

The pressure from some organizations for a review of railway costs should be a cause for concern for grain producers. The reason of course for this pressure is to use a review to force a reduction of the legislated cap on railway revenues for transporting grain. While this may sound appealing, it is not the answer to railway service shortfalls nor is it an appropriate means to more competitive railway freight rates.

Regulating rail revenues follows 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.

The history of grain transportation policy clearly demonstrates that commercial mechanisms are more effective than regulation. The last half of the 20th 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 Over that time, the system remained 30 years out of date, rail car turnaround times barely changed, and the system was subjected to repeated operational failures.

Those who opposed changing 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.

The seemingly insoluble problems of the grain system culminated in the massive system breakdowns in the 1990's that saw vessels stack up on the west coast waiting weeks for grain. Have people already forgotten the massive demurrage bills of 1993-94 or 1996-97? These failures resulted in the government of the day searching for answers to the problems, ultimately leading to the Estey inquiry. Readers will recall that the central core of Justice Estey's recommendations was the creation of a more commercial system, incorporating real market signals, incentives and penalties for all system participants.

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Canadian agriculture has seen some of the benefits that were predicted when the Western Grain Transportation Act was repealed and freight rates were partially deregulated.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 rapid growth and development of the pulse and special crops industries.

Now is the time to move forward and to build on the reforms that have shown promise and 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.

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. It is a valid concern. 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 of Canadian grain. It is time to introduce commercial discipline and real competitiveness into the grain transportation system,

and finally abandon the command and control system which, not coincidentally, is today as much a feature as the problems themselves.

The shipper protection mechanisms of the *Canada Transportation Act* are not perfect. These concerns exist outside of agriculture as well. The very existence of the Coalition of Rail Shippers, 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. This initiative deserves support. Hopefully the review will result in policy recommendations that are forward looking and designed to maximize competition and strengthen natural market adjustments.

Turning back to the clock and blindly repeating the obvious mistakes policy makers have made during the last 50 years 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.

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