



Chamber of Commerce

Grande Prairie & District 1915

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April 27, 2010

Rail Freight Service Review
Suite 808
180 Elgin Street
Ottawa, Ontario
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RE: Rail Freight Service Review

Dear Mr. Paszkowski:

The Grande Prairie & District Chamber of Commerce, located in Grande Prairie, Alberta, welcomes the opportunity to make a submission to the Rail Freight Service Review Panel regarding rail service in our region.

The document is comprised of two parts. The first section (two pages) contains the introduction and summary of information from the Grande Prairie and District Chamber of Commerce. The second section is a more detailed consultant report that was developed to assist the Chamber of Commerce and other regional stakeholders in preparing their submissions. It contains descriptions of issues and their impact, and provides a summary of recommendations from regional businesses.

The Grande Prairie & District Chamber of Commerce has no objection to publishing this submission and welcomes the opportunity to appear and present a full report before the Rail Freight Service Review Panel.

We strongly encourage the Panel to visit our region in its review of the information provided by all regional stakeholders.

Should you have any questions on the submission, please do not hesitate to contact us at 780.532.5340 or by emailing Dan Percy, CEO at dan@gpchamber.com.

Respectfully,

Dan Percy
CEO, Grande Prairie & District Chamber of Commerce

Introduction

The Grande Prairie & District Chamber of Commerce represents over 1100 businesses in the greater Grande Prairie economic community. The Chamber is making this submission on behalf of and in support of other independent submissions by those businesses that are highly dependent on rail service. The organization represents several large industries as well as several small businesses that rely almost solely on rail service. The Chamber Board of Directors has substantial experience in leading economic development and supporting existing regional businesses. The Chamber recognizes the nature of a resource-based economy and feels strongly that transportation is one of the critical components in attracting and growing regional industry. It also recognizes that competing in the global market place requires change in methods of work and roles in all elements of the various supply chains that support our economy.

Grande Prairie is located about 460 kilometres northwest of Edmonton, Alberta and has a population of over 50,000. The region around and within Grande Prairie is the industrial centre of northwest Alberta. The Peace Region of northwest Alberta is a major contributor to the \$8.0B northern Alberta economy, with exports to North America, Europe and Asian markets. Its major economic activities are agriculture, oil & gas, forestry, manufacturing, construction and tourism. Except for the capital cities of the three territories, northern Alberta and the Peace Country are home to the most northerly cities in Canada.

This submission provides the Grande Prairie & District Chamber of Commerce perspective on issues with rail freight service and comments, and recommendations for the Panel. It does not comment on every issue associated with rail freight logistics and infrastructure systems. In its advocacy role, the Chamber recognizes that there is a need for strong leadership from governments and rail service providers to resolve current issues and provide direction and resources to ensure the rail system meets future users' requirements.

There is a willingness and sense of urgency from the Chamber and many other stakeholders to work collaboratively to resolve issues and establish long term direction and plans. The Panel's recommendations together with key stakeholder commitments will make an important mark in the history of regional development and Canada's place in the global market and the Chamber strongly endorses the Panel's mandate.

In all cases transportation is a major, and in some cases can be the highest cost element in the operation and costs of all businesses in the resource sectors. Therefore, limited flexibility, system inefficiencies, and other factors that contribute to increasing costs of shipping – both for rail and truck – are barriers to growth and are obstacles to sustainability of good business performance.

The Chamber endorses the initiative of Bill 1 – Alberta's Competitiveness Act – and recognizes the direct relationship between regional productivity and global competitiveness, and how it is affected by the inefficiencies and costs of operation and developing transportation infrastructure and systems.

Summary

The part of the economy represented by Chamber of Commerce members is a mix of the regions' primary forestry, agriculture and energy industries along with secondary support industries and manufacturing.

Efficient rail service is required to access the major centres in North America. Infrastructure and efficiency improvements are required to access European and Asian markets.

Data provided by the majority of rail service users show that most clients had equipment and customer service issues that made CN service unsatisfactory. These issues include rail car delivery, quality, rigid and high cost demurrage system and costs, and lack of customer service and communication. Lack of good communication with local and other levels of CN is a major concern, which users say demonstrates CN's lack of interest in the region.

The consequence of these issues is the loss of productivity (inefficient use of labour and equipment), loss of sales (inability to respond to customer requirements, timeliness, and reliability), inability to attract investment, and high costs of operation that marginalize some business products and services.

The costs caused by CN's inefficiency are picked up by the shippers/producers and typically are not readily transferred to their customers. Rail service providers who understand and actively pursue supply chain management with their customers are required. Barring that business model, at least in the short term, some form of incentive to perform or penalty is required that has been built on defined performance measures.

Because of the reluctance (absence) of CN to discuss issues, there is little optimism that changes of significance can occur in a timely manner. Thus many people support government regulation in some form even though in some cases it is inefficient.

The rail users believe the most effective method of dealing with efficiency and costs improvement is to increase competition. This can occur through joint rights or establishment of regional short line, which appears to be a viable method to address the inefficiency of the current system and adds capacity for further development in the region. There was interest expressed by some individuals in investing in rail short line operations but CN has not demonstrated or encouraged any discussions.

There is a need for a strategy for railway expansion and infrastructure sustainability that address the current and emerging needs of users while providing incentive and security for future users to encourage investment. The government has the responsibility for long term economic development. This is the only method by which major resources can be developed for economic value.

The Chamber strongly encourages the Panel to include recommendations that create a collaborative environment for consultation with strong leadership to implement its recommendations.

REPORT ON RAIL FREIGHT SERVICE

(Prepared as background for submissions to the Federal Panel on Rail Freight Service by the County of Grande Prairie No. 1, Grande Prairie & District Chamber of Commerce, Municipal District of Peace, and the Peace Region Economic Development Alliance)

APRIL 2010

By

Gary Christopherson
Jim Smith

Centre for Research & Innovation (CRI)



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Rail Freight Service Review

Sponsors

Four northwest Alberta regional stakeholders have requested an assessment of rail freight service for their business communities in support of their formal submission to the Federal Panel on Rail Freight Service¹. These regional stakeholders are the County of Grande Prairie, the Grande Prairie & District Chamber of Commerce, the Municipal District of the Peace (MD 135) and the Peace Region Economic Development Alliance (PREDA). The first three organizations will each provide a submission that is developed from the perspective of their business community and industry sectors. PREDA will provide a submission that takes a broader view of the impact, value and importance of (rail) transportation.

Study Methodology and Report Format

Data used was generated from business surveys and a thorough review of available consultant studies and other posted submissions.

The analysis of this data was completed to support preparation of submissions. It focused on the feedback and input from local and regional businesses, and provided a broader assessment of the value and requirements of rail services that serve the public interests. The primary focus of the submissions for the County of Grande Prairie, the Grande Prairie & District Chamber of Commerce and the Municipal District of Peace is identifying and addressing current users' issues. The primary focus of the PREDA submission is identification of and addressing the long term needs.

As requested by the federal panel, these reports: provide background on the submitting organization; provide a description of issues with rail service provision and examples and levels or types of impact from the deficiencies in service; and finally suggest ideas, comments and input on recommendations for improvement.

This report integrates the findings of all of the regional surveys. The writers found that in the interest of brevity and because there was a significant amount of similarity in the types and breadth of issues, there was little value in delineating the input on purely geographic, industry or other terms. Therefore the information is categorized as related to being operations or strategic in nature. In some cases specific businesses had greater concerns or impacts, and these have been noted as appropriate in the stakeholder submissions.

The report does not create direct relationships with specific businesses or companies. This has been done at the request of the businesses surveyed since in some cases they felt they were at risk to repercussions from CN if they publicly expressed their views.

¹ The full Terms of Reference and submissions process can be found at: <http://www.tc.gc.ca/eng/policy/acg-rfs-review-examen-sfm-hw-eng-66.htm>

Study Introduction

This report provides the basis of submissions by some northwest Alberta stakeholders to support rail system improvements needed by regional businesses and economic development. It becomes part of a series of studies done to provide additional insight into the needs and opportunities to sustain and grow regional economies.

The Peace Region of northwest Alberta is a major contributor to the \$8.0B northern Alberta economy, with exports to North America, Europe and Asian markets. Its major economic activities are agriculture, oil & gas, forestry, manufacturing, construction and tourism. Except for the capital cities of the three territories, northern Alberta and the Peace Country are home to the most northerly cities in Canada.²

This report provides insight into specific issues with rail freight service and provides comments, suggestions and recommendations for consideration by the Panel. It does not comment on every issue associated with rail freight logistics and infrastructure systems. There is broad recognition of the complexity of the current system and therefore a need for strong leadership from government and qualified, committed leadership from rail service providers.

Pending the recommendations of the Panel, it should be noted that many businesses welcome an opportunity to work with governments at all levels and service providers to address short and long term needs. The Panel's recommendations together with key stakeholder commitments will make an important mark in the history of regional development and Canada's place in the global market.

Background

The engine of Canada's economy has and continues to be its natural resources. Indeed, many investors consider the Toronto Stock Exchange Index to be the quintessential proxy for commodity prices. However, there are challenges with harvesting and transporting our resources to market, and sometimes securing the opportunity to add value to these resources. Some challenges are the result of our northern location with resources being remote from national and international markets. Other challenges relate to our extreme climate, topography and environment. These can affect our ability to compete in world markets. They impede access to the forest, and crossing rivers, muskeg and mountains. They affect the crops we can grow and the regeneration rate of our forests.

All in all, this has affected our national productivity and our assessment of risk. It has been said that Canada lags in productivity and is aggressive in risk management. During the period between the mid-19th and the mid-20th centuries, Canada built a series of railways to enable the efficient, year-round movement of resources. Indeed, in most of western Canada the railway preceded settlement, as an effective transportation system was considered essential for getting people and freight into the remote West and the shipment of products out and into world markets.

² <http://peacecountrycanada.com/>

In much of western Canada, the producers of natural resources still rely heavily on the railways to move their bulk commodities to market. Interviews conducted with producers suggest that they consider railways to be about half the cost of using trucks (the only other method to move commodities). Thus, rail service is a critical element in our resource based economy and our continued economic development.³

We have noted Canada's challenges due to its northern location, extreme climate and vast geography. What is often overlooked, however, is that northern Alberta and the Peace Country represent the challenges of Canada in microcosm, except in extremis. The Peace Country is the most northerly agricultural zone in the Americas. Our growing season is the most problematic, but we grow what many consider the highest quality crops in the country. However, we are further to market than any other major economic region in Canada.

As a result, the region requires an efficient rail system providing the following:

- Competitive shipping costs
- Timely pickup and delivery of cars and freight
- Well maintained cars
- Containers that can differentiate product, and are useful to smaller businesses
- Railway infrastructure built and maintained to North American standards
- Railway infrastructure sufficiently extensive to minimize trucking to the nearest rail access point
- Railway infrastructure capable of expansion to access new resource development
- Accountability by all users and providers of the railway system

The above points are crucial to Canada's economy, but even more so to that of the Peace Country, given our region's remoteness, productivity and other extreme circumstances relative to the rest of Canada. This issue is gaining significance due to the long term upward trend in the value of Canadian currency, which will further exacerbate the problems of cost.

The development of the first rail system infrastructure was a critical part of Canada's formation. Leadership's vision and commitment has served the early years of the country well. Given the changes in the world's economy, leadership is once again required for a renewed strategy for transportation in resource rich areas to improve competitiveness in cost, reliability, environment and accountability. This will ensure that the resource areas can successfully participate in the global market place.

³ Canada's railways are an economic engine for the economy, moving 75 per cent of all freight and 72 million passengers last year. The country's strength as an export-oriented trading nation depends on a stable regulatory environment and a competitive taxation system which create the stable investment environment necessary for future Canadian growth. Rail is also a green solution and is well-positioned to improve Canada's environment. (*RAC - Railway Trends, Dec 1, 2009*)

Rail System User Issues

During the spring of 2010, the authors conducted approximately 35 interviews with users of railway services in the Peace Country. The interviewees were selected to obtain representation by location (all areas of the Peace Country were polled), by industry (all major industries provided input), and by size of business (spanning low volume farmers to major resource companies using thousands of cars per annum). All railway users were served by Canadian National Railways, the only provider in the region.

Findings are presented in two major categories. The first category, *Operational Concerns*, includes issues related to rail system operations that have a direct affect on current rail users and their customers. The second category, *Strategic Concerns*, identify the elements of business relationships, accountability, long term planning and roles of key stakeholders.

Operational Concerns & Impacts

Operational concerns are those that affect the ability of shippers and receivers to meet their current and ongoing obligations.

Issue 1: Car supply, delivery and tracking

Rail system users frequently deal with inadequate service in terms of car supply and delivery. This includes insufficient number of cars, timely information to prepare for receipt of cars, poor placement and car spotting and ability to release cars in a timely manner.

Poor placement forces a shipper to load at an inefficient location, or to incur additional cost to relocate the misplaced cars.

Insufficient number of cars (either total received or timeliness of receipt) has a significant effect on the operations of manufacturing facilities. Each of these facilities has limited inventory space and relies on direct loading of rail cars to both ensure expeditious service to customers while reducing inventory system requirements and additional handling costs.

Insufficient notice of car delivery (or delayed delivery) results in inefficient allocation of labour for preparing and loading. This includes additional labour costs for overtime to load/prepare car for release and to minimize demurrage. These costs range from a few to several hundred dollars depending on the extent of the delays, or in some cases early delivery. The users attempt to mitigate these costs, or eliminate them, by communicating with local rail service managers, but in many cases this is usually ineffective. Periodically a specific rail service manager will be reasonably accessible and these types of charges can be minimized. Most companies minimize the demurrage costs through overtime and rescheduling employees.

In addition to higher labour costs, poor timing results in loss of sales due to failure to meet customers' requirements. Interviewees state that from time to time loaded cars are not picked up in a timely manner, thereby jeopardizing delivery contracts and delaying payment to the shipper.

In extreme cases, a few times a year, sales that require timely shipment of materials are lost due to failure to receive cars at the required time. This results in tens of thousands of dollars of lost revenue

that is generally not replaceable. These losses occur across all of the resource industries. Some larger companies have attempted to mitigate delivery issues by renting warehouses beside key customers and stockpiling product for assured delivery. Of course this is a costly option due to the railway's erratic delivery record.

Impact:

- incurring unproductive labour time and rescheduled labour to load cars delayed in delivery and spotting can double loading costs; when car delays are 5 to 10% of total orders, the resulting handling costs can exceed \$30,000 per year for a single manufacturer
- demurrage costs are variable based on the business size, product type and may range from a few hundred dollars per year to several thousand in billing; in addition, there is unproductive administrative time required to track and manage erroneous billing from CN
- loss of revenue and profit of \$5,000 per car when orders cannot be filled on time

Issue 2: Equipment

Most rail users find that the quality of cars (cleanliness, mechanical condition, accessibility) is generally good but those incidents of unclean/contaminated cars that do occur create additional work and delays in loading and releasing. Poor maintenance results in delays in car unloading or loading with the shipper undertaking the role of mechanic to make the equipment serviceable. Lost time due to unclean cars or cars in poor mechanical condition has not been reimbursed by the rail service provider.

Impact:

- car quality data shows that up to 60% of cars for a user requiring security and product protection require some type of door or equipment maintenance before loading and releasing; and, 15% require some level of cleaning before loading - total estimate of the cost of labour to deal with these inefficiencies is \$144,000 per year for a high volume shipper.

Issue 3: Infrastructure

Capacity and quality of actual rail lines in north western Alberta has not kept up with rail users' expectations for efficiency and reliable service. Many tracks are substandard, based on North American usage. Many shippers believe the rail service provider invests very little in sustaining and improving the rail structure. Astoundingly, some 80 kilometres deliveries cannot be completed in one operating shift due to the speed limitations caused by safety concerns for deteriorating rail lines.

In addition, the cost of service is increased by light weight rail lines that cannot sustain larger cars. Nonetheless, regional shippers are charged for the full value of a car, despite their inability to fully load it. This results in increased unit transport costs.

Additionally, there has been a complaint that abandoned telegraph lines are becoming a safety hazard and are impeding ingress/egress to some sites. Some municipalities have complained that used railway ties and tracks have been abandoned within their communities, creating a problem of industrial garbage and environmental issues.

Impact:

- lower weight capacity adds 15% to unit transportation costs for all users on low capacity lines - estimates for a single shipper limited to this rail capacity is an additional annual cost of \$210,000 for freight
- one large rail system user indicates that a \$1,000,000 investment to increase their business (requiring more rail service) has been deferred indefinitely because of lack of clarity of direction and commitment from CN
- operations of existing forest products facilities in the north is constrained by high (uncompetitive) shipping costs
- expansion plans for a forest products company is on hold due (in part) to high transportation costs to market - potential of 3000 to 5000 cars per year increase
- inbound goods (logs, chemicals) require more infrastructure (spur lines, sidings)

Issue 4: Commercial

Several rail users have experienced significant unsubstantiated billing for past shipments. In some cases the late invoices are received many months past (up to one year) the time of service. There is unnecessary management time spent in dealing with tardy bills and in most cases cited the additional charges were not substantiated. Thus there is both an increased administration cost in dealing with each such incident and more significantly, an ongoing cost of additional administrative staff and systems to track/check and double check the rail service provider's performance.

Impact:

- these administrative costs in a large company can exceed \$75,000 per year

Strategic Concerns & Impacts

Strategic concerns are those that deal with relationships between rail service providers and users, long term policy and infrastructure planning.

Issue 1: Security of rail service

The requirement for established businesses and the basis for future economic growth is a sustainable, cost effective transportation system. Because of its ability to move heavy and bulky products economically, railways are at the heart of such a transportation system. They are integral to the regional economy.

Although regional businesses understand and appreciate the importance of rail service to their well being, interviewees suggest that the railway does not appreciate its own importance. Regional

stakeholders note that the railway infrastructure has undergone several changes in ownership during recent years. There is a lack of interaction with rail system users. Tracks are being shortened or abandoned. Many tracks are poorly maintained. The general disregard or ambivalence to dealing with regional users presents a business environment that creates risk to existing business and obstacles to further economic development. The standard for the current level of service is seen as "whatever CN wants to provide" with very little regard for being an active and contributing partner in the multiple supply alliances established by regional businesses with many global partners.

Some interviewees, particularly in the north Peace or in the smaller centres, worry and predict that CN may abandon their tracks. To the business community, this places their existing (rail dependent) investments at risk. It suggests that further investment is also risky ("throwing good money after bad"). It suggests too that they have no exit strategy as a business owner cannot profitably sell a rail-dependent business if there is little security of rail service. As a result, businesses are reluctant to make new investments in rail-dependent infrastructure. It is believed that this lack of investment then gives the railway "permission" to abandon its tracks, and this becomes a self-fulfilling prediction.

Railway users frequently have to second guess the maintenance/investment/abandonment intentions of CN. Additionally, regional businesses feel powerless to affect decision making by CN. The railway service provider is seen as remote, uninterested in regional issues, oblivious to the public good and the needs of its customers, and absorbed only by its self interest and its business model based on the continental movement of unit trains.

Impact:

- loss of rail service in 2008 cost one small grain shipper lost revenues of \$40,000

Issue 2: Scope of services

Since the introduction of deregulation to rail service the focus of CN has become improved profitability, which has directed their efforts and investment into services with the highest margins. This creates greater risks for our regional businesses that rely on services that have marginal returns by CN's measures. By their actions and results, CN is demonstrating the importance of the "long haul" models and "hub" based services. These require (changes in) procedures such as large car blocks, which are not applicable to small producers, thus driving these shippers to alternative methods, which further reduce the already low returns (to CN) from these regional services. Over time this results in less frequent service and or fewer access points, both which increase costs of storage and transport.

The lack of good communication described by a majority of CN's regional customers does not just apply to routine or day to day operation. The absence of any engagement with regional users on long term needs is very apparent. The sustainability of regional businesses is therefore at increased risk due to the demonstrated reluctance from CN to engage regional rail users in developing an efficient, rural model for rural services including, for example, marketing niche (bulk) products and upgrading product mixes at the manufacturing sites that would increase the types and breadth of global markets. This results in no long term plans for integrated transportation services that include rail, truck or containers. To further demonstrate CN's very low level of interest in understanding rail's importance to regional rail service

users' businesses, rail users believe CN charges unsubstantiated high costs for services such as the use of containers thereby "pricing" this option out of consideration to the detriment of regional industry.

A significant number of interviewees suggested that short line railways (who owned the Peace Country infrastructure prior to the CNR) were much more responsive to the needs of regional businesses.

Impact:

- loss of business that requires the custody of delivery through containerization
- transportation of "non-containerized" products is difficult due to lack of marketing and expertise that has direct impact on construction and delivery of large manufactured products.

Issue 3: Responsibility for Infrastructure for regional industry growth

Some Peace Country interviewees expressed the opinion that CN is solely focused on its self interest. It is also believed that the railway does not perceive itself as operating a public good, in the public interest. The corollary to this is the perception that government is incapable or unwilling to regulate railways in the public interest.

To emphasise this point, one interviewee noted that CN removed its tracks between Grimshaw and Hines Creek. The interviewee, who has an interest in minerals and aggregates, noted that just beyond Hines Creek lies the undeveloped Clear Hills iron ore deposits, which have been estimated to contain more than 1 billion tons of iron, gold and vanadium. This makes it one of the largest such deposits in the world. The interviewee postulated that by abandoning access to this site, CN has cost the region, the province and the nation the opportunity to develop these deposits, at least without incurring egregious costs. The point was further made that if CN will not maintain such tracks in the public interest, who will? Who will build new tracks to exploit future resource discoveries? The point is well taken because iron ore can only be shipped by rail.

In support of these comments, there are currently no published plans for rail system infrastructure development. Ideally, such plans would include upgrades on rail lines for capacity improvement, additional lines to access under developed resources and expansion of existing trackage to provide services to those potential customers who would value access to rail service.

Impact:

- continued degradation of infrastructure
- shift by rail system service users to alternate (trucking) systems
- increased public and societal impact from lost economic development opportunities

Issue 4: Competition - Interests and experience of other carriers

In many cases shippers are driven by the indifference of their railway service provider to use truck services. Trucks have advantages such as flexibility in scheduling and greater reliability (due to the large number of trucking firms). However, they frequently come at a higher direct cost to the shipper and their customers and a larger indirect cost to the public through road infrastructure and environmental

impact. Shippers undertake to create business relationships to advantage themselves through back haul opportunities, but these results at best are not substantial enough to ensure business sustainability.

The *Transportation Act* allows for "joint running" rights that provide shippers with options and some leverage in service – such as frequency, cost and quality. Although the Act permits such contracts between rail service providers, there is no evidence that any are in place for this region and there is no indication of interest in pursuing them.

Impact:

- increased shipping costs (unit basis) of up to 15%
- based on opinion of users, they see little opportunity for acquiring more cost effective freight services due to continuing lack of competition

Issue 5: Producer cars

Within the agricultural industry, interviewees were particularly emphatic about support for producer cars. Producer cars enable a farmer to participate more fully along the value chain. In effect, the farmer orders a railway car, loads it himself, and then follows it through to port, at which point it leaves the country.

Interviewees who use producer cars were frequently very passionate, indicating that they provide competition to major elevator companies, lower cost transportation to port, and provide improved quality assurance and producer satisfaction. This process also helped the producer to differentiate the product, by keeping it out of the bulk commodity supply chain. Some producers believe that producer cars form the basis for moving to value-added agriculture because the product can be differentiated from commodities.

Amongst those interviewed, a common and vehemently held position is that CN uses its unit train model to subsidize the large elevator companies, at the cost of those who use producer cars. Some interviewees explained that some major elevator companies are provided with unit train incentives even where they do not have the facilities to support such trains, or when CN does not have the cars to deliver in unit train quantities.

Impact:

- availability (quantity) and delivery (scheduling and guarantee) of cars
- inequalities in large and small shippers in regard to receiving reduced rates through unit trains
- shipping savings of \$1,000 to \$2,000 per car

Issue 6: Accountability

Interviewees universally expressed the opinion that CN was minimally accountable to its clients and the public interest. Many expressed reluctance to discuss the railway for fear of having service withdrawn, curtailed or prices increased. Central to this issue is the fact that CN is a monopoly and there is no effective competition and no meaningful government oversight.

Several interviewees explained that CN is quick to charge them demurrage when a car is not loaded on time (even when it is delivered late). However, when a CN client tries to invoice the railway company for late deliveries, CN ignores the bill. All too often these aggrieved customers do not pursue the matter for fear of retribution.

It is apparent that a redesigned railway system must address the lack of accountability and competition. Certainly a principle of accountability is that all participants (users and providers) are equally accountable for their performance and must indemnify other stakeholders for their performance. Another principle is that disputes must be settled quickly and at minimal cost. At this time, small business users are typically unwilling to pursue damages because they cannot afford justice.

Impact:

- limited or no improvement in service due to absence of performance measures
- ongoing poor relationships
- loss of sales for shipments with time constraints

Recommendations

Operational Concerns:

1. Rail service providers should work with each user to define performance standards and measures.
2. Facilitate and assign resources to apply the principles of supply chain management. This could include the creation of a commercial tribunal to adjudicate disputes and to determine costs and damages. It is essential the tribunal address disputes in an inexpensive and timely manner.
3. The capabilities of the logistics system should be assessed with respect to the specific needs of CN short line customers.
4. Regional manager(s) should be assigned and empowered to manage communications, operations, customer relations, and marketing and participate in service planning.
5. Rail service providers should undertake to identify major concerns with each customer and assess the needs and prioritize improvements in their maintenance systems.

Strategic Concerns:

6. Governments should undertake such actions as necessary to establish accountability measures for service performance.
7. Leadership (government) should be assigned to facilitate the creation of a long term (25 year) regional rail infrastructure plan, including scope, costs and implementation strategy. This will include identification of communities and resource locations requiring rail service and identification of the party/parties responsible for such investment. The study will also examine the circumstances by which tracks are abandoned, and how new tracks will be built.
8. Government and railway service providers will be required to provide rolling 25-year guarantees of railway service to manage risk in support of railway-dependent investment.
9. The issue of running rights must be examined to provide interlinked and competitive service. This would include the right by any railway company to use tracks owned anywhere in Canada at economic cost.
10. Integrate the recommendations of small to large users, independently-owned equipment shippers, and related service providers (logistics companies) to create a synergistic and practical action plan.
11. Containerization system development must be a priority. Regional and provincial resources must be committed to Peace Region infrastructure, and rail service providers must develop logistics systems to provide containers and intermodal support.

The following table shows relationships between the recommendations and the issues that would be addressed to some degree. In some cases the recommendations are complementary by providing short and long term recommendations to address a specific issue.

Number	Operational Issue				Strategic Issue					
	Car Supply	Equipment	Infrastructure	Commercial	Security	Scope of Service	Infrastructure Responsibility	Competition	Producer Cars	Accountability
1	X	X		X					X	
2	X				X	X	X			X
3	X			X		X	X			
4	X		X	X	X		X	X		X
5						X	X			X
6							X			X
7							X			
8					X			X		X
9	X							X		
10	X	X	X		X	X	X	X		X