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**national farmers union**  
*In Union Is Strength*

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Rail Freight Service Review Secretariat  
Suite 808 - 180 Elgin Street  
Ottawa, Ontario  
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Sent via email: rfsr-esmf@tc.gc.ca

Dear Review Panel members:

The National Farmers Union (NFU) is extremely pleased to provide this input into the Rail Freight Service Review. The NFU is a national, voluntary organization of thousands of farm families. The NFU works to ensure that the family farm remains the primary unit of food production in Canada. Our organization has long taken a keen interest in grain transportation matters, and worked to develop expertise on these issues. We thank the Panel for this opportunity to provide the views of our members.

Rail transport is of fundamental importance to western farmers. It is also important to note that farmers are of fundamental importance to the railways. Our grain production shipped via rail results in nearly a billion dollars of revenue for the railways each year.

Rail freight charges are often one of the largest single expenses on many grain farms. These freight charges—taken along with grain elevation and handling charges, cleaning charges, basis, and arbitrage—result in huge expenditures for grain farmers. Farmers ultimately pay all of these costs either directly (through freight deductions on grain receipts) or indirectly (through increased basis levels, for example), and all these charges and costs result in decreased returns for farmers. Farmers have also been forced to shoulder considerable additional costs that have been externalized to them by the railways and grain handling systems. For example, the reduced numbers of shipping points, reduced amount of railway trackage, and reduced commercial storage capacity has resulted in farmers having to pay additional amounts to truck their grain, to invest in large trucks themselves, to put up large amounts of on-farm storage, to pay increased taxes for road maintenance, and/or to invest in shortline railways and loading facilities. When all of these expenses are taken into account, it is clear that farmers are shouldering the largest costs, have made the largest investments, and have the largest stake in the grain transport and handling system.

Access to rail transport, and the service provided, directly impacts farmers' bottom lines. Statutory level-of-service obligations are absolutely necessary for farmers. It has long been recognized that farmers are essentially captive shippers—captive either by geography or by the failure to compete on the part of the two mainline carriers (CN and CP). Therefore,

legislated level-of-service obligations remain as crucial today as they have been in the past. The 1961 MacPherson Royal Commission on Transportation went further: it recognized the nature of the oligopolistic rail system in Canada and found it necessary to bring forward regulatory measures to mimic competition. This was the genesis of some of our competitive access provisions. These provisions were to act as a buffer on railway power. Many such provisions, unfortunately, have proved to be very expensive, slow, and short-term in modifying our railways' monopolistic behaviour.

When discussing railway regulation, many argue for a system of penalties to be paid by the railways for poor performance in car-spotting, pickup, and delivery to port. While this makes sense at a certain level, it is important that these penalties not be passed on to farmers through recalculations of railway inflationary costs or cost of capital. If railways can pass on costs via an increase in the revenue cap amount, then farmers end up once again ultimately paying for the performance penalties of the railways. If this is allowed to happen, it would not create the desired improvements in performance, but merely allow the costs to be passed on to farmers. Again, the importance of carefully considered regulatory measures is illustrated. The Canadian Transportation Agency could establish performance measures and criteria, where penalties imposed by the Agency would directly reduce the revenue cap monies if performance goals were not met. This would avoid the scenario of costs simply being passed on to farmers through other mechanisms. Costing reviews should also be conducted on a regular basis, to make sure efficiency gains within the system are properly shared with farmers through reduced freight rates. This review should also establish whether the railways had made sufficient investments in labour, running stock, maintenance, etc. to meet their level-of-service obligations and performance requirements.

It cannot be overstated that service and access go hand in hand. Rail-line abandonment and producer car loading site closures all limit access and, ultimately, service. Abandonment and delisting procedures need to be looked at with regard to whole-system costs, including farmers' increased costs that result from not having close access to rail service. The Panel should remember: In the end, farmers pay all the costs. These closures should not be allowed to happen by railway criteria alone. Farmers who use producer car loading sites need timely spotting of cars with adequate notice in order to properly be able to use this important provision. Farmers, like grain companies, need the cars to be picked up in a timely manner. Railway practises of using poor service to essentially demarket a line and force grain to go elsewhere cannot be allowed to continue—we have a bare-bones network already; we cannot lose any more lines, delivery points, or producer car loading sites. This Review process needs to rethink the idea of what constitutes an appropriate system network size, and make that calculation with reference to farmers' needs, greenhouse gas emissions, grain handlers' needs, and the economic success of the nation. Legislators and reviews in the past took just such an approach. For instance, the Hall Commission looked at a protected network of railways and proposed a Prairie Rail Authority to administer track closures and retention. These ideas are not without merit, although they contrast sharply with the current push for a system wherein railways manage "their" assets. We cannot forget that while their assets are under some restriction, requirements to manage those assets in a way that benefits farmers through better service and access ultimately benefits the railways as well, through a stronger general economy.

Finally, multi-car incentive rates, allowed under the revenue cap calculation, have caused the average single-car rate to rise drastically. The use of such rates to drive the utilization of

larger unit trains (coupled with a ridiculously short loading time requirement by the railways) have had the result that the few grain elevator companies that remain now often haul grain by truck from one elevator delivery point to another point in order to meet the loading requirements and access the incentive rates. As these single-car rates are raised by the railways, alternative operations like producer car loading facilities and shortlines are in jeopardy. If these alternative loading options are driven to fail by railway use of variable-rate mechanisms, then overall serviceability of the system itself declines. When these alternative facilities no longer exist, railways will cut incentive rates, and we will have reduced access and, thus, a less serviceable system from the farmers' perspective.

In conclusion, farmers have a huge investment in the system. Railways must not be allowed to reshape that system to their own advantage and profit—foisting additional costs onto farmers. Because railways do not compete, they must be properly regulated. And proper regulation must ensure that farmers can remain profitable and that western Canada retains a grain transportation system that minimizes *total* system costs.

The farm family members of the NFU thank the Panel for this opportunity to present our views.

Sincerely,

*Original Signed by Terry Boehm*

Terry Boehm  
President  
National Farmers Union