



Submission to the Federal Rail Freight Service Review

The Alberta Association of Municipal
Districts and Counties

April 16, 2010

THE AAMDC: WHO WE ARE

MISSION STATEMENT

Through the provision of advocacy, trade and insurance services, the AAMDC will assist rural municipalities in achieving strong and effective local government.

Since 1909, the Alberta Association of Municipal Districts and Counties (AAMDC) has been helping Alberta's rural municipalities achieve strong and effective local government. The AAMDC is composed of Alberta's 69 counties, municipal districts and specialized municipalities. The Association represents rural interests and priorities in meeting with decision makers in government as well as industry and other relevant stakeholders. The purpose is to equip these decision makers with a comprehensive rural perspective and advocate for its incorporation in policies. Further, the Association is proactive in developing tools and providing timely information to assist members in their business operations and decision-making processes.

The AAMDC has also granted Associate Membership status to some 800 other local authorities including urban municipalities, school divisions and health authorities. Associate members may access the services offered through the AAMDC Trade Division and Jubilee Insurance, but are not formally represented by the Association and do not participate in the governance of the AAMDC.

The AAMDC Trade Division has been providing products and services to municipalities and not-for-profit groups across Alberta for 70 years. Its commission arrangement with more than 100 approved suppliers helps to secure competitively priced goods and services across the province. The benefit of dealing with more than 800 members and associate members allows the Trade Division to ask for national account pricing on specific items and negotiate attractive commission to maximize its dividend payout.

Jubilee Insurance Agencies Ltd. provides comprehensive insurance programs and risk management consulting and training to Alberta's municipalities, public school boards, private/charter schools, non-profit housing organizations and numerous other non-profit community groups. Its services include reviews and development of risk management plans, risk inspections, loss control reports, insurance coverage reviews and quotes, and claims processing and assistance seminars.

THE STATUS OF RAIL IN RURAL ALBERTA

The success of Alberta's economy is contingent upon a safe, reliable and efficient transportation system that connects producers and consumers with domestic and international markets. Over 60% of Alberta's economic output is exported outside the province and over 75% of this production volume is shipped out of Alberta by rail. As a result, Alberta's economy is highly dependent on a world class rail transportation system.

A duopoly exists in the rail transportation industry in Canada that stifles competition in many geographic markets. In Alberta's most competitive market for rail services, the Calgary-Edmonton corridor, a duopoly exists where Canada's two Class 1 railways compete for freight transportation business. Outside of this region, virtually no intra-modal competition exists in the market for freight rail transportation services. One railway maintains a geographic monopoly in the rural northern half of the province and the other holds a monopoly in the rural south.

According to a recent survey conducted by Alberta Transportation, while some shippers have had positive experiences with their rail service providers, the majority of shippers, especially those in geographically isolated industries or in industries that ship into competitive international markets, have had negative experiences with rail service.

Correlating with the Shipper's Survey conducted by NRG, a large gap seems to have developed in the level of customer service and accountability in the rail industry. While Alberta Transportation presents increased competition and the NRG report calls for further dispute resolution, financial penalties or more overall regulation to solve issues, all are working to be the key to increased accountability. Regulations may increase accountability, but processes would likely become increasingly litigious to ensure that shipper concerns are being addressed. If consistently bad service meant a shipper could utilize a different service, that would be the ultimate accountability that any business can face.

SUGGESTIONS FROM MEMBERS

Concerns are present in rural Alberta over maintenance of service levels, specifically line closures. The removal of lines throughout the Peace Region has seriously affected the agricultural and commercial community as this directly impacts how effectively and timely product can be transported to destination markets.

Routing of trains does not accommodate timely shipment to western markets. The quality of perishable products decreases quickly over time and the current routing translates into additional shipment time of at least three days.

Shippers serviced by regular lines pay double in freight costs compared to those serviced by higher speed lines. This represents two additional challenges to regular rail line shippers: their product takes three times as long to reach its destination as a high speed shipment; and they have to pay twice as much to get the product to its destination.

Suggestions for improvement include:

- Expanding loading and unloading capacity was a need highlighted in the NRG study commissioned by Transport Canada. To reduce further congestion and increase efficiency of the rail system, establish a container depot or depots in the south and/or north Peace Region.
- Halt any pending rail closures and implement a longer notification and appeal timeline to allow all affected stakeholders the opportunity to present their case.
- Maintain rail traffic on lines currently pending closure until such a time as a final decision is made regarding its closure.
- To reduce congestion in Edmonton and other rail yards, take advantage of the Grande Prairie, Dawson Creek, Prince George and other yards that may currently be under-utilized and to route west bound shipments more efficiently.
- Review freight rates and develop a more equitable and balanced system so that those shippers serviced by regular speed lines are not subject to a dual disadvantage than those serviced by high speed lines. Freight weights should be based on distance, not the quality of rail. Producers should have the ability to send their products on the most direct route to their market.