Shippers give rail freight service a poor grade

RBC survey shows concerns about delays, tighter rail capacity

The Canadian Press CBC News Last Updated: Dec 02, 2014 3:56 PM ET

Freight service on North American railways has deteriorated significantly in the past year, according to an annual RBC Capital Markets survey.

More than 75 per cent of shippers surveyed labelled service as fair or poor, compared with 32 per cent who gave the railways such a grade last year.

Analyst Walter Spracklin attributed the widespread dissatisfaction to the impact of congestion and severe weather on deliveries last winter.

Canadian National Railway received the most positive ratings of the six large railways in Canada and the U.S.. The next best performer was Union Pacific Railway.

Rankings for the other four, including Canadian Pacific, were not given.

Montreal-based CN benefited from operating metrics such as train speeds and dwell time in terminals to beat rivals. Still, the proportion of shippers who gave CN just a fair or a poor rating doubled to 63 per cent this year.

Mixed reviews on CN, CP

Spracklin said CN has suffered a bit from its success in achieving record volumes as extreme weather exacerbated network congestion.

Shipper sentiment on Canadian Pacific Railway was mixed as the proportion of negative responses jumped to 79 per cent from 48 per cent last year, reflecting weaker speed and dwell times. The Calgary-based railway received positive comments for shorter transit times and better on-time performance.

The federal government responded to service concerns of prairie grain farmers by introducing minimum grain volume requirements in March to increase the movement of a bumper crop to international markets. Those thresholds were extended last week until March 31, 2015.

CN and CP have blamed the backlog on the size of the harvest and extremely cold weather.

The survey highlighted mixed views by shippers on the rail regulations. About 40 per cent had a negative view, while 15 per cent supported Ottawa's move.

Tighter rail capacity

Criticism included that the grain volume mandate disadvantaged other sectors while others said it put service issues in the spotlight.

Meanwhile, the survey of 51 large customers found that more expect higher prices and volume growth in 2015 because of an improved economy and tighter railway capacity.

A majority expect price increases of four to six per cent, up from about a quarter of respondents who expected such a price increase last year.

The recent collapse in oil prices could temper volume growth in energy markets, but Spracklin said he remains optimistic that freight volume growth will meet or exceed shipper expectations in 2015.