Railway Association of Canada

RAC QUARTERLY REPORT

Quarter 2 - 2024

September 19, 2024

Contents

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Introduction

The Railway Association of Canada's (RAC) Quarterly Report compiles weekly, monthly, and quarterly data from railways and various statistical and regulatory agencies to provide a timely update on the state of the economy, the transportation sector, and freight and passenger rail operations.[1] Links to all data sources are included throughout the report. In addition, RAC's quarterly and annual reports can be accessed on the RAC website.

Executive Summary

Canadian Economy

Modest growth for the Canadian and U.S. economies through the remainder of 2024.

Following growth of just under the two percent range in the first half of 2024, Canada's banks are forecasting both the Canadian and U.S. economies to grow between 1.5% and 1.7% each quarter through the remainder of 2024.

Over three months, from March 2024 to June 2024, retail sales and manufacturing shipments decreased by 0.6%. Employment and GDP grew, by 0.6% and 0.5%, respectively. The key economic indicator that showed notable growth, exports + imports, increased by 2.7%, supported by gains in exports of crops and oil and gas.

Freight Rail

Traffic volume gains across many commodities.

Compared to Q2-23, in Canada (including all freight railways, both shortlines and Class 1s), intermodal unit volumes were up 3% and non-intermodal carloads were up 5%. Growth was led by strong gains in agriculture (21,997 carloads, 19%), fuels & chemicals (14,002 carloads, +9%), intermodal (20,194 units, 3%) and minerals (13,599 carloads, 5%), with smaller gains in machinery & automotive (2,098 carloads, 3%) and food products (955 carloads, 5%). The commodity with the most notable decrease in traffic was coal (-6,546 carloads, -7%), followed by smaller decreases (in carload terms) of manufactured & miscellaneous products, paper products, metals, and forest products. The big gains in agriculture came about as grain producers began to clear their inventories in anticipation of a solid 2024 fall harvest. In Q2, there were sharp year-over-year increases in shipments of canola each month, rounding out the quarter up 56%, while shipments of wheat also increased by 18% and other cereal grains increased by 10%.

In Q2-24, Canadian Class 1 freight traffic (CN and CPKC, network-wide), measured using revenue-ton miles (RTMs), increased by 7% compared to the same period last year. The Class 1 data largely reflect the same patterns as the Canadian data, described above. RTM growth was led by gains in high volume commodities, namely grain & fertilizers (+3,389 million RTMs, 11%) and energy, chemicals and plastics (+2,404 million RTMs, +13%); while automotive enjoyed the most significant increase in percentage terms, at +17%. Coal was the only commodity with a notable decline (-800 million RTMs, -7%).

[1] Much of the data in this report are measured against the same period in previous years, for year-over-year comparisons' sake. However, in some cases, data are compared to earlier periods to provide context relative to pre-pandemic activity levels.

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In Q2-24, there were no major changes to Canadian Class 1 freight railways' performance metrics. Four metrics improved, including a 2% improvement to the operating ratio, an 11% increase in property additions,[2] a 2% improvement in fuel efficiency, and a 5% reduction in terminal dwell times. Five metrics remained unchanged, while train speed edged down just 1%.

Supply Chains

Labour uncertainty at home, disruption in the seas.

The speed at which goods were moving through Canada's supply chains in Q2-24 was similar to the year prior. Railway dwell times remained low and extremely consistent. Dwell times were 5% shorter than they were in Q2-23, averaging between 7.9 and 8.4 hours each week. Dwell at the Port of Vancouver was 13% longer than in Q2-23, while dwell at the Port of Montreal was 3% longer.

In May, the uncertainty around a work stoppage in the Canadian rail industry caused shippers to divert traffic away from Canadian supply chains. While a brief work stoppage did not occur until August, following the Canadian Industrial Relations Board's (CIRB) determination, the impacts of labour uncertainty were real, with a 10% week-over-week reduction in network-wide rail traffic the week of May 19-25. The impacts of the August work stoppage will be discussed in the next RAC *Quarterly Report*.

Outside Canada's borders, maritime trade is facing some challenges that are impacting transportation costs and overall supply chain performance. In Q2-24, global vessel schedule reliability decreased to from 65.1% in Q2-23 to 54.0% in Q2-24, the average delays for late vessel arrivals increased from 4.4 to 5.0 days, and the Global Container Freight Index roughly doubled from the beginning to the end of the quarter. Restrictions on daily transits in the Panama Canal continued to ease throughout the quarter; however, the situation around the Suez Canal persists, causing vessels to redirect around the southern tip of Africa, adding around 10 days to their transit times. The overall impact continues to be felt on the efficiency of global supply chains.

Passenger Rail

Year-over-year increases in ridership across most services.

In Q2-24, two-thirds of RAC reporting members indicated that ridership was higher than it was in Q2-23. However, comparing back to 2019, ridership was above pre-pandemic (Q2-19) levels for just one reporting member.

Both major intercity railway companies – VIA Rail and Amtrak – boasted strong ridership numbers. VIA Rail ridership increased across all service segments (the Corridor, Ocean, Canadian, and Regional services), up 9% from Q2-23 and just 9% below the pre-pandemic (Q2-19) level. Ridership on Amtrak's routes with segments in Canada increased 19% year-over-year and exceeded their pre-pandemic (Q2-19) level by 15%.

In June 2024, urban transit ridership was 17% below pre-pandemic levels – relatively unchanged since September 2023.

Despite some positive numbers, following several years of lower-than-normal ridership, government support, at all levels, for passenger rail must remain a top priority to ensure sustainable operations of this essential public service.

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[2] Property additions include capital investments in track and roadway, rolling stock, buildings, information technology and other assets.

Rail Safety

Exceptional safety performance but crossing and trespassing remain top issues.

Safety remains the industry's number one priority, and the data for Q2-24 reflect this. Accident rates and the number of accidents across key categories continued to decrease at a strong pace.

In the second quarter of 2024, the Canadian Class 1 *Federal Railroad Administration (FRA)* personal injuries rate was 18% below the 2020-2023 average[3] and the train accident rate was 31% below the 2020-2023 average.

According to Q2-24 *Transportation Safety Board (TSB)* data, the overall accident rate for Canada's federally regulated railways improved by an outstanding 11% compared to the 2019-2023 average. In addition, compared to the 2019-2023 average, railways made significant progress in reducing the number of main-track derailments by 37% and accidents involving dangerous goods by 46%. Crossing and trespassing remain top issues. In Q2-24, crossing accidents were up 38% and trespassing accidents were up 76% compared to the 2019-2023 average. The issues are multifaceted and will take a concerted effort from railways, municipalities, and the public, among others, to achieve the mission to get to zero.

[3] 2020 is the earliest year for which data are available.

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State of the Canadian Economy

Data for all key economic indicators are provided on a seasonally adjusted basis. Therefore, the most recent data are analyzed against the past several months, rather than against the same quarter of the previous year. When comparing June 2024 to March 2024 data, total economy employment and GDP improved, exports increased, while retail sales and manufacturing shipments decreased.

From March 2024 to June 2024, total employment (all industries) increased by 0.6% (115,700 jobs), from 20.40 million to 20.52 million.

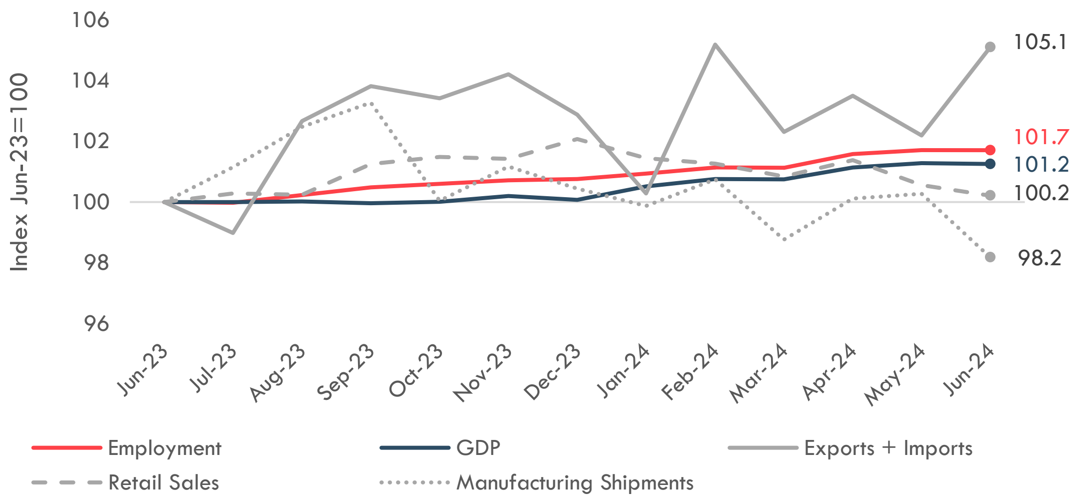
Over the same three months, GDP increased by 0.5%, from $2,218B to $2,229B. Changes in GDP were positive in 14 out of 20 sectors, led by (in absolute dollar terms) increases in educational services; finance and insurance; and mining, quarrying, and oil and gas extraction. In percentage terms, growth was led by utilities (+2.7%) and agriculture, forestry, fishing and hunting (+2.5%). The transportation and warehousing sector's GDP increased at the same pace as the overall economy, at +0.5%. Construction was the only major industry with a notable decrease in GDP, at -1.3%. The majority of the decline in construction was driven by a decrease in residential building construction.

From March 2024 to June 2024, trade (exports + imports) increased by 2.7%, from $126.2 to $129.6B, supported by gains in exports of crops and oil and gas.

Domestic retail sales provide insight into household consumption, which is the largest contributor to Canada's GDP at over 50% of total GDP and a key driver of intermodal rail volumes. From March 2024 to June 2024, retail sales (in current dollars) decreased by 0.6%.

Manufacturing shipments provide an indication into the strength of Canada's manufacturing sector and the global demand for its outputs. Manufacturing shipments decreased by 0.6% from March 2024 to June 2024.

Key Canadian Economic Indicators



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Growth of Key Canadian Economic Indicators

	Employment (millions)	GDP ($B, annualized)	Exports + Imports ($B)	Retail Sales ($B)	Manufacturing Shipments ($B)
March 2024	20.40	2,218	126.2	66.1	70.0
June 2024	20.52	2,229	129.6	65.7	69.6
3-month change	**0.6%**	**0.5%**	**2.7%**	**-0.6%**	**-0.6%**

Source: Statistics Canada, Labour Force Survey; Gross domestic product at basic prices; Canadian International Merchandise Trade; Retail trade sales by industry; and Monthly Survey of Manufacturing
Note: Data are seasonally adjusted. The GDP index is an index of Real GDP in chained (2017) dollars. The indices for trade, retail sales, and manufacturing shipments are in nominal dollars.

Economic Outlook

Based on Canadian banks' latest forecasts,[4] the economic outlook in this report is very similar to the outlook presented in RAC's Q1-2024 Report. After lagging the U.S. economy by a wide margin throughout the second half of 2023, the Canadian and U.S. economies grew at about the same rate in the first half of 2024 (a little under two percent annualized). The forecast for the remainder of 2024 predicts Canadian and U.S. growth rates to be similar, between 1.5% and 1.7% each quarter.

For rail, the traffic forecast is generally positive through the back half of 2024. Industrial production is forecasted to be slightly positive and traffic volumes may compare favourably to the disruption of last year's B.C. ports strike. However, labour uncertainty within the rail industry had resulted in traffic diversions. Some traffic shifted to trucks, while other rail traffic is delayed.

Looking toward the second half of the year, starting with bulk, a solid harvest this fall will support strength in the grain business. Canadian metallurgical coal should move as usual while low natural gas prices will keep the demand for U.S. thermal coal softened.

On merchandise, energy, chemicals and plastics were strong across many products in Q2 and this strength is expected to continue into the second half of 2024. A recovery in forest products, however, is not expected in the second half of 2024, as lumber continues to face headwinds. Housing starts in North America were down 7% in Q2 (compared to Q2-23) and are forecasted to remain down 7% in the second half of the year.

Moving on to consumer products. Despite traffic diversions resulting from labour uncertainty, the expectation for international intermodal remains positive, and will compare favourable to last year's B.C. ports strike. Domestic intermodal, which is facing pressure from an oversupplied trucking sector and less-than-enthusiastic consumer sentiment, may remain flat or show some modest growth. Finally, automotive has been a source of strength for several quarters, and the outlook for the second half of the year is flat to slightly positive as we return toward a pre-pandemic normal for the industry.

[4] As of September 5, 2024, the latest forecasts are from June (TD, RBC), July (Scotiabank), and August (CIBC, BMO).

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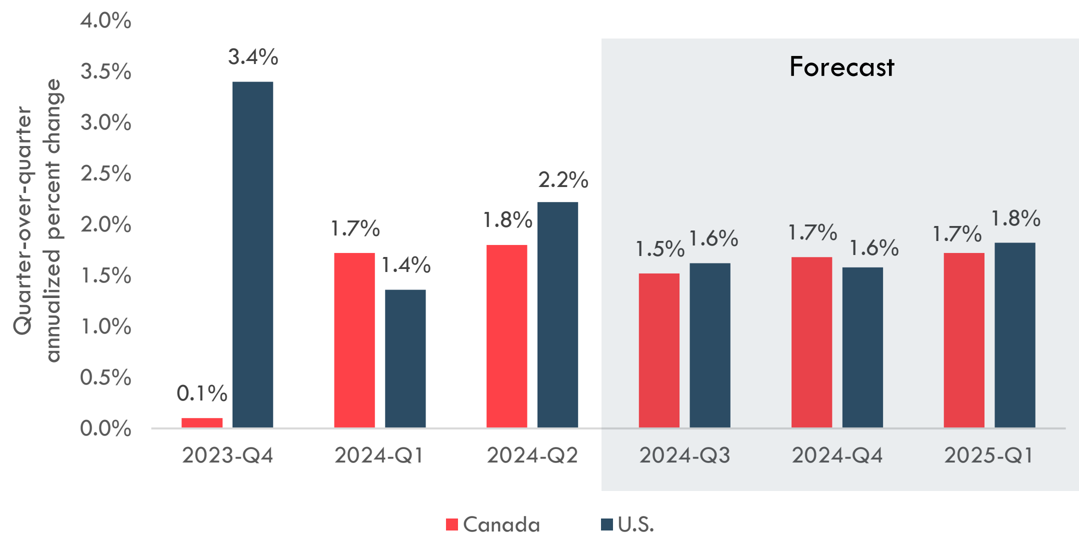
Canadian and U.S. Real GDP Forecast



Source: TD, Scotiabank, CIBC, RBC, and BMO forecasts. The figures presented are the average of the five banks' latest forecasts.

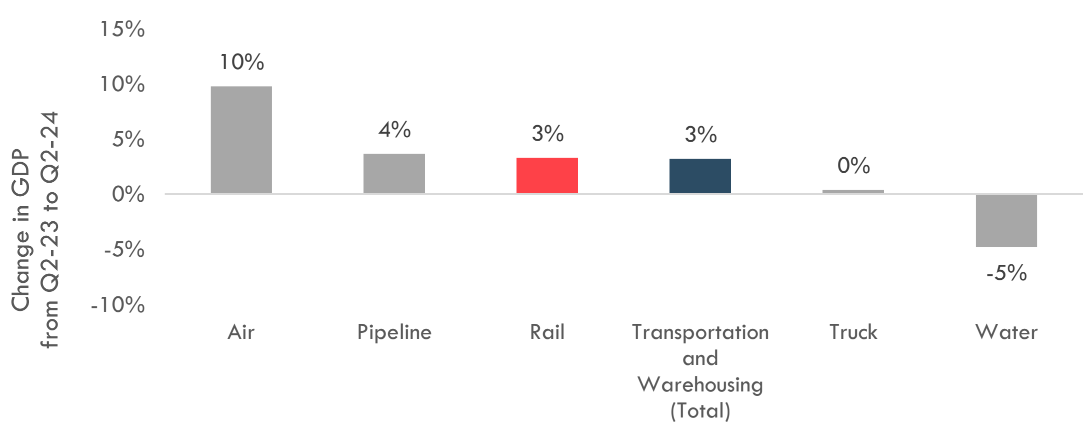
Rail and Other Modes of Freight Transportation

Each transportation mode has been impacted differently since the onset of the pandemic. The adverse impacts on some sectors were significant, especially for those that are more oriented toward passenger services. This affects the initial values used in year-over-year trend analysis and, as such, the findings in this section should be interpreted with caution.

Compared to Q2 of last year, the air transportation sector experienced the most significant growth in GDP (10%). This brought the air transportation sector's GDP up to 97% of its pre-pandemic (2019) level.

Compared to Q2-23, GDP for the overall transportation and warehousing sector was up 3%. GDP increased for pipeline (+4%) and rail (+3%), while it was flat for trucking, and decreased by 5% for water transportation.

Modal Comparison of GDP, Q2



Source: Statistics Canada, Gross Domestic Product by Industry
Note: Data are seasonally adjusted.

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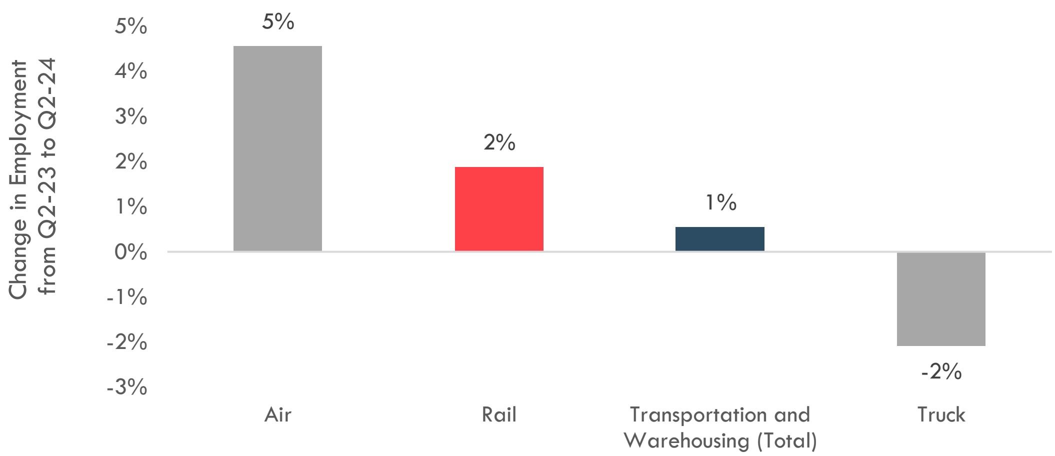
Employment data is not available for the pipeline or water transportation sectors. For the sectors in which data is available, Q2 employment was up for air (+5%) and rail (+2%) transportation, while decreasing by 2% for trucking. Employment in the total transportation and warehousing sector was up 1%.

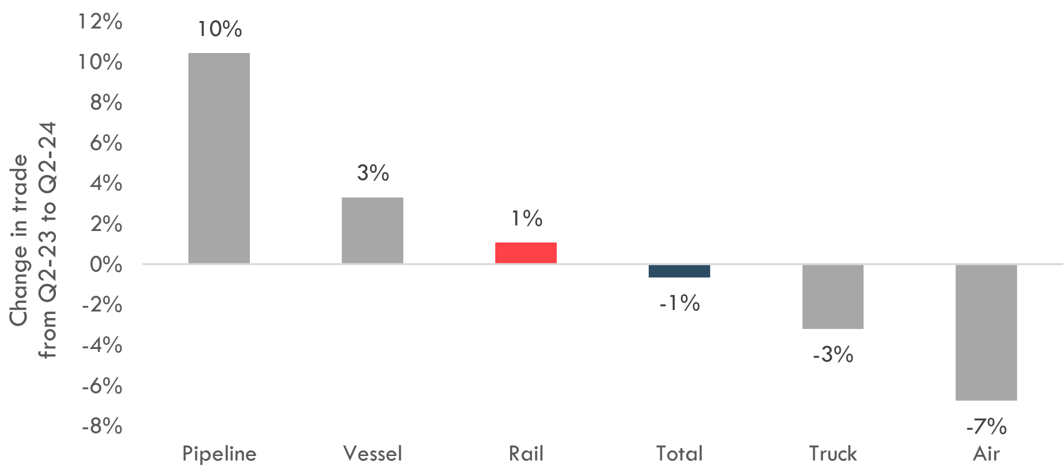
Modal Comparison of Employment, Q2



Source: Statistics Canada, [Survey of Employment, Payrolls and Hours]()
Note: The Survey of Employment, Payrolls and Hours does not provide information on employment for the marine or pipeline sectors.
Note: Data are seasonally adjusted.

Trade volumes between Canada and the U.S. were down 1% in the second quarter of 2024 compared to the same period in 2023. Trade increased by pipeline (+10%), marine vessel (+3%), and rail (+1%), while other modes experienced a decline, including truck (-3%) and air (-7%).

Modal Comparison of Trade with the U.S., Q2



Source: U.S. Bureau of Transportation Statistics, [News and Statistical Releases: North American Transborder Freight Data.]()

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Network-wide Canadian Class 1 Freight Data

The Class 1 data cover CN and CPKC's network-wide operations across North America.

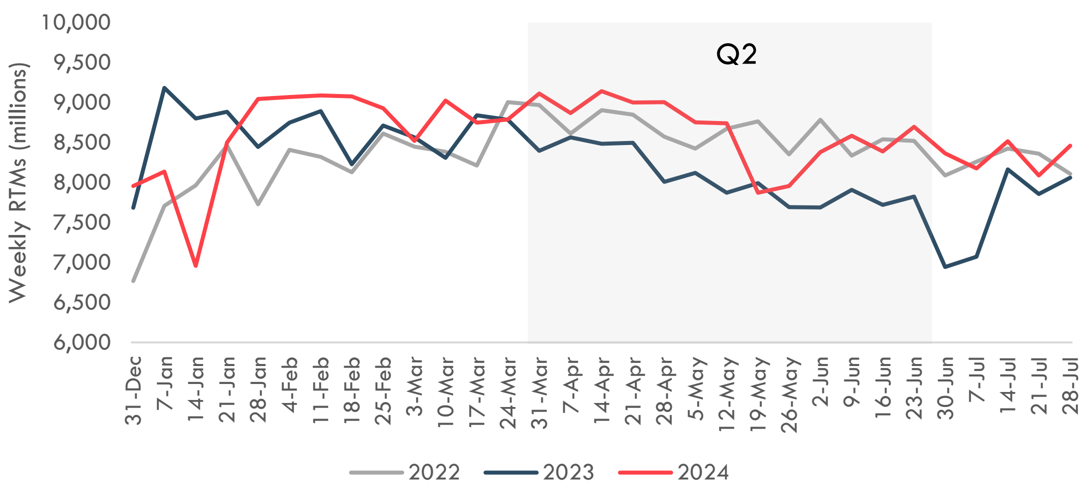
Weekly Trend

The second quarter of 2024 started off strong, with RTMs above 2022 and 2023 levels in each of the first seven weeks of the quarter. In the second half of the quarter, customers began diverting some traffic in anticipation of a potential labour disruption. The impact is shown clearly in the week starting May 19, when traffic volumes dropped 10% week-over-week. Despite this, Class 1s finished the quarter up 7% over 2023 volumes. Growth was primarily driven by significant gains in grain & fertilizers (+3,389 million RTMs) and energy, chemicals and plastics (+2,404 million RTMs).

In May, uncertainty around a labour disruption caused traffic diversions, contributing to a 10% week-over-week reduction in volumes.

Turning to the first five weeks of Q3-2024, freight activity compared favourably to last year, which experienced the B.C. ports strike from July 1 to 13 and its aftereffects. Compared to the same period in 2023, total RTMs were up 9%, led by double-digit gains in intermodal (+20%), grain & fertilizers (+15%), energy, chemicals and plastics (+13%), and automotive (10%) (not shown).

Canadian Class 1 Revenue Ton-miles



Source: CN Key Weekly Metrics; CPKC Weekly Key Metrics
Note: The dates indicate the first day of the week (e.g., "7-Apr" corresponds to the week of Apr 7-13). The week starting December 31, 2023 (for the 2024 series), is compared against the weeks starting January 1, 2023, and January 2, 2022.

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Revenues, Revenue Ton-miles, and Carloads

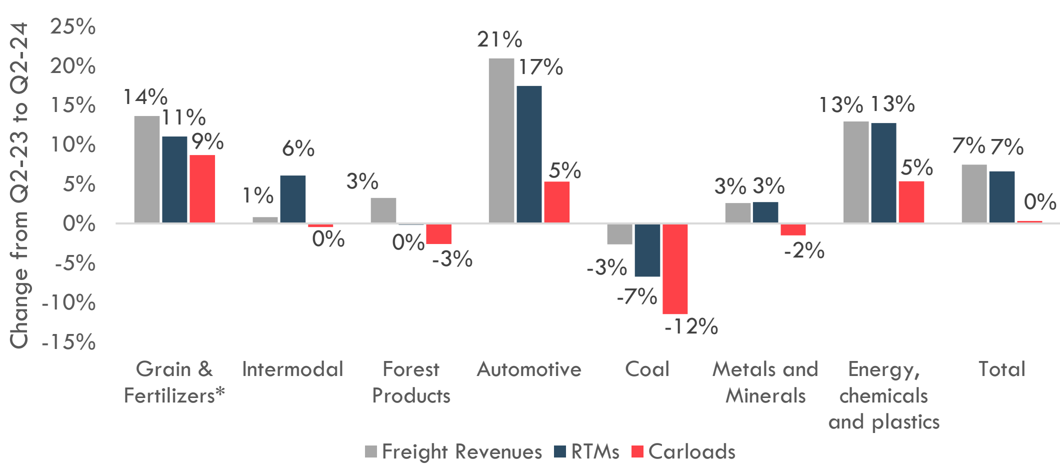
As shown in the figure and table below, compared to Q2-23, thanks to a longer average length of haul, RTMs were up 7% while total carloads were flat. On a year-to-date (YTD) basis, RTMs were up 3%.

Canada's Class 1 railways were able to accommodate growth across commodity categories; from commodities subject to revenue caps like western Canadian grain, to commodities that generate much higher revenue per RTM, including automotive, intermodal, and energy, chemicals and plastics. Automotive experienced the most significant year-over-year increase in RTMs in percentage terms, at 17%. Both Class 1s enjoyed double digit automotive RTM growth. However, total RTM growth was driven primarily by gains for higher volume commodity categories. Shipments of grain & fertilizers increased by 11% (3,389 million RTMs) as grain producers cleared inventory in anticipation of a solid 2024 fall harvest. Next, energy, chemicals and plastics shone with a 13% increase (2,404 million RTMs), exhibiting strength across many products areas, including plastics, crude, LPG, propane, etc. RTMs also increase for intermodal (+6%, or 1,312 million RTMs), driven entirely by increases in average length of haul. Metals & minerals were up 3% (329 million RTMs), as growth in some products was enough to overcome softness in steel product shipments, which have been soft due to production inconsistencies and lower steel prices. Forest products remained flat, as some gains in pulp were offset by weakness in lumber. The only commodity category to experience a decline in traffic was coal, driven by decreases in demand for U.S. thermal coal.

Canadian railways continue to provide service to customers at competitive rates. As both freight revenues and RTMs grew by 7%, total freight revenue per RTM remained at around the same level as last year. Most notably, intermodal freight revenue per RTM was down 5% (not shown), driven by pricing pressures in the truck-competitive intermodal business where rates are dropping due to excess capacity.

In Q2-2024, the 7% increase in traffic volumes was led by increases in grain shipments and gains across a variety of energy, chemical and plastics products.

Class 1 Freight Revenues, RTMs, and Carloads by Commodity, Q2



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Q2: Canadian Class 1 RTMs (millions), by Commodity

	Q2-24	Q2-23	Change (%)	Change (#)
Grain & Fertilizers*	34,096	30,707	11%	3,389
Intermodal	22,872	21,560	6%	1,312
Forest Products	7,995	8,010	0%	-15
Automotive	2,189	1,864	17%	325
Coal	11,087	11,887	-7%	-800
Metals and Minerals	12,532	12,203	3%	329
Energy, chemicals and plastics	21,295	18,891	13%	2,404
Total	**112,066**	**105,122**	**7%**	**6,944**

Year (Q1-Q2): Canadian Class 1 RTMs (millions), by Commodity

	YTD-24	YTD-23	Change (%)	Change (#)
Grain & Fertilizers*	71,174	67,538	5%	3,636
Intermodal	44,282	42,084	5%	2,198
Forest Products	16,008	16,310	-2%	-302
Automotive	3,901	3,464	13%	437
Coal	20,977	23,386	-10%	-2,409
Metals and Minerals	24,583	24,251	1%	332
Energy, chemicals and plastics	42,728	39,426	8%	3,302
Total	**223,653**	**216,459**	**3%**	**7,194**

Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.
**Includes potash.*

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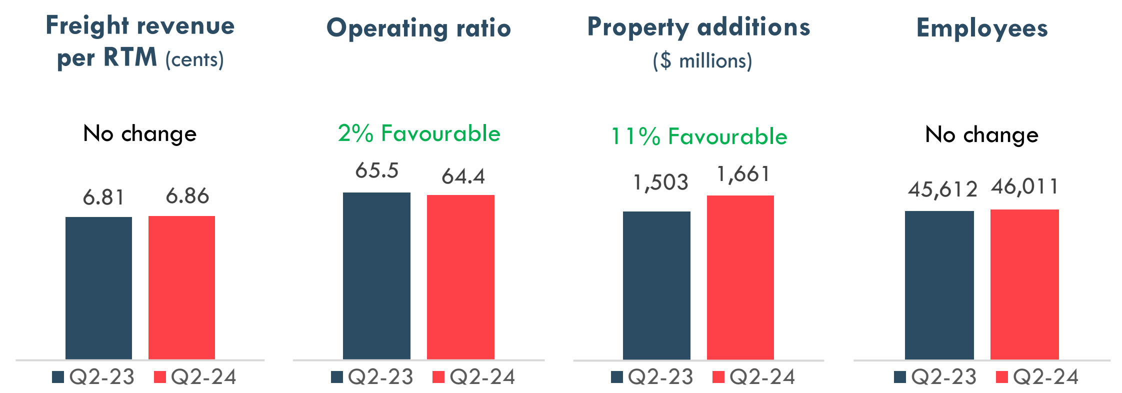
Select Key Financial and Operating Metrics

In Q2-24, four key metrics improved, five remained unchanged, while just one (train speed) changed unfavourably.

From Q2-23 to Q2-24, freight revenue per RTM remained flat while the average Class 1 operating ratio improved by 2%. Canada's Class 1 railways continued to make significant investments[5] in their networks, investing an impressive $1.7 billion in Q2-24 – an 11% increase compared to the same period last year. Employment remained flat at around 46,000 employees.

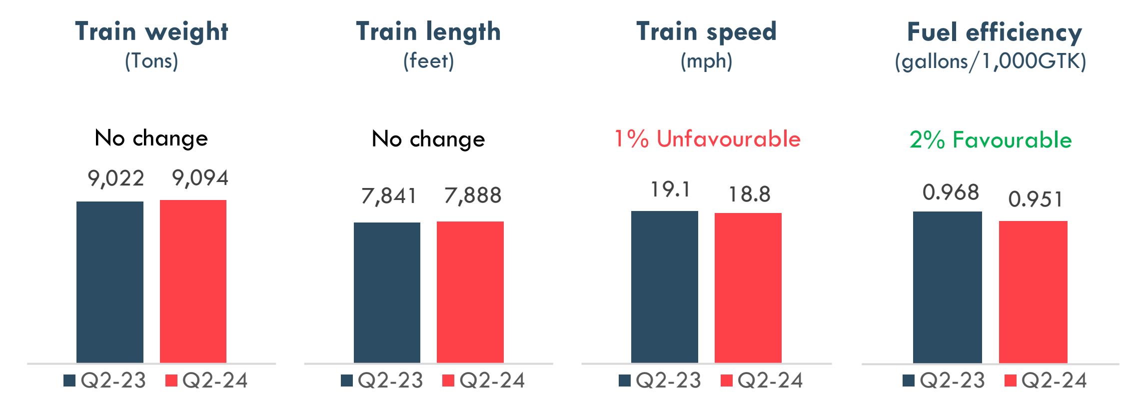
Canada's Class 1 railways invested nearly $1.7 billion in their networks in Q2-2024, an 11% year-over-year increase.



Source: [CN Quarterly Review](); [CPKC Unaudited Combined Summary of Supplemental Data]().
Note: The operating ratio is calculated as the simple average of CN and CPKC.

In Q2-24, average train weight and length were the same as they were last year. Heavy track work in the Western corridor had an impact on the fluidity of line-haul operations, which may have contributed to the 1% reduction in average train speeds compared to last year. Intermodal and manifest train speeds were similar to last year, while average speeds for grain and coal unit trains, which operate heavily in the west, decreased. In Q2-24, fuel efficiency of each Class 1 railway improved by 2%.

[5] Property additions include capital investments in track and roadway, rolling stock, buildings, information technology and other assets.

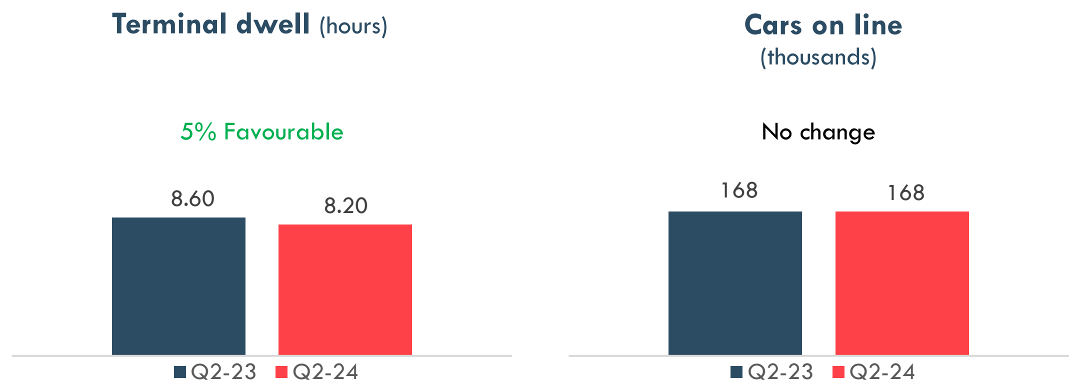


Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.
Note: All four metrics are calculated using the simple average of CN and CPKC.

In Q2-24, railway terminal dwell times remained low and extremely consistently. Each week, dwell times were shorter than they were in Q2-23, averaging between 7.9 and 8.4 hours. Overall, railway terminal dwell averaged 8.2 hours for the quarter – a 5% improvement year-over-year. Dwell at major yards (not shown) improved 6% year-over-year. The gains drive greater supply chain efficiency and capacity for all users.

In Q2-2024, railway terminal dwell times remained consistently low, and averaged just 8.2 hours, a 5% improvement compared to Q2-2023.

The average number of rail cars on line was the same as in Q2-23. For the most part, increases in the number of covered hoppers, intermodal and multilevel cars on line were offset by decreases in the number of box cars and gondolas.



Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data; CN Key Weekly Metrics; CPKC Weekly Key Metrics; CPKC Earnings Review Presentation
Note: Terminal dwell is calculated using the simple average of CN and CPKC.

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Canadian Freight Industry Data

The freight industry data in this section have strong overlap with the Class 1 freight data reported above. The Class 1 data cover CN and CPKC's operations across North America, whereas this section is specific to Canadian operations and include data from all freight railways, including shortlines.

Carloads & Intermodal Units

Statistics Canada reports monthly carloadings for over 60 commodities (which are categorized into 10 commodity groupings in this report), as well as intermodal units.

In Q2-24, non-intermodal carloadings were up 5% compared to Q2-23. Carloads increased for half of the commodity groupings. The Canadian data largely reflect the same patterns observed for the Class 1s, namely, strong gains in agriculture (grain & fertilizers in the Class 1 data), fuels & chemicals (energy, chemicals and plastics in the Class 1 data), and intermodal, and decreases in coal.

In Q2-2024, growth in Canadian carloads was led by a 19% (22,000 carload) increase in agricultural products. Shipments of canola increased by 56%, followed by an 18% increase in wheat and 10% increase in other cereal grains.

The agriculture commodity grouping led growth in both percentage and absolute terms, with gains of 19% and 21,997 carloads compared to Q2-23. As stated earlier in the Report, agricultural producers cleared inventory in anticipation of a solid 2024 fall harvest. In Q2, there were sharp year-over-year increases in shipments of canola each month, rounding out the quarter up 56%. Gains were also strong for other major products including wheat (+18%) and other cereal grains (+10%).

Fuels & chemicals also posted strong gains across the board, including notable increases in shipments of gasoline and aviation fuel, fuel oils and crude, LPGs, other refined petroleum products, and plastic and rubber. The gains were also shared geographically, connecting Alberta products to the Gulf Coast, strong demand for fuels in Ontario and Quebec, and exports through Northeast BC.

Q2-24 intermodal traffic was up 3% compared to Q2-23, driven by gains in the West.[6]

On a YTD basis, intermodal traffic was up 5% and non-intermodal carloadings were up 1%.

[6] For statistical purposes, cargo loadings from Thunder Bay, Ontario, to the Pacific Coast are classified to the western division, while loadings from Armstrong, Ontario, to the Atlantic Coast are classified to the eastern division.

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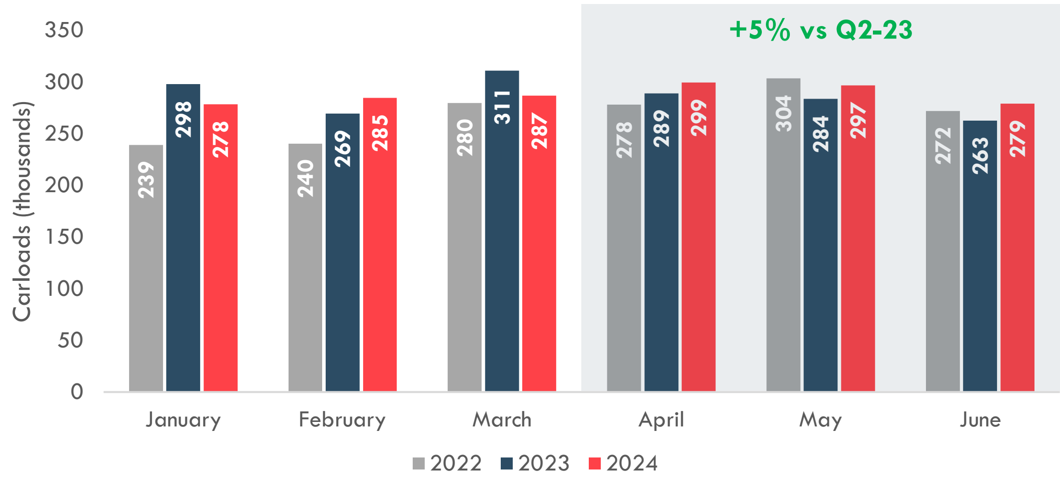
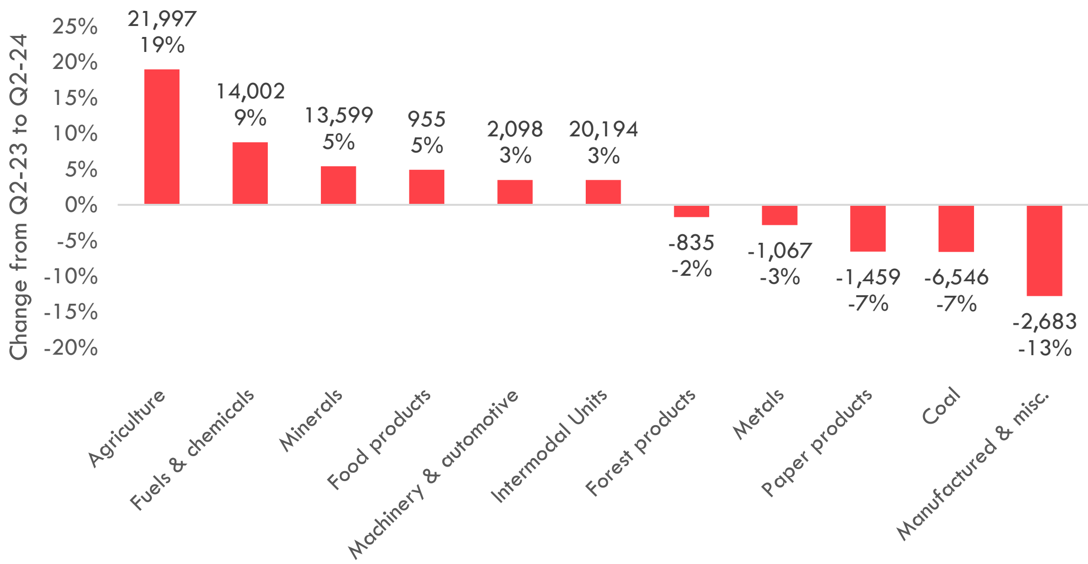
Canadian Railways, Carloads



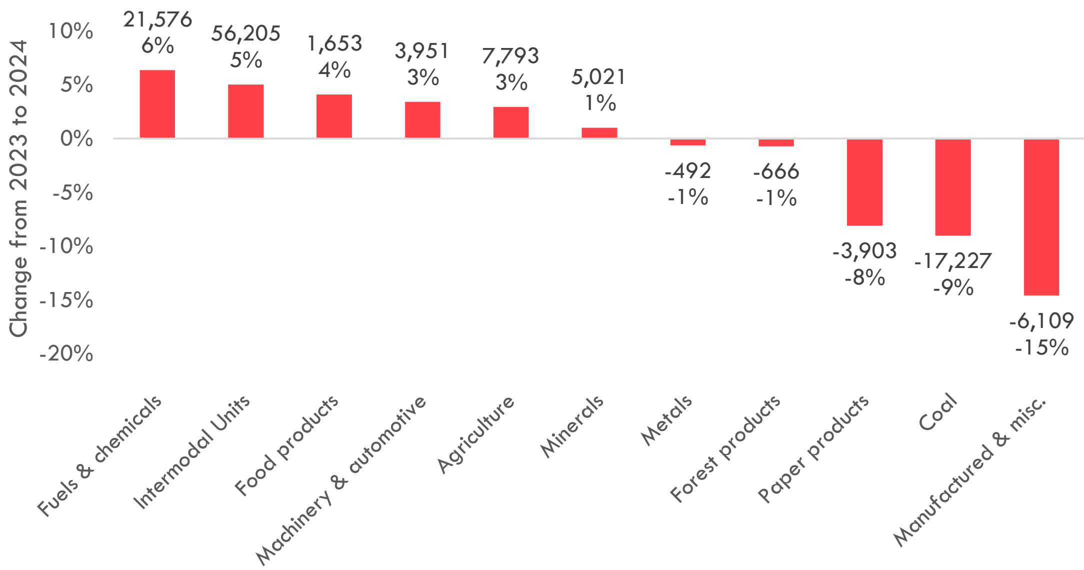
Source: Statistics Canada, [Monthly Railway Carloadings Survey]

Canadian Railways, Carloads by Commodity & Intermodal Units, Q2



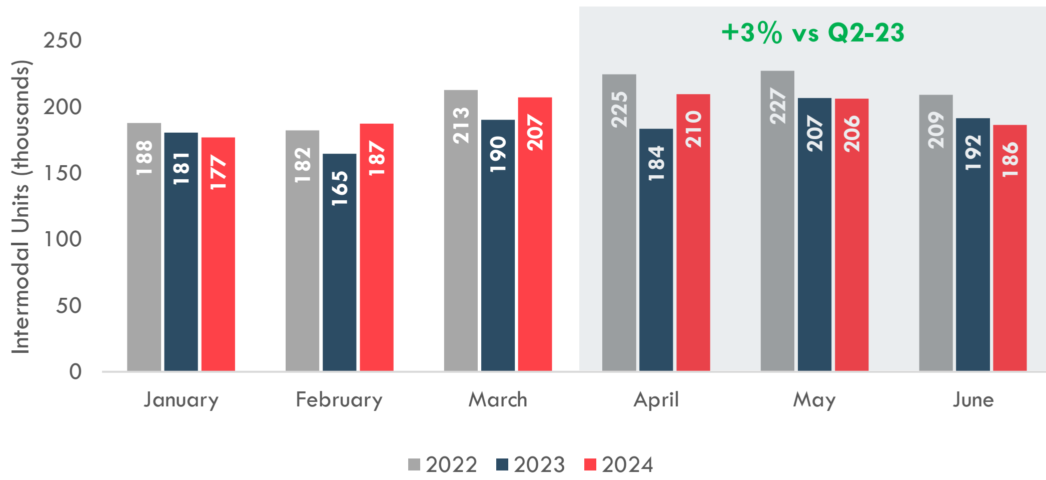
Source: Statistics Canada, [Monthly Railway Carloadings Survey]

Canadian Railways, Carloads by Commodity & Intermodal Units, (Jan-June YTD)



Source: Statistics Canada, [Monthly Railway Carloadings Survey]

Canadian Railways, Intermodal Units



Source: Statistics Canada, [Monthly Railway Carloadings Survey]

In Q2-24, traffic grew in Western Canada while it decreased slightly in the East. Non-intermodal carloads were flat in the East while they increased by 8% in the West, and intermodal units were down 4% in the East but up 10% in the West.

In the East, year-over-year gains in minerals and fuels & chemicals were offset by losses across most other commodity groupings. The strong growth in the West was led by agriculture, fuels & chemicals, and to a lesser extent, minerals.

CDN Carloads and Intermodal Units by Region, 2024 vs 2023

	Q2	YTD (Q1-Q2)
Eastern Division		
Carloads	0%	-2%
Intermodal Units	-4%	-3%
Western Division		
Carloads	8%	3%
Intermodal Units	10%	11%
Total		
Carloads	5%	1%
Intermodal Units	3%	5%

Source: Statistics Canada, [Monthly Railway Carloadings Survey]

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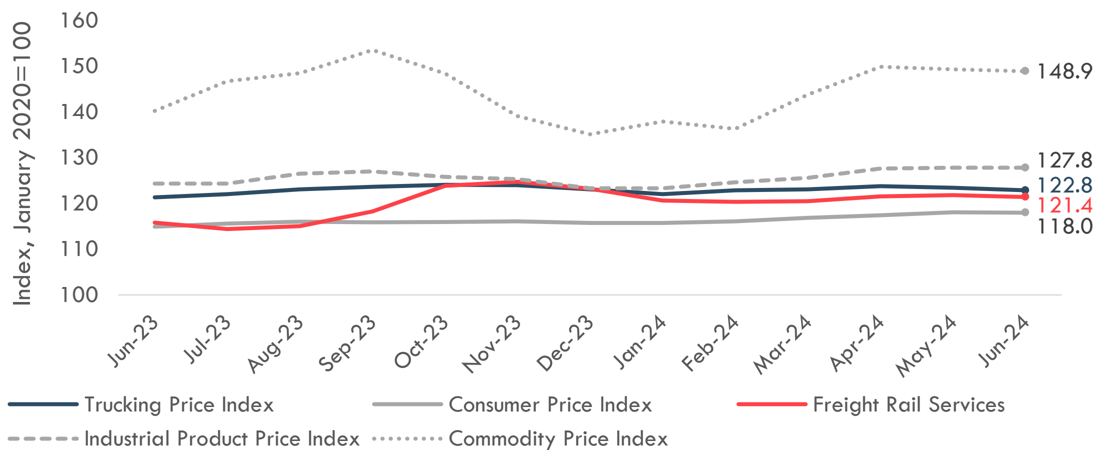
Freight Rates

Following years of high volatility, price indices have mostly moderated over the past year.

Over the past three months (from March 2024 to June 2024), there has been very little movement in prices. Trucking rates remained unchanged while rail freight rates increased by less than 1%, consumer prices increased by 1%, industrial product prices increased by 2%, and commodity prices increased by 4%.

Compared to January 2020, the period before the onset of the COVID-19 pandemic, truck rates have increased by a total of 22.8%, while rail rates have increased by 21.4%. Both increases are similar to the increase in consumer and industrial product prices, but well-below the 48.9% increase in commodity prices.

Price Index of Rail Services vs Other Price Indices

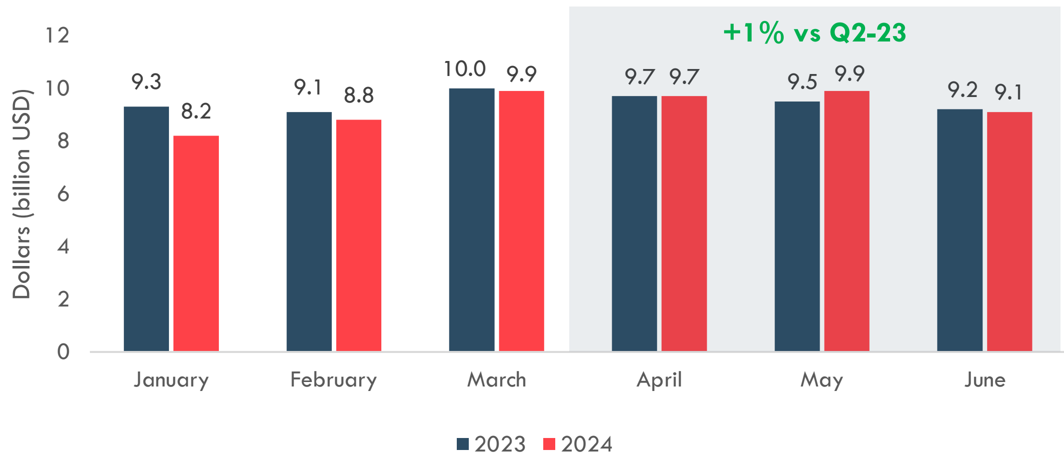


Source: Statistics Canada, Freight Rail Services Price Index, Industrial Product Price Index, For-hire Motor Carrier Freight Services Price Index, and Consumer Price Index. Bank of Canada, Commodity Price Index

Exports

In Q2-24, trade by rail with the U.S. was 1% above Q2-23 levels.

Rail Merchandise Trade with the U.S.



Source: U.S. Bureau of Transportation Statistics, News and Statistical Releases: North American Transborder Freight Data.

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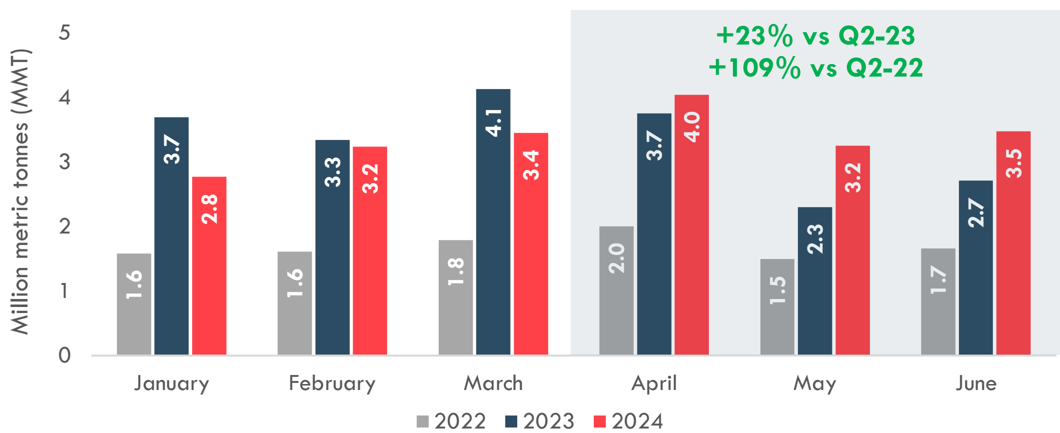
Railway grain volumes fluctuate year-to-year and are very strongly linked to the size of the grain crop. In addition, the timing of shipping demand can be volatile, as it is influenced by changes in market prices for grain. Through investments in on-farm storage, producers are able to hold back grain shipments, choosing to sell when the grain market is most favourable for them.

Q2 (calendar year[7]) grain by rail volumes are strongly linked to the size of the crop in the previous calendar year, how much grain has been moved in the previous two quarters, and what the expectations are for the upcoming fall crop. In anticipation of a strong 2024 fall harvest, agricultural producers began to clear their inventories in Q2. In each month of Q2-24, grain shipments by rail were higher than they were in previous years. In August 2024, Statistics Canada estimated Prairie production (total metric tonnes) of wheat, canola, barley and oats to come in 2% higher than the 2023 harvest.

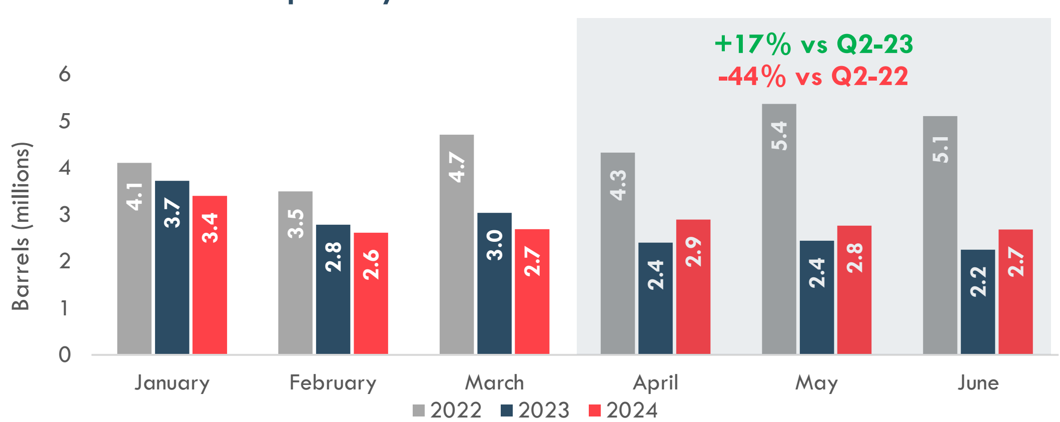
Grain in Hopper Cars Destined for Western Ports



Source: Quorum Corporation, *[Canadian Grain Monitor, Monthly Report](#)*, *GMP Data Table 2B-1 M*

As shown earlier in the report, shipments of energy products by rail have been strong in the second quarter, including for crude oil. In each month of Q2-24, exports of crude oil by rail were up compared to last year. For the quarter, exports of crude oil by rail were up 17%.

Canadian Crude Oil Exports by Rail



Source: Canada Energy Regulator, [Canadian Crude Oil Exports by Rail](#)

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[7] RAC's Quarterly Reports analyse grain data according to the January-December calendar year, rather than according to the August-July crop year.

Supply Chains

Modern supply chains are complex and, when disruption occurs at one link, the impacts are felt widely and deeply across other transportation providers, shippers, suppliers, and consumers.

Labour Uncertainty

In recent years, Canada's supply chains have had to deal with numerous cases of labour uncertainty. The compounding effect of recurring labour uncertainty, including work stoppages, or the mere threat of work stoppages, negatively impact businesses, consumers, and Canada's reputation as a reliable trading partner. The Canadian government must give more thought to the country's labour laws and regulatory framework, so workable and timely solutions can be deployed to keep our supply chains moving, serving Canadians, while also respecting workers' rights.

Trading partners and shippers have choices. The B.C. ports strike in July 2023 caused significant harm to Canada's economy and international reputation. It took several months to get most of the diverted traffic to once again pass through Canadian ports. This year, again, the uncertainty around a work stoppage in the rail industry meant that shippers were forced to use alternative supply chains, re-routing traffic to U.S. ports. The work stoppage at Canada's Class 1 railways in August 2024 only lasted a few days; however, traffic diversions began as early as May, impacting traffic volumes and the jobs of many non-rail worker who are dependent on fully functioning railways.

As the labour situation created significant uncertainty leading up to the August 9th Canadian Industrial Relations Board (CIRB) determination, traffic diversions continued and railways had no choice but to stop accepting traffic, especially dangerous and hazardous materials to ensure community safety. The impacts of the August work stoppage will be discussed in the next RAC *Quarterly Report*.

Work stoppages, or the mere threat of work stoppages, negatively impact businesses, consumers, and Canada's reputation as a reliable trading partner.

Challenges in Global Maritime trade

In the Americas, operation of the Panama Canal has been affected by drought, and the number of daily transits had been restricted, affecting global supply chains throughout Q2. Before May 16, the canal was limited to just 24 daily transits, which then increased to 32 on June 1, and following further increases, had returned to its normal 36 transits per day in early September.

In the Middle East, traffic through the globally important Suez Canal continues to be disrupted by vessel attacks in the Red Sea. This disruption is causing vessels to be re-directed around the southern tip of Africa, significantly increasing both transit times (adding about 10 days) and costs. Marine vessel reliability in Q2-24 was worse than it was a year ago and container prices were much higher. Freightos' Global Container Freight Index[8] increased from as low as $1,048 in October 2023 to $2,500 in the first week of 2024, around $3,400 in late January/early February, over $4,000 in early June, and over $5,000 since the beginning of July. The increases inevitably impact supply chains from end-to-end and ultimately push up the costs of goods to end consumers.

[8] Freightos Baltic Index (FBX): Global Container Pricing Index.

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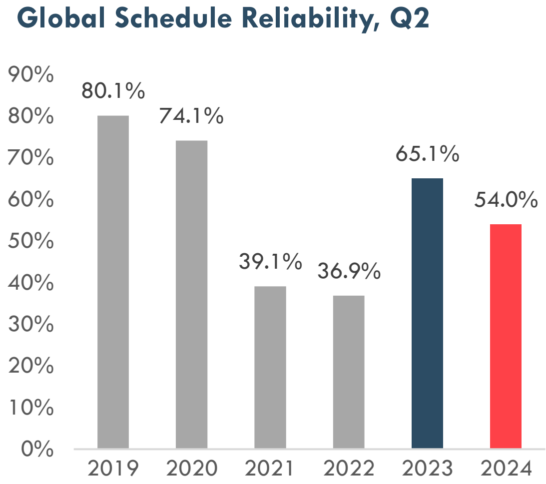
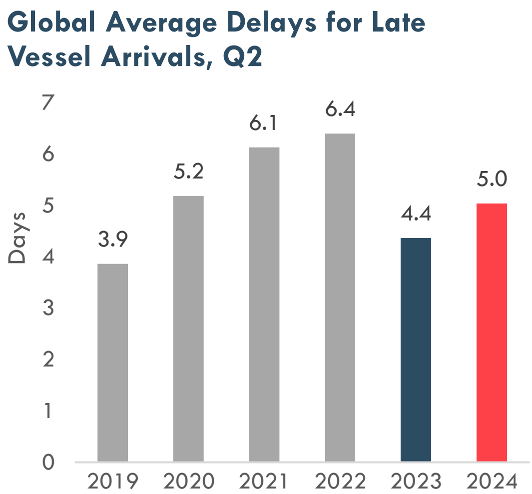
Global Marine Vessels

In Q2-2024, global marine vessel delays and on-time performance worsened. According to Sea-Intelligence's *Global Liner Performance report, Global Schedule Reliability* decreased from 65.1% in Q2-23 to 54.0% in Q2-24; and the *Global Average Delays for Late Vessel Arrivals* increased from an average of 4.4 days in Q2-23 to 5.0 days in Q2-24.



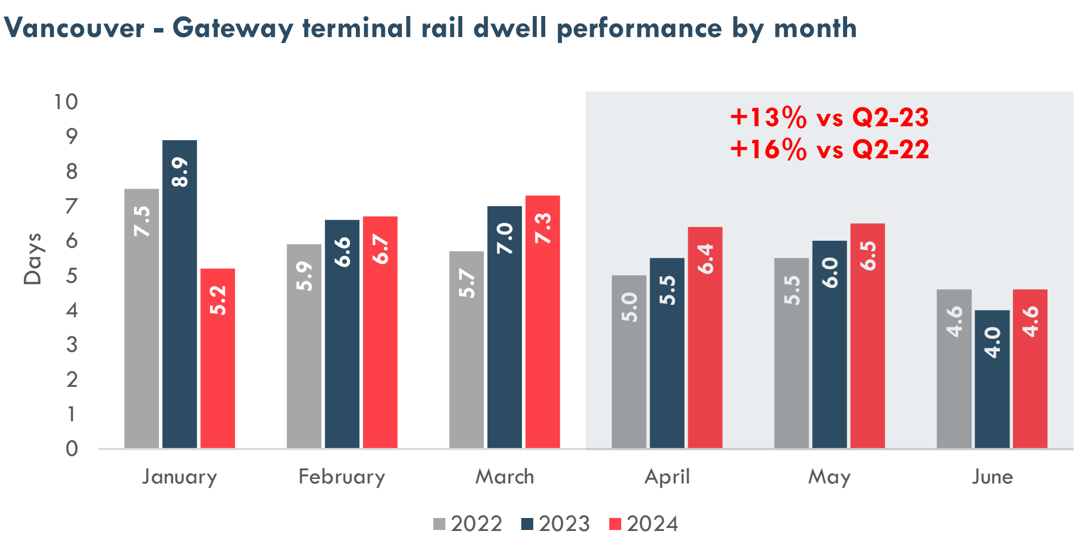


Source: Sea-Intelligence, [Global Liner Performance (GLP) report]

Canadian Ports

In Q2-24, dwell at the Port of Vancouver averaged 5.8 days, which was 13% longer than in Q2-23 and 16% longer than in Q2-22.

Dwell at the Port of Montreal averaged 4.4 days in Q2-24, which was a 3% increase from last year, but 50% shorter than in Q2-22.



Source: Port of Vancouver, [Supply chain performance, Container terminal rail performance]

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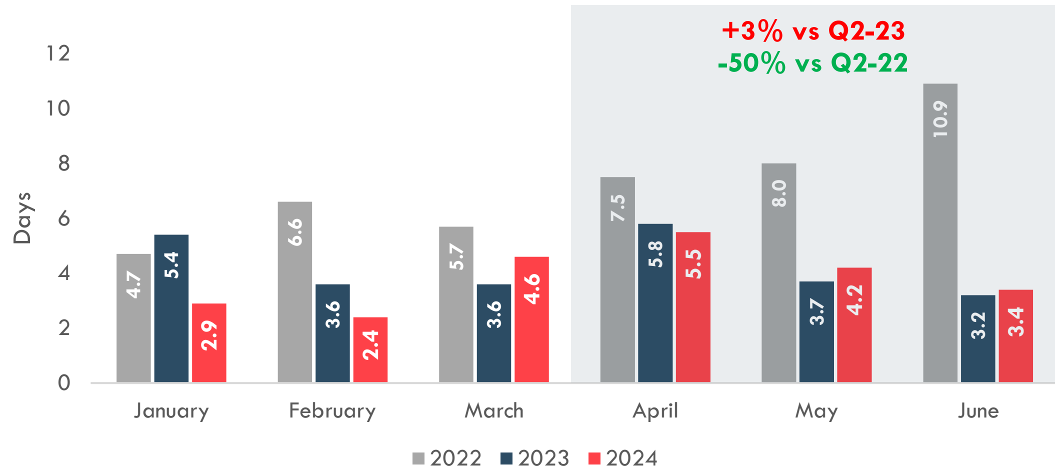
Montreal - Average terminal dwell of containers (import-rail)

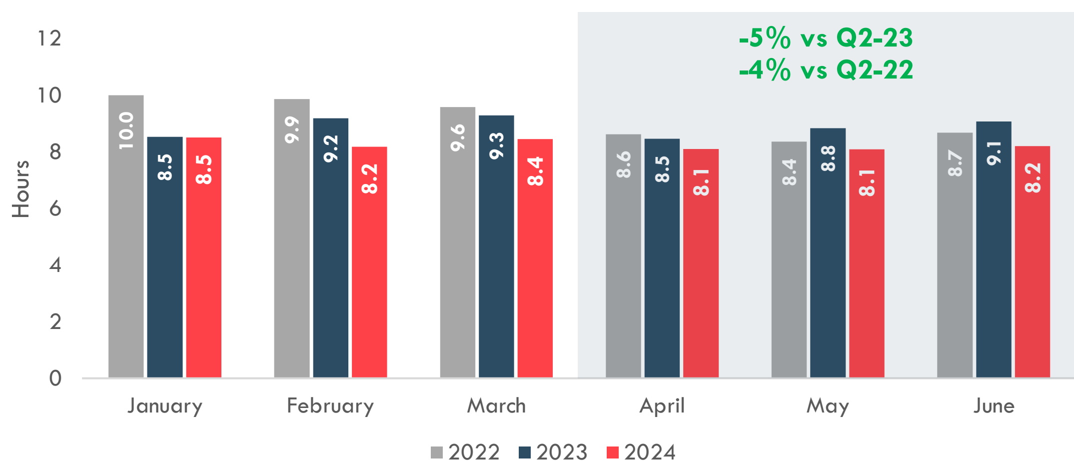


Source: Port of Montreal, [Performance Reports, Monthly Intermodal Scorecard]

Canadian Railways

In Q2-24, railway dwell times averaged just 8.2 hours. Average dwell times were 5% shorter than in Q2-23 and 4% shorter than in Q2-22. Railways continue to successfully manage their operations and capacity to avoid congestion and higher dwell times.

Canadian Class 1 Railways - Average Terminal Dwell



Source: CN Key Weekly Metrics; CPKC Weekly Key Metrics; CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data.

Note: The average terminal dwell time is calculated as the simple average of CN and CPKC. Weekly data have been converted into monthly data. The conversion is not exact as some months are allocated 4 weeks of data and others are allocated 5 weeks of data, and the start dates of the weeks vary across years. The year-over-year comparisons for the quarter as a whole use data from CN and CPKC's quarterly reports and may not align precisely with the constructed monthly data presented in the figure.

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Passenger Rail Data

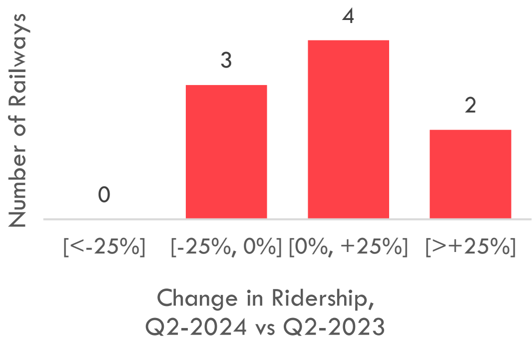
This section examines passenger railway ridership across various types of services, including intercity, tourist, and commuter.

RAC Member Ridership

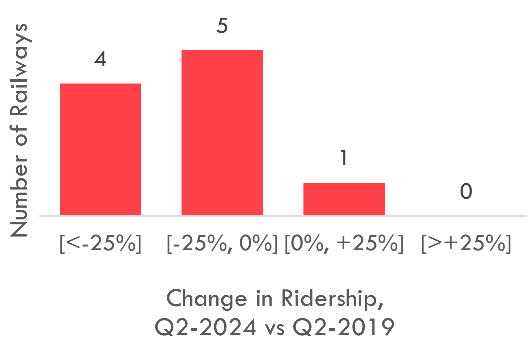
Passenger rail ridership was significantly impacted by the COVID-19 pandemic and evolving restrictions; and variable rates of employees returning to office work continue to affect ridership. This section looks at the recovery of passenger rail ridership among RAC members.[9]

In the second quarter of 2024, six out of nine[10] reporting members indicated that ridership was greater than it was in Q2-23 – with increases of more than 25% for two of the members. Three members reported a decrease of less than 25%. When comparing to the pre-pandemic (Q2-19) period, only one reporting members indicated an increase in ridership, while about half of those reporting a decrease indicated a reduction in ridership greater than 25%.

RAC Members, Ridership, year-over-year



RAC Members, Ridership, recovery from pandemic



Public Transit and Commuter Rail

Urban transit ridership, and commuter rail ridership in particular, is adjusting to fundamental structural shifts in commuting patterns and the proliferation of remote and hybrid office work arrangements.

The urban transit ridership data presented below accounts for seasonality, by comparing ridership in each month to the corresponding month in 2019. In June 2024, ridership was sitting 17% below pre-pandemic levels – relatively unchanged since September 2023. The differences in the modal shares of urban transit (bus, subway, train, etc.) by region is likely a very strong, contributing factor to the uneven ridership recovery witnessed across regions. The pandemic had a relatively smaller negative impact on bus ridership. Total transit system ridership in Atlantic Canada, which relies significantly on bus service, has fully recovered, while total transit system ridership in Quebec and Ontario, which relies relatively more on rail, remains down 20%.

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[9] https://www.railcan.ca/membership/member-railways/

[10] Nine members are included in the analysis of Q2-24 vs Q2-23, and ten are included in the analysis of Q2-24 vs Q2-19, due to data availability.

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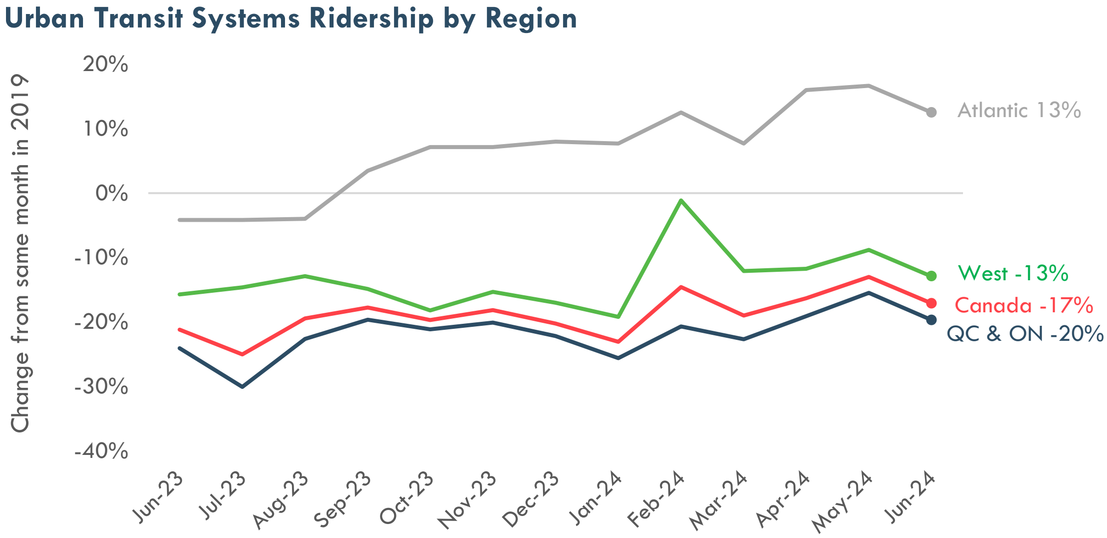
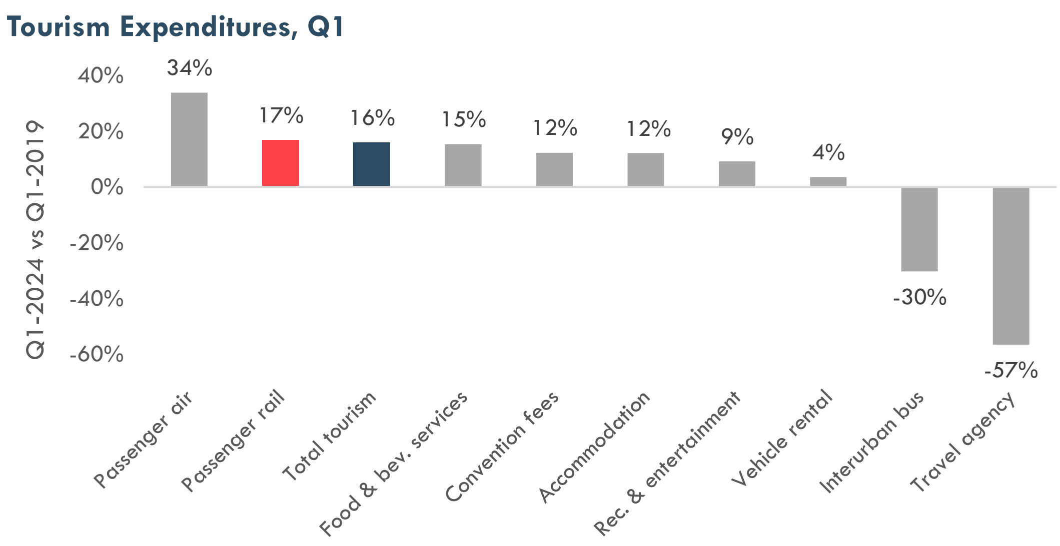


Source: Statistics Canada, [Monthly Passenger Bus and Urban Transit Survey]

Tourism Rail

There is a considerable lag in data on tourism expenditures. The latest available data cover Q1-24. Tourism expenditures are analyzed compared to their pre-pandemic (2019) levels to deliver a clear picture of the recovery.

In Q1-24, the overall tourism sector had recovered, with tourism expenditures exceeding their pre-pandemic (Q1-19) level. Passenger air transportation led, with a 34% increase in tourism expenditures compared to Q1-19, followed by a 17% increase in expenditures on passenger rail services. Note that Q1 is the offseason for most of Canada's tourism rail operators, as such, the increase in tourism expenditures on passenger rail mostly reflect expenditures on intercity and commuter rail services.



Source: Statistics Canada, [National Tourism Indicators]

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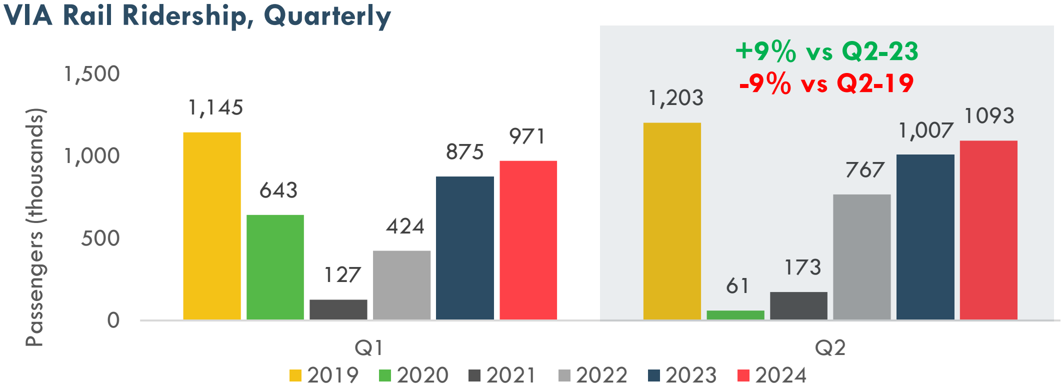
Intercity Passenger Rail

Both major intercity railways, VIA Rail and Amtrak, boasted strong year-over-year gains in ridership. In Q2-2024, VIA Rail ridership was just 9% below pre-pandemic and ridership on Amtrak's routes with segments in Canada exceeded their pre-pandemic level by 15%.

In Q2-24, VIA Rail ridership increased by 9% compared to Q2-23, and was just 9% below the pre-pandemic (Q2-19) level. Year-over-year ridership increased across all segments (the Corridor, Ocean, Canadian, and Regional services).

VIA Rail Ridership, Quarterly

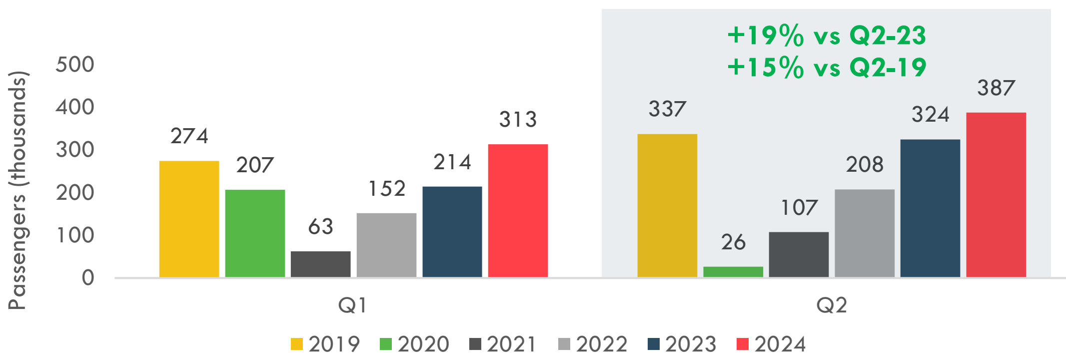


Source: VIA Rail, Quarterly and Annual Reports

Amtrak has many routes throughout the U.S., and three routes that include a Canadian segment. Ridership on these three routes does not imply that passengers crossed the border, as they may have travelled a particular segment on either side of the border.[11]

Ridership on Amtrak's routes with segments in Canada surpassed their pre-pandemic level in Q4-23 and Q1-24. Amtrak has carried this momentum into Q2-24, as ridership on these routes increased 19% year-over-year and exceeded their pre-pandemic (Q2-19) level by 15%.[12]

Amtrak Ridership on Routes with Segments in Canada, Quarterly



Source: Amtrak, Monthly Performance Reports
Note: Includes three routes (Maple Leaf; Cascades; Adirondack).

[11] For example, the Maple Leaf route extends from New York City to Toronto; Cascades extends from Eugene Oregon to Vancouver; and Adirondack extends from New York City to Montreal.

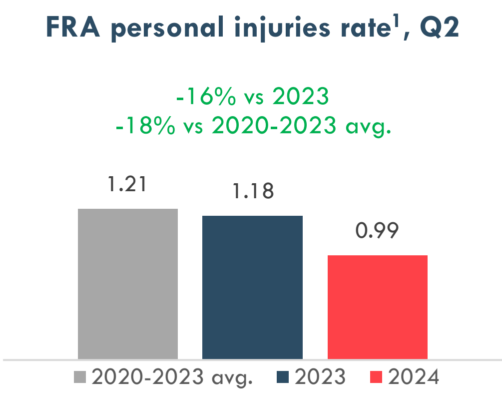
[12] Amtrak's Adirondack service was reduced starting in May 2024 for track work on the northern portion of the route. Domestic U.S. service continued through the summer, and those riders are included in the data. Since the Cascades and Maple Leaf services have much higher ridership levels than the Adirondack, and domestic travel continued on the Adirondack, the overall impact on the statistics presented in RAC's Quarterly Report is not too significant.

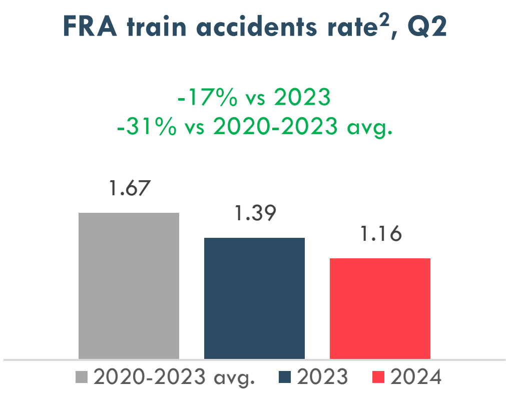
Rail Safety Data

The RAC tracks Canadian rail safety performance data from the Federal Railroad Administration (FRA) and the Transportation Safety Board (TSB). Safety remains the industry's number one priority, and the data for Q2-24 reflect this.

Federal Railroad Administration Safety Data

In Q2-24, the Canadian Class 1 FRA personal injuries rate improved by 18% compared to the 2020-2023 average and by 16% compared to 2023, and the train accident rate improved by 31% compared to the 2020-2023 average and by 17% compared to 2023.[13]





Source: CN Quarterly Review; CPKC Unaudited Combined Summary of Supplemental Data
Note: The rates are calculated using the simple average of CN and CPKC.
[1] Injuries per 200,000 employee hours
[2] Accidents per million train-miles

Transportation Safety Board Data

This section analyzes the most recent data from the Transportation Safety Board, which provides railway occurrence statistics of all federally regulated railways in Canada.

Compared to the 2019-2023 average, Canada's federally regulated railways improved their accident rate by 11%, and reduced the number of main-track derailments by 37% and accidents involving dangerous goods by 46%.

In Q2-24, the accident rate improved by 11% compared to the 2019-2023 average, and by 1% compared to Q2-23. Railways made significant progress in reducing the number of main-track derailments by 37% compared to the 2019-2023 average and by 29% compared to last year. The number of accidents involving dangerous goods was nearly cut in half, down 46% compared to the 2019-2023 average and 43% below Q2-23.

[13] 2020 is the earliest year for which data are available.

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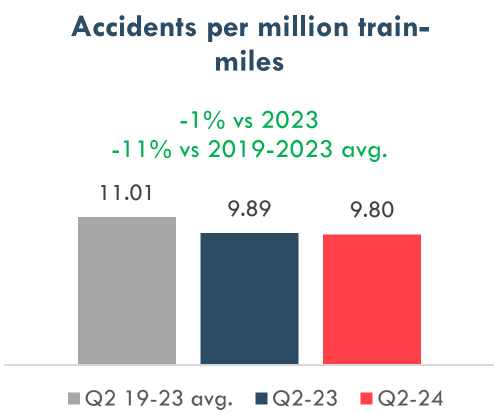
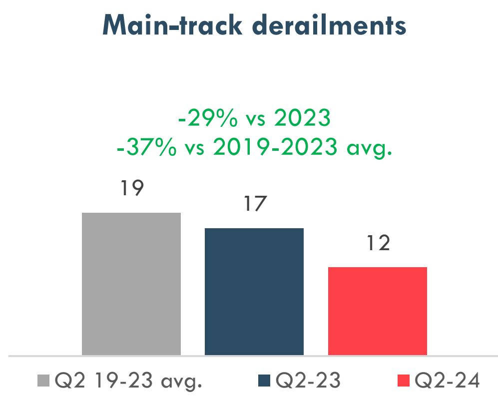
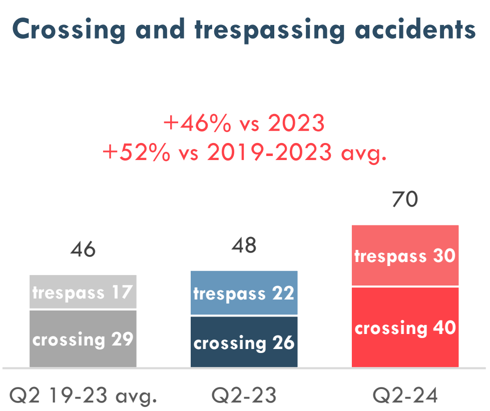
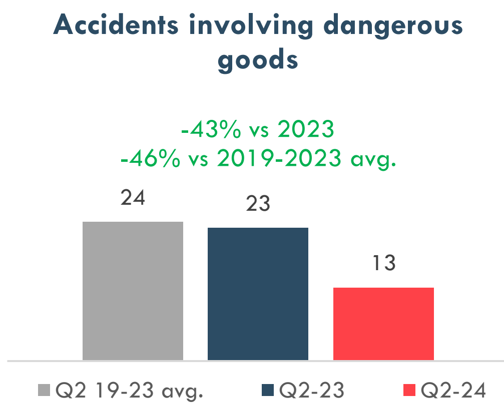
Despite these significant improvements, crossing and trespassing remain top issues. Railways expend great effort to inform the public about the dangers of proximity to tracks and moving equipment. Additionally, communications are ongoing with municipalities about the importance of enforcing proximity guidelines when approving development around railways. Similarly, educational programs, spearheaded by Operations Lifesaver, focus on safe behaviours around rail infrastructure. In addition to these industry efforts, there is an important role for municipalities, community-based social services and the general public in reducing crossing and trespassing incidents.

The first half of 2024 witnessed a spike in both crossing and trespassing. In Q2, crossing accidents were up 38% compared to the 2019-2023 average (40 vs 29), while trespassing accidents were up a concerning 76% compared to the 2019-2023 average (30 vs 17). An increase in encampments along or near rail lines, engagement in risky (and illegal) behaviours for social posts or leisure, and struggles with mental health are just some of the factors behind the disconcerting rise in trespassing. Additional research will be needed to address these factors and make outreach materials and awareness campaigns their most effective. The issues are multifaceted and will take a concerted effort to achieve the mission to get to zero.









Source: Transportation Safety Board, Monthly rail transportation occurrence statistics
Note: The TSB data are preliminary and subject to year-end validation and reconciliation.

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