



#102, 115 PORTAGE CLOSE
SHERWOOD PARK, AB T8H 2R5
Ph: (780) 416-6530 - Fax: (780) 416-6531

Rail Freight Service Review

**Submission by
Wild Rose
Agricultural Producers**

April 21, 2010

WILD ROSE

AGRICULTURAL PRODUCERS

#102, 115 PORTAGE CLOSE
SHERWOOD PARK, AB T8H 2R5
Ph: (780) 416-6530 - Fax: (780) 416-6531

We will draw the attention of the panel to some of the issues we feel need to be addressed. We don't have clear and concise answers but we feel that a balance must be reached between commercialization, regulation and general benefit to society. Not all answers have an economic solution and commercialization does not always bring the best results. Some of the questions that need to be answered follow for both agriculture and industry.

- Why is the rest of the world becoming more dependent on rail service while Western Canada is abandoning rail at an unprecedented pace?
- Why is the rail road not used more for domestic movement of grain across the prairies when it is 16 times more fuel efficient and 300 times more efficient overall?
- Why are railroads not competitive with truck freight across the prairies?
- Why do CN & CP have a negative attitude towards the pick- up and delivery of small car lots both in agriculture and industry?
- Why are producer's not using public loading and unloading sites more?
- What are the benefits of using rail more for the movement of freight?
- How have our current regulations contributed to the situation we face today in both agriculture and industry?

Some of the answers to these questions might be:

- Regulations under the rail abandon act that impose a penalty, \$10,000 per mile for three years to abandon a grain dependant rail line. CN and CP discourage use and remove sidings so the line is not grain dependent so then they can abandon the line without penalty.

- Both CN and CP discourage the spotting of small car lots by giving unreliable delivery and unreasonable pick up times eventually removing all traffic so that they can abandon the line.(E.G. 24 hrs to release a car without penalty and 36 day turn around)
- The abandonment of rail lines removing any practical locations for public sites.
- Privatization and deregulation that allow for the discontinuance of rail lines without the need to demonstrate the uneconomic status of the line.
- Under the revenue cap on western Canadian regulated grain, CN and CP are paid by the ton mile based on 1992 maintenance and spotting of cars. The loading of 100 car trains is much more profitable for them.
- The spotting of small cars lots is not just an agricultural issue so the problem is not contained in the revenue cap.
- Precision Railroading is about moving long trains 10,000 ft or more over long distances at high speed.
- With the abandonment of so many rails there is no longer competition between CN and CP for rail service. Communities that were served by both CN and CP in the 1990's no longer have any rail service or only one.

Some of the solutions might be found in:

- Competition through alternatives such as open running rights and short line rail.
- Rewards for on time delivery to shippers, receivers and to the port in the grain industry.
- Incremental single car rates that reflect actual cost savings of multi car spots.
- Regulations that encourage rail usage no matter the number of cars spotted realizing the general benefit and safety of lowering heavy truck traffic into high density urban areas and lowering of our carbon foot print.
- Costing review in the grain industry that encourages branch line and sidings upkeep and maintenance.
- Moratorium on siding abandonment.
- Government support for cost sharing of capital costs for short line railroads that are providing service to small shippers and encouraging economic development realizing the general benefit to society of rail, moving into the future.
- Legislation to support bridge maintenance and repair over public waterways such as rivers.

- Interest free loans for capital purchases of abandoned rail lines by agriculture co-ops
- Tax incentives for investment in shortline railroads that provide continued rail service to rural communities.

Producers have carried the cost of increased efficiency in rail and grain company consolidation. In 1996 a grain producer east of Calgary saw fertilizer prices of roughly \$400 a tonne, the same as today. Initial wheat prices in May of 1996 for #1 wheat at \$219 a tonne compare to initial prices March 16, 2010 for #1 wheat delivered to Crossfield of \$210 a tonne. In 1996 a producer hauled his grain ten kilometers or less to the local elevator and rail road and paid the elevator and rail road \$35.83 per tonne for freight and handling. These elevators loaded ten cars or less at a time. Today a producer hauls grain 100 kilometers or more to a high through put grain terminal where they load 100 cars at a time and we are paying the elevator and rail road \$46.94 per tonne and higher for freight and handling. Some producers get paid trucking to help pay for trucking costs but their overall cost has increased \$11.11 or 31 percent. (See attached grain slips) For an average producer delivering roughly 2000 tonne of product to the terminal that is a \$22,220.00 increase. Producers are not sure how much more efficiency they can afford. Major rail abandonment and elevator closures began in the early 1990's and as the grain companies and railroads became more efficient, producer costs rose. These increased costs are a contributing factor to why western Canadian farm debt has risen from 35 billion in 1998 to 58 billion in 2008. Farmers with trucks that would serve on a short haul costing \$50,000 now have to purchase long haul trucks for \$150, 000. Rail lines being abandoned and small grain companies having to close or move onto lines still open to operate is costing shippers' money. This occurred with the abandonment of the Girouxville Line in northern Alberta when two small grain companies had to relocate from Girouxville to Fahler when the rail road closed their track. It cost each of them roughly half a million dollars to move their offices and businesses. Shippers and receivers in western Canada are banding together to try to reverse this trend in rail service by purchasing rail lines put up for abandonment. They're replacing public loading and unloading sites in order to try to maintain a competitive alternative for freight movement and service. This has come at a tremendous cost.

There are two groups in Alberta that are currently trying to purchase lines put up for abandonment to bring back rail service to these areas. The Battle River New Generation Co-op has made CN an offer to purchase the Camrose to Alliance Line. This is a tremendous financial burden to the people along the fifty miles of track. These farmers and people along this line believe in the efficiency and benefits of moving freight by rail. South of the Battle River Line there is another group of people that believe in the benefit of rail to their communities along the Oyen to Lyalta line that CN recently advertised for abandonment. These producers are faced with a difficult task as this particular line runs 170 miles crossing through the Badlands of Drumheller. It connects two major cities, Calgary and Saskatoon. It represents major maintenance challenges as it has over 109 bridge crossings. If the owners of these two lines could originate and terminate two to three thousand cars of freight they could conceivably lower heavy truck traffic into major urban centers by over 1 million kilometers. Governments have to start to realize the benefits of using rail to move heavy freight as it reduces road maintenance and increases public safety. CN itself proclaims that rail movement is the environmental choice for economic development in communities. CN and CP seem to be willing to work with shortlines but the capital investment required by producers is overwhelming in today's agricultural economy.

The businesses and producers of these areas know the urgency of maintaining the last rail lines willing to spot and deliver cars to individual shippers and smaller grain companies. They realize the need for some form of competitive alternative to centralization and consolidation in the name of increased efficiency. They realize the need for regulations and incentives that encourage the continued use of rail as we move ahead into the future. We all know that as Alberta's population grows that the building of more highway infrastructure to handle more traffic is not the best solution. The world realizes the efficiencies of moving heavy freight and passengers by rail. We need to try to be more proactive in Western Canada as we move to the years 2020 and 2030 before we lose all of our rail lines. We wish the panel all the best in finding solutions to increasing our use of rail by insuring that the service is in place to enhance the economic development of Western Canada.