

Facing a National Railway Strike: How Rail Customers Can Minimize Losses From Major Service Disruptions

Potential National Work Stoppage as Early as May 21

Canada faces the potential for a national shutdown of freight rail service in the coming months. CN and CPKC are currently in stalled labor negotiations with Teamsters Canada Rail Conference over safety and rest policies. On March 1, the government assigned a Federal Conciliation Officer, which started the 60-day clock on Conciliation and sets the timeline for a potential national work stoppage at the Canadian railways starting as early as **May 21, 2024**.

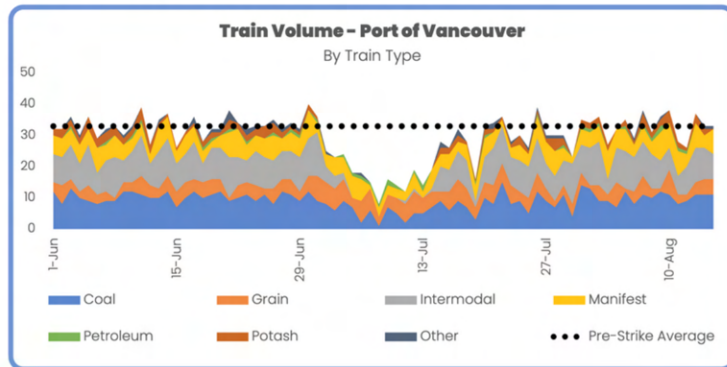
To support companies that rely on rail prepare for a potential loss of service, RailState has created this report to provide insights into what to expect from a shutdown and recovery and demonstrate how companies can use rail network insights to minimize losses before and after a disruption.

There is No Make Up Capacity After Disruptions

RailState reviewed all recent, significant rail network disruptions and identified a consistent trend. Train volumes fall quickly, remain halted or significantly reduced, and then return to the same volume levels seen before the event. This indicates that the railroads do not supply additional capacity for any noticeable length of time after a disruption. There is no “make up” capacity to clear missed shipments and these shipments are often permanently lost.

July 2023: Western Ports Dockworkers’ Strike

The most recent major labor action, a two-week work stoppage by dockworkers halted almost all intermodal and most commodities through the western Canada ports. Train volumes through the Port of Vancouver averaged 33.0 trains per day in the month before the strike. After the strike, train volumes only returned to 31.2 trains per day.



Recent labor disputes are not the only examples of rail shutdowns. Disruptions are not rare events, they happen many times each year, including:

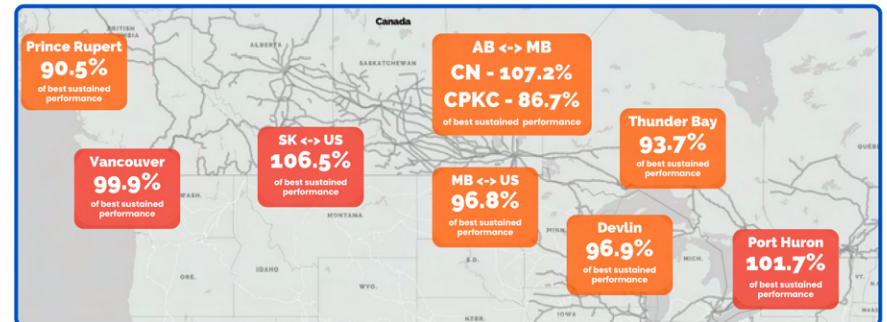
- **January 2024** - Ten days of extreme cold throughout western and central Canada caused a decrease in train volumes and train lengths. Total car movements through the Port of Vancouver were 35.4% below average.
- **August 2023** - Wildfires in British Columbia caused regular delays to traffic into Vancouver.
- **July 2023** - the main line to Halifax was washed out in heavy rains and remained unusable for a full week.

With the impending shutdown, rail customers looking to ship around a loss of service need to understand what’s happening across the Canadian rail network in order to evaluate the opportunities for their supply chain.

Current State of the Canadian Rail Network

The limiting factor for railroad capacity in the short term is availability of crews. In the aftermath of a shutdown, there are not a bunch of extra crews made available to move additional trains. However, some lanes may have short-term capacity. The volume the railroads have been able to sustain on a given route is a key factor in understanding the potential capacity for that route and what opportunity there is for additional shipments. **RailState is the only independent source of this information.**

The map shows how the current train volumes on major routes on the Canadian network compare to train volumes the railroads have been able to sustain for a two-month period within the past year - their “best sustained performance.” A route operating at or above the “best sustained performance” likely has no potential to handle additional volume.



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Preparing for a Disruption

With the railroads unable to make up volumes after a disruption, your missed shipments could become permanent losses.

These losses, however, will not be shared equally. Some lanes are more resilient than others - they have more current capacity in terms of crew availability, locomotives, train capacity on existing trains, and number of trains to move more volumes before a strike and return to normal service after a strike. That available capacity will be used by those who plan ahead and can identify the best ways to **keep shipments moving before, during, and after a disruption**.

Strategies to Consider

1. **Early Shipping:** Accelerate shipments before the strike to leverage available rail capacities
2. **Alternative Routing:** Use strategic investments to reroute shipments through alternative railways, ports, or terminals
3. **Shift to Trucking:** Consider trucking as an alternative for moving shipments when rail capacity is constrained

Identifying Capacity and Evaluating Options

Manifest Shippers:

Review trends on your routes and destination areas using RailState data:

- Manifest train volume for the previous 30, 90, 180 days
- Manifest train length over the same period

If train volume in recent periods has been higher than the current volumes, or train length has been greater than current lengths, there could be incremental capacity available to you. Approach railroad to secure available capacity. If capacity is unavailable consider shifting modes to trucking before competitive demand increases.

Bulk Shippers:

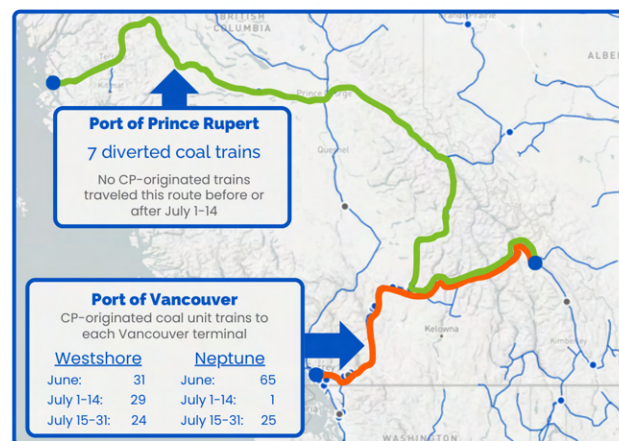
Review trends on your routes and destination areas using RailState data:

- Train volume for the previous 30, 90, 180 days
- Mix of train types (coal, grain, potash, intermodal, manifest) over same period

If train volume in recent periods has been higher than the current volumes, even if for a few days or weeks, there could be incremental capacity available to you. Work with railroad to secure that capacity.

Strategy In Action: C\$Millions Salvaged

During the dockworkers' strike in July 2023, the ability to move coal through the Port of Vancouver was severely diminished. The line to the Port of Prince Rupert, however, had available capacity to handle additional trains. Using insights from RailState, a coal shipper identified this available capacity and moved seven coal trains on the longer route to Prince Rupert. Despite the increased costs, the additional trains resulted in tens of millions of dollars of profit that could have stayed unrealized without moving on the alternative route.



What To Do Now

- Engage with RailState for access to the only source of real-time insights on all train movements across the Canadian rail network
- Measure current and recent volumes on your most used routes and work with RailState's team to identify potential excess capacity
- Negotiate with the railroad to secure capacity for additional shipments
- Continue monitoring performance of your routes with an eye toward a recovery period and to know if you are receiving fair treatment from the railroad

Visit www.railstate.com for help
keeping your supply chain moving
before the next disruption.

