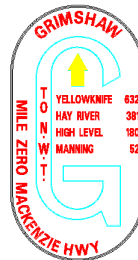


A JOINT SUBMISSION
TO THE

RAIL FREIGHT SERVICE REVIEW PANEL

ON BEHALF OF
THE MUNICIPAL DISTRICT OF PEACE NO. 135
AND
THE TOWN OF GRIMSHAW



APRIL 26, 2010

SUBMISSION: Rail Freight Service Review

Rail Freight Service Review Panel
Suite 808
180 Elgin Street
Ottawa, Ontario
K1A 0N5
Email: rfsr-esmf@tc.gc.ca

This submission is from:

The Municipal District of Peace No. 135, Berwyn, Alberta and

The Town of Grimshaw, Grimshaw, Alberta

The MD of Peace and the Town of Grimshaw have no objection to publishing this submission. We would welcome any opportunity to provide additional information to support the review and implementation of the recommendations forthcoming from the Rail Freight Service Review Panel.

Municipal District of Peace No. 135
Box 34
Berwyn, Alberta T0H 0E0

Contact: Lyle McKen, C.A.O.

Phone: 780-338-3845

Email: mdpeace@wispernet.ca

Town of Grimshaw
Box 377, 500 - 53 Avenue
Grimshaw, Alberta T0H 1W0

Contact: Wendy, Johnson, C.A.O.

Phone: 780-332-4626

Email: wjohnson@grimshaw.ca

Introduction

The Municipal District of Peace No.135 is an agricultural based municipality located along the north bank of the Peace River, approximately 500 km northwest of Edmonton and approximately 150 km northeast of Grande Prairie. Within the boundaries of the Municipal District lie the Town of Grimshaw and the Village of Berwyn. The Municipality extends from the west boundary of the Town of Peace River to 4 miles west of the Hamlet of Brownvale, which is managed by the Municipality. The Town of Grimshaw is located approximately 510 km northwest of Edmonton and approximately 170 km northeast of Grande Prairie. The population of the MD is approximately 1,500 people. The Town of Grimshaw is a modern community of approximately 2,700 people, located about 25 km west of the Town of Peace River, Alberta.

The main economic base of the M.D. of Peace and the Town of Grimshaw is agriculture. The total area of the M.D. is 92,610 hectares, most of which is used for grain farming, mixed farming, and some game farming (elk, buffalo). There are also strong regional construction, cattle farming and beekeeping businesses in the District. As part of the economic growth across Alberta there has been substantial increase in oil and gas activity in the region.

Regional Rail Service Issues

The concerns of rail service users are primarily in the area of car supply, producer cars, costs, communication and infrastructure. The following information describes the perspective of regional rail users based on the current performance of CN.

Car Supply and Reliability

CN is unreliable or unpredictable with their times in transit. For example, it may take 2 to 6 weeks to take delivery of fertilizer from Florida, and the market window is short (from hours to days).

Unpredictable delivery also makes inventory control problematic. To manage inventories, firms in this situation may place orders at non-critical times and limit orders by train in favour of truck (trucks deliver quickly).

The other side of this problem is that CN may not pick up loaded railcars for weeks. This can result in shippers not making contractual deliveries and loss of markets for shippers. In extreme cases, shipments from the north Peace may “miss the boat” at Prince Rupert or Vancouver.

Timing and reliability of spotting of cars creates delays and adds costs to loading.

North Peace shippers report maintenance problems (condition of cars may be poor - gates inoperable; brakes may not work well; top doors and ladders may have problems).

Producer Cars

There is a significant interest in producer cars in the north Peace. Many producers state they can save between \$1,000 and \$2,000 by using producer cars as opposed to elevation. Many interviewees state that CN (possibly with the collusion of the federal government), is placing impediments to the use of producer cars, to the benefit of the large grain companies. This includes the closure of producer car loading sites and unfairly calculated incentives for unit trains. One interviewee said producer cars are needed for shipments to a canola plant at Fort Saskatchewan.

Cost

Demurrage: There are complaints about CN spotting railcars at sidings in the north Peace. Late spotting results in inefficiencies in the loading of cars by the shippers. CN then charges shippers demurrage on cars that are not loaded and released within the allotted time. The system does not have sufficient flexibility to deal fairly with this issue, despite the best efforts of the shipper and in some cases CN. CN does not adjust the 48-hour loading allotment even in the event of extreme winter weather.

Invoicing: CN's invoicing and billing system is frequently inaccurate. The ability to resolve issues is limited by CN's lack of customer contact and service. Some shippers describe CN billing as "aggressive". It appears that the CN computer system just "spits out bills". One business indicated they had to be extremely diligent in reviewing all CN invoicing.

Rates: CN's quote and bid system can be very slow. In some cases, their freight rates are not competitive. Rail transportation is often very slow, inconvenient and not responsive to customer requirements. As a result, some shippers (particularly low volume shippers), have switched to using trucks. Because track capacity in the north Peace is below the North American standards, shippers are not permitted to fully load railcars. However, CN charges as if the railcar is full, even when partially loaded according to CN's requirements.

Communication

Customer service: One large business that has operated for several years indicates that it has never seen a CN customer representative.

Another large business has assigned an employee to deal exclusively with CN. She described her relationships as "good with the customer service representative; but poor with account manager". She adds that it is a "hugely stressful job dealing with CN", and "I accommodate them; they do not accommodate me, yet I'm the customer!"

Some businesses confirm that communication is difficult with CN's head office, with some cars spotted days, weeks and even months late. However, many shippers in the north Peace state that the supervisors at Roma and McLennan can be helpful once the cars actually arrive.

Marketing: With no presence in the region, it is difficult for businesses to pursue expansion or new product ventures. One business has unrealized plans to ship aggregates to northeastern BC that could involve as many as 1,000 cars/year.

Infrastructure

Maintenance: CN appears to be aggressively pursuing reductions of service and access to loading points through siding removal. This forces shippers to revert to trucks which have a higher unit cost. It also prevents economic development as efficient movement of heavy, bulky freight normally requires rail service. Additionally, the abandonment of the Watino Bridge has substantially limited the ability to ship intra-regionally, with attendant loss of economic development opportunities.

Sustainability: CN's inability to communicate long term plans and provide assurance of continuing operations has stalled expansion plans for some businesses. Indeed, this issue is particularly egregious in the north Peace where uncertainty about rail line abandonment is particularly strong. Some investors want to create or expand railway dependent businesses, but have shelved the plans due to lack of commitment from CN. A related issue is that the owners of existing rail dependent businesses cannot sell their investments due to risk.

Recommendations

Car Supply and Reliability

Increase reliability of cars through increased supply (number of cars) or better logistics management.

CN must improve car maintenance; gates should be closed by CN prior to spotting.

Producer Cars

Maintain CWB for producer cars (CWB finds markets, manages risk) and CN must respect demand for producer cars and ensure integrity of the sidings and other equipment.

Cost

Competition: Investigate methods to provide opportunities for competition on the rail system. The railway system needs more competition. This could be provided by running rights on CN tracks, or transfer of tracks to a crown corporation which would then open up the system to multiple users. (Why should CN have a monopoly on rail traffic in the Peace Country?)

The experience of north Peace businesses is that they were better served when the railway in the Peace country was operated by short line railways. This suggests that another option would be for CN to contract operations in northwestern Alberta to short line railways. The region has only limited knowledge of railway operations in other areas, but CPR appears to be much more customer oriented so their successes should be reapplied.

Efficiencies: CN has demonstrated its ability to be profitable and needs to implement better methods in the region and also pass on (through reduced costs) the benefits of system improvements.

Demurrage: Review scheduling protocol; for example, cars are delivered on Tuesdays and picked up on Thursdays. Why not deliver Thursdays and pick up on Tuesdays, giving more time for loading?

Consider finding methods to have regional shippers "pool" their car orders to take advantage of 50 and 100 car price reduction incentives.

Communication

Improve communication standards and increase the planning and order confirmation "window".

Establish regional customer service position.

Establish key performance indicators and an oversight body to hold CN to these standards.

Infrastructure

Maintenance: CN should increase access to rail service through improvements in the east/west transportation system from Watino through the Rycroft-Dawson Creek links.

Sustainability: Develop a plan and demonstrate commitment to longevity of rail line; resolve uncertainty by providing a substantive answer to "how long will rail be here in the north Peace?"

System Capacity: Growth in global and domestic (North American) markets is demanding more flexibility in shipping methods and we will not be competitive in existing products or able to enter into new products and customers without container service. Container service must not be as unreliable as the current rail system. Eliminate the current need to ship from the Edmonton container depot by creating a container depot in the Peace Country.