



## Mackenzie County

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Mr. Walter Paszkowski  
Chair – Rail Freight Service Review Panel  
Rail Freight Service Review Secretariat  
Suite 808 - 180 Elgin Street  
Ottawa, Ontario  
K1A 0N5

Dear Mr. Paszkowski:

Mackenzie County is pleased to provide the attached submission to the Rail Freight Service Review. The review is both timely and important in identifying and addressing issues and problems with Canada's rail mode, and in moving forward with a more efficient, and effective rail system which is more responsive to shippers'/consignees' needs.

We look forward to the results of your review and deliberations, and we are confident that you will precipitate needed, positive and enduring change to Canada's rail system to the benefit of both railways and shippers, and for the nation as a whole.

Mackenzie County would like to have this submission made available on your website to all interested parties.

Yours truly,

Greg Newman  
Reeve

Attach.



There is every expectation of future growth of traffic on the rail line tied to expanded agricultural production, as High Level's position as a staging and supply point for NWT mines solidifies and accelerates, and as the forest industry emerges out of its downturn.

The rail line between Edmonton and Hay River has a long history, dating back to the early 20<sup>th</sup> century. It was the transportation link that opened up the Peace Country and connected it to the rest of Canada. From 1929 until 1981, it was jointly owned by CN and CP. In 1964, the federal government built the Great Slave Railway north from Grimshaw, AB to Hay River, NWT, thus providing a rail connection for Mackenzie County. When CN bought out CP in 1981, CP retained marketing rights for traffic on the line. However, this right was never exercised. In 1998, CN Rail sold the line to Rail Link, which subsequently sold it to Rail America. In January 2006, CN Rail re-acquired the line.

The line is 264,000 lbs rail from Edmonton to High Level, and 220,000 lbs north of High Level. Mainline standard is now 286,000 lbs for the most part. In 2004, then owner Rail America estimated that some \$59 million were required to rehabilitate the line from Smith to High Level (track rehabilitation, bridge work) and to upgrade to 286,000 lbs to High Level. Most Canadian grain cars are still rated at 264,000lbs.

In preparation for this submission, Mackenzie County consulted with a cross section of rail users in the County, representative of the freight being carried on the line. We have also familiarized ourselves with the background research reports undertaken for review, and we have read all submissions posted to date. The coincidence of problems identified in the background research, problems raised in Review submissions, and problems enunciated by Mackenzie County rail users seem to indicate that there are a number of systemic problems in Canada's rail transportation mode that need to be addressed and dealt with. These problems seem to span a number of products and geographic regions.

On the positive side, rail users in Mackenzie County are of the opinion that rail service has improved since CN Rail re-acquired the line in early 2006.

Mackenzie County is pleased to have this opportunity to provide a submission to the Review. Two of our three major industry sectors – agriculture and forestry – are almost entirely rail dependent. Because of our distance from major markets, much of future economic activity and development in the County will be dependent upon a competitive, cost effective, efficient, and responsive rail transportation mode. We believe the Review represents a unique opportunity to define and enunciate problems and issues in Canada's rail system that in many cases has a direct impact on the country's economic performance, and to find solutions for the betterment of all participants in our rail based logistics systems.

## **Issues and Problems**

### **Car spotting problems/car supply and possible solutions**

Car spotting and supply problems are the same in Mackenzie County as those described in numerous submissions to the review panel, that is, cars do not arrive when promised or scheduled, and the cars supplied are often shorted from that ordered or promised. Mackenzie County shippers and consignees reported this as a problem that has direct and immediate adverse financial consequences. For example,

many grain producer car loaders hire commercial grain trucks to bring product to the loading site in anticipation of car arrivals to ensure the cars are loaded within the 24 hour demurrage free period, only to find that cars do not arrive. Trucks then have to return to the farm and be unloaded. This is reportedly happening with such frequency that it becomes impossible or financially prohibitive to pre-book commercial grain trucks for delivery to producer car loading sites at supposed car arrival times. A number of producer car loaders are now booking commercial grain trucks only when cars have physically arrived. This results in a premium price having to be paid for trucking, or an inability to obtain service on short notice – again incurring extra, unnecessary costs.

Just as frequent as CN Rail failing to deliver cars on time in quantities ordered, are stories of grain cars being stored on sidings for weeks and months on end without moving. These stories are too numerous, too frequent and too geographically diverse across Western Canada not to contain elements of truth.

For grain, it goes to utilization of the grain car fleet, particularly that portion of the fleet supplied by the Canadian Wheat Board/Government of Canada and provincially financed and supplied cars.

Solutions: Mackenzie County recommends that several actions be taken to improve grain car spotting/car supply. There are several potential solutions to the car spotting/car supply problems. These include:

- Provide for – preferably through regulation – penalties for underutilization of grain cars when it can be demonstrated that cars sit idle while car spotting are delayed and cars shorted on delivery. For example, if a given car is found to have been sitting idle and stationary – for say a week – while at the same time there are car spotting delays and shorting of cars on delivery, a penalty should be imposed on the railway. Historical crop and shipment data, and sophisticated current year crop forecasting models should greatly assist in ensuring that adequate equipment is allocated to, and available in, various geographic regions to meet expected demand.
- Provide for an expanded role for the Grain Monitor to include real time monitoring of car status (e.g. moving or stationary) and location to assist in enforcing the penalty regime. This could be done by ensuring that the Monitor has real time access to read-outs from railway car readers, or alternatively using a satellite tracking system for rail grain cars similar to that used in the trucking industry.

### **CN Rail internal and external communications improvements**

Although the situation seems to be improving, rail users in Mackenzie County suggest that there is room for considerable improvement in communications with regard to CN Rail, both externally with customers and internally in the railway.

With regard to external communications between CN Rail and its customers, customer service representatives need to be more knowledgeable and precise with regard to interaction with rail users.

A seeming lack of internal communication within CN Rail contributes to frustrations and uncertainty with regard to car spotting and number of cars to be delivered. In this regard, there seems to be a disconnect and lack of information flowing between CN customer service representatives and CN personnel on the ground responsible for assembling and dispatching trains.

Rail users in Mackenzie County feel strongly that there should be a local contact person designated by CN Rail on the ground at Roma Junction/Peace River, where trains are assembled for the trip north. This would facilitate accurate information about car spotting and car deliveries approximately 12 hours prior to train arrival in High Level rather than not knowing what is arriving until the train gets there.

### **Need for continued infrastructure maintenance and upgrading**

Collector systems off rail mainlines collectively generate the majority of tonnage moved by CN and CP, be it grain, coal and other mining products, potash, sulphur, forest products and the like, products which are a major factor in Canada's export performance, current account balances and contribution to Canada's Gross Domestic Product.

For Mackenzie County, being heavily rail dependent, it is important that CN has a multiyear program of maintenance and upgrading for the line connecting us to Edmonton, to ensure that rail infrastructure becomes a positive contributor to economic growth, rather than a detriment. Moreover, it would be a positive sign of trust and cooperation if such plans would be shared with the County and its rail users.

### **CN Rail/Rail user balanced accountability**

Mackenzie County supports the concept of balanced accountability between railways and rail shippers/consignees. While a host of ancillary charges are imposed on shippers by railways for non-performance, non-performance by railways have no consequences.

- If (grain) cars are spotted 6 weeks late, there is no consequence for the railway
- If car cycle times for shipper leased chemical cars have more than doubled over the past several years (with corresponding increases in car lease costs for chemical shippers), there is no consequence for the railway
- If railways split "single order/multiple container" movements between different trains and thereby cause part of the order to miss a vessel sailing date and thereby causing a switch in suppliers by overseas importers, there is no consequence for the railway
- If railways fail to meet Just-in-Time (JIT) delivery deadlines, there is no consequence for the railway
- If railways cause serious congestion and delays at port container terminals by allocating insufficient cars or other operational deficiencies, there is no consequence for the railway

While there may well be mutual accountability built into some current confidential contracts, this is a concept that should be applied universally to rail transportation and to participants in rail logistics chains.

Such a concept of mutual accountability should be grounded in regulations. With respect to specific charges, there are several alternatives. A starting point might be to mirror the railways' tariffs of Ancillary Charges, and have them also apply to the railways. For example, if a car is supposed to be spotted on a specific day and it is a day late, the railway would pay \$75 demurrage. If the car is five days late, demurrage would be \$375. This could also apply to shorted cars, and loaded cars which are not picked up as originally scheduled or promised. Thus, we could have a system of equal accountability and equal penalties for the same "offences" for both railways and rail users.

### **Demurrage and ancillary charges**

Rail users in Mackenzie County would like to see the current 24 hour demurrage free period extended to 48 to 96 hours, as this would provide a bit more flexibility in loading/unloading.

There is considerable dissatisfaction with how ancillary charges are invoiced. Rail users report that they are often assessed demurrage for car numbers that have never been delivered to them. The practice of requiring rail users to demonstrate mistakes in invoices for ancillary charges before adjustments are made, is also troublesome, as it puts the onus entirely on rail users and give railways a free pass to be sloppy and inaccurate in their billing procedures. This also increases administrative costs for rail users.

### **Monopoly pricing of freight rates**

Rail users in Mackenzie County are concerned about the railways' ability to impose monopoly pricing on lines and at points where there is no intra-modal railway competition. There is a substantial need, particularly for rail users located in distant economic regions like Mackenzie County, for a mechanism that would facilitate and provide for reasonable and competitive rates where there is a rail monopoly.

### **Division of Northwest Alberta into two shipping blocks for allocation of rail grain cars**

Northwest Alberta should be divided into two blocks for car allocation purposes to ensure that an adequate number of rail grain cars are allocated and delivered to County loading sites. The County and a number of grain shippers are concerned that Viterro will order as many cars as possible to their new terminal at Sexsmith due to open in 2011 to the detriment of car supply for their High Level terminal, thereby further worsening the car supply situation for County producers and driving up costs unnecessarily.

### **Running Rights**

Running rights, or joint running rights, have been strenuously opposed by the country's two rail carriers. Yet, when it seems to be to their benefit – like in BC's Fraser Canyon to alleviate capacity constraints – they embrace the idea and cooperate.

In not too many years, there could be – for a number of reasons - serious capacity constraints throughout the Canadian rail system which would make joint running rights a palatable option. While Mackenzie County is not at all advocating a forced and immediate system of running rights, we would suggest that it would be prudent to examine options and alternatives with regard to running rights – with attendant marketing/freight solicitation rights - which would result in win-win situations and leave the railways financially no worse off than under the status quo.

The purpose of raising the issue here is to try and initiate a rational discussion and debate around the concept. Many permutations are possible, but it could include some kind of a public-private partnership with regard to infrastructure (track, terminals, signalling, control systems etc). Alternatively, current railway companies could split their corporations into an infrastructure entity and a train operating entity, where the infrastructure entity would charge for use and occupancy of the infrastructure. There are probably many other concepts that could be acceptable and workable.

The Review Panel is faced with a most important task. Canada's rail transportation system is a critical component and force in the generation of the nation's gross domestic product, in our export performance and by extension our current account balance. The problems are many, but they are well defined. We believe, with good will and a willingness to cooperate, solutions acceptable to all parties are possible and within reach in moving forward.