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Saskatchewan Response to Federal Level of Service Review



Final Report

February 26, 2010



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Executive Summary

In the summer of 2009, the Province of Saskatchewan’s Ministry of Agriculture and Ministry of Highways & Infrastructure jointly engaged Metropolitan Knowledge International (MKI) in association with Robert G. Friend Consultants Inc. to conduct the rail freight level of service review in Saskatchewan.

The federal government’s ongoing review of the level of service for rail freight is the impetus for the Province’s requirements to commission this study. The federal review is linked closely to the introduction of Bill C-8, which includes amendments to the shipper protection provisions of the Canada Transportation Act (CTA) and which received Royal Assent on February 28, 2008. With the passage of Bill C-8, the federal government proceeded with its commitment to undertake a rail freight service review proposed at the time Bill C-8 was initially tabled on May 30, 2007. The federal level of service review involves a two-stage process including initial consultant studies which are currently underway, followed by the development of recommendations by an independent three-member panel. The federal review panel is expected to submit its final recommendations to the Minister of Transport, Infrastructure and Communities in the summer of 2010.

Objectives

The information gathered and analysis completed by the MKI consultant team in this study is aimed at assisting the Province in developing an informed submission as input to the federal government’s ongoing rail level of service review. A survey of rail shippers in Saskatchewan is the primary data collected and analyzed in this study; it examines the satisfaction or dissatisfaction of Saskatchewan-based shippers with the current level of rail service. The survey also explores the shippers’ views regarding how the existing level of rail service impacts the economic and financial performance of their businesses, with reference to specific factors. To the extent possible, past and recent shipper experiences with the two Class I railways – i.e., CN and CP – are examined to identify any potential implications that rail service issues may have with respect to the competitiveness of the provincial and national economies as a whole. Recommendations regarding the level of service are informed by the “big picture” to provide Saskatchewan with advice regarding how to sustain economic competitiveness where influenced by rail service through the federally-led review.

Summary of Findings

A total of 31 survey responses were received, representing a range of shipper sizes, priorities, and service issues. Characteristics of the shippers sampled are displayed in Summary Exhibit 1 below.

Summary Exhibit 1. Shipper Sample Characteristics											
Shipper Size				Shipper Capitivity							
# of Railcars Ordered (annual)	# of Railcars Ordered (per movement)	Gross Revenues (annual)*	No. of Employees	To Rail Mode	To a single Class I railway						
Upto 1000	65%	Under 50	61%	Over \$70 M	32%	Under 50	55%	Yes	77%	Yes	68%
Over 1000	32%	50 and over	39%	Under \$70 M	23%	50 & over	42%	No	19%	No	6%
Not indicated	3%	Not indicated	-	Not indicated	39%	Not indicated	3%	Not indicated	3%	Not indicated	26%

* Based on average revenues of group, after removing major outliers

The large majority of respondents represent the agricultural sector (25 respondents). Among these shippers, there is a clear distinction between the perceived level of service and the overall perceptions of the grain logistics chain, between large, multi-point shippers on the one hand and small, single point shippers. To a lesser extent, the survey includes businesses representing the forestry (3 respondents), mining (1 respondent) and manufacturing sectors (1 respondent). It is of note that direct rail service to two shippers from the forestry sector ceased in March 2009 due to shortline abandonment and one no longer remains a Saskatchewan rail user. It is also of note that follow-up

communications with potential survey respondents included 28 manufacturing businesses that had not used rail in at least the past five years, many of whom cited reasons of efficiency and cost by way of explanation.

Overall, shippers represented through this study have different issues, and different levels of satisfaction, often depending on the type of railway equipment involved in the movement—especially distinguishing between hopper cars, boxcars, and shipping containers (with a lesser distinction between overseas shipping containers versus domestic intermodal units). As illustrated in Summary Exhibit 2, small and large shippers both expressed relatively high levels of dissatisfaction with railway service, both with respect to the supply of equipment as well as with regard to the movement of railway traffic. No clear difference in the level of dissatisfaction is noted between small and large shippers; in part this may also be associated with the size of the shipper population sampled. However, follow-up consultation with interested survey respondents indicated higher levels of dissatisfaction amongst smaller shippers, many of whom believed that the smaller size of their railcar orders was linked to consistently untimely or delayed delivery and spotting of railcars.

Summary Exhibit 2.		Level of Satisfaction by Shipper Size*						
# of Railcars	Supply of Railcar Equipment & Other Resources							
<i>Order per movement</i>	Total	Very Good	Good	Adequate	Poor	Very Poor	NA	
Under 50	61%	0%	16%	21%	58%	5%	-	
Over 50	39%	0%	8%	17%	25%	50%	-	
<i>Order per movement</i>	Movement of Railway Traffic							
Under 50	61%	0%	16%	37%	32%	11%	5%	
Over 50	39%	0%	17%	8%	50%	25%	-	
<i>Order per movement</i>	Agreement with Incentives and Penalties							
Under 50	61%	Y	11%	N	89%		-	
Over 50	39%	Y	0%	N	100%		-	
<i>* Based on railcars ordered per movement</i>								

A clear theme of shippers' dissatisfaction is the lack of communications, together with poor or confusing communication, received from railways. Communication issues most especially involve ignorance of when railway cars would be spotted as well as changing plans by the railways regarding when cars would be spotted. Lack of communication regarding where shipments are loading is also cited, although less frequently. This distinction is not necessarily indicative of relatively better performance in this area but rather that the sales contract terms for some shippers mean the end of their responsibility for the product once the products are loaded.

One distinction evident between smaller and larger shippers is the lower levels of familiarity of smaller shippers with both the CTA Shipper Protection Provisions as well as mediation processes available to resolve disputes with the railways. In comparison with larger shippers, a high proportion of smaller shippers believed these shipper protection mechanisms were either inapplicable to them or had used them relatively rarely. All shippers who regarded the CTA's provisions as effective ordered on average 50 or more railcars per movement.

Summary Exhibit 3. Familiarity, Level of Use and Perceptions of Effectiveness: CTA Provisions and Mediation Processes									
# of Railcars	Total	Familiarity with CTA Provisions				Familiarity with Mediation Processes			
<i>Order per movement</i>		High	Medium	Low	NA	High	Medium	Low	NA
Under 50	61%	11%	11%	79%	0%	11%	21%	68%	0%
Over 50	39%	50%	17%	25%	8%	25%	33%	33%	8%
<i>Order per movement</i>		Extent of Using CTA Provisions				Extent of Using Mediation Processes			
Under 50	61%	0%	5%	26%	68%	0%	5%	21%	74%
Over 50	39%	42%	8%	8%	42%	17%	8%	8%	67%
<i>Order per movement</i>		Effectiveness of CTA Provisions				Effectiveness of Mediation Processes			
Under 50	61%	0%	0%	26%	74%	0%	0%	32%	68%
Over 50	39%	0%	17%	50%	33%	0%	0%	58%	42%

Many shippers also noted service improvements over from the period of the past six to twelve months compared to several years earlier. Shippers in this survey attributed this to the economic slowdown in other sectors of the economy, and the railways' resulting devotion of more assets and attention to the agricultural sector. Many shippers are also concerned that as other economic sectors improve, the recent rail transportation improvements seen in the agricultural sector will possibly disappear as the railways withdraw resources from agricultural service to other sectors.

Most comments from the respondents are related to the supply of equipment, including the ordering process and the actual provision of equipment at the shippers' sites. There are fewer comments related to the movement of traffic, partly because there seems to be a somewhat higher level of satisfaction with that aspect of rail service, and partly because some interviewees are not responsible for the product after it is loaded at their origin.

Relevance of Findings

According to the shippers surveyed, the lack of predictability of the railways is associated with the timely arrival and spotting of railcars ordered, the number of railcars that could be expected (different from the number ordered), and transit times to destination (often to the point of loading of a vessel at port) and to a lesser extent, the shortfall in container availability and the quality of railcars. The survey results indicate that this lack of predictability has resulted in:

- lost sales opportunities (i.e., from the loss of purchase orders and/or sales contracts);
- an inability to plan for adequate staffing, scheduling, & processing programs for different commodities; inadequate storage capacity as commodities pile up waiting for cars to be delivered, and
- an overall inability to achieve potential levels of business activity (e.g., missing an optimal time-bound market opportunity to maximize profit margins when prices peak because of the risk of cars not being supplied on time).

In addition, delays in railcar movement and spotting are mentioned by many shippers in this survey to have pushed them outside the delivery terms of their contracts with customers, resulting in financial penalties and serious damage to reputation. Shippers who cite instances where they are faced with a dearth of cars delivered and then a sudden surge in deliveries also identify financial impacts of the same – such as paying demurrage on some of the cars as they cannot load all of the cars delivered at once fast enough to avoid demurrage; or releasing some cars empty right away to avoid demurrage, but thereby not capitalizing on sales opportunities; or being forced to pay farmers to delay their deliveries if the shipper lacks adequate storage space as the commodity piles up awaiting the delivery of cars.

From a broader economic perspective as well, the findings of the shipper survey need to be viewed in the context of their relevance to the railways, as well as the national and provincial economies. These are summarized briefly below:

Relevance to Railways: It is important to use the survey results to attempt to achieve mutual benefits that would arise from improvements to the railway-shipper relationship. Saskatchewan in 2007 accounted for 44.9% of all wheat transported by rail in Canada (i.e., 9.8 million tonnes of the 21.7 million tonnes of wheat which was the third highest volume by commodity transported by the railways, after coal at 33.4 million tonnes and mixed carloads at 26.3 million tonnes).

Relevance to Canada's Economy: In 2008 and in comparison with other provinces, Saskatchewan recorded the highest growth rate in real GDP, the second highest growth in manufacturing, and the second highest employment growth rate in the country. Spurred by a notable increase in resource-based commodity prices, the Province's

growth rate for international exports stood at 57.8% in 2008, resulting in export gains of \$31 billion, the highest in Canada in comparison with a national average of 7.3% year-to-year growth. While this growth is exceptionally high, the average growth in international exports for Saskatchewan between 2004 and 2008 was still the highest in the country at 18.3%, in comparison with the national average of 3.3%.

In 2008, the “agriculture, forestry, fishing and hunting” sector, “mining, oil and gas” sector and “manufacturing” sector each contributed to approximately 2.2%, 4.6% and 13.9%, respectively, of the country’s total GDP from goods and services producing industries. In 2008, Saskatchewan accounted for approximately 16.6%, 10% and 1.8% of the country’s GDP in these three sectors respectively. While the proportional income of these sectors to Canada’s GDP may appear low, the resource-based sector in recent years has been a relatively consistent source of revenue generation and is expected to continue growing in future years. As well, the level of growth seen in international exports in Saskatchewan in recent years speaks to the potential for the Province’s economy to grow in the future, and the importance of recognizing the factors that impact this growth, including the transportation supply chain that is a crucial element impacting the performance levels of export-based businesses.

Relevance to Province of Saskatchewan: The contribution of the agriculture, mining and manufacturing sectors weighed in terms of the Province of Saskatchewan’s total GDP from goods and services producing industries was significantly higher than at the national level for the two resource based sectors, at approximately 11.2% for “agriculture, forestry, fishing and hunting” and 14% for “mining oil and gas” while the proportion of “manufacturing” was lower at 7.6% respectively. Together, the agriculture sector; forestry, fishing, mining and oil & gas; and manufacturing sector, comprise approximately 18.5% of the Province’s employment.

Areas of Focus Emerging from the Shipper Survey

Three primary areas of focus emerged from the survey findings:

- The need for a more effective **communications** system between railways and shippers;
- The need to ensure **accountability** of railway companies to their commitment for railcar orders and train service; and
- The need to address the barriers that make the existing CTA **complaints and dispute resolution** process inaccessible to shippers (knowledge, costs, lawyers, timeframe, etc).

Conclusions and Recommendations

Within Saskatchewan’s economic and rail freight context, the survey results highlight the need for rail service improvements through enhanced communications between the railways and shippers; increased two-way accountability measures; and increased knowledge and accessibility of the existing federal CTA process for complaints and dispute resolution.

The federal review panel’s ongoing rail service assessment would be an appropriate forum to explore avenues to (a) tighten provisions regarding two-way accountability between shippers and railways and (b) to ensure that the barriers that rail freight users face in using the CTA process and mediation processes are addressed. It is likely that communications processes between the railways and shippers would see some benefits resulting from the implementation of potential improvements in these areas.

Specific recommendations for the Province of Saskatchewan’s consideration are as follows:

- Support ongoing and constructive dialogue and communications between industry organizations in Saskatchewan (that can assist in organizing and informing smaller shippers in particular) and both the Class I

and shortline railways, encouraging them to work together to overcome commonly acknowledged supply and demand issues.

- Pursue the introduction of specific measures by the federal government whereby railways would be subject to two-way accountability measures (e.g., standard penalties for poor service) as part of the regular car-ordering process.
- Investigate the possibility of federal support for the establishment of an alternative support system for complaints dispute resolution to augment and supplement the existing CTA process.

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1 Introduction

In the summer of 2009, the Province of Saskatchewan's Ministry of Agriculture and Ministry of Highways & Infrastructure jointly engaged Metropolitan Knowledge International (MKI) in association with Robert G. Friend Consultants Inc. to conduct the rail freight level of service review in Saskatchewan.

The federal government's ongoing review of the level of service for rail freight is the impetus for the Province's requirements to commission this study. The information gathered and analysis completed by the MKI consultant team in this study is aimed at assisting the Province in developing an informed submission as input to the federal government's ongoing rail level of service review. A survey of rail shippers in Saskatchewan is the primary data collected and analyzed in this study; it examines the satisfaction or dissatisfaction of Saskatchewan-based shippers with the current level of rail service. The survey also explores the shippers' views regarding how the existing level of rail service impacts the economic and financial performance of their businesses, with reference to specific factors. To the extent possible, past and recent shipper experiences with the two Class I railways – i.e., CN and CP – are examined to identify any potential implications that rail service issues may have with respect to the competitiveness of the provincial and national economies as a whole.

This section outlines the focus of this study and describes the structure of this report, within the framework of the federal and provincial priorities that contextualize the rail freight level of service review.

1.1 Federal Priorities

The immediate context for the Saskatchewan Review of Rail Service is framed by the federal government's ongoing review of rail service in Canada. The federal review is linked closely to the introduction of Bill C-8, which includes amendments to the shipper protection provisions of the Canada Transportation Act (CTA) and which received Royal Assent on February 28, 2008. With the passage of Bill C-8, the federal government proceeded with its commitment to undertake a rail freight service review proposed at the time Bill C-8 was initially tabled on May 30, 2007.

The scope of the federal review involves an assessment of the performance of the rail freight supply chain network in Canada and its impact on rail shippers across the country. The federal review is currently underway and follows the requirements of a detailed terms of reference announced in August 2008. The review is being conducted in two phases. The first phase comprises consultant studies to identify rail service and performance issues which are currently underway. The consultant studies are to be followed by the recommendations of an independent three-member panel (chaired by Walter Paszkowski and including David Edison and William H. LeGrow) which will provide advisory to the federal government to address the issues identified in the first phase. All the Provinces as well as private businesses are invited to provide submissions as inputs to rail service review process. This study contributes to Saskatchewan's submission in this regard. As per the current timeline, the federal review panel is expected to submit its final recommendations to the Minister of Transport, Infrastructure and Communities in the summer of 2010.

1.2 Provincial Priorities

The purpose of this study is to assist the Province of Saskatchewan in formulating a submission to the federal review panel to convey the Province's recommendations for consideration by the federal review panel based on rail service issues that are impacting Saskatchewan's economy. Between October and December 2009, the MKI consultant team undertook a survey of rail shippers located in Saskatchewan to assess their satisfaction with the level of service provided to them by the railways, and to understand the economic implications of the

existing service levels. The results of the survey provide first-hand accounts of shippers' experience of rail service in Saskatchewan as of January 2010. The survey is contextualized by an accompanying analysis of the rail freight transportation network in the Province and the economic activities impacted, either positively or negatively, by the existing level of rail service.

1.3 Scope

The overall objective of the study conducted by the MKI consultant team is to identify whether the existing level of rail service is sufficient and adequate to satisfy market needs, to enhance Saskatchewan's long-term economic competitiveness, and to ensure that study findings are communicated to the federal review panel effectively for consideration in the ongoing federal review. The scope of the work completed and reflected in this report includes:

- A discussion of the role of the rail network with respect to the economy of Saskatchewan.
- The development of a representative sample of rail shippers to be surveyed.
- Development of a survey questionnaire and its administration, followed by in-person and telephone consultation with available respondents.
- Identification and assessment of the impact of rail service issues on shippers as well as the Saskatchewan economy based on survey results, consultations, and documentation review.
- Recommendations for potential actions suggested to address shipper concerns and to inform the Province's submission to the federal government.

1.4 Report Structure

The remainder of this report is structured as follows:

- Section 2 discusses rail freight transportation infrastructure and service provision in Saskatchewan within the broader context of the Province's economic competitiveness.
- Section 3 provides an overview of the level of service provisions contained in the Canada Transportation Act and the implications of Bill C-8 on rail shippers, and discusses key issues considered in developing the rail shipper survey.
- Section 4 describes the methodology followed in conducting the rail shipper survey.
- Section 5 presents the findings of the rail shipper survey.
- Section 6 discusses the implications of the survey findings on the Province of Saskatchewan, identifying key areas of concern and potential action recommended to be highlighted in the Province's submission to the federal review of rail level of service.
- Appendix A includes the survey questionnaire and other relevant background information.
- Appendix B lists data sources that informed this report.

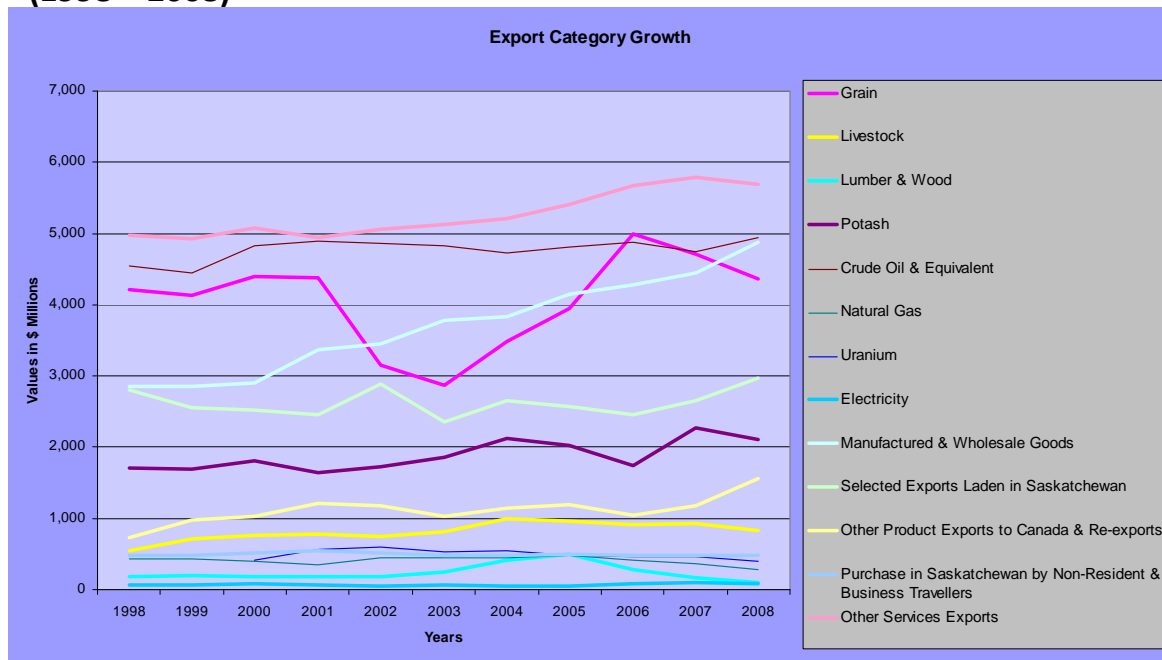
2 Saskatchewan's Economy and the Significance of Rail

This section provides an overall context for the Province's rail level of service review by discussing the historical and recent development of Saskatchewan's economy and the importance of rail service to the Province's economic competitiveness. Saskatchewan derives approximately a quarter of its gross domestic product (GDP) from resource-based industries such as agriculture, mining and forestry which are fundamental to international exports originating in the Province, and also significant contributors to the Canadian economy.

2.1 Economic Context

Grain cultivation and mineral reserves in Saskatchewan form the mainstay of the Province's economy and have significant bearing on the economic performance of Canada as a whole as well as on the overall competitiveness of the Prairie Provinces. Canada is one of the world's largest exporters of grain, a significant proportion of which is produced in Saskatchewan, and exported to a wide range of countries including China and Japan. Canada is also the world's largest exporter of potash, with reserves concentrated in Saskatchewan – the Province is home to approximately half of the world's potash reserves and the mined product is exported broadly including to the US, China, Brazil, India, Japan, Indonesia and other countries. The Province is also the world's largest uranium producer. On the other hand, while Canada is the largest exporter of forest products in the world, with the decline in Saskatchewan's forestry industry, as per a March 2006 WESTAC study, the forest products sector in Saskatchewan has been assessed to constitute under 1% of Western Canada's trade in this sector based on the total value of forest product exports originating in British Columbia, Alberta, Manitoba and Saskatchewan.¹

Exhibit 2-1: Saskatchewan Export Growth Trends by Commodity Type (1998 – 2008)



Economic activity in Saskatchewan has historically been export-based, with approximately 70% of all goods produced in the Province destined for locations in other provinces and outside Canada. Exhibit 2-1 illustrates variations in export trends by commodity type between 1998 and 2008. As of 2008, total real exports of goods

from Saskatchewan were valued at \$27.6 billion.² Exports destined for international locations comprised approximately 58% of total exports while approximately 42% were traded within the country. Crude oil and equivalent exports (including manufactured and wholesale trade goods exports), and grain exports together constituted over half of the Province's total exports, followed by other exports originating in Saskatchewan, e.g., potash exports (7.6%), etc. Livestock, natural gas, uranium, lumber and wood products and electricity together comprised only 6% of the Province's exports.

While Saskatchewan's economy has historically supported Canada's international trade, the export-based focus has also resulted in significant fluctuations in sector-wise growth due to variations in commodity pricing, the value of the Canadian dollar, and other factors influenced by shifts in the global economic climate (as illustrated in Exhibit 2-1).

As of 2007, real³ international exports contributed to over 40% of the Province's GDP while real interprovincial exports comprised another 30% of GDP. The Provincial budget for 2009-2010 forecasted growth of 2.1% real GDP in 2009 and 2.9% real GDP in 2010 while private sector forecasts ranged from a low of 0.3% to a high of 2.8% for 2009 and 1.1% to 3.4% for 2010.⁴ Exhibit 2-2 summarizes the Province's overall economic forecast as presented in the 2009-2010 budget.

Exhibit 2-2: Saskatchewan Economic Forecast Summary (Budget 2009-2010)

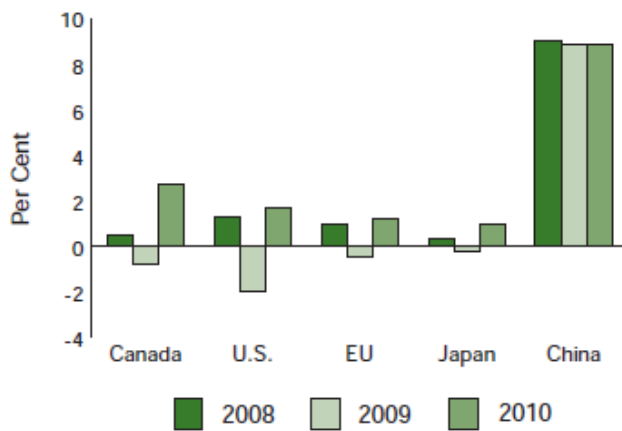
	2008	2009	2010	2011	2012	2013
Real GDP Growth (%)	3.7	2.1	2.9	2.1	1.8	2.0
Nominal GDP Growth (%)	29.9	(4.0)	5.9	4.4	5.6	5.7
CPI Growth (%)	3.3 ¹	2.1	2.5	2.5	2.9	2.9
Employment Growth (000s)	11.0 ¹	11.5	7.6	3.1	2.2	2.7
Unemployment Rate (%)	4.1 ¹	4.0	3.8	3.9	4.0	4.0
Personal Income Growth (%)	14.1	0.7	6.3	3.7	3.7	4.6
Retail Sales Growth (%)	10.4 ¹	5.0	6.3	5.3	5.5	5.1

¹ Actual

Source: Statistics Canada, Ministry of Finance

Saskatchewan's main trading partners include the U.S. which receives approximately 64% of internationally exported goods, as well as China and Japan.⁵ As depicted in Exhibit 2-3, trade growth with China has outstripped trade growth with other international trading partners in recent years and, as per the Province's economic outlook for 2009-2010, this trend is expected to continue in future years.

Exhibit 2-3: Saskatchewan Outlook for Global Economic Growth (Budget 2009-2010)



Source: Ministry of Finance

The agriculture sector; forestry, fishing, mining and oil & gas; and manufacturing sector, together comprise approximately 18.5% of the Province’s employment – the level of export growth in these sectors characterizes the Province’s economy from a global and national perspective. The Province’s competitiveness in this regard is reliant in large part on the efficiency of the transportation supply chain that supports export activity, i.e., the road, rail and marine networks that together allow for goods produced in Saskatchewan to be transported to their final destinations. The impact of rail service on the economic competitiveness of major export-oriented sectors in Saskatchewan is the focus of the shipper survey.

2.2 Rail Transportation and Commodity Exports

Rail transportation comprises a crucial component of the freight transportation system in the Province: the two federally-regulated Class I railways, CN and CP Rail operated a total of approximately 10,280 kilometres of track in Saskatchewan as of the end of 2007 (approximately 15% and 23% of the total track operated by each in North America respectively).⁶ While current data on the modal split for the transportation of overall exports from Saskatchewan to all destinations were not available to the consultant team, as of 1999, rail networks accommodated approximately 36% of international exports from Saskatchewan to the US in comparison with 34% via truck, 27% via pipeline and 3% via marine mode and air.⁷ Although the transportation trends that support export activity in Saskatchewan are likely to have seen several changes over the past decade, rail networks have historically provided connectivity between the Saskatchewan’s resource-based (and often location-bound) producers and international markets, and continue to do so.

The total tonnage of commodities shipped from Saskatchewan to outbound destinations by rail increased from over 36.2 million tonnes in 2001 to approximately 41.5 million tonnes in 2007 (an increase of almost 15%) – approximately 11.8% of all rail freight traffic in Canada for 2007.⁸ Reflecting the overall economic strengths of the Province, in 2007, potash followed by wheat, were the most voluminous commodities conveyed by rail, at approximately 16.7 million tonnes and 9.7 million tonnes respectively. Other agricultural, forestry, and mining commodities and related products comprised the majority of remaining rail freight commodities.⁹

As of 2007, the majority of outbound commodities originating from Saskatchewan and transported by rail were destined for British Columbia (37.9% of all rail freight out of Saskatchewan, consisting mainly of potash, wheat and other food products) and further on to international destinations in Asia.¹⁰ The top destination of

British Columbia was followed by the US, Ontario, Manitoba, Quebec, Alberta, and the Atlantic Provinces.¹¹ Intermodal (container-based) tonnage for commodities originating in Saskatchewan comprised only a small proportion of the total tonnage of commodities shipped by rail. It increased from approximately 860,000 tonnes in 2001 to over 1 million tonnes in 2007 (an increase of almost 17%) – about half of this total was destined for Quebec, 30% to British Columbia, 11% to Ontario, 7% to Atlantic Canada, and 1.5% to the US, with the remainder shipped to Manitoba and Alberta.¹² While onward destination data is not available to track commodities by final destination at this level, much of the rail freight traffic originating in Saskatchewan is transported to major west and east coast ports for further movement to international markets, and through road-rail networks to various North American markets.

Considering the type of commodity groups exported from Saskatchewan, it is important to consider that the majority of rail freight demand stems from non-containerized cargo, which can typically be categorized into dry bulk, liquid bulk, and break bulk cargo.¹³ Consequently, although the growth in container shipping (the majority of which is associated with the movement of consumer goods) comprises the vast proportion of international trade growth today, containerized trade is not the primary focus of this discussion or this study.

Exhibit 2-5 illustrates the breadth of the rail networks operated by both Class I railways in Saskatchewan as well as the networks operated by provincially regulated shortline networks that link CN and CP's trackage to additional locations. The CN and CP mainlines in Saskatchewan link to major railyards and intermodal terminals operated by the two Class I railways. These include the CN and CP intermodal terminals in Saskatoon as well as the new CP intermodal facility west of Regina, which is expected to replace the existing rail-truck intermodal terminal north of downtown Regina and planning for which is currently underway.

In comparison with other Canadian provinces, commercial transportation comprised approximately 5.6% of the Province's GDP in 2005 (third after to Manitoba and British Columbia respectively) and accounted for 4% of Canada's GDP attributable to commercial transportation (which was dominated by Ontario, Quebec, British Columbia and Alberta).¹⁴ In 2008, international exports and wholesale trade in Saskatchewan were proportionally higher than in other Canadian provinces, seeing percentage increases of approximately 61% and 41% respectively from 2007 to 2008.¹⁵

2.3 Global Trade and Freight Movement Patterns

Sophisticated global supply chain networks have today made competitiveness at the local business level a matter of time savings (and consequently cost savings) – the achievement of both is closely tied to maximizing the use of transportation infrastructure to allow for rapid goods movement as efficiently as possible. Rail and road transportation infrastructure and services form the backbone of the broader supply chain network that facilitates the distribution and onward movement of goods produced in Saskatchewan and strong transportation linkages are integral to ensuring the Province's economic competitiveness.

In terms of rail infrastructure, Saskatchewan's export-based economy is linked in large part to the port of Vancouver which is an important West Coast port for loaded export containers. In addition to existing rail track to provide connectivity to major road-rail and port-rail intermodal terminals, the new CP intermodal facility planned in Regina and CN and CP's recent new intermodal facilities in Edmonton reflect the increased demand for inland rail-road intermodal infrastructure and facilities that can accommodate the transloading and onward movement of exports originating in western Canada.

Exhibit 2-5: Rail Networks in Saskatchewan



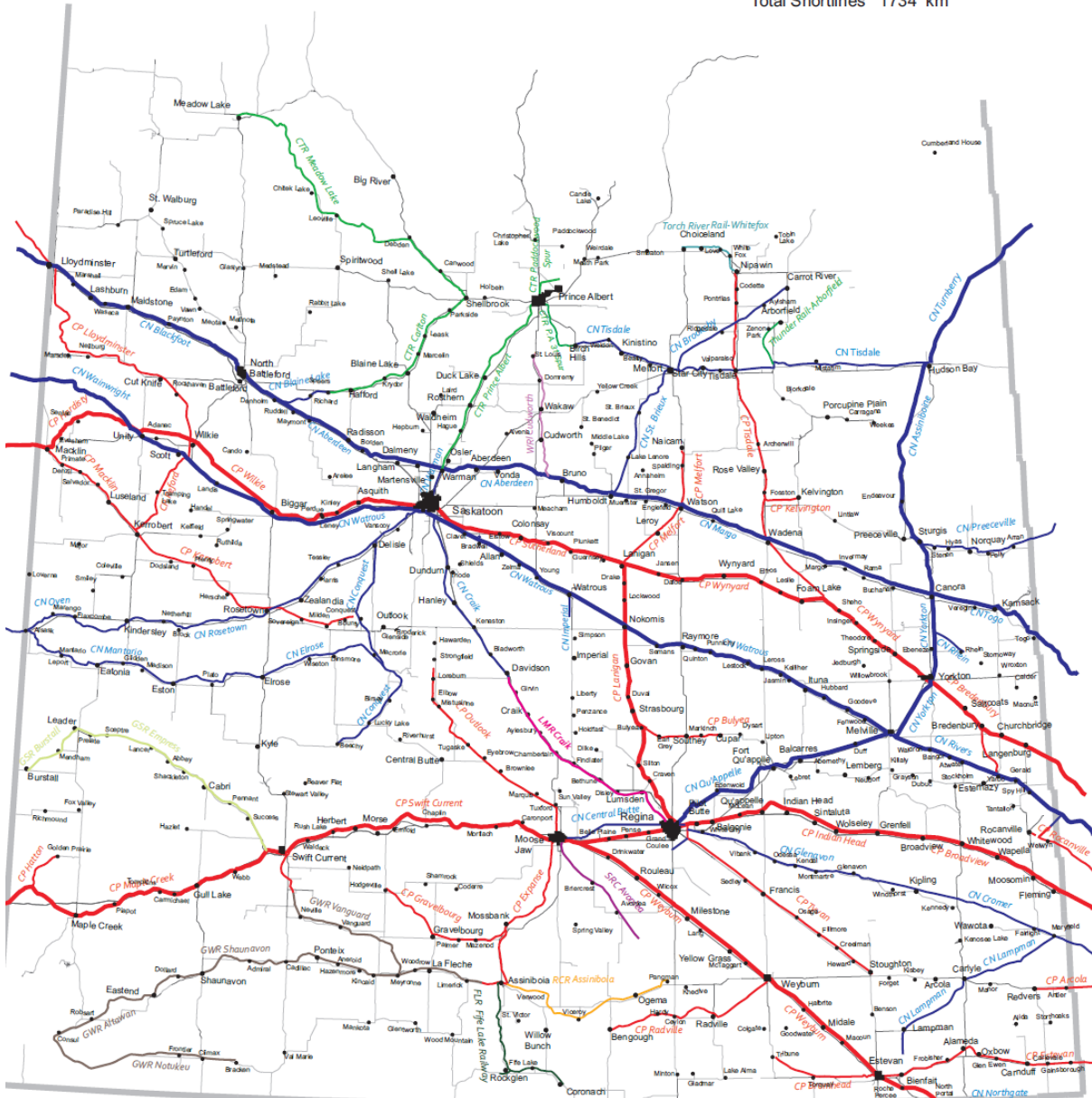
Ministry of
Highways and
Infrastructure

Saskatchewan Rail Network

- CN Main Lines
- CN Branch Lines
- CP Main Lines
- CP Branch Lines

- Pavements
- Thin Membrane Surface

Southern Rails Cooperative	72 km	—
Carlton Trail Railway	481 km	—
Red Coat Road and Rail	115 km	—
Great Western Railway	496 km	—
Thunder Rail	31 km	—
Wheatland Rail	74 km	—
Fife Lake Railway	97 km	—
Torch River Rail	45 km	—
Great Sandhills Railway	187 km	—
Last Mountain Railway	136 km	—
Total Shortlines	1734 km	



Rail service is an intrinsic and equally important component of an efficient rail freight transportation system and encompasses rail-shipper communications, as the provision and conveyance of rail cars for effective conveyance of goods, and the provision of equipment, processes and resources to support the functioning and efficiency of the system as a whole.

Considering the reliance of Saskatchewan's export-oriented economy on rail freight provision across the Province, the effectiveness of the rail freight network is likely to have significant direct economic impacts on goods producers and associated businesses as well as indirect economic impacts on related sectors of the local economy (e.g., local logistics firms and professional services). The efficiency of onward linkages from rail to port and road infrastructure are also likely to have a significant impact with regard to international and trans-border trade competitiveness, e.g., port infrastructure in the lower mainland of Vancouver, road networks to the United States, etc. A 2006 study carried out by WESTAC forecast future growth for six commodity groups¹⁶ that together represented over 80% of total exports originating from western Canada as of 2004, and the implications of the projected growth on transportation systems. With respect to the region's grain exports, a substantial quantity of which are produced in Saskatchewan, the study projected that while port terminal elevator capacity is sufficient to accommodate forecasted growth, the reliability of the transportation supply chain linking to port infrastructure is suspect, and acknowledged rail car shortages as a key factor in this regard.¹⁷

The following section discusses the federal legislative framework that sets level of service standards between the Class I railways and rail shippers, as well as recent and proposed amendments to the same.

3 Rail Level of Service Considerations

This section begins with an overview of the level of service provisions contained in the Canada Transportation Act (CTA). In this context, it highlights amendments to the Act included in Bill C-8 that are likely to impact rail shippers. It concludes with a discussion of key rail service issues that have been investigated in Saskatchewan through the rail shipper survey.

3.1 Canada Transportation Act (CTA)

The CTA is the overarching legislation that applies to the movement of goods by rail within Canada (including delivery or receipt at port position for offshore shipments). While a substantial proportion of rail freight traffic in Canada and Saskatchewan either originates or terminates on shortline railways other than CN or CP, the CTA applies only to railways under federal jurisdiction (in practice, mainly the two Class I railways).

Sections 113 to 116 of the CTA include specific clauses for the Class I railways to provide an adequate level of service to rail shippers.¹⁸ The requirement to ensure reasonable service covers a wide range of railway activities including the following:

- The supply and placement of an adequate and suitable number of empty railcars at shippers' loading facilities sufficient to meet normal shipping requirements.
- The provision of adequate and suitable locomotive power, crews and facilities to handle the traffic tendered for movement, including reasonable facilities for connecting private sidings to railway lines at the point of origin or destination.
- The loading and movement of the cars between the origin and destination in a reasonable and timely manner, and the prompt return of empty cars to the shipper's facility.
- The switching of cars between the lines of railways at the origin, destination or interchanges enroute in a reasonable and timely manner.
- The delivery of the cars to the consignee/receiver at destination in a reasonable and timely manner.

The provisions for level of service contained in the CTA were formerly known as common-carrier obligations, and require a carrier to accept & carry traffic offered to it by a shipper. However, the majority of railway traffic today moves under confidential contracts, the terms of which supersede the common-carrier obligations specified in the CTA.

3.2 Bill C-8

Following the 2001 statutory review of the CTA, three proposed amendments to amend the CTA were passed. Bill C-3 or the International Bridges and Tunnels Act came into force in April 2007, followed by Bill C-11, or An Act to amend the Canada Transportation Act and the Railway Safety Act, which came into force in June 2007. Bill C-8 is the third and final amendment to the CTA and received Royal Assent in February 2008. Notably, Bill C-8 contains provisions with relevance to level of service issues. In particular, the Bill:¹⁹

- *removes the requirement for the Canadian Transportation Agency (the Agency) to be satisfied that a shipper would suffer substantial commercial harm before imposing a remedy for disputes relating to level of service, interswitching rates and competitive line rates;*

- increases the notice period for augmentations in rates for the movement of traffic from 20 to 30 days to ensure that shippers receive adequate notice of rate increases;
- permits the Agency, upon complaint by a shipper, to investigate charges and conditions for incidental services and those related to the movement of traffic contained in a tariff that are of general application, and to establish new charges or terms and conditions if it finds those in the tariff to be unreasonable;
- ensures that the discontinuance process set out in the Canada Transportation Act provisions applies to railway lines that are leased to local railway operators and subsequently revert to a federal railway at the end of the lease, including the obligation to honour contracts with public passenger service providers;
- requires railways to publish a list of rail sidings available for grain producer car loadings and to give 60 days' notice before removing such sidings from operation;
- extends final offer arbitration to groups of shippers on matters relating to rates or conditions for the movement of goods, provided the matter submitted for arbitration is common to all and the shippers make a joint offer that applies to all of them; and
- allows for the suspension of any final offer arbitration process, if both parties consent to pursue mediation.

3.3 Existing and Proposed Level of Service Provisions

Table 3-1 below compares the provisions of various pieces of recent legislation (enacted or proposed) as well as other recommendations. It is readily apparent that many of the provisions included in Bill C-8 have already been examined and proposed at prior times. It is also apparent that certain changes recommended in the past are not contained in Bill C-8—notably, the question of liberalizing running rights. Another difference involves Competitive Line Rates (CLRs). Under Bill C-8, while the requirement for a shipper to demonstrate substantial commercial harm would be removed, a shipper would still have to obtain prior agreement from a connecting carrier. The latter aspect of the original CTA is unchanged, unlike previous attempts at legislative change.

Comparison of Rail Transport Regulatory Provisions Contained in or Proposed by Various Sources

Table 3-1 Recent Legislation (Enacted/Proposed) Relevant to Rail Level of Service

CTA Existing Rules	CTA Review Panel 2001	C-26 Provisions 2003	C-44 Provisions 2005	C-8 Provisions 2008
Competitive Line Rate				
<ul style="list-style-type: none"> • Only available to shippers that demonstrate substantial commercial harm • Shipper must have prior agreement with connecting carrier to move the traffic 	<ul style="list-style-type: none"> • Remove requirement for substantial commercial harm • Remove requirement for prior agreement with connecting carrier 	<ul style="list-style-type: none"> • Remove requirement for substantial commercial harm • Remove requirement for prior agreement with connecting carrier 	<ul style="list-style-type: none"> • Remove requirement for substantial commercial harm • Remove requirement for prior agreement with connecting carrier 	<ul style="list-style-type: none"> • Remove requirement for substantial commercial harm
Running Rights				
<ul style="list-style-type: none"> • Any federally 	<ul style="list-style-type: none"> • Running rights 	<ul style="list-style-type: none"> • No changes 	<ul style="list-style-type: none"> • No changes 	<ul style="list-style-type: none"> • No changes

Table 3-1 Recent Legislation (Enacted/Proposed) Relevant to Rail Level of Service

CTA Existing Rules	CTA Review Panel 2001	C-26 Provisions 2003	C-44 Provisions 2005	C-8 Provisions 2008
<p>regulated railway may apply to Agency for running rights</p> <ul style="list-style-type: none"> Applicant must prove it is in the public interest Does not allow a railway to solicit traffic on the other railway's line 	<p>could be available to any rail operator (federal or provincial)</p> <ul style="list-style-type: none"> Applicant must prove it is in the public interest Traffic solicitation could be allowed 			
Final Offer Arbitration				
<ul style="list-style-type: none"> Available for disputes between shippers and railways Different process depending on size of dispute (only for those > \$750,000 the arbitrator must consider whether shipper has 'alternative, effective, adequate and competitive means to transport the goods') 	<ul style="list-style-type: none"> Same consideration to apply to lower-value disputes also 	<ul style="list-style-type: none"> Same consideration to apply to lower-value disputes also Makes explicit that FOA applies to any <u>incidental services</u> in addition to those applicable to the movement of goods Group FOA permitted provided the terms apply to all of them equally Expand remedy to "other persons" (such as port terminal operators) who are charged by a railway for the movement of goods or for incidental services 	<ul style="list-style-type: none"> Group FOA permitted provided the terms apply to all of them equally Makes explicit that FOA applies to any <u>incidental services</u> in addition to those applicable to the movement of goods 	<ul style="list-style-type: none"> Group FOA permitted provided the terms apply to all of them equally
Charges for Incidental Services				
				<ul style="list-style-type: none"> Permit the Agency, upon complaint by a shipper, to investigate incidental charges in a tariff
Substantial Commercial Harm Test				
<ul style="list-style-type: none"> Requires that the Agency is satisfied that the applicant 	<ul style="list-style-type: none"> Remove the substantial commercial harm 	<ul style="list-style-type: none"> Remove the substantial commercial harm 	<ul style="list-style-type: none"> Remove the substantial commercial harm 	<ul style="list-style-type: none"> Remove the substantial commercial harm

Table 3-1 Recent Legislation (Enacted/Proposed) Relevant to Rail Level of Service

CTA Existing Rules	CTA Review Panel 2001	C-26 Provisions 2003	C-44 Provisions 2005	C-8 Provisions 2008
would suffer substantial commercial harm if the relief were not granted, for disputes relating to level of service, interswitching rates, and competitive line rates	test	test	test	test
Producer Car Sidings				
<ul style="list-style-type: none"> Railways not obliged to inform interested parties which sidings are in service 			<ul style="list-style-type: none"> Railways required to publish a list of rail sidings available for grain producer car loadings Railways required to provide a 60-day notice before removing them from operation 	<ul style="list-style-type: none"> Railways required to publish a list of rail sidings available for grain producer car loadings Railways required to provide a 60-day notice before removing them from operation

3.4 Key Issues Related to Level of Service

The rapid and increasingly sophisticated development of the logistics, transportation and warehousing sectors to support just-in-time containerized trade is evident in transportation networks across the world today. It also highlights the shippers' need for a reliable and efficient transportation supply chain that responds to market trends and helps sustain their competitiveness at local, regional and global levels. The broader supply chain network depends on the synergies between a variety of stakeholders including rail service providers and users, port operators, truckers, and the logistics industry.

In Saskatchewan's context, it is important to note that commercial activities including grain cultivation and mineral extraction are spread widely across the Province. This characteristic creates a situation wherein a number of bulk commodity shippers who use rail networks are forced to rely upon a single rail carrier (Class I or shortline) that serves their facility, or are compelled to truck their product to rail intermodal facilities in Saskatoon or Regina. Regardless of the service provider, the shippers' expectations for rail service translate into a reliable and adequate supply of track capacity, locomotives and crew to meet market demand as well as the effectiveness of processes and mechanisms such as car ordering systems to ensure that shipper demand is accommodated and transported in a reliable fashion by the rail service provider.

With respect to movement, key aspects of service include the following:

- Shippers providing timely, reasonable and accurate forecasts of shipping requirements and railways accepting and agreeing to such forecasts.

- Cars being spotted, loaded/unloaded, and picked up on a timely basis at origin and destination.
- Reasonable and consistent transit times.
- Reasonable and consistent dwell times.
- Whether cars loaded in blocks at origin are delivered in the same blocks at destination.
- Whether cars arrive in a smooth pattern or in “bunches” at origin and/or destination (for example, several blocks of cars arriving unexpectedly at the same time can create congestion).
- Reasonable and consistent empty transit times.

The rail shipper survey attempts to identify the level of performance of the railways with regard to these and other factors, from the shippers’ perspective, to ascertain the causes of problems identified by shippers, and the extent to which service levels may vary by factors including:

- Type of train (e.g., unit trains vs. manifest trains)
- Size of shipper & car/train order size
- Car supply to meet forecast demand, taking into account seasonal variances and peak demand time efficiencies
- Commodity & car equipment type, etc.

Unreliable service can have significant financial implications for shippers including costs related to demurrage, performance penalties paid by shippers, lost revenues due to missed sales opportunities or discounting, avoidable labour costs when cars are not spotted on time, etc.

These overall level-of-service concerns have been incorporated into the survey questionnaire communicated to rail shippers in Saskatchewan and included in Appendix A. The methodology followed to develop and administer the survey is described in the following section.

4 Methodology

The methodology for the study consisted of the following three main components:

- documentation review;
- a broad-base shipper survey by questionnaire; and
- in-depth follow-up interviews.

The documentation review provided the necessary context for the study and helped ensure the relevance of the survey and the interviews to the current issues facing rail shippers in Saskatchewan. The broad-base survey attempted to “paint the big picture” of the rail shippers’ overall feedback on the level of service they had received over the past five years based on a representative sample of rail shippers located in the Province of Saskatchewan. The questions in the survey focused on gathering information that was quantitative in nature but also included short answers for more qualitative detail. The in-depth follow-up interviews were conducted with survey respondents who indicated an interest in further participation to provide more elaborate qualitative responses to some of the questions posed in the survey. This section further details the three-pronged approach that formed the foundation for the study.

4.1 Documentation Review

Background information provided by the Province as well as that identified through independent research was reviewed to develop an informed overview of the importance of rail access for the transportation of goods for major economic sectors in Saskatchewan. This review was completed in the context of an assessment of broader economic trends, key economic sectors, and Saskatchewan’s competitiveness in Canada and the global economy.

Based on an understanding of Saskatchewan’s economy and the requirements of rail end users (including manufacturers, producers, and shipping companies), major issues relating to the impact of rail service on rail users were identified as summarized in the previous chapter. These formed the basis for comprehensive discussions with the Province and the interviewees regarding existing level of service provisions and dispute resolution mechanisms available to shippers, as well as the nature and frequency of their use. Data sources for this analysis are listed in Appendix B.

4.2 Broad-Base Shipper Survey

Questionnaire Development and Distribution: Towards the end of October 2009, the MKI consultant team developed consultation materials for the rail shipper survey, including a project overview and survey questionnaire, to solicit feedback from rail shippers located in the Province of Saskatchewan. The survey material was refined and finalized in collaboration with the Province’s project team prior to distribution and is included in Appendix A for reference purposes.

The Province provided an initial list of 314 potential respondents who are either based in Saskatchewan or have operations in Saskatchewan to be sampled for the survey. The overall list consisted of the following six categories: (1) Agri-Shippers – 105; (2) Forestry – 8; (3) Manufacturers – 113; (4) Mining – 8; (5) Processors – 64; and (6) Pulse Specialty – 9. Due to overlaps between the three agricultural sector lists and to assess broader trends within the agricultural sector, for analytical purposes, the agri-shippers, processors and pulse specialty lists were also aggregated into an Agricultural Sector list.

At the onset of the survey, these lists were deemed to be the population of all rail users in Saskatchewan based on discussions with the Ministries. Since the number of the population was not particularly large, it was agreed upon that the survey would be sent to all the entities on these lists and that a 20% response rate would be targeted based on a geographically stratified sample. The exception was for the Forestry and the Mining lists – the target was to obtain as many as possible of those rail users to respond because of their small population numbers. A number of potential respondents on the lists were located outside the Province but presumably had operations inside Saskatchewan. The focus of the survey was to target the potential respondents with operations located in Saskatchewan.

During the month of November 2009, the survey questionnaire and accompanying overview of the Province’s review of rail level of service was sent out to all potential respondents on the initial list, requesting rail shippers to provide feedback based on their experience in working with rail service providers over the last five years. Due to the time considerations associated with the project, electronic mail was the primary means of conducting the survey and soliciting feedback, supplemented by fax for those potential respondents with unavailable email addresses.

Follow-up Activities to Encourage Participation: The survey process was carried out during the month of November and December 2009, initially planned for a two-week window from November 2 to November 16. During the week of November 16, an initial round of follow-up telephone calls was made to a sample of potential respondents selected to achieve geographical and sectoral representation to encourage the return of the survey questionnaires. During the telephone conversations, several potential respondents in the agricultural sector cited their unavailability to respond to the Province’s request due to the delayed harvest in Saskatchewan. Several potential respondents in the manufacturing sector indicated that they did not use rail at all.

Due to the low response rate, a reminder and re-issue of the survey material was completed in the week of November 16, extending the timeline for receipt of survey responses to early December 2009. Through the last two weeks of November, the MKI consultant team continued to make telephone calls to potential respondents sampled for geographic and sectoral representation. The overall list of potential respondents was revised and shortened from 314 to 264 potential respondents, based on potential respondents who reported that they did not use rail, those who declined the survey, and those unreachable by email, fax or telephone. Exhibit 4-1 summarizes the results of the survey process for the initial list of all 314 respondents considered.

Exhibit 4-1	Total*	# in SK ²⁰	No Participation			Completed Questionnaire	Follow-Up
			No Rail	Declined	Unreachable		
List 1 – Agri-Shippers	106	83	5	4	9	20	9
List 2 – Forestry	8	8	1	-	1	3 ¹	3
List 3 – Manufacturers	119	119	28	2	2	1	1
List 4 – Mining	8	8	-	-	2	1	0
List 5 – Processors	64	64	5	2	11	5	4

¹ As of March 2009, two respondents in the forestry industry ceased to receive direct rail service due to shortline abandonment.

Exhibit 4-1	Total*	# in SK ²⁰	No Participation			Completed Questionnaire	Follow-Up
			No Rail	Declined	Unreachable		
List 6 – Pulse Specialty	9	9	1	0	0	1	1
Total	314	291	40	8	25	31	18

*The total figure for each list in the Exhibit includes those under “No Participation”.

Response Rate: The low response rate may be attributed to the number of non-rail users included in the original lists – i.e., the original lists of potential respondents did not necessarily represent the population of rail shippers in Saskatchewan and included many irrelevant entities. When conducting telephone follow-up with some of the potential respondents to encourage them to participate, a number of them indicated that they had ignored the request for survey participation because they never used rail or had not used rail for an extended period of time, in terms of years.

Overall, of the initial list of 314 potential respondents, 79 potential respondents were reached through email contact and the follow-up telephone calls, thus accounting for responses including received surveys, declined surveys and indications that businesses did not use rail. A total of 25 potential respondents were uncontactable by email, fax or telephone. The response rate for the survey is approximately 13%, based on the 31 survey responses received from 241 of 314 potential respondents (accounting for declined surveys, identified non-rail users, and uncontactable businesses). However, this response rate does not account for potential non-rail users in the remaining sample of 73 potential respondents. Due to the size of the overall group and the difficulty in actually reaching business representatives on the phone, coupled with several responses wherein business representatives said they had ignored the request because it was not relevant to them, it is expected that the actual response rate is more in the range of 20%, which is roughly the level of response that would be expected in the case of a mail survey approach.

4.3 Follow-Up Consultation

During the week of December 14, 2009, follow-up consultations were conducted in person with a selection of rail shippers who had indicated an interest in further consultation in their survey response. In early January 2010, follow-up consultations were carried out by telephone with other rail shippers who had also indicated an interest in follow-up. In addition the MKI consultant team also carried out discussions with several shippers who did not complete the survey but were willing to discuss more generally the rail service which they receive. The breakdown of follow-up consultation is as follows:

- representatives of nine rail shippers were interviewed in person; and
- representatives of eleven rail shippers were interviewed by telephone.

The in-person interviews typically lasted an hour or more while telephone interviews generally were completed in 30 minutes. In each case, the interviews were based on the written survey responses from the particular rail shipper, and probed for detail or clarification related to the supply of cars and containers; the movement of cars and containers; the economic impacts of any service issues; and the use and usefulness of shipper protection provisions. Respondents were asked to not only describe their service experience, but also to provide recommendations to alleviate any issues that were raised. Most respondents struggled to identify

specific recommendations which went beyond general themes of greater accountability on the part of the railways.

The following section analyzes the responses received through the 31 surveys by the MKI consultant team incorporating the findings of the follow-up consultations conducted with the 20 respondents between December 2009 and January 2010. Responses of a more general nature captured through consultation with shippers who did not complete the questionnaire are also reflected in the discussion.

5 Findings

This section presents the findings from the survey responses received and follow-up consultations carried out with respondents who indicated their interest in being interviewed further. The first part of this section profiles the rail shipper sample, discussing its overall characteristics and defining specific common characteristics based on which shippers within this sample are further examined (e.g., shipper size by approximate number of cars ordered annually and per movement, average annual gross revenues generated in Saskatchewan, number of employees, etc).

Following the discussion of respondent profiles, an issue-based analysis is presented, organized by the following themes:

- Supply of Railway Equipment and Other Resources;
- Movement of Railway Traffic;
- Economic Impact of Service Issues; and
- Shipper Protection Provisions.

5.1 Respondent Profile

5.1.1 Economic Sectors

The majority of survey respondents can be categorized as smaller shippers – over 60% of the businesses sampled order fewer than 50 railcars per movement. The profile of survey respondents is skewed towards the agricultural sector, represented by a total of 26 respondents, followed by 3 respondents from the forestry sector, and one respondent each from the mining and manufacturing sectors. The dominance of agricultural producers and processors among the survey respondents is aligned with the broad proportions of the various industry sizes in Saskatchewan, as follows:

Agriculture: The agricultural sector, with its 26 respondents, reflects the Province’s most broadly scattered sector in terms of geography and includes a variety of users, ranging from small to large. Even the relatively small sample size reflects these characteristics – the number of railcars ordered by these agri-shippers ranges from rough averages of between 20 and 100,000 railcars annually. The range of small/mid-sized and large shippers is also reflected in the number of people employed by each business – from under 10 employees for some to over a few hundred or thousand in other cases. The majority of agri-shippers represented in this survey employ less than 100 people. Gross annual revenues generated in Saskatchewan by the respondents range from a few million to several billion dollars.

In terms of rail usage by agricultural shippers, the use of unit and manifest trains by this sample is more or less evenly distributed, with a small number of users of flatcars, producer cars, etc. The vast majority of this sample’s traffic moves under the tariff structure, although a few indicated the use of confidential contracts. Over two-thirds (73%) of the agri-shippers in the survey consider themselves captive to the rail mode of transportation; over 86% of these self-identified captive rail users (19 of 26 respondents) identify their businesses as captive to one of the two Class I railways. About two-thirds of the respondents use hopper cars. The survey results indicate that the majority of the shippers surveyed move their product in railway-owned or managed cars. With respect to broader trends in the agricultural sector as well, few grain shippers typically have independent access to railcars.

Manufacturing: The shipper sample includes only one manufacturer. However, it is of note, that 28 of the 119 potential respondents on the manufacturing sector list, i.e., over 20% of the sample, who were contacted over the telephone, indicated that they did not use rail. Some of these users including former shorthaul rail users cited reasons of cost and efficiency for their preference of truck transportation over rail which they found was not meeting their business needs. A few businesses who outsourced their transportation requirements to freight forwarders said the survey was not relevant to them because they did not use rail directly; however their transportation providers used a combination of modes. It is considered likely that the low response rate from this sector is a reflection of the fact that many of the remaining manufacturing businesses on the list are also non-rail users. Unfortunately, it was not possible within the scope of this study to contact each of the potential respondents from the manufacturing sector to verify their status as rail shippers.

Mining: Of a total of 8 potential respondents on the mining list, 1 survey response was received and 2 businesses were uncontactable by either fax or email. Unlike the trend towards non-rail usage seen in the manufacturing sample, it is generally known that several enterprises associated with mining activities (e.g., potash) are rail users. However, the mining sector in Saskatchewan is characterized by a small number of very large businesses who typically prepare their own submissions for rail service reviews, which likely explains the low response rate.

Forestry: Three of the 8 potential respondents on the forestry list returned completed surveys to the MKI consultant team. In addition, 1 business indicated that they no longer used rail, and 1 business was uncontactable by either email or fax.

Due to the low number of responses received from the manufacturing, mining and forestry sectors – a total of 5 – the profile of these shippers is summarized as part of the overall shipper group’s characteristics below, to protect their confidentiality and maintain the sensitivity of the information shared in this study.

5.1.2 Overall Respondent Profile

Exhibits 5-1 displays notable characteristics of the overall sample while Exhibit 5-2 presents the pattern of rail usage by the sample based on a broad distinction in shipper size. These characteristics are discussed further below.

Exhibit 5-1. Shipper Sample Characteristics											
Shipper Size				Shipper Captivity							
# of Railcars Ordered (annual)	# of Railcars Ordered (per movement)	Gross Revenues (annual)*		No. of Employees		To Rail Mode	To a single Class I railway				
Upto 1000	65%	Under 50	61%	Over \$70 M	32%	Under 50	55%	Yes	77%	Yes	68%
Over 1000	32%	50 and over	39%	Under \$70 M	23%	50 & over	42%	No	19%	No	6%
Not indicated	3%	Not indicated	-	Not indicated	39%	Not indicated	3%	Not indicated	3%	Not indicated	26%

* Based on average revenues of group, after removing major outliers

Shipper Size: The shipper sample as a whole represents businesses that together employ over 4,800 employees in Saskatchewan and generate annual gross revenues ranging roughly between \$40,000 and \$4 billion. On average, the shippers who participated in this survey represented users of 20 railcars to over 100,000 railcars annually, with approximately one-third of the total sample ordering in excess of 1000 railcars per year. The majority of respondents (19 of 31 businesses) ordered fewer than 50 railcars per movement and only 2 of the larger shippers ordered over 100 cars per movement. Categorized by the size of railcar orders per movement, the sample comprises mostly small shippers with the remainder being mostly medium-sized shippers (Exhibit 5-1).

Shipper Captivity: More than three-quarters of the shippers in the survey identified themselves as captive to the rail mode and about two-thirds as captive to a single Class I railway company (it is of note that 26% of respondents did not indicate whether or not they were captive to a single Class I railway). Almost 90% of all

respondents use railway-owned cars. Although the remaining shippers in the survey use producer cars, car company cars, or their own cars, the survey results do not indicate any particular distinction in the sourcing of rail cars between smaller and larger shippers. The majority of respondents – approximately 78% of the sample and including all larger shippers – also operate under the Class I railways’ tariff structures as opposed to confidential contracts (22%).

Train Service and Types of Railcars: Rail service to the shippers sampled is more or less evenly divided among unit trains, manifest trains, and other types of trains. Many shippers in this survey use a mix of railway cars, with hopper cars being the most predominant, followed by boxcars (92% and 50% respectively). The use of flat/stake and tank cars is considerably lower, as shown in Exhibit 5-2.

Size of Railcar Orders		Sourcing of Railcars			Type of Railcars Used				
# of Railcars Ordered (annual)		Railway	Shipper/Car Company	Producer	Hopper	Box	Flat/Stake	Tank	COFC/TOFC
Upto 1000	65%	52%	13%	6%	45%	32%	13%	3%	3%
Over 1000	32%	35%	3%	-	32%	13%	-	3%	-
Not indicated	3%	-	-	-	-	-	-	-	-

5.2 Supply of Railway Equipment and Other Resources

This section discusses the level of satisfaction of the shippers sampled in this survey with the supply of railway equipment and resources. In formulating their responses, shippers were requested to consider factors including the following, as per the supply categories displayed in Exhibit 5-3 below:

Ranking	Car Ordering	Car Supply	Supply of Railway Resources	Supply of Containers	Accuracy of Forecast Demand (Short Term)	Accuracy of Forecast Demand (Long Term)	Meeting Seasonal/Cyclic Peaks	Service Disruption & Recovery	Overall Level of Service
Very Poor	7%	25%	7%	15%	36%	36%	50%	36%	25%
Poor	36%	43%	36%	33%	21%	21%	18%	18%	43%
Adequate	46%	29%	29%	15%	36%	32%	29%	25%	21%
Good	7%	0%	18%	4%	4%	0%	4%	11%	11%
Very Good	0%	0%	0%	0%	0%	0%	0%	0%	0%
NA	4%	4%	11%	33%	4%	11%	0%	11%	0%

- Car ordering, railway acceptance and commitment (considering factors including the number of cars ordered by shipper, committed by railway, actually delivered, etc.):** Responses from the survey reveal that the majority – 53% - of shippers surveyed rated the railways’ performance with respect to car ordering as adequate to good, while 43% categorized it as poor or very poor. However, the responses to the next question regarding actual car supply, negate the somewhat balanced proportion of responses to car ordering. Some specific comments (paraphrased) relating to railway acceptance of car orders and commitment are noted below:

 - In 2007 a shipper ordered several cars to be loaded at a transloading service located on a CN line in Saskatoon. The delay to receive the cars grew so long that the buyer ended up sending their own cars to Saskatoon from the U.S. to move the shipment.*
 - A processor moving product by container stated that lately, 95% of container orders are getting rejected, whether requested for Saskatoon or Regina. The system is not helped when shippers’ customers are also placing orders for the same container needs, in the hope that someone (buyer or seller) will get access to a container.*
 - A shipper sending processed crops mainly by container expressed that the main frustration is with the allocation process for containers and the variability from week to week in the number of units*

provided versus requested. This shipper has capacity to consistently move 20 containers per week and would prefer a steady level of shipments per week. This shipper which would like to receive 3 or 4 containers per day currently orders 7 or 8 containers daily and receives 1 or 2 containers daily. The unpredictable number of containers provided makes scheduling of staff and the processing program of different commodities difficult to manage, and leads to lost opportunities, and the scarcity of containers leaves shippers unable to reach their potential level of business activity.

- One shipper provided us with recent evidence of the difficulties in getting orders confirmed. This shipper required domestic containers and placed a domestic booking request online with CP, with the following exchange by e-mail (note: details have been changed to ensure confidentiality):

Time	From	To	Message
Start	Shipper	CP Central Operations Group (COG) Appointments	"Please see attached" [CP Domestic Booking Request]
+ 1 hour	CP COG	Shipper	"The units have been booked as requested. The pick up number is XXXXXXXXXXXX"
+ 2.5 hours	CP COG	Shipper	"Please note that due to the equipment shortage, the booking for MM/DD/2009. The XX booked units have been reduced to X."
5 hours +	CP COG	Shipper	"COG Appointments would like to recall the message, 'booking XXXXXXXXXXXX'."
5 hours +	CP COG	Shipper	"Please note that due to the equipment shortage, the booking for MM/DD/2009 has been cancelled."
5 hours +	CP COG	Shipper	"COG Appointments would like to recall the message, 'booking XXXXXXXXXXXX'."
5 hours +	CP COG	Shipper	"COG Appointments would like to recall the message, 'booking XXXXXXXXXXXX'."
5 hours +	CP COG	Shipper	"Please note that due to the equipment shortage, the booking for MM/DD/2009. The XX booked units have been reduced to X."
5 hours +	CP COG	Shipper	"COG Appointments would like to recall the message, 'booking XXXXXXXXXXXX'."

Following this confusing exchange, the shipper had no idea of the status of his order. Although eight replies for a single booking request was extreme, it is common for this shipper to receive three or four differing replies to each request.

- *CN assigns train runs from its centres in Edmonton or Winnipeg. The closer a shipper is to either of those points the more likely they are to get served. Saskatchewan, in the middle, tends to lose out. For example, a pulse shipper in Kindersley will have to wait until conditions are just right before he can expect to get any cars.*
- *Railway service is typically much poorer when shipping in any quantities less than 50 or 56-car blocks. Large shippers may prefer to ship in 100 or 112-car blocks, but managing the timing can be more difficult and risky: if the cars aren't spotted and released when expected, even large terminals can plug up and leave a very small window of time to call in other product from farmers the next week.*
- **Car supply (considering factors including the type of cars, condition of cars, number of cars; is car supply consistent, timely, reliable, etc.):** Responses indicate that almost 70% of the shippers surveyed rated the supply of railcars as poor or very poor and the remainder only deemed railcar supply as adequate. No shippers rated railway performance with regard to car supply as good or very good. In contrast to the slightly less negative responses to the railways' commitment to accepting car orders, the shortage of railcars and the railways' reliability with regard to the actual delivery of accepted railcar orders were major service issues reiterated by shippers in both the survey responses as well as through the follow-up consultations (discussed further in this section). Specific comments are included below:
 - *Even for a medium-sized shipper on a mainline who often moves CWB product in 56 or 112 car blocks, it's extremely difficult to get small car orders (e.g., a dozen cars) accepted for non-Board grains. Car supply is never there when you need it. Huge constraint on exports especially of non-Board grains: you never know if cars will 'hit' the vessel on time.*
 - *Many seed processors are increasingly shipping their product in containers rather than hopper cars even though it's more expensive, due to the inconsistent hopper car service provided by the railways to smaller grain shippers. And yet virtually all shippers interviewed noted the inadequate supply of containers available in Saskatchewan. Container movement of seeds or other grain products involves trucking to intermodal terminals in Saskatoon or Regina, with resultant impacts on rural roads and highways. (Bagged loads moving in boxcars are becoming rare in the seed processing sector although they are still seen in movements to Mexico, for example.) [Processor on CN]*
 - *Boxcar delivery has occasionally been a major problem. One processor cited their experience in September 2009 when no boxcars were received for the whole month, despite placing regular weekly orders. The shipper received no adequate explanation from the railway. During this same time the shipper was receiving hopper cars for other shipments. The boxcars were intended for shipment to Mexico for which the shipper did not have an alternative method. [Processor on CP]*
 - *Equipment quality of hopper cars was cited as very poor by several shippers ("atrocious" as one put it). This can lead to loss of product enroute, and disputes between the shipper and railway for compensation. One shipper cited an instance where three hopper cars were spotted which literally had no bottoms to them. However, railways don't always replace cars that are rejected. So shippers sometimes end up loading product into cars that might leak, as a risk they have to take because otherwise they may be faced with a lengthy delay before a replacement car is provided, if at all. When product does leak, shippers complain that the claims process with the railway can be very difficult to follow. [Processor on CP]*
 - *The quality of the hopper cars is generally good: might reject one car out of 30 or 40, for poorly fitting gates, etc. [Shipper on CN]*
 - *One shipper using the Transmax order system noted that at times, requests for cars above the minimum guarantee have not been met. Some three years ago, this shipper estimates that the*

number of hopper cars received versus ordered amounted to just 67%. The proportion has improved since then but remains far from satisfactory. [Processor on CP]

- **Supply of railway resources other than cars – i.e., locomotives, crews, track capacity (considering factors including sufficiency and consistency of the supply of other resources; extent to which railway capacity is constrained, etc.):** A roughly even split was noted between respondents who indicated that the supply of other railway resources ranged from average to good (47%) and those who categorized it as poor or very poor (43%). Several respondents (representing 11% of the sample) did not identify the supply of locomotives, crews and track capacity as an issue of concern. Specific comments include:
 - *Adequate availability of locomotives and crews out of Saskatoon was cited as “always an issue” by a seed processor served by CN; in this shipper’s view this has been increasingly the case as CN has expanded its operations in the U.S. where the best railway equipment gets transferred. [Processor on CN]*
- **Supply of containers (considering factors including timeliness; number of containers vs. request; condition, etc.):** Two-thirds of the respondents identified container supply as being a relevant issue for them, which is aligned with the overall bulk commodity nature of products manufactured in the Province. Among these two-thirds of respondents, 74% rated the supply of containers as poor or very poor while the rest rated it average to very good. Specific comments include:
 - *Weight restrictions implemented by CP in January 2009 on older double-stack container cars has had an impact on the transportation cost per tonne, as the freight rate stayed the same for a lighter load and the cost per tonne became significantly higher. Several shippers noted that they have shifted as much container business as possible from CP to CN.*
 - *Shippers also noted that even when they obtain a container, another problem is that they often cannot get a reservation for the container on a train. Loaded containers might end up sitting at the railway terminal in Saskatoon for two weeks, causing the shipper to miss a vessel sailing and be in default of contract.*
 - *The “first come, first served” rule at railway container yards is dysfunctional and can lead to truckers literally fighting each other in the container yard to get to a container. Container equipment should be identified to an order, as it is done at port position.*
 - *A shipper who had only moved product in containers for the past several years commenced carload movements again and was unfamiliar with the electronic process for completing Bills of Lading. The railway charged the shipper \$150 for every Bill of Lading filled out incorrectly, but wouldn’t tell the shipper what to rectify. The shipper found that reverting to the manual process of sending in Bills of Lading by fax with its associated charge of \$60 was cheaper than the supposedly free process of electronic filing! [Processor on CP]*
 - *A processor which orders containers on behalf of several shippers notices that the railways seem to play favourites: requests made for some shippers are usually rejected entirely; requests for some other shippers have a better chance of being accepted, albeit for a lesser number of units than requested. The processor told of one Saskatchewan shipper which never moves containers by the railway to Montreal, preferring the greater expense (approximately \$400 per unit) of a truck movement to Montreal knowing the container will arrive in three days versus the ten days typical of rail.*
- **Railways’ ability to accurately forecast demand for rail service in the SHORT TERM ≤ 1 year and LONG TERM > 1 year (considering factors including coordination between shipper and railway; impact on service needs for cars, locomotives, crews, infrastructure, etc.):** With respect to short and long term

demand, 57% of the respondents reported the railways' ability to accurately forecast demand as poor to very poor. Some difference was seen in the level of positivity regarding short and long term demand forecasting – 40% of the respondents rated this factor as adequate to good in the short term while 32% rated it as adequate to good in the longer term. The sample size, however, is not large enough to assess whether there is an actual difference in shipper perceptions regarding short and long-term demand; rather, the difference is likely due more to the immediacy of short-term needs rather than specific issues with long-term demand. While the more detailed comments and follow-up consultations also refer to shortcomings in forecasting, no clear distinction is observed between the short and the long term. Specific comments pertaining to demand forecasting include:

- *Railways don't seem to be ready for the surge in demand in the first quarter of the crop year following the harvest, even though the same process repeats itself every year. [Processor on CP]*
- **Railways' ability to meet seasonal or cyclical peak movement periods (considering factors including the extent to which a reasonable balance is achieved to accommodate peak periods while maintaining an efficient level of resources for normal periods; recovery from peak period surges; allocation of service among commodities / customers, etc.):** Half the sample rated the railway's ability to meet demand in periods of high-demand as very poor, 18% as poor and 29% as adequate. Only 4% of the sample rated the railways' services in such time periods as good, while no respondents rated them as very good. Specific comments include:
 - *During periods of peak movement, smaller shippers feel they are at the bottom of the pile, especially if they are located on branch lines, and are forced to "take what they can get" and accept whatever car supply is left over after larger shippers have been served. This has a major impact on smaller shippers, who often have to pass up potential sales under these circumstances. Many agricultural shippers noted that the reputation for quality of Saskatchewan grains and oilseeds in the international marketplace is high, but the reputation for reliability of delivery is much lower and suffers due to the unreliability of car supply.*
 - *This shipper ships more in the fall and winter, less in spring and much less in summer. In the fall it's hard for this shipper to get cars due to so much grain being moved to the West Coast; in the winter, CN simply doesn't like to come out when it's cold—not likely to see a railcar when the temperature is below -25°C. So rail service is generally at its worst during the two busiest seasons for this shipper.*
- **Service disruption and recovery (considering factors including railway contingency plans while service is disrupted; railway recovery plans after disruptive cause has been resolved; allocation of service among customers, etc.):** Approximately half of the sample – 54% of the respondents rated railway performance with respect to service disruption and recovery processes as poor or very poor, 36% deemed it average to very good, and 11% as not applicable to them. Specific comments include:
 - *Wary of the term "accountability:" who's the score-keeper? What kind of bureaucracy is needed to ensure "accountability?" Who decides how far to extend a "grace period" for recovery after a disruption, for example (e.g., cold weather delays which the railway will claim are beyond its control).*
 - *The strike for 3 days in December seems to have thrown off CN's operations by 3 weeks!*
- **Overall level of service related to supply of cars and other resources:** Overall, a considerable number of respondents – 43% – rated rail service as poor. The timely delivery of sufficient railcars as per shipper orders appears to be the most predominant factor affecting this response, followed by dissatisfaction with other supply factors, e.g., supply of containers, other resources, and acceptance of orders. In combination with respondents who rated service as very poor, 68% of all respondents were dissatisfied with rail service. Among the respondents in this survey, 21% rated the overall rail service as adequate and

11% as good. Across all categories discussed herein, no respondents rated rail service as very good. General comments relating to level of service of supply included:

- *Although shipments could be made evenly throughout the year for some shippers, consistent service is not received from the railway. Several weeks can go by without any train service although it has been requested. [Processor on CN]*
- *CP implemented blind bidding systems such as Transmax several years ago in response to chronic shortfalls in hopper car supply. These bidding systems are designed to guarantee a certain minimum number of cars every week over the course of a year to shippers who bid a premium. The railway pays penalties in the event of non-performance. Many shippers expressed a desire for a system whereby the railways would pay a penalty for non-performance, but resent that such penalties are not an integral part of the regular car-ordering process rather than only associated with the requirement for premium bids.*

The discussion of shipper dissatisfaction with the supply of railcars, containers and other resources is carried forward further in Section 6, wherein various supply issues are discussed with respect to overall rail service issues and suggested improvement areas.

5.3 Movement of Railway Traffic

This section discusses the level of satisfaction of the shippers who participated in this survey with regard to the movement of railway traffic. In formulating their responses, shippers were requested to consider service with respect to the following factors over the past 5 years (Exhibit 5-4):

Ranking	Movement of Empty Cars to Origin	Car Spotting etc at Origin	Movement to Destination	Car Spotting etc at Destination	Movement of Multiple Cars	Communication During Normal Operations	Communication During Exceptional Circumstances	Overall Movement of Railway Traffic
Very Poor	21%	25%	18%	4%	22%	18%	25%	18%
Poor	39%	29%	43%	21%	15%	7%	29%	39%
Adequate	29%	36%	18%	36%	30%	39%	25%	25%
Good	7%	7%	14%	11%	11%	25%	18%	14%
Very Good	0%	0%	0%	0%	0%	7%	0%	0%
NA	4%	4%	7%	29%	22%	4%	4%	4%

- **Movement of empty cars to ORIGIN i.e., to shipper's loading point (considering factors including cycle time reasonableness and consistency; interchange between railways; smooth distribution over time versus "bunching" of car arrivals, etc):** 60% of the respondents characterized movement to origin as either poor or very poor, and 29% as adequate. Interestingly, the 7% of shippers who rated service as good ordered under 400 railcars annually. Specific comments regarding movement of empty cars to origin include:
 - *Shippers who order a steady delivery of railcars are sometimes faced with a dearth of cars delivered and then a sudden surge in deliveries. This is likely to result in financial hardships to the shipper of one sort or another, such as paying demurrage on some of the cars as they cannot load all of the cars delivered at once fast enough to avoid demurrage; or releasing some cars empty right away to avoid demurrage, but thereby not capitalizing on sales opportunities; or being forced to pay farmers to delay their deliveries if the shipper lacks adequate storage space as the commodity piles up awaiting the delivery of cars. [Processor on CP]*
- **Car spotting, loading, release and pick-up at ORIGIN (considering factors including dwell time reasonableness and consistency, etc):** Over half the respondents rated the railways' performance in this

category as poor or very poor while another 36% rated it adequate. Strong dissatisfaction with car spotting, loading, release and pickup is evident in the comments below:

- *Cars are often spotted later than the 7:00 a.m. limit by which they are supposed to be spotted, although the railway still expects the shipper to load the cars by the same deadline for pick-up later that day. [Processor on CN]*
- *One shipper cited an extreme example of late spotting of a hopper car on a branchline. A small number of hopper cars had been ordered in September 2003 which were not spotted until the following January. Adding insult to injury, the shipper was not even informed the cars had been spotted. [Processor on CP]*
- *CN has introduced dedicated load days into catchment areas for Vancouver and Prince Rupert. Accuracy in car spotting has increased 20% since then. But: if the railway misses their load day, they should put on an extra train and not force the shipper to wait until the next scheduled load day.*
- *CN is more likely than CP to have delays in spotting cars for small orders.*
- *Some shippers interpret “scheduled train service” as the movement of railway cars once the railways actually get around to committing to provide some cars. Some but not all shippers interviewed see the railways as performing reasonably well when they do move the cars—the chief issues are providing an adequate number of cars, and providing the cars within a reasonable timeframe and on a reliable basis.*
- ***Movement of loaded cars to DESTINATION (considering factors including cycle time reasonableness and consistency; interchange between railways; extent of product loss or damage):*** Over 60% of the respondents rated movement to destination as poor or very poor and only 18% rated it as average. Satisfaction is rated notably higher for ***Car spotting, unloading, release and pick-up at DESTINATION (considering factors including dwell time reasonableness and consistency)*** with 36% respondents rating this rail service as adequate and only 25% as poor or very poor. On the other hand, 14% and 11% of the respondents deemed these destination related service factors as good, respectively. Comments regarding destination related movements include:
 - *This shipper shipped a railcar to Indiana in December: usually takes 2 to 3 weeks. As of 7 weeks now, the car has still not arrived at destination.*
 - *Congestion involving hopper cars at port position, especially Vancouver, was cited as a service issue and was attributed to cars not getting picked up at container stuffing facilities when they’re supposed to. [Processor on CN]*
 - *Although liner services have been cut back during the current recession, the amount of crops from Saskatchewan being shipped overseas in containers has not: the same amount of pulse volumes, for example, are vying for fewer slots. This forces a ‘race’ to port position, with the result that any delays in railway movement (or delayed car spotting) may push shippers outside the delivery terms of their contracts, with resultant economic penalties and damage to reputation.*
 - *Delays in getting cars spotted when requested are compounded by delays in getting released cars picked up. One shipper gave the example of loaded boxcars released on a Thursday which were supposed to be picked up on Friday; they were in fact not picked up until the following Tuesday. [Processor on CP]*
 - *Some shippers remarked on a sizeable difference in delivery times from Saskatchewan to Vancouver between CN (3 to 4 days) and CP (week and a half).*

- *Would like to know when empties that are destined for my load point are leaving Vancouver.*
- *At times have loaded 112 cars within the allotted time of 24 hours but then they still sit there waiting to be picked up for 3 more days. It is rare that the railway picks up the cars when it's supposed to: for a large block the delay is usually a day or two; for a medium block the delay is often two or three days; and for small blocks (e.g., non-Board grains trying to 'hit' a particular vessel) it always seems they sit at origin the longest waiting to be picked up.*
- *Cycle times are inconsistent—sometimes the product moves to destination in 3 or 4 days, other times it takes much longer.*
- *CN often does not pick up cars which have been released, the next time a train passes by. A wait of 3 or 4 days is common from the time the cars are released until they are picked up. Recently it took 7 days. This shipper finds this service aspect is actually worse in the past year, but doesn't know why this is so.*
- *Railway doesn't tell you when the car you ordered isn't spotted on time. The farmer can show up, get all rigged up and ready to go and no cars arrive—a constant irritant. Farmers don't mind if you're not going to be there—they understand mechanical problems can happen—but if you're not going to get the car spotted, tell me!*
- *Cycle times are very erratic. Occasionally see a move to the coast in 6 or 7 days. But have also seen up to a month. This shipper finds they need to keep track of the cars enroute. Sometimes the cars get "stuck" somewhere for a week or 10 days. Shipper needs to get on the railway's back, aggressively follow up. If you don't, the cars are liable to keep sitting there. (Processor on CP)*
- *Delays in movement can wind up forcing the shipper to be 'out of contract' with his buyer. If you can show your buyer that the product is stuffed in a container at port position (by producing a bill of lading) the buyer will usually accept that even if you haven't made the sailing date required. But if it's still in a railcar by the end of the contract period, you're likely to end up out of contract. (Processor on CP)*
- **Movement of multiple cars (considering factors including do the same block of cars loaded at origin arrive together at destination):** Responses to this question were basically evenly split with 41% of respondents citing service to be average or good and 37% as poor or very poor; 22% of the sample indicated that the question was not applicable to them. A specific comment received under this theme was:
 - *When ordering 50 cars from CN, most of the time something less than 50 are spotted. And chances of the 50 car block getting to destination intact are very low. CN expects the shipper to the cars which are delivered to the terminal, but the customer won't want to bring the vessel alongside the terminal until the entire shipment is ready to load into the vessel. And the customer is left in the position of not knowing when the remaining cars will arrive.*
- **Communications during "normal" operations (considering factors including shipment tracing; alerts)** were deemed to be adequate by 39% of the respondents, good to very good by 32% and poor to very poor by 25% of the sample (4% did not provide a response to this question). On the other hand, **communications during exceptional circumstances (e.g., service disruptions)** were regarded to be poor or very poor by 54% of the shippers and adequate by only 25%, in comparison with during "normal" operations. Several comments regarding communications issues were highlighted by shippers, including the following:
 - *When ordering 50 cars from CN, most of the time something less than 50 are spotted. And chances of the 50 car block getting to destination intact are very low. CN expects the shipper to the cars which are delivered to the terminal, but the customer won't want to bring the vessel alongside the terminal until the entire shipment is ready to load into the vessel. And the customer is left in the position of not knowing when the remaining cars will arrive.*

- *A major problem cited is the lack of communication from the railways. For example, someone within the railway must realize when cars will not be available as ordered—shippers need notice so they can plan accordingly. Instead shippers feel that they are forced to be reactive, and lose opportunities for sales. [Processor on CP]*
- *The shipper is often forced to contact the railway to enquire when cars will be spotted (and the railway never seems to know!). Shippers wonder why can't the railway initiate communication with them once the railway has planned its train run? Shippers are not informed, and frequently given virtually no notice prior to the cars being spotted. One shipper gave the example that the railway informed the company in mid-December that they would receive 9 cars within the last 11 days of December, but provided no more precision than that. Such vague notice makes it very difficult to plan for adequate staffing, let alone for holiday time, etc. [Processor on CP]*
- *No party in the system is forthright, because the current system is fundamentally not commercial. If the railway has no intention to provide service to a branchline in a particular week, they should just say so. Shippers can work with the 'known'—it's the 'unknown' that causes much more difficulty.*
- *Since CP reorganized its Customer Service Centre last year, shippers have virtually no contact with anyone at the railway anymore: customer service is "horrid."*
- *Shippers recognize that there are often factors beyond the railways' control which affect service levels. The main criticism is not that service failures occur, but that the railways can't notify their customers far enough ahead of time of the impact to expect.*
- *The problem with so-called "scheduled" railway service is that the railway is the keeper of the schedule and they won't inform shippers of what the schedule is! Makes no sense. Plus, the "schedule" only applies to spotting and pick-up. The railway can't tell you when it will deliver the cars to Vancouver.*
- **Overall level of service** regarding movement of railway traffic was rated as poor or very poor by 57% of the respondents and as adequate by 25% of the respondents. General comments regarding overall movement of railway traffic include:
 - *Although shipments could be made evenly throughout the year for some shippers, consistent service is not received from the railway. Several weeks can go by without any train service although it has been requested. [Processor on CN]*
 - *In general, movement of traffic is much better with CP, although they have problems with cold weather. The railway doesn't seem to have any forward thinking, like having extra locomotive power at the ready when cold weather is forecast.*
 - *For movement of product, the Class I railways are really good when it comes to moving a train from a hub centre to port. But they are very poor in serving branchlines—they don't want to be in the business of Prairie branchlines. However, they want so much money from a buyer that a new owner of a branchline can barely make it financially. Have seen cases, especially with CN, where revenue divisions negotiated with a shortline will lead almost inevitably to the shortline's eventual failure. One shipper wanted to buy a 50-car spur from the railway, which wanted \$275,000—way too much, and that was only to purchase the ties and track, not even the land!*
 - *The shipper is able to track the movement of most of the cars and they find the service is very unreliable. Movement to Vancouver could take anywhere from 5 days to three weeks. Maybe one out of five cars achieves the estimated transit times which CN posts on its website.*

5.4 Economic Impact of Service Issues

Shippers make a direct connection between the train service and supply of railcar and resources issues they identify as shortcomings on the part of the railways, and impacts on their individual businesses. Many of the comments in Sections 5.2 and 5.3 speak to how factors including a lack of effective communications between railways and shippers, hinder businesses at a fundamental level in planning for commodity programs, staffing crews to receive product or load railcars, etc. Respondents identified that factors including the untimely and inadequate delivery of railcars resulted in missed sales opportunities, lowered business reputation, incurring penalty fees to their customers when unable to deliver products on time, and the inability to optimize business planning on the whole and especially during peak demand periods. As shown in Exhibit 5-5, the majority – 89% – of smaller respondents operate under the regular public tariff structure with the Class 1 railways and do not have an agreement in place with that includes provisions regarding incentives and penalties. It is of note that none of the relatively larger shippers who ordered 50 or more railcars per movement had such an agreement in place either.

Several respondents responded to this survey question with general commentary regarding the tariff structure and assessed it as biased in the favour of the railways. Other shippers pointed out that they had attempted to reach agreements with the railways regarding incentives and penalties but that these interactions did not result in formal agreements. A few smaller shippers believed that the size of their operations put them at a disadvantage to arrive at agreements with the railways – however, the survey results do not indicate that medium or larger sized shippers benefit from similar arrangements.

Exhibit 5-5. Agreements between Railways and Shippers

Order per movement	Total	Agreement with Incentives and Penalties			
		Y	N	Y	N
Under 50	61%	Y	11%	N	89%
Over 50	39%	Y	0%	N	100%

Specific comments regarding agreements between railways and shippers include the following:

- *All this has done has made us pay an extra cost to the tariff price. The agreement is fully made to the CP Railway advantage*
- *We are too small for the railways to provide us with such a contract. Under the law even small shippers should be compensated if the level of service is low. Railways should be charged 'reverse demurrage' if they do not send railcars within 3 weeks or ordering. This would provide the railways with an incentive to provide adequate service to small shippers. Also, the time that railways allow for producer car loading should be extended to 48 hours. 24 hours is ridiculous especially when the farmer doesn't know exactly when the empty car will be delivered*
- *The railways do not offer the opportunity to enter into an agreement despite many requests to do this.*
- *Reciprocal provisions for two way accountability with respect to performance should be in place.*
- *It cannot be created in such a manner that you have to hire 10 people to look after it. It also cannot be done in the same manner that demurrage is handled today. The railway tells you it is your fault and you pay.*
- *Service level and rate agreements with adequate incentive and penalty provisions should be in place for all shippers regardless of size.*

Specific comments regarding the economic impact of railway service on shippers' businesses include the following:

- *Ancillary charges do not form part of the revenue cap, and they seem to be climbing as railways maximize their revenue from ancillary charges like for overloading the car, wrong billing, wrong shipping location.*
- *We have to curtail our sales, because we don't have the confidence to maximize sales if we don't think we'll receive sufficient cars. No problem with demand for our product: we could fill cars if we knew we would actually receive them. We have to tailor our sales commitments to our expectations of car orders filled.*
- *The railways' requirements for a minimum number of cars (e.g., 50) before scheduling a train run on branchlines causes difficulties for smaller shippers who would like to see more frequent service. Some small shippers indicated a willingness to pay a higher freight rate in order to incent railways to provide branchline train service based on 25 car orders. One shipper on a branchline suggested they missed six sales opportunities in the past year because there were not 50 cars ordered at a time on the line. [Processor on CN]*
- *Inconsistent and unreliable service was frequently cited as costing smaller shippers in terms of volume of business and undermining the shippers' reputation to be reliable suppliers.*
- *Poor railway service (including delays in supplying cars and/or shortage in the number of cars supplied) has cost shippers on both purchase contracts and sales contracts. Where processors or terminals are buying product from local producers, the contract identifies the delivery period in which the seed or grain is to be delivered to the processor. Without timely spotting of railcars, processors may not have sufficient storage capacity to store all the grain contracted for: the processor ends up having to pay a storage fee and interest charge to some producers. Sales contracts likewise include a delivery date to the customer. Producers have been contractually obliged to pay a discount (starting at 2% and escalating according to the length of delay) and in some cases have even had to "wash" the contract (lose the sale entirely) plus pay the buyer's premium if the commodity's price had gone up since the original sale.*
- *"Transportation is such an important issue because it is the biggest barrier we face to growth. With robust international markets, there is lots of business and demand. Saskatchewan is very reputable in terms of the quality of our products. But we live in a First World country with a Third World transportation service. It puts a wet blanket on top of everything we're trying to do." [Processor on CP]*
- *If I was shipping product in another sector of the economy with a dry van, I would expect the trucker to be at my plant on time 99% of the time, and if he's late then he'll be there the next day with a contingency plan to make up the lost time. Why is it so bad because I'm a grain shipper served by rail?*
- *A shipper with two CP siding tracks located on the shipper's land complained that the railway will allow the shipper to make use of only one track for loading railcars. The railway says it requires the second track for storage purposes. The shipper is also not allowed by the railway to build any structures adjacent to the second track. These restrictions make it much more difficult for the shipper to load hopper car and boxcar shipments simultaneously and consequently has cost the shipper lost sales opportunities. [Processor on CP]*

- *Can't really argue that sales lost to a shipper on account of railways are lost to Canada: a sale may be lost to one shipper, but will be picked up by someone else. At the end of the year, it's not like Canadian grain is left behind in a bin or elevator somewhere—it all gets moved eventually.*
- *What does get missed is optimal timing in the marketplace—might miss a peak by \$5 or \$10 a tonne.*
- *Hard to really quantify what constitutes a lost opportunity. The exception is small shippers on branchlines, who usually get inconsistent service.*
- *If a big shipper is short a few cars to meet a vessel because the railway didn't provide all the cars ordered (e.g., 48 cars instead of 50), the shipper may have to go into the market at spot rates to make up the shortfall. This is a real cost that shippers shouldn't have to incur.*
- *The railways' philosophy is, 'there's a big blob of grain to be moved, so what's the difference if we move it in 10 months or 12 months?' Or else the railways will move the wrong grain, prioritized according to what's easier for the railways rather than what's needed to meet a vessel in port.*
- *Poor railway service damages a shipper's reputation with the farmers from whom he sources his product. With changes to load dates, it's the farmers who get stuck with very little lead time to bring in their product, and who are sometimes forced to do so under adverse conditions. Also, with respect to non-Board grains, buyers will eventually realize just how poor the railways' service to supply cars is which reflects badly on the shipper.*
- *A shipper might be aware of a good margin available on a non-Board sale, but has to pass it up and go for a lower-margin sale two or three weeks farther out, just because the risk is too high that cars will not be supplied on time. Also, margins may shrink as competitors do the same thing.*

5.5 Shipper Protection Provisions

Overall, the majority of respondents – 56% – identified their knowledge of the shipper protection provisions and mechanisms in the CTA as low, while 45% categorized it as medium or high. Exhibit 5-6 breaks down responses regarding the CTA's complaint and dispute resolution processes by shipper size with interesting results. As per survey findings, smaller shippers are much less likely to be familiar with or use CTA provisions – 79% of shippers who order less than 50 railcars per movement professed low levels of familiarity with the shipper protection provisions of the CTA as opposed to 50% of medium to large sized shippers who professed high familiarity with the same. Similar results were observed with respect to mediation processes. However, the majority of shippers in both categories assessed the effectiveness of such mechanisms to be either low or not applicable to their situation.

Exhibit 5-6. Complaints and Dispute Resolution Mechanisms									
# of Railcars	Total	Familiarity with CTA Provisions				Familiarity with Mediation Processes			
		High	Medium	Low	NA	High	Medium	Low	NA
<i>Order per movement</i>									
<i>Under 50</i>	61%	11%	11%	79%	0%	11%	21%	68%	0%
<i>Over 50</i>	39%	50%	17%	25%	8%	25%	33%	33%	8%
		Extent of Using CTA Provisions				Extent of Using Mediation Processes			
<i>Order per movement</i>		High	Medium	Low	NA	High	Medium	Low	NA
<i>Under 50</i>	61%	0%	5%	26%	68%	0%	5%	21%	74%
<i>Over 50</i>	39%	42%	8%	8%	42%	17%	8%	8%	67%
		Effectiveness of CTA Provisions				Effectiveness of Mediation Processes			
<i>Order per movement</i>		High	Medium	Low	NA	High	Medium	Low	NA
<i>Under 50</i>	61%	0%	0%	26%	74%	0%	0%	32%	68%
<i>Over 50</i>	39%	0%	17%	50%	33%	0%	0%	58%	42%

Amongst the entire survey sample, familiarity with mediation processes is lower than familiarity with CTA provisions – 19% of all respondents cited high familiarity with mediation processes as opposed to 30% respondents who recorded high familiarity regarding shipper protection provisions. These are even less used

among the shippers in this survey and appear to be perceived as even less effective than shipper protection provisions in the CTA. Specific comments are included below:

- *Railway account representatives are very reluctant to send e-mail replies to queries, to avoid a paper trail in the opinion of shippers. Sometimes account representatives will reply by telephone, sometimes not. The lack of verbal communication and avoidance of written communication makes it difficult for shippers to gather evidence and prove their complaints. [Processor on CP]*
- *Since the Great Northern Grain Level of Service complaint, CN refuses to acknowledge any shortfalls. Uses the term “wait-listed” instead.*
- *All smaller shippers felt there was not two-way accountability at present between railways and shippers. Some felt that such accountability would need to be legislated, although there remained the concern of small shippers taking on large railways in a level of service complaint via the CTA. There was a universal feeling that the railways will come down hard on any smaller shipper that challenges them; as one shipper put it, even if you win (at the CTA), the railways will find a way to see that you will lose the war.*
- *One smaller shipper engaged a lawyer for a preliminary consideration of filing a level of service complaint. The shipper chose not to pursue their complaint at the CTA when advised that the out-of-pocket costs would likely exceed \$100,000 plus an extensive in-house time commitment. [Processor on CP]*
- *Some shippers believe that even if they never pursue a level of service complaint, it is advantageous to be able to demonstrate to railway officials their knowledge of the Canada Transportation Act and their rights as a shipper.*
- *Need to make it easier to bring forward disputes: need something cheap and fast, like binding arbitration. Current format of Final Offer Arbitration is not effective, nor the process to pursue a Level of Service complaint. Need processes which are more accessible (less time consuming and less expensive) and easier to implement. Level of Service complaints are time consuming, costly and difficult.*
- *A class action lawsuit is actually faster and gives you more political mileage than a Level of Service complaint. To succeed with a LOS complaint you need a large dedicated staff and experienced, expensive lawyers.*
- *In the case of the Great Northern Grain Level of Service complaint, it’s hard to even tell if the shippers won or lost! What was accomplished? The shippers didn’t even get compensated for their legal fees. The process took three years from the time they started talking about taking the railway (CN) to court.*
- *The system needs an ombudsman, or maybe several ombudsmen on a regional basis. They should have the power to make a ruling or decision, based on a dollar-value threshold (e.g., for complaints of less than, say, \$300,000). The parties shouldn’t need to involve lawyers.*
- *CN will contract out work to local lawyers and try to tie up almost every one, so that in future they will have a conflict of interest and be unavailable to act on behalf of shippers.*
- *In reality, railways are not accountable for anything. As long as the railway sends a change notice by e-mail 24 hours in advance, then they consider everything is fine. It’s their world and we’re living in it.*
- *No appropriate checks and balances against railway in the present system, even though it’s easy to monitor: either I get my cars when I ordered them, or I don’t. A financial penalty against the railways*

is needed. Until the penalties are system-wide, what's there is not material enough to alter railway behaviour.

- *Mediation process currently in place can be extremely time-consuming: a lot of lawyers involved, a lot of cost, long, drawn-out process. Only good outcome was to shine a light in public on the poor service provided by railways. Has to be a better system—cheaper and simpler.*
- *There is the fear that if as shipper we avail ourselves of such remedies the railways have the ability for unchecked reprisal. As a shipper even if you win you can be sure over the long term you will lose.*
- *I would like more information regarding mediation and other dispute resolution measures through the CTA. Dispute resolution measures seem to be one sided through the railway, and the mediation is non-existent*
- *We tried mediation to resolve a dispute. Unfortunately the railway clearly didn't want to mediate as they did not move from their position.*
- *CN often use mediation to determine what evidence you have and how organized you are in your effort. If you have a good case and appear to be determined all of a sudden mediation does not work and you are forced back to the lawyers. Another consideration is that CN tries to use as many different lawyers as they can for various cases. This creates conflicts of interest and reduces the number of qualified lawyers available to take your case*
- *The burden of proof should be on the railway. Minimum service level standards should be in place and enforceable.*
- *We tried mediation to resolve a complaint. The railway didn't want to negotiate/resolve so it was a waste of time.*
- *Mediation is not binding, both parties must agree. Railway never does.*

5.6 Summary

The large majority of shippers interviewed represent the agricultural sector. Among these shippers, there is a clear distinction between the perceived level of service and the overall perceptions of the grain logistics chain, between large, multi-point shippers on the one hand and small, single point shippers. Small shippers express higher levels of dissatisfaction with railway service than the larger ones.

Shippers have different issues, and different levels of satisfaction, depending on the type of railway equipment involved in the movement—especially distinguishing between hopper cars, boxcars, and shipping containers (with a lesser distinction between overseas shipping containers versus domestic intermodal units).

A clear theme of shippers' dissatisfaction is the lack of communications, together with poor or confusing communication, received from railways. Communication issues most especially involve ignorance of when railway cars would be spotted and changing plans by the railways regarding when cars would be spotted. Lack of communication regarding where shipments are loading is also cited, although less frequently. This distinction is not necessarily indicative of the relatively better performance in this area but rather that the sales contract terms for some shippers mean the end of their responsibility for the product once the products are loaded.

Many shippers noted service improvements over from the period of the past six to twelve months compared to several years earlier. Shippers in this survey attributed this to the economic slowdown in other sectors of the economy, and the railways' resulting devotion of more assets and attention to the agricultural sector.

Many shippers are concerned that as other economic sectors improve, the recent rail transportation improvements seen in the agricultural sector will possibly disappear as the railways withdraw resources from agricultural service to other sectors.

Most comments from the respondents are related to the supply of equipment, including the ordering process and the actual provision of equipment at the shippers' sites. There are fewer comments related to the movement of traffic, partly because there seems to be a somewhat higher level of satisfaction with that aspect of rail service, and partly because some interviewees are not responsible for the product after it was loaded at their origin.

One distinction evident between smaller and larger shippers is the lower levels of familiarity of smaller shippers with both the CTA Shipper Protection Provisions as well as mediation processes available to resolve disputes with the railways. In comparison with larger shippers, a high proportion of smaller shippers believed these shipper protection mechanisms were either inapplicable to them or had used them relatively rarely. All shippers who regarded the CTA's provisions as effective ordered on average 50 or more railcars per movement.

The following section investigates the key themes emerging from the survey responses within a framework of priorities for the Province to consider in formulating its submission to the federal review panel regarding rail service in Saskatchewan.

6 Discussion and Recommendations

This section discusses the results of the rail shipper survey including the follow-up interviews with the goal of informing the Province’s overall priorities regarding rail service as well as factors of relevance to focus on in its submission to the federal review panel.

In sum, the survey process has highlighted shortcomings in almost each aspect of rail service, including:

- acceptance of smaller railcar orders for both smaller and larger shippers;
- availability of required car types and containers for specific products;
- timely delivery and spotting of railcars at origin;
- quality of railcars received;
- timely delivery of products transported by rail to vessels at port;
- inconsistent transit cycle times;
- rates set by railways (including ancillary charges); and
- lack of information and communications on the part of the railways to allow shippers to estimate potential delays in transit times and plan for the same.

To some degree, all survey respondents believe that the quality of rail service that they currently receive from either CN or CP Rail interferes with their ability to both carry out day-to-day operations as well as to optimize business activities. It is notable that approximately 80% of the sample (25 of 31 respondents) identified themselves as captive to the rail mode and only 2 of these 25 respondents did not identify themselves as captive to a single Class I railway. It is also of note that with the exception of 1 respondent, all larger shippers identified their business as captive to the rail mode.

6.1 Impacts of Current Rail Service in Saskatchewan

This section discusses the economic and financial implications on shippers that the survey indicates occur as a result of rail level of service issues. It also highlights associated impacts that shippers mentioned are resulting from their need to address level of service concerns. The economic segment of the Province that includes the shippers represented by the survey respondents – “agriculture, forestry, fishing, hunting, mining and petroleum” – contributed to over a quarter (25.2%) of Saskatchewan’s real GDP in 2008 and to approximately 13.5% of total employment in Saskatchewan. These figures do not consider the manufacturing sector which is believed to be somewhat underrepresented in the survey. Consequently, the GDP and employment level contribution from the rail shippers in Saskatchewan would likely be somewhat higher if manufacturers who transport their product via rail were adequately represented in the survey.

6.1.1 Economic and Financial Implications for Shippers

...as much a communications issue as one of adequate resource availability and allocation

Foremost, rail shippers in Saskatchewan are producers or processors of resource-based commodities for whom transportation of their products to destinations in a timely manner is one of many business activities, albeit a crucial one. Much of the rail freight traffic generated in Saskatchewan is destined for international markets, thus associating its competitiveness with a widespread network of interconnected road-rail-port

transportation systems that shippers rely on to transport products from origin to final destination. The shippers surveyed in this study do make a distinction between the rail service constraints they face due to CN and CP rail and those arising from other influences (discussed further in Section 6.2). However, 77% of the survey respondents consider themselves captive to the rail mode and 68% to a single Class I railway, thus reiterating the importance of recognizing the economic and financial impacts they identify as resulting from a lower than acceptable level of service from the two Class I carriers. Captivity issues are highlighted in cases such as a processor using CP who cited their experience of receiving no boxcars during the month of September 2009 although the shipper placed weekly orders for the same. This shipper acknowledged that they did not have an alternative mode of transportation.

According to the shippers surveyed, the lack of predictability of the railways is associated with the timely arrival and spotting of railcars ordered, the number of railcars that could be expected (different from the number ordered), transit times to destination (often to the point of loading of a vessel at port), and to a lesser extent, the shortfall in container availability and the quality of railcars. This lack of predictability has resulted in:

- lost sales opportunities (i.e., from the loss of purchase orders and/or sales contracts);
- an inability to plan for adequate staffing, scheduling, & processing programs for different commodities; inadequate storage capacity as commodities pile up waiting for cars to be delivered, and
- an overall inability to achieve potential levels of business activity (e.g., missing an optimal time-bound market opportunity to maximize profit margins when prices peak because of the risk of cars not being supplied on time).

In addition, delays in railcar movement and spotting are mentioned by many shippers in this survey to have pushed them outside the delivery terms of their contracts with customers, resulting in financial penalties and serious damage to reputation. Shippers who cite instances where they are faced with dearth of cars delivered and then a sudden surge in deliveries also identify financial impacts of the same – such as paying demurrage on some of the cars as they cannot load all of the cars delivered at once fast enough to avoid demurrage; or releasing some cars empty right away to avoid demurrage, but thereby not capitalizing on sales opportunities; or being forced to pay farmers to delay their deliveries if the shipper lacks adequate storage space as the commodity piles up awaiting the delivery of cars.

One shipper who participated in this survey estimated overall lost sales due to the railways at approximately \$5 million and punitive ancillary charges of approximately \$1 million. Another respondent estimated that the business typically loses between \$30,000 USD and \$50,000 USD from cancelled sales when out of contract due to railway delays. A third pointed out that their business restricted the amount of planned fall sales in 2009 due to the expectation of a limited hopper car supply. A fourth noted that “our plant has the capability of moving in excess of 100,000 tonnes of pulses per year. Product has been available for the past three years and our targets have not been met. Every car that is ordered and not supplied is a loss of revenue of \$4,320; this is only the processing not the cost of lost sales to exporters.” Finally, one shipper consulted in this survey reported that its contracts with customers now state that “sales are subject to CN car availability.”

Overall, some but not all shippers interviewed for this study see the railways as performing reasonably well when they do move the cars – the main issues are providing an adequate number of cars within a reasonable timeframe on a reliable basis. In the words of one shipper, ***“Transportation is such an important issue because it is the biggest barrier we face to growth. With robust international markets, there is a lot of business and demand. Saskatchewan is very reputable in terms of the quality of our products. But we live in a First World country with a Third World Transportation service. It puts a wet blanket on top of everything***

we're trying to do.” It is of note that many agricultural shippers pointed out that “the reputation for the quality of Saskatchewan grains and oilseeds in the international marketplace is high, but the reputation for reliability of delivery is much lower and suffers due to the unreliability of car supply.” As another shipper put it, “shippers can work with the ‘known’ – it’s the ‘unknown’ that causes much more difficulty.”

6.1.2 Other Influences on Railway Service

Container-Based Trade: Shippers commonly recognized that container-related issues – availability, allocation, and increases in the cost of containers – may be being influenced by factors other than the railways, including:

- Ocean shipper charges and shortage of containers on the part of steamship liners;
- Congestion and backlogs at destinations (e.g., overloaded stuffing facilities at ports); and
- The return of empty cars from other carriers (and consequently the ability of shippers to load/unload containers and railcars)

These and other factors are raised by the shippers in this survey as likely influences on container availability and delivery. In general, there appeared to be a consistent view amongst the respondents of a shortage of import/export containers in Saskatchewan. Many shippers in this study agreed that there are generally more bookings than equipment and a few cited instances of multiple bookings for the same shipment being placed by shippers and related parties, due to the uncertainty of container availability – some indicated that the shortage of containers may be exaggerated to a degree due to such over-bookings.

However, taking such factors into consideration, shippers still tied back several issues to railway performance. Some shippers in this study shared the view that container movement where the trucking is outsourced to private companies, is “quite satisfactory. Intermodals which are handled internally, are a logistic nightmare and extremely unreliable.” Another shipper pointed out that, “the ‘first come, first served’ rule at railway container yards is dysfunctional and can lead to truckers literally fighting each other in the container yard to get to a container. Container equipment should be identified to an order, as it is done at port position.”

Agricultural Sector: With specific regard to the agricultural sector, several shippers who participated in this study believed that various factors complicate the logistics system for movement of Western Canadian crops. Crop diversification has led to small lots being grown in many scattered places. As the economies of developing countries have become richer, these buyers now demand segregations whereas in the past very broad classes (e.g., “Western Canada Wheat”) sufficed. Much larger vessels are now deployed for particular crops (e.g., canola) making it more difficult to source and coordinate the movement to meet a particular vessel.

6.1.3 Impacts evolving as a Response to Perceived Low Levels of Rail Service

No particular trends resulting from the perceived levels of low service are strongly noted as common amongst survey respondents. Nonetheless, one small agricultural shipper noted that many seed processors are increasingly shipping their product in containers, rather than hopper cars even though the latter is more expensive, in order to address the problems arising from inconsistent hopper car service provided by the railways to smaller grain shippers.

A potential trend towards non-rail usage may be a consideration for the Province to investigate further. While the survey results do not provide sufficient information to detail this, 28 manufacturers who were contacted over the telephone revealed that they had not used rail in at least the past five years, and many cited reasons of efficiency and cost by way of explanation. Two forestry companies who responded to this survey became non-rail users as of April 2009 because of the discontinuance of shortline service to their areas. Although

current road-rail split figures are not available to discuss this trend further, the 1999 modal split for international exports from Saskatchewan to the US (a destination which accounted for 57.4% of all international exports from Saskatchewan) included approximately 36% goods transported via road, 34% via truck, 27% via pipeline and 3% via marine mode and air.²¹

6.2 Recommendations: Major Issues and Potential Resolutions

Three primary areas of focus emerged from the survey findings:

- The need for a more effective **communications** system between railways and shippers;
- The need to ensure **accountability** of railway companies to their commitment for railcar orders and train service; and
- The need to address the barriers that make the existing CTA **complaints and dispute resolution** process inaccessible to shippers (knowledge, costs, lawyers, timeframe, etc).

6.2.1 Communications

Communications on the part of the railways are typically identified by shippers in this survey as a primary causal factor that impacted business activity negatively – approximately 25% of survey respondents rated communications on the part of the railways as poor or very poor during normal operations and 54% during exceptional circumstances (e.g., service disruptions). Shippers voiced dissatisfaction with communications since the lack of effective communications hindered the accuracy and reliability necessary for planning their business activities for timely arrival and spotting of railcars ordered, the number of railcars that could be expected (if different from the number ordered), and transit times to destination (often to the point of loading of a vessel at port). The shortfall in container availability and the quality of railcars are also highlighted by several shippers who responded in this study.

Several shippers cited extreme examples of car delivery coupled with a lack of communications on the part of the railways. In one case of delayed railcar delivery by CN, a US buyer sent their own cars to Saskatoon to move the shipment instead; in another case a CP customer awaited hopper cars ordered in September 2003 on a branchline reported that the cars arrived in January 2004 with no information from the railway to inform that they had been spotted. Another issue highlighted by a few shippers in the survey was the problem of railcar orders arriving in “bunches” and an inability to identify when remaining cars would arrive due to poor communications. The unreliability associated with railcar delivery was also identified as impacting the window of time that shippers would have to call in products from farmers and to schedule shipments onto vessels at busy west coast terminals.

Specific communications issues relating to customer service also raised by shippers included one CP user’s experience of being unable to obtain clarification from the railway regarding what needed to be rectified on an incorrect Bill of Lading filled out through the free electronic filing process. The shipper said that they were charged \$150 for each wrong submission and finally reverted to the manual ordering process by fax which cost \$60 to eliminate the higher charge.

Smaller shippers in particular, reiterated that they feel they are at “the bottom of the pile” during peak periods of movement and have to pass up potential sales opportunities as a result of being unable to rely on railcar supply. One shipper on a branchline suggested they missed six sales opportunities in the past year because there were not 50 cars ordered at a time on the line – some of these smaller shippers indicated a willingness to pay a higher freight rate to provide incentives to railways to supply branchline train service

based on 25 car orders. Inconsistent and unreliable service is cited shippers in this survey as cause for losing business.

With regard to improving communications, industry organizations that represent various economic sectors in Saskatchewan may be the most appropriate link between shipper groups and both Class I and shortline railways, to collaborate to overcome commonly acknowledged supply and demand issues. To a degree, the Province could also participate in this process by promoting greater awareness regarding CTA provisions and shipper rights which the survey has demonstrated is clearly lacking amongst smaller shippers.

6.2.2 Accountability

Although most shippers in this study identified poor communications as one of the root causes of less than acceptable rail service, their ultimate objective is to ensure that their businesses continues to perform and grow without being abjectly affected by transportation issues. Shippers who participated in the survey recognize that the two Class I railways are not responsible for every shortage in railcars or delay in train service and that other influences impact rail service. However, the respondents surveyed are largely dissatisfied by the level to which they were expected by the railways to accommodate what many termed as inconsistent or unreliable service, on a regular basis as well as in periods of peak demand and potential sales opportunities.

Most shippers in this study argued for higher accountability on the part of the railways. For instance, many shippers expressed a desire for a system whereby the railways would pay a penalty for non-performance and several resented that at the current time such penalties are associated only with the requirement of premium bids (e.g., the Transmax program) and not an integral part of the regular car-ordering process. Shippers within the Transmax system also want to see the penalty provisions within the program tightened.

One of the key points that the shippers surveyed hope to see emerge from the federal rail service review is specific measures whereby railways would be subject to standard penalties for poor service — the flip side of the railways' charges for demurrage, for example. (To illustrate: shippers have long complained that they are subject to charges if they are not ready to receive or release a rail car at the agreed-upon time. On the other hand, the railways are not held accountable through a straightforward mechanism if a railcar is not dropped off or delivered when agreed.)

The key for shippers is that penalties for poor service, which could be easily measured in day-to-day operations, should be imposed on the carriers. In fact, such measures may exist in some confidential contracts, particularly when the movement involves a highly homogeneous transportation pattern (e.g., unit trains for coal shipments). However, attempting a widespread, general application of such a concept represents a very significant change from longstanding practices.

In addition, a major impact from the amendments in Bill C-8 will be on charges for incidental services. Since the legislation does not specify the process for the Agency to follow in investigating such charges, it is not unreasonable to assume that the process may be fairly costly (in terms of legal fees and other in-kind costs to be incurred by shippers attempting to prove their case), in keeping with the Agency's quasi-judicial nature. This is likely to put somewhat of a damper on the extent to which shippers request reviews of charges for incidental charges (this issue is addressed to some degree in the recommendation following from the discussion of complaints and dispute resolution processes in Section 6.3).

Overall, the theme of reciprocal accountability on the part of the railways was a consistent one brought forward by the shippers surveyed. Shippers regularly refer to the penalties they are required to pay to the railways on the one hand in the case of non-performance, and perceive that the railways are not subject to the same level of scrutiny as shippers. Based on the survey results and shipper consultation, the need to

strengthen requirements for two-way accountability between railways and shippers should be an important focus area in the federal review process.

6.2.3 Complaints and Dispute Resolution

In the perspective of survey results which demonstrated that approximately 56% of respondents are largely unfamiliar with the shipper protection provisions of the CTA and fewer have ever used them (59% answered not applicable), it is instructive to consider which shipper relief mechanisms contained in the CTA and in the preceding legislation (NTA 1987) have been used by shippers on the whole. The Canadian Transportation Agency most recently [*as of June 2007*] published a summary of the status of rail complaints in 2002, which is reproduced below.

Rail Complaints: Comparison of Dispute Resolution and Competitive Access Applications Received

National Transportation Act 1987: January 1, 1988 to June 30, 1996 (8½ years)

Provision	Number of Cases	Decided	Pending	Withdrawn or Settled
Competitive line rate	6 *	5	—	1
Extended interswitching	10	3	—	7
Interswitching rates	7	7	—	—
Level of service	19	13	—	6
Final offer arbitration	9	2	—	7
Public interest **	12	9	—	3
Running rights ***	4	—	—	2

Canada Transportation Act: July 1, 1996 to December 31, 2001 (5½ years)

Provision	Number of Cases	Decided	Pending	Withdrawn or Settled
Competitive line rate	—	—	—	—
Extended interswitching	—	—	—	—
Interswitching rates	—	—	—	—
Level of service	23	16	3	4
Final offer arbitration	17****	6	—	11
Public interest **	N/A	N/A	N/A	N/A
Running rights ***	3	2	1	—

* *Of the six applications, four were brought by one shipper.*

** *Was not continued in the Canada Transportation Act.*

*** *Two applications were denied as they were related to provincially regulated railways.*

**** *Up to the end of 2005, the Agency had received 26 notices from shippers of their intention to submit their disputes to FOA. About half the cases were withdrawn or settled before arbitration.*

Several observations can be made from the preceding table. Firstly, a number of shipper relief measures contained in the legislation are rarely used, including competitive line rates, extended interswitching, interswitching rates, and running rights. The two measures that are used somewhat more frequently (i.e., level of service complaints and FOA) are still not frequently used, with a total of just forty actions commenced in a period covering five and a half years across thousands of shippers across the country.

A survey of shippers commissioned by the Agency in 1998 found that for the most part, shippers felt the level of service provisions in the CTA were not helpful as negotiating tools because of the cost, time and complexity associated with using them. This Saskatchewan rail shipper survey confirms these findings as well as the uncertainty and fears of many smaller shippers in going down a path that involved “taking on the railways.” Amongst the survey respondents, smaller shippers commonly cited lower knowledge of dispute resolution and mediation processes than larger shippers.

Potential actions suggested by shippers in this regard are targeted mostly at making it easier, cheaper and faster for shippers to bring forward disputes and have them resolved. One shipper noted that, “A class action lawsuit is actually faster and gives you more political mileage than a Level of Service complaint. To succeed with a LOS complaint you need a large dedicated staff and experienced, expensive lawyers.”

One particular option for investigation with the federal review panel may be for an expedited process to support smaller claims (and to an extent also the smaller shippers who characterize much of Saskatchewan’s rail freight industry). The federal rail service review would be an appropriate forum to explore the potential to introduce an alternative support system for complaints dispute resolution to augment the existing CTA process. In this regard, some shippers voiced support for a local or regionally based dispute resolution system, e.g., involving one or more ombudsmen, that could accommodate complaints below a certain dollar-value threshold, thus significantly reducing the associated costs to some extent (e.g., legal, time costs).

6.3 Conclusion and Recommendations

Within Saskatchewan’s economic and rail freight context, the survey results highlight the need for rail service improvements through enhanced communications between the railways and shippers; increased two-way accountability measures; and increased knowledge and accessibility of the existing federal CTA process for complaints and dispute resolution.

The federal review panel’s ongoing rail service assessment would be an appropriate forum to explore avenues to (a) tighten provisions regarding two-way accountability between shippers and railways and (b) to ensure that the barriers that rail freight users face in using the CTA process and mediation processes are addressed. It is likely that communications processes between the railways and shippers would see some benefits resulting from the implementation of potential improvements in these areas.

Specific recommendations for the Province of Saskatchewan to consider are as follows:

- Support ongoing and constructive dialogue and communications between industry organizations in Saskatchewan and both the Class I and shortline railways, encouraging them to work together to overcome commonly acknowledged supply and demand issues.

- Pursue the introduction of specific measures by the federal government whereby railways would be subject to standard penalties for poor service as part of the regular car-ordering process.
- Investigate the possibility of federal support for the establishment of a support system for complaints dispute resolution to augment and supplement the existing CTA process.

7 Appendix A | Rail Shipper Survey Overview and Questionnaire

The following materials were developed to administer the rail shipper survey and are included below:

- Survey Introduction
- Survey Questionnaire (sent to potential respondents by email / fax)

Saskatchewan Rail Shippers' Survey

Government of Saskatchewan

Ministry of Highways and Infrastructure

Ministry of Agriculture

Background

The federal Minister of Transport has appointed a Review Panel to undertake a Rail Freight Service Review, following the passage of Bill C-8, an amendment to the shipper protection provisions of the *Canada Transportation Act* (CTA). The Saskatchewan Government will be preparing a submission to the federal Review Panel to advise the federal government regarding the current impact of the CTA on rail shippers and business activities in Saskatchewan, as well as the potential impact of Bill C-8 on the Saskatchewan economy.

Rail Shippers Survey

In preparation for the Saskatchewan submission, the Ministry of Highways and Infrastructure and Ministry of Agriculture have engaged Metropolitan Knowledge International (MKI) in association with Robert G. Friend Consultants Inc. to conduct a survey of Saskatchewan rail shippers/exporters. The goal of the survey is to consult with rail shippers regarding the level of rail service being received in Saskatchewan over the past 5 years and to determine whether this level is adequate to meet industry needs. Sectors being surveyed include the forestry, agriculture, mining/mineral extraction and manufacturing industries.

Valuing Your Participation

The Government of Saskatchewan is seeking your participation to ensure that information and insights related to rail service can be included in the Province's submission to the federal Review Panel.

Attached is a survey questionnaire regarding the impact of rail level of service on your business. To ensure that the Province is able to respond effectively to the federal Review Panel by January 2010, we would appreciate it if you could return the filled-out questionnaire to us by email by 20th November 2009.

In addition, we are also consulting with interested respondents over the telephone during the latter half of November and in person in early December. We would be delighted to speak with you regarding particular areas of concern and your recommendations regarding level of service improvements (contact information for the consultant team is detailed below).

The federal Review applies to federally-regulated freight railways. In some cases survey respondents may be served directly by a provincially-regulated shortline railway rather than a Class I railway. In these cases, if the traffic is interchanged with CN or CP Rail then you are still a candidate to complete this survey, based on your experience with the Class I railways.

Confidentiality

Both the consultants and the Province have pledged to treat all information shared with us with a high level of confidentiality. The responses received through the survey and interviews carried out as part of this work will be represented only in terms of aggregate results by sector or similar integration, such as small, medium or large shipper size. All responses will remain anonymous and shipper confidentiality will be protected at all times. Only aggregate information will be reflected in the Province's submission, to be finalized by January 2009.

Contact

If you would like a more detailed overview of the work being carried out or have queries regarding the attached survey, please contact *Pooja Kumar* at *MKI* at 416-222-9400 extension 27 or pkumar@mkicanada.com

Saskatchewan Rail Shippers' Survey
Government of Saskatchewan

Ministry of Highways and Infrastructure

Ministry of Agriculture

Introduction

As detailed in the attached overview, this survey invites your feedback into the submission being prepared by the Saskatchewan Government for the federal Rail Freight Service Review. The federal Minister of Transport has appointed a Review Panel to undertake a Rail Freight Service Review, following the passage of Bill C-8, an amendment to the shipper protection provisions of the *Canada Transportation Act* (CTA). The Province's objective through this survey and through follow-up telephone/in-person consultations with respondents is to advise the federal government regarding the current impact of the CTA on rail shippers and business activities in Saskatchewan, as well as the potential impact of Bill C-8 on the Saskatchewan economy.

The Province's submission to the federal Panel will be finalized by January 2009. Please return this questionnaire by email by 13th November 2009, to permit us to prepare a submission that accurately identifies your areas of concern and reflects your insight.

We would also appreciate the opportunity to follow-up with you regarding issues of particular relevance to your business and any specific recommendations you might have to improve the level of service. We will be speaking with interested respondents over the telephone through the latter half of November and in person in early December. Please indicate your availability for follow-up consultation below:

Availability: Interested Not Interested

Please feel free to contact Pooja Kumar at MKI if you have any questions regarding the survey or would like further details regarding our work. Tel: 416 222 9400 extension 27; Email: pkumar@mkicanada.com

Respondent Profile

Industry sector: forestry mining/mineral extraction agriculture manufacturing

Shipper size: Number of railcars loaded and unloaded annually (approx.): _____

Number of railcars typically ordered / loaded per movement: _____

Number of employees in Saskatchewan (approx.): _____

Gross revenue annually in Saskatchewan (approx.): \$_____

Train service to your location: unit train manifest train other

Does your traffic move primarily under: confidential contract tariff

Do you consider a significant portion of your freight traffic is captive to the rail mode? Yes
 No

(If yes) Do you consider your freight traffic is captive to a single Class I railway? Yes
 No

Main types of railway cars used for your traffic (select all that apply): Hopper car
 Box car Flat / Stake car Tank car Gondola car COFC/TOFC
 Other_____

Does your traffic move mainly in: Railway-owned cars Shipper or car company-owned cars
 Producer cars

Supply of Railway Equipment and other Resources

Considering your experience over the past 5 years, please evaluate the level of railway service received for the following factors (select one response for each factor):

	Very Poor	Poor	Ade-quate	Good	Very Good	N/A
Car ordering, railway acceptance and commitment <i>(consider: # cars ordered by shipper, # cars committed by railway, # cars actually delivered)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car supply <i>(consider: type of cars, condition of cars, number of cars; is car supply consistent, timely, reliable)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supply of railway resources other than cars i.e., locomotives, crews, track capacity <i>(consider: sufficiency and consistency of the supply of other resources; extent to which railway capacity is constrained)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supply of containers <i>(consider: timeliness; number of containers vs. request; condition)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Railways' ability to accurately forecast demand for rail service in the SHORT TERM ≤ 1 year <i>(consider: coordination between shipper and railway; impact on service needs for cars, locomotives, crews, infrastructure)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Railways' ability to accurately forecast demand for rail service in the LONG TERM > 1 year <i>(consider: coordination between shipper and railway; impact on service needs for cars, locomotives, crews, infrastructure)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Railways' ability to meet seasonal or cyclical peak movement periods <i>(consider: extent to which a reasonable balance is achieved to accommodate peak periods while maintaining an efficient level of resources for normal periods; recovery from peak period surges; allocation of service among commodities / customers)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service disruption and recovery <i>(consider: railway contingency plans while service is disrupted; railway recovery plans after disruptive cause has been resolved; allocation of service among customers)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall level of service related to supply of cars and other resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Under what circumstances have you experienced constraints on railway capacity? How has it affected the level of service provided? How has it affected your ability to meet business opportunities?

Any other comments related to the supply of railway equipment or other resources, not already addressed?

Movement of Railway Traffic

Considering your experience over the past 5 years, please evaluate the level of service received for the following factors (select one response for each factor):	Very Poor	Poor	Ade-quate	Good	Very Good	N/A
Movement of empty cars to ORIGIN i.e., to shipper’s loading point <i>(consider: cycle time reasonableness and consistency; interchange between railways; smooth distribution over time versus “bunching” of car arrivals)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car spotting, loading, release and pick-up at ORIGIN <i>(consider: dwell time reasonableness and consistency)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Movement of loaded cars to DESTINATION <i>(consider: cycle time reasonableness and consistency; interchange between railways; extent of product loss or damage)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car spotting, unloading, release and pick-up at DESTINATION <i>(consider: dwell time reasonableness and consistency)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Movement of multiple cars <i>(consider: do the same block of cars loaded at origin arrive together at destination?)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communications during “normal” operations <i>(consider: shipment tracing; alerts)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communications during exceptional circumstances (e.g., service disruptions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall level of service related to movement of railway traffic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Have any changes to railway operating practices had a positive or negative impact on the movement of your traffic? (Examples: ‘co-production’ agreements; access to producer car loading sites; scheduled railway service)

If your enterprise is served directly by a shortline railway: in what ways does the connecting Class I railway affect the level of service provided to you by the shortline railway?

To what extent do you attribute the level of service evaluated in the preceding questions to the existence, or lack of, transportation alternatives (multiple transport modes or multiple railways)?

To what extent do other logistics factors (including those outside of railway control) affect the level of service for the movement of your rail traffic? (consider: trucking to/from rail interface; availability of import/export containers; producer car shipper site access; congestion at ports or other terminals)

Are there railway actions which could improve the service of the overall logistics chain?

Any other comments related to the movement of railway traffic, not already addressed?

In the last 12 months, have you experienced any change in rail service? If so, to what do you attribute the change?

Economic Impact of Service Issues

Considering your experience over the past 5 years, has the level of rail service had an impact on your ability to maximize sales or your ability to expand your business? Please quantify and explain.

Is there an agreement in place now between your enterprise and Class I railway(s) for performance incentives and/or penalties? Yes No

If yes, do you consider the agreement for performance incentives and/or penalties to be effective at promoting adequate railway service? Yes No

Why or why not?

How could they be improved?

Shipper Protection Provisions

How would you characterize your level of familiarity with shipper protection provisions in the CTA?

Low Medium High

What has been the extent of your use of shipper protection provisions in the CTA?

Low Medium High Not Applicable / Never Used

How would you characterize the effectiveness of shipper protection provisions in the CTA?

Low Medium High Not Applicable / Never Used

Please explain (consider: any issues or limitations that restrict the effectiveness of these provisions)

How would you characterize your level of familiarity with mediation and other dispute resolution measures available in the CTA or from railways? Low Medium High

What has been the extent of your use of mediation and other dispute resolution measures?

Low Medium High Not Applicable / Never Used

How would you characterize the effectiveness of mediation and other dispute resolution measures?

Low Medium High Not Applicable / Never Used

Please explain (consider: any issues or limitations that restrict the effectiveness of these measures)

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Survey Return and Follow-up Questions

Please return the survey by email by 14th December 2009.

Please feel free to contact Pooja Kumar at MKI if you have any questions regarding the survey, would prefer to speak over the telephone, or would like further details regarding our work. Tel: 416 222 9400 extension 27; Email: pkumar@mkicanada.com

If you wish to speak to the Government of Saskatchewan regarding the Provincial submission to the federal Review Panel, please contact:

- Tim Shoulak Saskatchewan Grain Car Corporation 306-787-9245
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- Reg Cox Ministry of Highways and Infrastructure 306-787-9241 reg.cox@gov.sk.ca

Thank you for your participation!

8 Endnotes | Reference Material and Data Sources

¹ WESTAC, Preparing for Success: Forecasting Surface Freight Demand, March 2006, p.28

² To both Canada and internationally. Based on 2002 dollars (chained) Table 7, Saskatchewan Provincial Economic Accounts, Saskatchewan Bureau of Statistics, December 2009.

³ Based on 2002 dollars (chained).

⁴ Province of Saskatchewan, Budget 200910 Summary Book

⁵ Province of Saskatchewan, Budget200910 Summary Book

⁶ Statistics Canada. Table 404-0011 - Railway transport survey, length of track operated, by area at end of year, annual (kilometres), CANSIM (database), Using E-STAT (distributor).
http://estat.statcan.gc.ca.proxy.queensu.ca/cgi-win/cnsmcgi.exe?Lang=E&EST-Fi=EStat/English/CII_1-eng.htm
(accessed: January 11, 2010)

⁷ Province of Saskatchewan, January 2010.

⁸ Source: Statistics Canada. Table 404-0021 - Rail transportation, origin and destination of commodities, annual (tonnes), CANSIM (database), Using E-STAT (distributor).
http://estat.statcan.gc.ca.proxy.queensu.ca/cgi-win/cnsmcgi.exe?Lang=E&EST-Fi=EStat/English/CII_1-eng.htm
(accessed: January 11, 2010) and Statistics Canada – Catalogue no. 52-216-X, p.13

⁹ Source: Statistics Canada. Table 404-0021 - Rail transportation, origin and destination of commodities, annual (tonnes), CANSIM (database), Using E-STAT (distributor).
http://estat.statcan.gc.ca.proxy.queensu.ca/cgi-win/cnsmcgi.exe?Lang=E&EST-Fi=EStat/English/CII_1-eng.htm
(accessed: January 11, 2010)

¹⁰ Statistics Canada – Catalogue no. 52-216-X, p.18

¹¹ Source: Statistics Canada. Table 404-0021 - Rail transportation, origin and destination of commodities, annual (tonnes), CANSIM (database), Using E-STAT (distributor).
http://estat.statcan.gc.ca.proxy.queensu.ca/cgi-win/cnsmcgi.exe?Lang=E&EST-Fi=EStat/English/CII_1-eng.htm
(accessed: January 12, 2010)

¹² Source: Statistics Canada. Table 404-0021 - Rail transportation, origin and destination of commodities, annual (tonnes), CANSIM (database), Using E-STAT (distributor).
http://estat.statcan.gc.ca.proxy.queensu.ca/cgi-win/cnsmcgi.exe?Lang=E&EST-Fi=EStat/English/CII_1-eng.htm
(accessed: January 12, 2010)

¹³ The Canada Border Services Agency defines bulk cargo as goods that are loose or in mass, such that they are confined only by the permanent structures of a vessel, without intermediate containment or intermediate packaging. Break-bulk cargo is defined as cargo that is not containerized and that cannot be classified as "bulk" cargo under the above definition, but which is otherwise packaged and bundled.

¹⁴ Transport Canada, Transportation in Canada, An Overview, Addendum, 2008.

¹⁵ Province of Saskatchewan, Budget200910 Summary Book

¹⁶ These included coal, forest products, grains, fertilizers, sulphur and chemicals.

¹⁷ WESTAC, Preparing for Success: Forecasting Surface Freight Demand, March 2006, p.40

¹⁸ See Appendix D for relevant provisions in the CTA

¹⁹ bullet points as summarized

http://www2.parl.gc.ca/Sites/LOP/LegislativeSummaries/Bills_ls.asp?lang=E&ls=c8&source=library_prb&Parl=39&Ses=2#commentary

²⁰ By address

²¹ Province of Saskatchewan, January 2010.

About MKI

MKI – Metropolitan Knowledge International – is a specialized consulting firm focused on strategic policy work, project finance and the delivery of strategies for public and private infrastructure and economic development. Integrating land use, finance, economics, environmental, and transportation planning, MKI is a powerful resource to large organizations at any stage of the planning and procurement of built infrastructure – from setting policy at the senior government level to the negotiation of real property transactions.

Incorporated in 2000, MKI was created with an aim to combine the experience of senior professionals from large consulting firms and eliminate the conflict of interest and bureaucracy that would inhibit successful execution of projects of this nature. The MKI team consists of experienced professionals with a focus on public and private infrastructure critical to metropolitan and regional growth, adaptation, renewal and development.

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