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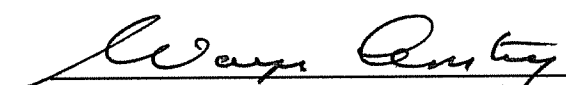
PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
January 30, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 

Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: January 9, 2007

SUBJECT: Lakeside Rail Spur Abandonment

ORIGIN

Staff.

RECOMMENDATION

It is recommended that Halifax Regional Council direct staff to undertake a land appraisal of the rail spur corridor from the Fairview Rail Yard to Lakeside Industrial Park.

BACKGROUND

The Lakeside/Chester spur line extends from the main CN line at the Fairview Yard westward through Fairmount Subdivision, Bayers Lake Business Park, and Lakeside Industrial Park for a total length of about 8.5 km. In February of last year, CN released its three-year rail plan which indicated that they intend to cease operations on this spur line. They have stated that their position is based on insufficient customer volume and no indication of future additional business. They indicate that the volume of rail car traffic on the line has decreased from 379 cars in 2004 to 255 cars in 2005.

CN is obligated to follow the following timeline according to the Railway Act:

- Feb/06 CN identifies candidates for discontinuance which included the Lakeside/Chester Spur.
- Feb/07 Following 12 month posting of intention, CN is in a position to seek expressions of interest for the operation of the line as a railway (60 day period).
- Apr/07 If no interest is expressed to operate the line it may be offered to the Province to be used for any purpose for no more than the net salvage value (30 day period). The Province has given us a preliminary indication that they have no interest in the line.
- May/07 The same offer will be made to HRM (30 day period).
- Jun/07 CN will be in a legal position to discontinue operations. At this point, they could dispose of the corridor as they see fit.

DISCUSSION

The Greater Halifax Partnership (GHP) produced a briefing paper on the issue in May 2006. In it, they note that the primary existing customer on this line would suffer a significant loss in competitiveness should rail operations be discontinued. They also found three other businesses who use the line on occasion and/or who may generate greater use in the future. The report makes the conclusion that HRM should conduct a full impact analysis of the spur closure. The report suggests that either the Municipality or the Province could acquire the line and operate it, possibly in partnership with a short-line operator.

Subsequent to this report, we have learned that CN will not permit an inspection of the corridor until their "posting period" has elapsed next month. Further evaluation by GHP has resulted in their communication of the following to HRM:

"If HRM was to take over or subcontract the operations of this rail line, it is reasonable to expect that the costs of keeping the line would not be offset by the revenue generated... Whatever decision is made at this point, it will be important to work with these at risk businesses proactively and at a senior level. There is a human and economic cost if these businesses shut down and it will be important to demonstrate the effort to date, and then continue to work with them to mitigate the impacts."

HRM staff has concerns that a significant physical upgrading cost would be required to continue operating the line and that this cost, combined with what CN claims is a money-losing operation, does not justify further consideration of an economic assessment. Furthermore, staff believes there may be a more significant municipal purpose for the corridor, as described below. HRM staff is in discussion with CN regarding the addition of spur line trackage in Burnside Business Park and that this will more than compensate for opportunities lost with the abandonment of the Lakeside/Chester spur.

Although there may be little value in continued operation of the spur line, staff does believe there may be some value to the Municipality in acquiring the spur corridor. Staff has identified the following opportunities of municipal interest:

1. Extension of the Beechville-Lakeside-Timberlea trail and a critical link in the active transportation network connection to the Armdale Rotary and the Halifax Peninsula system
2. Creation of a buffer for the Chain Lake watershed
3. Additional intersection approach lanes at the congested Joseph Howe Drive/Highway 102 Ramps intersection

The staff recommendation proposes that a land appraisal of the corridor be undertaken now, so that HRM is in a position to consider negotiating acquisition of the corridor with CN when that opportunity is expected to become available in May.

BUDGET IMPLICATIONS

The cost of the corridor appraisal, estimated to be \$20,000, is proposed to be taken from the approved Capital Budget for Bikeway Master Plan Implementation (CTU00420).

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

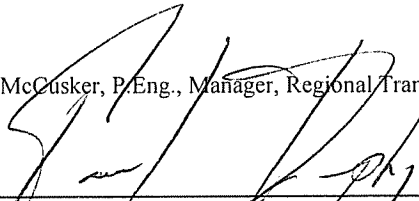
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

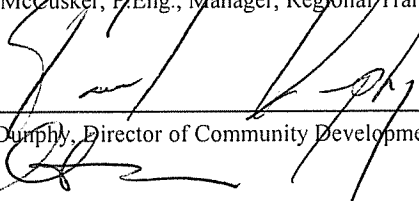
In addition to the corridor appraisal, Regional Council may direct staff to undertake the full impact analysis of the rail spur closure as recommended by the Greater Halifax Partnership. This is not recommended, as staff is confident that a good economic case cannot be made for continued operation of the spur line, particularly when viewed alongside the municipal opportunities presented by the rail abandonment.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

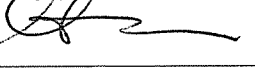
Report Prepared and
Approved by:


Dave McCusker, P.Eng., Manager, Regional Transportation Planning

Report Approved by:


Paul Dunphy, Director of Community Development

Report Approved by:


Catherine Sanderson, Sr. Manager, Financial Services, 490-1562