

**Kevin Archibald \* William Cooper \* Dr. Paul Earl  
Keith Lewis \* Paul Orsak \* Curtis Sims \* Albert Wagner**

July 7, 2010

Hon. Gerry Ritz, PC, MP  
Minister of Agriculture and Agri-Food and Minister Responsible for the Canadian Wheat Board  
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Hon. John Baird, PC, MP  
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Dear Ministers:

We are writing to express our opposition to the railway costing review that is being promoted by a number of western farm groups and other organisations.

The signatories to this letter are all individuals who have had a long history of involvement in policy in grain handling and transportation. Most are, or have been, active commercial farmers. Some are former presidents and executive members of farm organisations. For example, Bill Cooper, Paul Orsak, and Keith Lewis were all heavily involved in the grain transportation reviews headed by Justice Estey and Arthur Kroeger, representing a coalition of farm commodity organizations. Bill Cooper was recognized for his work in grain transportation reform in 1998 by being named “Distribution Executive of the Year” by the Canadian Industrial Transportation Association. Paul Orsak was one of the members of the Government’s Task Force that prepared the report on Implementing Marketing Choice for Wheat and Barley, Kevin Archibald is a former President of the Western Canadian Wheat Growers, and Curtis Sims is a former elected farmer representative to the Senior Grain Transportation Committee. Albert Wagner is a farmer from Stony Plain Alberta, and a former president of the Western Barley Growers Association. Paul Earl, formerly held senior positions in United Grain Growers and the Grain Transportation Agency, and was involved in almost all of the major studies of grain transportation and

handling that were conducted over the last 30 years. He is currently a professor at the University of Manitoba specializing in transportation issues.

We are deeply concerned about the mounting public pressure for a review of railway costs, leading, it is expected, to a reduction of the legislated cap on railway revenues for grain. We contend that this approach to regulating rail revenues follows in the path of policies that began over a century ago with the Crow's Nest Pass Rates, and continued through the 1980s and 1990s under the Western Grain Transportation Act, and were finally perpetuated with the revenue cap.

All of us are united by a basic understanding, born of long experience in the grain business, that commercial mechanisms to resolve grain handling and transportation problems are more effective than regulation. We contend that the history of the grain handling and transportation system over the last half of the 20<sup>th</sup> century clearly shows that regulation introduces significant market distortions which in turn stifle efficiency and effectiveness. The long and often bitter battle over what was called "the efficiency issue" stretched from the mid-1950s to the early part of this century. Over that time, the system remained 30 years out of date, rail car turnaround barely changed, and the system was subjected to repeated operational failures. The reluctance of those who favoured regulation to change the Crow Rate, and their continuous opposition to rationalisation of the branch line network, forced the government to buy close to 20,000 taxpayer funded hopper cars to move grain, and to spend countless billions of dollars rehabilitating branch lines, the vast majority of which have subsequently been abandoned due to lack of use, or are operating today as cross subsidized shortlines which are unviable on their own.

The seemingly insoluble problems of the grain system culminated in the massive breakdown of 1996-97 that resulted in the Estey inquiry. You will recall that the central core of Justice Estey's recommendations was the creation of a more commercial system. His recommendations were frustrated by the continued opposition from those organisations that continued to support centralised control and regulation, and the capitulation of the federal government of that day to these reactionary voices.

Western Canadian agriculture has seen some of the benefits that were predicted when the Western Grain Transportation Act was repealed and freight rates were partially deregulated. For example, we have seen a dramatic increase in crop diversity with the explosion of the pulse and special crops industries. Now, however, is the time to move forward and to build on the reforms that have shown promise, not to reinvigorate the old approaches whose results were so negative for the western grain industry. A costing review, and the inevitable pressure it would bring to lower the revenue cap, would do little more than herald a return to the type of regulation of grain freight rates that was the centre piece of a half a century of failure.

We recognise that the primary concern of those who call for a costing review and tighter regulation is railway market power and the captivity of grain to rail. However, the solution to this problem is to reduce the regulatory controls that force Canadian grain into a limited number of corridors, and to make every possible avenue of competition available for the handling and movement to Canadian grain.

Transport regulation in general has struggled over many years to balance commercial forces with regulation. This effort has been going on since the passage of the 1967 National Transportation Act, and continues today. We recognise that the shipper protection mechanisms of the current legislation are not perfect, and that these concerns exist outside of agriculture as well. The very existence of the Shippers Rail Car Coalition, which includes representatives from almost all sectors of the economy, proves this point. Ongoing concerns over railway service led to the Government of Canada's review of railway

service. We support this initiative and hopeful that the review will result in policy recommendations that are forward looking and designed to maximize competition and natural market adjustments. At the same time, where regulation is necessary, and where the current provisions do not suffice to protect shippers, then let us work at modifying and improving those mechanisms that we have.

We contend that the alternative of turning back to the clock and blindly repeating the mistakes of the past would be a grave mistake. Not only does history offer us important lessons in this regard, it is illogical to expect that a railway costing review will result in improved competitiveness and service for grain producers.

The undersigned urge you most strongly to resist the pressures you are under to conduct a new costing review, a step that will almost inevitably be used as an excuse to tighten the revenue cap, which in turn threatens to bring a de facto return to the kind of regulation that was such an unmitigated disaster for so many decades.

Sincerely,



Kevin Archibald



Bill Cooper



Dr. Paul Earl



Keith Lewis



Paul Orsak



Curtis Sims



Albert Wagner

- c: Kevin Bender, President, Western Canadian Wheat Growers Association
- Brian Otto, President, Western Barley Growers Association
- Doug Robertson, President, Grain Growers of Canada
- Ed Schafer, President, Canadian Canola Growers Association