

Speaking Notes for the Grain Growers of Canada – Agriculture Committee

September 17, 2009

Mr. Chairperson, Honourable members, and guests.

My name is Richard Phillips. I have a farm in Saskatchewan and am with the Grain Growers of Canada. With me today and sharing our time, is Rick White. Rick also has a farm in Saskatchewan and is with the Canadian Canola Growers.

I am going to give you an overview of why farmers use producer cars with some actual dollar figures, and Rick will address other rail issues that affect our competitiveness as growers.

So, why do farmers use producer cars ?

Very simply, they offer us the opportunity to save some money.

I am sharing with you a recent cash ticket where I sold my malt barley to Viterra.

This amount of barley would roughly fill one producer car.

If you will look at the bottom, under Cash Ticket Adjustment Details, you will see a breakdown of costs.

Whether I sell to a grain company or ship a producer car, I would still have to pay the rail freight of \$2,235

And I would still have to pay the terminal cleaning charges of \$469 for where the car unloads at port.

In total my costs would be about \$2,700.

What I would save is the cost of elevation the grain companies charge to handle my barley. That amounted to \$944.

In terms of process, I would have called either the Wheat Board or the Canadian Grain Commission and ordered a car. The car would eventually arrive and be spotted on a siding, I would fill it with grain and call the railway to release it.

However, there are risks involved.

If the roof hatches on the railcar leak and water gets in and spoils the grain, it is 100% my loss. If the bottom of railcar has a slow leak and a couple tonnes trickle out in transit, again it is my loss.

The car might not come for weeks or even months and I might need the cash flow before that, or winter arrives and all my bins are snowed in.

So I have to decide if the \$1,000 I save are worth the risks.

When I sell it to a grain company, it is their grain and responsibility the moment I deliver it.

There is usually some flexibility on when I can deliver.

And grain companies also have the ability to blend grains and so they can often offer a premium for delivery, which on a grade difference could be several hundred dollars in my pocket.

I hope that gives you a feel for how farmers approach the decision on whether to order a producer car or sell to a grain company.

In terms of producer car numbers we've seen over a 50% increase in the use of producer cars in the last 5 years.

One reason is the success of some short line railways where they only load producer cars because there is no grain elevator.

Another reason is producers are watching their bottom lines and if they can't negotiate a better deal with a grain company on grade and dockage, they might be ordering more cars.

Producer cars do provide an important check and balance in our grain handling system and so it is important that we have access to them, and just as importantly, that we have places to load them.

That brings us to sidings.

One of our biggest concerns over sidings is the relatively short time period we have as producers to take action when a railway gives notice.

A 60-day notice is not much time to get together, create a business plan and make an offer, especially in a busy season.

This process for sidings is sharp contrast to the process for branch-line abandonment where there is currently a 3-year discontinuance notice for the line itself.

We have been meeting and working with SARM on a proposal to amend the Canadian Transport Act and I'm sure they will detail the change we feel is needed.

Rick?

Thank you Richard, I would like to change the focus of the discussion a bit, to the broader issue of Competitiveness. For us as growers, to be competitive, we need an efficient, effective and affordable rail transportation system, to keep us competitive in the global market.

There are 2 components to rail transportation that affect our competitiveness:

The first one is Timely Service. This has been a problem for a very long time. However, there has been some progress on this front with the passage of Bill C-8 giving shippers more negotiating power and options to hold the railways more accountable in providing service. In addition,, there is a formal Review of Railway Service currently being undertaken by the Government and we fully support that initiative and we look forward to its completion and implementation of recommendations that will emerge. We are optimistic on the service issue.

The second component to rail transportation that affects our competitiveness is the Price we pay to transport our grain. If rail freight charges are too high, we cannot compete in the export market, or at a minimum our competitiveness would certainly be reduced. We are fortunate to have a legislated revenue cap in place for the movement of grain, and we certainly need that to remain in place in the future. The revenue cap is effective at allowing the railways pricing flexibility to reflect proper market signals, and at the same time it protects farmers to some degree in limiting the overall yearly revenues earned by the railways in the movement of grain. While the existing regulation governs maximum railway revenues, it is nonetheless cost-based, where the costs are historical railway costs. In fact, the current revenue cap is based on the costs of the railways as established by the WGTA back in 1992, almost 18 years ago.

We all know that a lot has changed in railway operations and infrastructure over the years, and we are talking about some of those

changes even at this meeting today. We believe the time has come, for the federal government to conduct a Costing Review of the Railway Revenue Caps, to re-establish and update the base-year to the current operational environment. This “recalibration” is required to ensure the revenue cap remains relevant and fair to the industry, and to ensure our competitiveness in the future.

In summary;

- we support SARM’s proposal to amend the Canadian Transportation Act to ensure sidings go through a fair abandonment process,
- secondly we strongly support the level of service review currently under way and ask Members of all parties to act swiftly to implement the recommendations
- and lastly we feel that the time has now come to conduct a costing review of the railway revenue caps and would encourage this Committee to support us

Thank you again for the opportunity to be here and we look forward to your questions.