



GUELPH
JUNCTION
RAILWAY

2023

Annual report to the shareholder

Guelph Junction Railway Limited

Chair's message to the shareholder

On behalf of the Guelph Junction Railway Board of Directors, I am pleased to present the 2023 Guelph Junction Railway Limited Annual Report.

This past year, the Guelph Junction Railway (GJR) continued its focus on safety, customer acquisition, growth, service delivery, and fiscal responsibility, aligned with the priorities of the City of Guelph's strategic plan: Guelph. Future ready. The GJR's objective is to provide easy, safe, and accessible movement of goods along almost 40 kilometres of track and connect Guelph's economy with other regions. This is accomplished by effective planning, innovating, and providing safe service excellence to our customers.

Goderich-Exeter Railway (GEXR) continues to operate the railway while the GJR manages contractors who perform routine track and signal maintenance and its capital projects. The GJR and GEXR actively communicate to maintain safety, increase efficiency, and lower the cost of operations. This has resulted in the GJR again exceeding its previous record set in the 2022, with forecasts showing even more sustainable growth.

A major part of the success is through ongoing discussions with its customers to evaluate their current and future growth and planning on how the GJR can accommodate this growth. Reinvesting in capital infrastructure based on the customers' expectations and continued growth keeps the service competitive while ensuring legislative requirements are met. With this business strategy, the GJR is declaring \$210 thousand dividend to the City of Guelph.

With the GJR's growth, a new position has also been created. A full-time Safety Officer will further compliment the daily operations. This addition to staff will provide the GJR with continued direct oversight over safety which is necessary with the expected increased traffic, growth, and rail regulations.

The GJR continues to concentrate on capital improvements to the railway which include signal equipment, rail/switch and track upgrades, and at-grade road crossings. Through collaboration and ongoing communication with City staff and community groups, the GJR continues to evaluate and monitor

potential safe trail networks along the railway and navigate road closures for any street/crossing upgrades.

Looking ahead, the GJR will continue to find innovative ways to keep pace with the changing market demands while supporting the economic growth in Guelph and the surrounding communities.



A handwritten signature in blue ink, appearing to read "Scott Stewart", with a long horizontal flourish extending to the right.

Sincerely,
Scott Stewart
Chair, Guelph Junction Railway Limited

Our history

The Guelph Junction Railway (GJR) was created by a Special Act of the Federal Parliament, originally passed in 1884, and began operations in 1888. The railway has been with the city longer still, with the Grand Trunk Railway (now Canadian National Railway or CN) having operated in the city since 1852. Guelph's business leaders attributed the city's early growth and prosperity to its access to competing rail lines and expanding markets.



By 1910, the GJR's founding Act had been amended to allow the City of Guelph to become the sole Shareholder. Today, the GJR is unique in being wholly municipally owned, with only one other in Ontario out of a dozen across Canada.

For over a century, the GJR was run by Canadian Pacific Railway (CP) under a lease agreement. The GJR Board met annually to declare a dividend. In 1998, CP terminated its lease agreement and the City, on behalf of the GJR, purchased CP's remaining rail property and track within the City of Guelph.

Ontario Southland Railway (OSR) was contracted to operate the GJR effective January 1998 and remained as the operator for the next 22 years. Over that period, the GJR continued to grow and develop its presence as a shortline railway focusing on business growth and development.

2020 was a year of change for the GJR and the City of Guelph. OSR made changes to its operations and, therefore, ceased operations for the GJR that

August. Goderich-Exeter Railway (GEXR) was awarded the new switching contract and brings with them award winning experience in managing freight movement for several industrial manufacturers and producers within Canada and the United States.

Currently operating on 38.6 kilometres of track through Campbellville, Puslinch, Arkell and Guelph, and nearly the same distance in yards and spur tracks, the GJR remains connected on two sides to both CN and CP.

Governance structure

The City’s Chief Administrative Officer occupies both the positions of CEO and Board director. The GJR falls with the City of Guelph’s administrative structure as a division with the Economic Development and Tourism Department in the Chief Administrative Officer’s service area.

Figure 1: The GJR corporate governance structure.

Officer Title	City Position
Chief executive officer	Chief administrative officer
Chief financial officer	Deputy CAO – Corporate Services
Corporate secretary/Legal	City solicitor
Board of Directors	
Director	Chief administrative officer

Vision, mission, values, and strategic direction



To better serve the City as Shareholder and follow up on changes to the corporate structure of the railway in favour of a more modern, business-oriented approach, the GJR's Board of Directors developed the following statement of vision, mission and values which was adopted in early 2017.

This statement serves as an overarching guide to the Board's decision-making as the GJR moves forward into the future.

Our vision

- To safely capitalize on the efficiency of rail transportation while serving the City of Guelph

Our mission

- To focus on building an economically sustainable and socially and environmentally responsible business through safe and efficient operations and excellent customer relations

Our values

- Serving and adding value to our clients and community
- Creating business opportunities that increase the use of rail
- Transparency that builds trust and confidence
- Railway safety and operations consistent with best industry practices
- Collaboration with suppliers and clients

Throughout 2023, the GJR has been consistent in upholding these values while working toward its vision. Inspections conducted by Transport Canada have found the GJR in compliance with safety regulations, and any recommended upgrades have been implemented well before the required deadline.

Our strategic direction

Along with the mission, vision, and values statement, the GJR's Board of Directors adopted the following strategic directions:

1. Strengthen our organizational capacity and operational infrastructure by creating, executing, and managing:
 - a. A shared service agreement with the City;
 - b. A staffing plan;
 - c. An asset management plan.
2. Increase and diversify revenues through creative partnerships and new tariff opportunities.
3. Develop short-term business plans that align with the City's strategic priorities.
4. Develop a long-term growth plan that will be ready to manage anticipated sector, and regulatory environmental changes:
 - a. The City's future needs around rail (freight and passenger);
 - b. The Province's future needs around rail (freight and passenger); and
 - c. Identify land within and near the city that may be available for rail development.
5. Connect with our Shareholder and community partners through strong communications:
 - a. Use the GJR's Web site to assist with business development and communications.

Relationship to the City of Guelph's Strategic Plan: Guelph. Future ready.

The GJR continues to communicate with Parks, Engineering and Transportation, Legal and Court Services, and other City of Guelph departments to align its activities with the City's Strategic Plan. The most

synergy between the City and the GJR occurs in the Powering our Future, Navigating our Future, and Sustaining our Future priority areas.

Powering our Future

The GJR supports the Powering our Future priority through its focus area of helping businesses succeed and add value to the community. With a safe operating record and good business foundation, the GJR facilitates the generation of millions of dollars in the local economy and thousands of jobs.

The GJR continues to provide services to over 35 customers, and through engagement, City staff can confirm that the presence of the railway is essential to the continuation of these customers' operations. Some Guelph companies rely solely on railway services, without which they would cease to operate. The GJR's customers take comfort in knowing that the railway is managed safely and will be there for future growth. With the City's attention to economic development, these companies experience aid in project planning or site development in the interest of helping to expand their businesses through rail commodities.

The GJR also indirectly benefits the local economy by drawing new business to the city. The north industrial sector possesses the advantage of accessible track and, in many cases, the space to build spur lines directly to the facility for loading and offloading ability. For those businesses that are unable to build or lease on rail-accessible land, there is still the option of bringing in inventory through a transloading facility.

Sustaining our Future

As green infrastructure, rail also helps to serve the City's ambitious energy and environmental goals. The Corporate Energy Management Plan outlines Guelph's intentions of being a greener city with a plan to meet the target of 100 per cent renewable energy and becoming a net zero carbon community by 2050. According to the [City's Official Plan](#), transport accounts for 30 per cent of energy used and 45 per cent of greenhouse gas (GHG) emissions in Guelph. A locomotive can move one tonne of freight more than 200 kilometres on a single litre of fuel, making it a highly energy efficient means of transportation and a low emitter of GHGs.

The GJR transported 5,737 loaded and empty railcars in 2023, which diverted about 22,948 truck loads from the city's local roads and highways in just one year. This improves the flow of traffic on city roads reducing

congestion and taxpayers' costs associated with road maintenance as well as traffic-related collisions. With the average transport truck emitting 202 tonnes of GHGs per year, the railway also helps to reduce emissions by about 3.12 million tonnes per year by operating at a fuel efficiency of four to five times that of trucks.

Navigating our Future

Through co-operative collaboration with other municipal departments, the GJR supports Navigating our Future in its efforts to help with the expected outcome of safely connecting Guelph's economy with other regions. Already, the railway works as an excellent resource to allow the transport of goods. The GJR extends outside of the city's limits and meets on either end with major Class 1 railways (CN and CP) as part of a widespread national rail network, supplying the region and many other Canadians across the country.

Within the city, the GJR collaborates with staff to build sidewalks, bicycle lanes, and trail connections to help move people safely through Guelph over and beside the railway. The future of rail within the city looks ahead to the movement of goods and the safe movement of people. Quick connectivity from the south end of Guelph all the way to the heavy employment area of the north industrial could offer a drastic change in quality of life for Guelph residents. This could be a reality in the future with continued investments and careful planning that aligns with the Guelph Transportation Master Plan.

Relationship to the Economic Development and Tourism Strategy, 2022–2026

As noted above, the GJR is a division within the Economic Development and Tourism Department and is included in the [Economic Development and Tourism Strategy](#), 2022-2026, which was approved by City Council in January 2022. The GJR is uniquely placed to drive prosperity for local businesses and elevate the competitive advantage for businesses in Guelph, given that the provision of daily rail and transloading services is a unique offering compared to other mid-sized cities. The enhanced goods movement and connectivity to other markets for rail customers provided by the GJR is highlighted within the strategy to attract targeted industry investment.

Financial update

The operating results for the year ended December 31, 2023, exceeded both the 2022 results and the expectations laid out in the 2023 budget. GJR earned net comprehensive income of \$2.1 million for the year, an increase of \$470 thousand (29 per cent) over 2022, and a positive variance of \$827 thousand from the budget. The freight ratio for 2023 is 2.28, above both the budgeted ratio of 1.93 and the 2022 ratio of 2.05.

GJR ended the year with a healthy working capital balance of \$3.4 million and saw a strong investment of \$1.6 million in capital assets in 2023, increasing the net book value of property, plant, and equipment by \$1.1 million over 2022. Net investment in capital after partner contributions is 21 per cent of 2023 revenue, which is higher than GJR's target capital investment of 16 per cent on average.

The City's investment in GJR increased by \$1.9 million and GJR will pay a dividend of \$210 thousand to the City in 2024 based on 2023 financial results. This is slightly higher than the budgeted dividends for 2024 approved by the Board in December 2023 of \$162 thousand.

Business development

The GJR continues to provide services to over 35 customers, 12 of which provide most of the revenue for the corporation. The GJR's only rail competitor in Guelph is CN, whose activities are limited to the city's Northwest Industrial Park and the connection through the Alma rail yard to the main CN line. With the anticipation of two-way all-day GO service between Kitchener, Cambridge, and Toronto and the future expansion of the Hanlon 6, the increased passenger trains on the main line will tighten the window for CN freight train availability to service Guelph. This could create the opportunity for the GJR switching traffic that previously came daily with CN.

The GJR continues to promote local business development as its major focus. In 2023, the GJR completed the first of three phases for a 1,400-foot track line-over at Agcatena located between Woodlawn Road and end of track with the remaining phases scheduled to be completed by summer of 2025. This line-over will create additional opportunities such as a potential trail network or additional rail sidings. A new 1000-foot siding project was

completed along Edinburgh Road to accommodate growth with CN railcar traffic during the year.

The GJR continued to focus heavily on reinvesting in capital programs along the rail to meet or even exceed Transport Canada expectations. Soaring ahead of most shortline in their ability to reinvest capital to increase capacity, speed, and performance, the GJR is comparable to Class 1 railways in Canada for reinvestment, which have a minimum capital improvement rate of 16 to 20 per cent of revenues. From 2015 to 2019, the GJR implemented track upgrades that raised it from Track Class 1: 10 miles per hour (mph) to Class 2: 15 mph; however, the speeds remain 10 mph within city limits by choice of management to meet the No Whistle By-law and provide more stopping distances required for trail connectivity. Track improvements provide the GJR's customers with safer, faster delivery of goods, more reliable service, and options for dimensional loads. All of this allows the GJR to remain competitive in the rail service industry and a desirable option for businesses looking to explore rail service as an alternative to commercial long-distance trucking.

The GJR has reached a new historic high by exceeding the prior years railcar count by 498. Overall, the GJR operated with an increase of 9.51 percent over 2022 while other shortline railways and Class 1s, as referenced in [Progressive Railroading](#), reported a decrease of 2.40 per cent compared within the North American rail industry. GJR is confident in continued growth in 2024 based on customer forecasts.

The GJR strives to align itself with the City's strategic objectives and seeks to work collaboratively with the Shareholder and customers to build a robust system that ensures fiscal and service sustainability, while attracting new business and providing a safe and environmentally conscious service to the city.

Operations and capital programs update

Operations

GEXR continues to provide rail operations under the terms and conditions of the operating agreement signed in August 2020 and the GJR is confident in maintaining this relationship for the foreseeable future.

The GJR receives independent revenues from flagging for third parties, railcar storage contracts, other tariffs, and is responsible for invoicing additional revenues, including freight revenues with CN and CP. Additionally, the GJR manages all maintenance and inspections of signals, track, and crossings as well as all third-party flagging contracts noted above through the contracted services of PNR Railworks.

Capital programs

The GJR has adopted a life cycle approach to its capital maintenance program and identifies infrastructure maintenance priorities annually through continued Transport Canada regulated testing methods. This ensures that the GJR maintains financial health and continues with the recapitalization of infrastructure and pursuit of long-range strategic growth objectives. The GJR's guiding principle is to operate in a safe manner and in accordance with the requirements of the Shareholder Declaration and Federal transportation regulations.

The GJR completed several large-scale capital projects over the course of 2023, which included the following:

Tie replacement program

The GJR identified ties for replacement along the main track within Puslinch and surrounding areas. In 2023, approximately 3,100 cross ties, 130 switch ties, and 9 head block ties were replaced.

Scrap ties clean up

The GJR continues to dispose of scrap ties along specified areas in the GJR right of way. In 2023, the GJR disposed just over 272 tonnes of scrap ties which is equivalent to 8,300 ties. The preferable recycling option for used treated wood is the recovery of solid wood. Subsequent recycling options include fibre recovery and energy production. The GJR sends its creosote-treated wood to one of two approved Canadian co-generation facilities that have permits to use treated wood as supplementary fuel in their co-generation units. Wellington Source Water Protection and the GJR continue to collaborate to identify vulnerable areas along the railway and maintain our waste management processes to remove waste products efficiently from those areas considered at risk.

Ballasting and surfacing program

New track ballast was delivered and distributed on the main track between Mile Point (MP) 20.60 and 26.60. Track surfacing brings the level of the track to new standards of safety, providing maximum performance and extending the life cycle of track components. Ballasting provides a stable base for the track and allows for better drainage, which extends the life of track components.

Grading

Grading between the end of track main switch MP34.2 was completed as the GJR completed the first of three phases which removed seven curves to straighten the track. This has reduced the potential for high maintenance costs in the future and improves sightline visibility making way for the potential of a trail connection.

XT-99 siding expansion

A new 640-foot siding expansion was completed in 2023 along Edinburgh Road to accommodate growth with incoming CN railcar traffic. This allows for an additional 10 railcars.

Campbellville locomotive and crew building purchase

The GJR took ownership of 2 previously owned OSR locomotive and crew buildings built on the GJR lands in the Campbellville yard. These buildings will generate an additional source of lease revenue for the GJR with GEXR anticipated to occupy both buildings with a long-term lease. The locomotive structure will allow for daily storage and repairs of GEXR locomotives. The locomotives will not have to remain idling outdoors during the cold season with this indoor option, which in turn will reduce CO2 emissions.



Roadway crossing upgrades

The Speedvale Road crossing and Silvercreek Parkway North crossing were upgraded in collaboration with Transportation and Engineering through their capital projects. This included the reconstruction of railway tracks, widening of the roadway crossing and subsequent re-asphalting. The new signal gates are expected to be installed in 2024 at Speedvale Road and Woolwich Avenue.



Arkell road motion detector system

The GJR installed a motion detector system at Arkell Road to allow for better movement of traffic over the tracks. This prevents lights and bells to not sound off when trains are stopped on the tracks or switching along the siding.

Emergency signs

In accordance with new Transport Canada standards, the GJR has emergency signs at every controlled and uncontrolled crossing. The GJR continues to replace signs when required.

Ongoing projects

Eramosa bridge

50 bridge timbers were replaced during 2023 and an additional 80 timbers are to be installed in 2024 along with 115# Rail Upgrades from 100#. The GJR continues to review the yearly inspection report created by a local company GM Blueplan for recommendations to install the new wall abutments.

Trail connectivity

In support of future G2G trail connections from North of Woodlawn through to the End of Track, the GJR plans to complete the last two phases of the rail line-over by the summer of 2025. This involves the grading and realignment of track that facilitates a greater opportunity for a multi-user trail connection following the railway right of way. GJR remains an active stakeholder in this community-led, City supported project. The GJR property transfer to the City for the 6167 Steam Locomotive location is also in process.



The G2G trail connection that will be located within the GJR corridor between Woolwich Street and Woodlawn Road is currently in the design process with Parks. GJR regularly meets with City Staff to consult on the project.

The GJR also takes an active role in participation with City staff in the review of future trail connections alongside the railway right of way on the GID lands.

Vegetation control

Vegetation control along the entirety of the track continues yearly in accordance with Transport Canada standards. The standard pesticide used on most of the railway is never sprayed within 200 feet of any waterways. For several years, the GJR has experimented with various partners to apply organic substances to find a more environmentally safe and sustainable option. Sleeper Stone was the last trial completed in 2022. In 2023, the GJR utilized substances that were evaluated by Health Canada's Pest

Management Regulatory Agency deemed to be safe and were approved for use in parking areas, schoolyards, parks, golf courses and other public areas.

Railway safety

2023 was a year of continued focus on railway capital improvements. With the physical work well underway, the GJR has identified the next steps, including increasing community awareness through educational programs by way of a new the GJR safety officer position, and attending and hosting events to promote rail safety. The GJR hosted the City of Guelph's Annual Emergency Exercise on August 2nd, 2023, which involved key players such as the City of Guelph Emergency Operations Group, Guelph Fire/EMS/Police/Municipal Services, CN, Metrolinx, and MTO. This exercise allowed for rail partners to train utilizing the Emergency Operations Center (EOC) to prepare if an incident were to occur.

Challenges, opportunities, and recognition

Challenges

Certain challenges that affect the GJR's business are not within the control of the railway, but efforts are made by management to mitigate impacts. Examples include impacts that occur at the level of the Class 1 railway, climate change, infrastructure failures, equipment failures or service interruptions caused by Class 1 labour disputes. Further, the nature of the railway business is incredibly competitive and changes in contracts can directly influence car volumes and freight revenues.

The GJR again exceeded the records set in 2022 with even higher hopes of additional growth in the near future.

Relationship with other municipalities

The City continues to address any concerns about the GJR's operations such as train speeds, times of operation, road crossing blockages from shunting trains, scrap railway ties, fires, and more. There have been notably fewer calls this year and the City actively collaborates with other municipalities' interests on activities in the rail corridor. The GJR, GEXR, and the municipal fire services meet annually in early spring to discuss fire safety to ensure all parties are in alignment.

As the GJR is a proud part of Guelph's heritage and that of the surrounding area, we are working to address all concerns and ensure that all operations are within the legal requirements and expectations of Transport Canada and the MTO. Continuous communication has been developed and maintained with neighbouring townships and municipalities, as the future of the GJR and its economic importance is highlighted.

Opportunities

Identification of rail serviceable lands

A continued priority for the GJR's Board of Directors is to identify additional rail serviceable lands in Guelph and the surrounding area. This has been incorporated into the adopted strategic direction and will form part of the GJR business plans and long-term plans. The GJR's general manager will continue to advise the Board of Directors on potential opportunities for rail expansion.

Business expansions

The GJR continues to strengthen relationships and financial security with its customers through new business expansions that will increase revenues for all parties involved. With additional tariff contracts in place, the GJR's success depends on the success and growth of its customers.

Additional Kauffman North siding expansion

The GJR has identified that an additional location south of York Road at the Kauffman Siding is where a new siding can be built. This new siding will accommodate the continued increase of railcar volumes and business for our customers.

Campbellville railyard expansion

As growth continues with GJR and CP to the south, additional trackage will be required to accommodate increased car volumes. This will allow the GJR and its operator GEXR to be more efficient in managing traffic off CP interchange tracks.

XT-99A expansion

In addition to the XT-99 siding expansion completed in 2023, an additional siding expansion XT-99A, 1100-foot siding that is equivalent to 16 railcars, is

to be constructed early 2024. With the forecasted growth, CN and the GJR continue to work together to build track in serviceable areas.

Recognition

GEXR recognitions

The Canadian Region of Genesee & Wyoming which includes the GEXR became a “Great Place to Work” Certified company in 2023 and will be celebrating 125 years of rail operations in 2024. In addition, GEXR's repair facility located in Hamilton won the President's Award and Railway of the Year Award. This brings great confidence to the GJR as GEXR is looking to relocate their repair facility into the newly acquired locomotive building in Campbellville as it provides them with a central location for their operations.

Doors Open Guelph

After two virtual years of Doors Open Guelph (DOG) due to the pandemic and a one-year hiatus, the GJR participated in the 22nd annual event held on April 29th, 2023. It was led by the Culture and Recreation Department and the Guelph Civic Museum. GEXR displayed their locomotive onsite which was parked beside the 6167 Steam Locomotive at The River Run Centre with team members distributing Operation Lifesaver materials and answering questions received from the public.

Historical Railway Contribution

The GJR continues to accommodate track storage for the Guelph Historical Railway Association (GHRA). In addition, The VIA Historical Association (VHA), a not-for-profit organization, has been provided limited access to the newly acquired locomotive shop to restore three passenger railcars.



Guelph Junction Railway Limited
1 Carden Street
Guelph, Ontario
N1H 3A1