

April 29, 2010

R.K. Agri Ltd
Rail Freight Service Review Secretariat

Dear Sir/Madam:

Thank you for the opportunity to comment on the issue of rail based logistics or lack thereof. This presentation will center on three main themes:

1. Lack of Service,
2. Improper business practices and
3. Lack of corrective actions.

Lack of Service

Whether it be delivering producer cars or delivering rail cars to an elevator facility the railways are notorious for not delivering cars on time. Alternatively if the grain companies or producer car loaders do not load the cars on time they are levied a penalty by the railways. Every farmer has experienced the call from the grain company to deliver grain only to have a call a day later indicating the cars did not arrive. Logically the railways are acting in a predictable behavior as there is no penalty when they do not perform and no regulatory body has the determination or courage to step in. Therefore in order to direct appropriate behavior, legislation must be introduced whereby if the railways do not deliver cars in their prescribed time frame - a reasonable one - then financial penalties must be imposed on them.

Improper Business Practises

Recently the railways have indicated they are open to producer car business. However their statement is far from reality. Our group has already purchased one siding and property from the railways a process which took over two years. In trying to purchase another site for the purpose of loading producer cars approx. 5000 to 8000 tonnes per year, the railway, although publicly stating they want producer car business has not been willing to seriously negotiate on a site for the past eight months. Instead they utilize a delaying tactic of not returning calls and purposively delaying the process. Unless as a buyer you are willing to pay whatever the railways want and have all of their conditions, then there is little chance of a sale proceeding. To ensure commercial transactions are conducted in a fair and business minded setting there must be an easily accessible appeal mechanism to deal with the railways when they use colluding or obstructionist techniques.

Lack of Corrective Actions

The rail system and service has been allowed to deteriorate in the grain side because of a regulatory system that is anything but regulatory, rather only complimentary to rail sanctioned initiatives. One only has to look at the over billing by the railways on hopper car maintenance issue which was sanctioned by regulators for years before the Farmer Rail Car Coalition brought this "theft" to everyone's attention. Or look at service reviews which are carried

out at certain sites. But before a review is completed the business has gone bankrupt. Allowing railways to "take out of service railines" which provide the shortest line between points inorder to travel further distance to make more money -highlight an out of touch regulatory system. These types of examples should highlight to the regulatory system and the regulators that they are not doing their jobs. However no one appears to be picking up on that fact. To those who say less regulation is the answer and competition will deliver results, this must then also include open running rights. In short, the rail service is poor because there is not an effective rail enforcement system in place and this is in part due to the fact there is no rail transportation policy for Canada. This must be corrected or more traffic to will go to trucks, and further road and environmental damage will occur and the railways will try to suck out additional revenue from the diminished traffic load they are left with.

Recommendations:

1. Simple and effective financial penalties must be levied against the railways when they do not deliver railway cars in the prescribed time frames.
2. An Ombudsman's office must be established which would have legal authority to deal with the railways when they practice discriminatory business practices.
3. A rail transportation policy must be developed for Canada which takes into account more than the railway shareholder needs.

Thank you again for the opportunity and I hope your recommendations deal effectively with the issues before you and are not simply echo's of the railways concerns.

Sincerely,

Kyle Korneychuk B.Sc., Secretary