RAIL TRANSPORTATION
Sector Profile

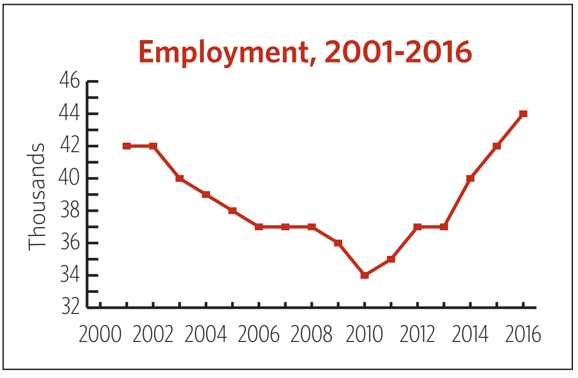
Sector Facts and Figures, 2016

Total Operating Revenue* Change since 2007	\$13.7 billion +\$3.8 billion
Total GDP (2007 \$CAD) Share of Canadian GDP	\$6.8 billion 0.4%
Exports**	\$16 billion
Imports	\$26 billion
Foreign Trade Balance Inflation-adjusted change since 2007	-\$10 billion +16%
Total Employment Change since 2007	44,000 +19%
Average Hourly Wage (Excluding overtime) Inflation-adjusted change since 2007	\$31.50 +7%
Productivity Growth 2007-2016	-10%
Average Work Hours/Week (Excluding overtime, 2011)	37
Average Overtime Hours/Year (2011)	135
Greenhouse Gas Emissions (Kilotons, 2014) Share of Canada's total industrial emissions	6,400 1%
Union Coverage Rate	64%
Unifor Members in the Industry	9,200
Share of Total Unifor Membership	3%
Number of Unifor Bargaining Units	32
Average Bargaining Unit Size	288

Source: Cansim; Trade Data Online; Unifor Research Department. *2015 data. **Trade data are for the transportation industry as a whole (2015 data year).

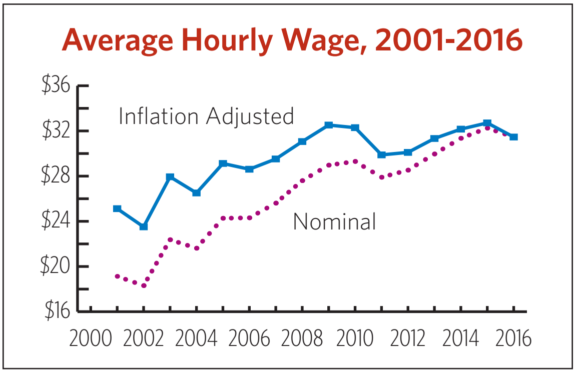
Current Conditions

Canada's railways play a vital role in linking Canadian regions, transporting citizens and tourists, and supporting trade and growth in key industries, such as oil and gas, mining, agriculture and manufacturing, for example. The problem with Canada's railway system is its hands-off, pro-business direction, which sometimes comes at the expense of workers, consumers and, in the case of the Lac-Mégantic tragedy, entire communities.



The North American railroad business has "continentalized" in recent decades. So while we are accustomed to thinking of CN Rail and CP Rail as 'Canadian' firms, much of their activity is in the U.S. One-third of CNR's revenue, for example, is derived from the United States. Despite that, railways are a strong, stable, productive and profitable segment of Canada's economy.

Strong demand for freight transportation (partly due to booming exports of resource and agricultural products) has increased



shipments and revenue. Given strong demand, railways have been charging high freight rates (shipping rates per tonne mile grew almost twice as fast over the past decade as consumer prices). Costs have been constrained, mostly through endless downsizing of the railway workforce. The bottom line: railways are a profit-making machine. Canada's major railways have been among the most profitable firms in Canada.

Sales in the Canadian rail industry have boomed, too, having risen by 40 per cent over the past decade, and this industry adds nearly $14 billion to Canadian GDP. That said, the industry has been subject to significant swings in employment. Between 2001 and 2010 the industry shed roughly 7,500 jobs (or one in five), driven predominantly by cutbacks among the Big Three (CN, CP and Via Rail). Since then, nearly 10,000 net new positions were added, boosting the ranks of employment by 25 per cent. Despite the ups and downs in employment, compensation is very good. Average hourly earnings are $31.50—a

35 per cent premium over the Canadian industrial average—and wage growth has outpaced inflation by seven per cent over the past decade.

Unifor in the Canadian Rail Transport Industry

Select Unifor Employers	Approx. # Members
Canadian National Rail	4,300
Via Rail	2,000
Canadian Pacific Rail	1,000
Ontario Northland	300

The 9,000 or so rail workers that Unifor represents make up nearly four per cent of overall membership and are distributed across 32 bargaining units, with heavy geographical concentration in the Prairie provinces. Roughly 75 per cent work for private sector railways like CN Rail and CP Rail, leaving 25 per cent employed with publically-owned railways like Via Rail and Ontario Northland.

The type of work in this sector includes rail and rail car servicing and repair, shop crafts and ticket agents. Unionization in this industry is strong, with roughly two out of every three workers being covered by a collective agreement. One-third of unionized rail workers in Canada are Unifor members.

The single largest employer is CNR, whose 4,300 members make up nearly half of sectoral membership. CPR and Via Rail together account for a further one-third of sectoral membership, while the remaining 20 per cent area spread across a variety of short-line and regional carriers.

Moving Forward: Developing the Rail Transport Industry

The Lac-Mégantic tragedy highlights the need for a new approach to regulating transportation by rail. A new approach must be put in place with emphasis on the health and safety of railway workers and the communities through which rail vehicles travel. Unifor has participated in various consultation processes and has made calls for greater regulatory control of the freight rail industry.

Railways were deregulated in the late 1980s and CN Rail was privatized in 1995. Since then, maximum emphasis has been placed on cutting costs and boosting profits. CNR and CPR are constantly pushing for less regulation. CNR acquired three US subsidiaries, giving it the biggest railway network on the continent. Yet, while railways have been enormously profitable, conditions have not necessarily improved for workers. Downward pressure continues to be exerted on staffing levels and work practices in pursuit of an ever-lower "operating ratio".

For example, even though CP Rail had become profitable, aggressive shareholder groups engineered the overthrow of company management, aiming to further reduce employment and boost profit margins. Despite large annual profits, the companies have the nerve to demand givebacks on pensions and other benefits. The pursuit of private profit, in other words, is no guarantee of a railway industry that meets Canadians' need for safe, sustainable transportation that contributes to our national development.

And when it comes to passenger rail, Canada has not even left the starting gate. While other countries were developing, high-speed interurban rail capabilities (China, South Africa and Brazil are examples), Canada was busy reducing Via Rail's operating budget. Economic studies show a high-speed system would be economically feasible in Ontario and Quebec. The government could use ultra-low interest rates to finance this project (or the Canada Infrastructure Bank), which would be enormously beneficial to the national and regional economies in terms of facilitating movement, easing gridlock on major highways and reducing greenhouse gas pollution.

Major Sector Development Issues

- A new approach to rail transportation is needed which prioritizes worker and community health and safety.
- Railway deregulation and privatization shifted the focus to profits and the "operating ratio", which has put relentless downward pressure on compensation and working conditions.
- Revitalization of Via Rail through the development of a high-speed (or high-frequency, at the very least) rail network in the Quebec City-Windsor corridor.
- A National Transportation Strategy targeting both freight and passenger rail is needed to address the need for quality, sustainable rail service in Canada.