

Average Annual Value of Trade Flow	\$356.7 Billion	
Top-3 Regions of Trade	<ul style="list-style-type: none">• Great Lakes• Southeast• Mideast 73.0% of all trade with US	
Top-3 Commodity Groupings	<ul style="list-style-type: none">• Machinery and Transportation Related Goods• Electronics• Chemical Products 61.7 % of all trade with US	
% of value of goods moved by rail	17.6 %	

Trading Profile – Prairies

2014-2017 By-directional Trade Flows, in 2017 (\$CND)

Average Annual Value of Trade Flow	\$159.7 Billion	
Top-3 Regions of Trade	<ul style="list-style-type: none">• Great Lakes• Plains• Southwest 66.1% of all trade with US	
Top-3 Commodity Groupings	<ul style="list-style-type: none">• Minerals• Chemical Products• Electronics 61.7 % of all trade with US	
% of value of goods moved by rail	17.9 %	

US-Canada Trade by Rail

Percentages

% of tonnage traded moved by rail – 2017	20.2%
% of value traded moved by rail – 2017	16.2%
Top-3 Commodity Groupings moved across the border by rail (2012-2016 average)	<ul style="list-style-type: none"> Lumber & Wood Products (47.8%) Chemical Products (32.7%) Paper Products (27.6%)

Canada-US Trade by Rail - Breakdown of Regional Links								
Bi-directional Trade Flows in current CAD, 5-Year Average, 2012-2016								
Canadian Regions	BEA Regions							
	New England	Mideast	Great Lakes	Plains	Southeast	Southwest	Rocky Mountains	Far West
Maritimes	\$ 239,500,684	\$ 416,869,660	\$ 293,803,553	\$ 160,573,050	\$ 457,107,964	\$ 306,533,114	\$ 32,219,800	\$ 108,172,463
Quebec	\$ 773,294,857	\$ 1,702,751,242	\$ 2,420,158,984	\$ 1,009,323,213	\$ 4,968,758,485	\$ 1,034,562,966	\$ 272,106,614	\$ 684,384,764
Ontario	\$ 453,830,758	\$ 2,129,872,784	\$ 26,236,621,007	\$ 2,579,699,894	\$ 9,117,551,532	\$ 3,879,966,786	\$ 360,933,009	\$ 16,780,537,764
Prairies	\$ 394,756,414	\$ 2,459,932,155	\$ 6,941,636,985	\$ 5,033,155,276	\$ 5,898,415,921	\$ 3,912,447,123	\$ 1,422,293,964	\$ 3,868,405,685
British Columbia	\$ 188,298,385	\$ 484,691,094	\$ 1,409,164,940	\$ 853,257,170	\$ 1,226,949,820	\$ 729,998,762	\$ 249,592,128	\$ 1,327,012,699
North	\$ 14,761	\$ 59,011	\$ -	\$ 40,629	\$ 174,853	\$ -	\$ -	\$ 113,679

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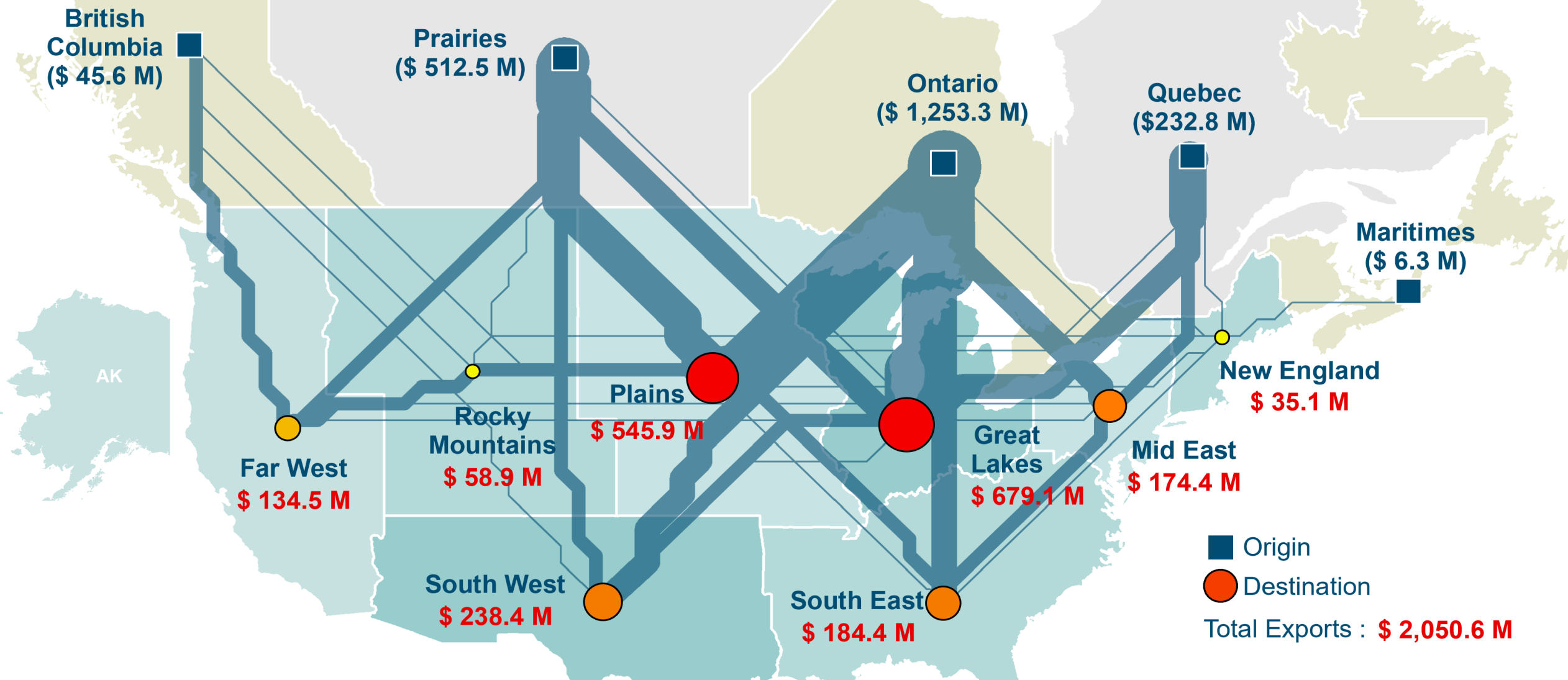
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Canadian Exports of Iron and Steel by Rail



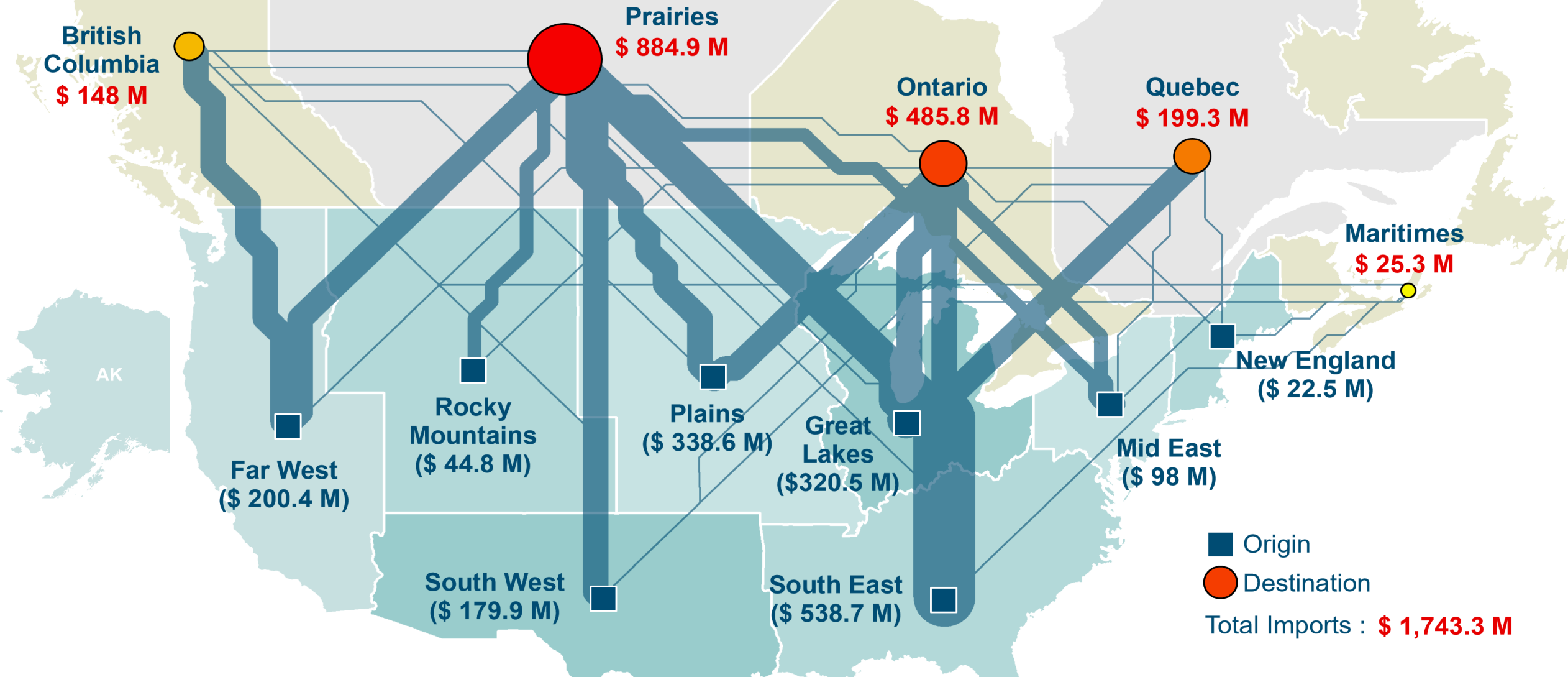
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Canadian Imports of Iron and Steel by Rail



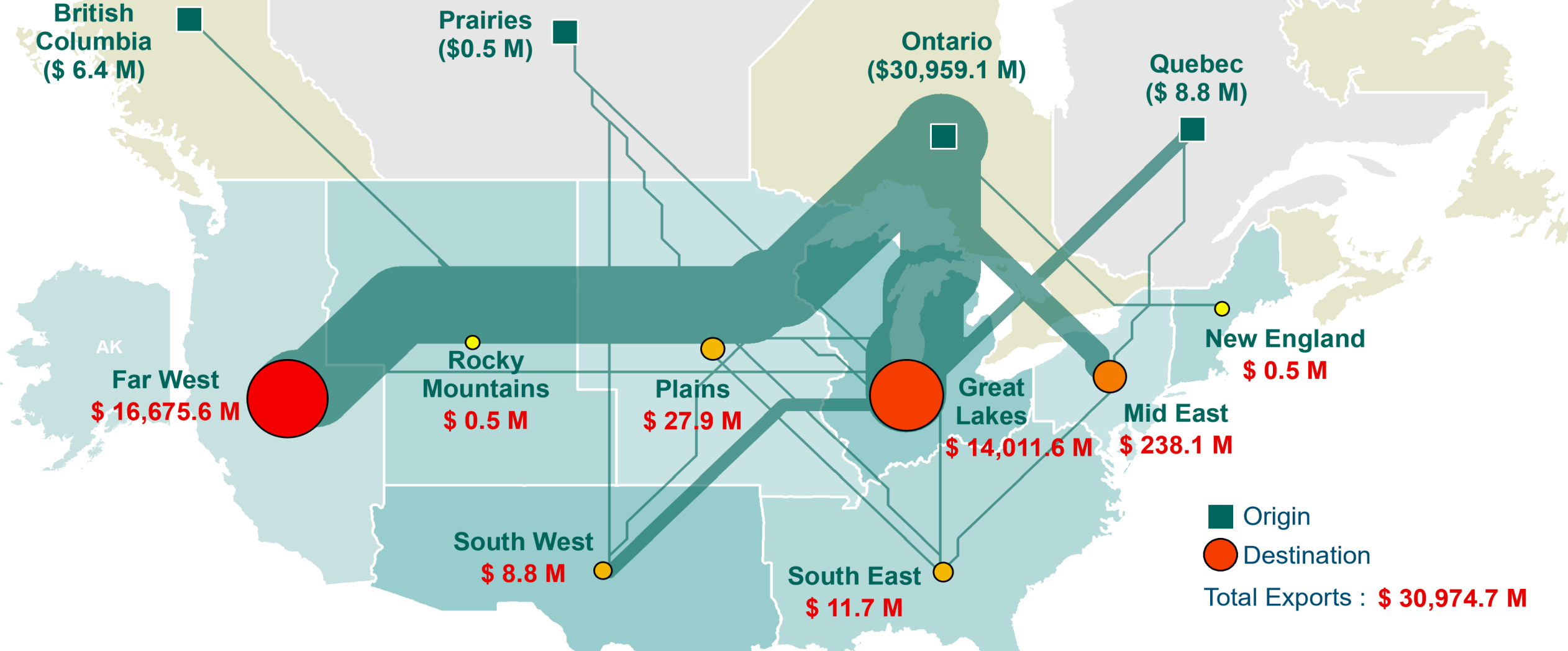
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Canadian Exports of Automotive Goods by Rail



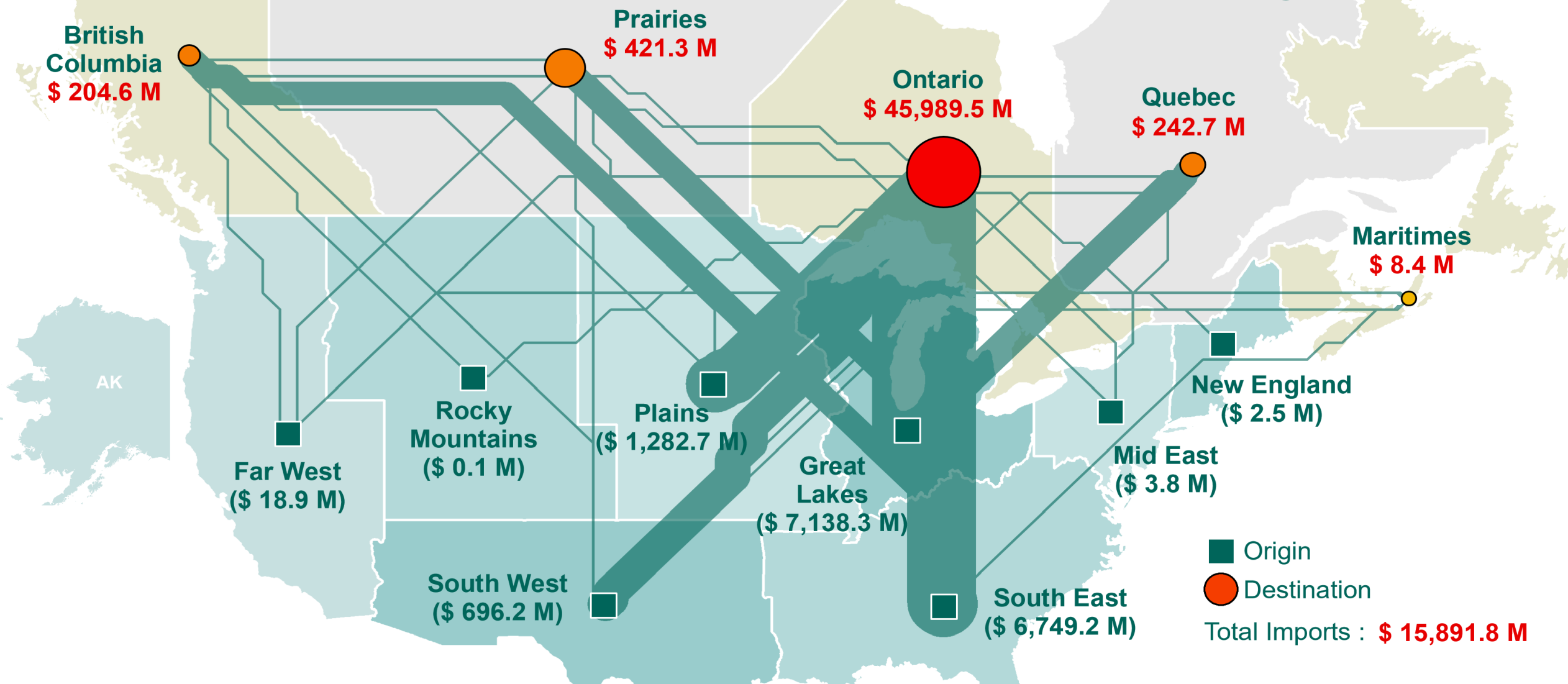
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Canadian Imports of Automotive Goods by Rail



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Impact of Decertification on Canadian Class 1 Revenues

In Million Current CAD, Based on Average 2014-2017 Trade

% of Trade Moved by Rail	19.5%	37.5%
Possible Loss in millions (\$CAD) of Rail Revenues (iron, steel and automotive goods):		
5%	\$19.8	\$94.7
15%	\$59.3	\$284.2

Conclusion

- The methodology provides a preliminary approach to measuring the impact of trade policy on railways in Canada and the U.S
- NAFTA has supported trade and growth for railways and should continue
- A return to a protectionist-based trade policy would have an adverse effect on railway tonnage and revenues
- A more fulsome analysis is required on commodities effected by NAFTA and carried by rail