



Rail Freight Service Review
Suite 808
180 Elgin Street
Ottawa, Ontario K2P 2K3

Dear Sirs:

RE : Submission to the Rail Freight Services Review Panel of Transport Canada

The Canadian Federation of Agriculture (CFA) would like to first take the opportunity to thank Transport Canada and specifically this Panel for reviewing our submission. This issue is deeply important to the many Canadian producers, especially those in western Canada, who are members of the Federation.

This submission focuses specifically on information regarding the shipment of grain, from grain company elevators and through the producer car network. All information has been compiled through CFA's membership of Western Canadian general farm organizations and commodity members with interest in the service of the railways. They have conducted interviews with individual producer car shippers, producer car shipping associations, and those shippers delivering grain to their local elevators.

Background:

The CFA is the largest general farm organization in Canada representing over 200 000 Canadian farmers. It is a national federation of provincial farm organizations and interprovincial and national commodity organizations united to speak with an authoritative voice for the agricultural community of Canada.

First organized in 1935 under the name Canadian Chamber of Agriculture, the CFA grew out of the need for one unified national organization to represent all agricultural producers in all provinces.

The CFA's mission is to promote the interests of Canadian agriculture and agri- food producers, including farm families, through leadership at the national level and to ensure the continued development of a viable and vibrant agriculture and agri-food industry in Canada.

The aims and objectives of the Canadian Federation of Agriculture are:

- To coordinate the efforts of agricultural producer organizations throughout Canada for the purpose of promoting their common interest through collective action.
- To assist members and where necessary government, in forming and promoting national agricultural policies to meet changing domestic and international economic conditions; and to collaborate and cooperate with organized groups of producers outside Canada to further this objective.
- To promote and advance acceptance of positive social, economic and environmental conditions of those engaged in agricultural pursuits.

CFA Members

- B.C. Agriculture Council
- Wild Rose Agricultural Producers (Alberta)
- Agricultural Producers Association of Saskatchewan
- Keystone Agricultural Producers (Manitoba)
- Ontario Federation of Agriculture
- L'Union des producteurs agricoles (Québec)
- Co-op fédérée de Québec
- Newfoundland and Labrador Federation of Agriculture
- Agricultural Alliance of New Brunswick
- Nova Scotia Federation of Agriculture
- PEI Federation of Agriculture
- Canadian Hatching Egg Producers
- Canadian Egg Marketing Agency
- Canadian Horticulture Council
- Canadian Pork Council
- Canadian Sugar Beet Producers' Association
- Canadian Wheat Board
- Canadian Young Farmers Forum
- Chicken Farmers of Canada
- Dairy Farmers of Canada
- Ontario-Quebec Grain Farmers' Coalition
- Turkey Farmers of Canada

Submission:

The CFA wants to make it clear that it strongly supports farmer access to an efficient, affordable and effective rail-based logistics system in Canada. While the CFA recognizes that Canada's two major Class I railways continue to improve their ability to serve Canadian grain shippers, we also believe there are areas for improvement.

CFA and our members have examined the results of Phase I of the Service Review and have found they conclude a number of key things.

- Shippers are unhappy at a high level
- There needs to be a better way of operating that allows for
 - Accountability
 - Transparency

- Monitoring
- Applying Pressure
- And fundamental issues that affect service are contributing to the unhappiness
 - Producer loading sites
 - The closure of short rail lines
 - The need for a costing review

As you are aware, many Canadian farmers, in particular those farmers of western Canada, are heavily dependent on the railways to transport their grain to domestic destinations and export positions within Canada and North America. In order to ensure that domestic and international customers continue to choose Canadian grain over competitor's offerings, they need to supply not only grain of the highest quality, but consistent, timely delivery as well. Rail transportation plays a critical role in ensuring these standards are met. It is crucial then, for this panel to focus on two main areas where farmers feel the most improvement can be found: monitoring and applying pressure through an effective dispute resolution mechanism. These two areas will provide both the accountability and transparency that are also required.

Monitoring:

Numerous submissions to this panel have talked about and made recommendations requesting a transparent and measurable system. While the CFA recognizes there is grain service monitoring in place today, we believe that the monitoring of railway service in western Canada is only the first step in ensuring a competitive and accountable system. We recommend that further work needs to be done to ensure that the information gathered on railway performance post service review is properly measured to identify all the successes and failures of any panel recommendations implemented by the railways.

The CFA and its members urge the panel that when making their final recommendations, include a mechanism to ensure timely, relevant monitoring. We feel, there is no such instrument at the disposal of either Transport Canada or the Canadian Transportation Agency (CTA) today which provides the monitoring that will be required once the Review is completed.

Dispute Resolution Mechanism:

Again in examining the submissions made, many concerned shippers and individuals referenced the need for an effective, immediate dispute resolution process. Many shippers and indeed farmers have complained that the current system is both ineffective and costly.

Farmers have complained to the CFA and would like to see the panel recommend the formation of a dispute resolution mechanism which allows for their complaints to be heard. More importantly, farmers want a system which tracks whatever resolution to their dispute produces

to make sure the railways have actually followed through. This is to ensure the service has improved.

In addition to the above two areas, the CFA also wants to take the time to recognize a few specific issues it feels needs to be addressed that will help improve service.

Producer Loading Sites:

The CFA recognizes a farmer's right to load producer cars and wishes to see that right protected. Without producer car access for all Western Canadian farmers, farmers lose the ability to control costs and operate in a competitive environment. The CFA also recognizes that consistent service, in both loaded and unloaded cars, is imperative for not only keeping producer cars an option, but continuing to grow the number of farmers using producer cars as a viable option.

Short Rail Line Closures:

The abandonment of short rail lines and the eventual impact on the rural areas that depend upon their service must not be ignored. CFA views this as a problem that must be taken up by this panel. In many cases the railways may have a just cause for the closure, but a mechanism must be put in place to allow for the purchase of the line that is fair and timely. Some have recommended the railway must show a plan for the line and if no plan is offered after two years, the CTA be given the power to step in and allow for the sale of the line. The CFA does not oppose this option. If the panel is to ignore the abandonment of short rail lines, the potential results have long lasting effects to rural areas all across Canada.

Rail Costing Review:

A recently completed study (July 2007) by John Edsforth, an internationally-renowned expert in rail transportation economics, found that the contributions earned by the railways on the movement of western grain shipments are excess of what was deemed fair and adequate under the former *Western Grain Transportation Act*. The study pegged these excesses at \$156 million in 2005-06 and estimated that the amount would climb to \$175 million in 2006-07.

This situation has only partly been addressed by a decrease in the rail revenue cap that was ordered by the Canadian Transportation Agency (CTA) to reflect actual hopper car maintenance costs in 2007-08. All railway costs need to be reviewed. The last review was completed in 1992. Since then, there has been tremendous consolidation in the grain-handling and transportation industry. The number of primary grain elevators in Western Canada, for example, has dropped from 1,500 in 1992 to only 370 today. Consolidation on this scale has led to rail transportation efficiencies that, unfortunately, have not been passed along to grain producers and farmers have seen rail freight rates jump by approximately 40 per cent over the same period. This is in addition to longer trucking distances required, the need to reconfigure yards to accommodate larger and heavier trucks and to the added wear-and-tear on their municipal roads. CFA strongly urges the panel take this into consideration when drafting their final report as a costing review is desperately needed to address these ongoing concerns.

Conclusion:

Farmers have and will continue to adjust and change their operations to accommodate the railways' operations. However, in return, farmers require a commitment on behalf of the railways to improve service, especially in those areas identified as weaknesses. As noted in the consultant studies, shippers have noted dissatisfaction in the areas of on-time delivery, spotting performance, car supply, transit times and customer service. We understand that these issues are vast in their scope, but depict an environment where shippers and farmers are frustrated with their current rail-based transportation providers.

The CFA seeks a cooperative relationship between farmers and the railways. The CFA also supports changes to Canada's transportation system that ensure all parties benefit from any proposed changes. Furthermore, where the CFA can contribute to improving Canada's rail-based system, we certainly cherish the opportunity to do so.

Thank you for taking the time to read our submission.

Sincerely,

A handwritten signature in black ink, appearing to read "Laurent Pellerin". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Laurent Pellerin
President Canadian Federation of Agriculture