



House of Commons
CANADA

Standing Committee on Agriculture and Agri- Food

AGRI • NUMBER 031 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Thursday, September 17, 2009

—
Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

Thursday, September 17, 2009

•(1645)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I'd like to call our meeting to order.

First of all, thank you very much to our witnesses today for coming on what is I think a fairly urgent subject.

Everybody is quite aware of the intentions that CN has announced to close a number of sidings, and I imagine our witnesses today are aware as well that CN has delayed or postponed that—I don't think the word was “cancel”. We thought we had some time today to at least hear some opinions on it. I'm going to suggest that because of the time of the day, we limit the comments. Maybe you could put them in answers to some of the questions. At the same time, I don't want to totally silence our witnesses; this is an informational thing as well. So if we could keep it fairly relevant, which I'm sure you will, we'll go from there.

I'm not sure who would like to lead off, but somebody can volunteer.

Mr. Phillips, go ahead.

Mr. Richard Phillips (Executive Director, Grain Growers of Canada): Thank you, Mr. Chairperson, honourable members, and guests. Our presentation is only about six minutes, not the full ten.

My name is Richard Phillips. I have a farm in Saskatchewan and I'm 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 Association.

I want to give you an overview of why farmers use producer cars and give you some actual dollar figures, and Rick will be addressing 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 was going to share with you a cash ticket. I'll just go through the numbers. This is some barley that I sold this spring. I can give you some real numbers of what we actually would save with the producer car.

Whether I sell my grain to a grain company or whether I load a rail car myself, I have to pay the rail freight no matter what. And the rail freight on this is about \$2,200. Then when the car gets to port position and they clean it in the terminals, I also have to pay that. No matter what, it has to be paid. So in total it would cost me about \$2,700, even when I'm shipping in a producer car. But what I would save is the cost of elevation that the grain companies charge to handle my barley, and that was right around \$1,000.

In terms of process, I would have called either the Wheat Board or the Canadian Grain Commission. I would have said I want a producer car. The car would eventually arrive and be spotted on a siding. I would fill it with my grain and call the railway to be released. That's what I would do, in terms of process, to fill my own producer car.

However, there are risks involved. If the roof hatches on the rail car leak and water gets in and spoils the grain, the loss is 100% mine. If there is a crack in the bottom of the car and the grain trickles out all the way to Vancouver, then I also lose that. The car might not come for weeks or even months. When you order a car from the railway, who knows when it's going to come. It could be in a big blizzard, it could be in a snowstorm; who knows when they're going to spot the cars.

Those are the risks you have when you want to ship the grain yourself. So I have to decide if that \$1,000 or \$1,500 is worth those risks, or do I just take it to the grain elevator.

The other thing with the grain elevator is that there's usually some flexibility on when I can deliver. Probably more importantly, they can blend my grain. They might have some good grain and they can bring mine up a grade and give me the extra money for that. So I can make hundreds of dollars just selling to the grain company. Lots of farmers deal with the grain companies. That's why the vast majority of grain still goes through them and not through those producer cars.

In terms of producer car numbers, we've seen over a 50% increase over the last five years. One reason for that is that there are a number of short-line railways out there successfully operating today. And on the short-line railways quite often there are no grain elevators, so all they do is load producer cars. A lot of producers in those areas strongly support those producer car loading sites and they will deliberately try to do their business there to support their local community and business and railroad.

In summary, from my point of view the producer cars provide a really important check and balance in the system, because I, as a producer, always have the option if I want to ship my grain in producer cars. If I go to the elevator and I feel like I'm getting a runaround, that I'm not getting a fair deal, that I'm not getting fair grades or dockage, then I have the choice. I can order a car and I can ship my grain. So for me as a producer, it's critical that we have those cars and that we have spots to load them—which comes to the siding issue, which I think SARM is probably going to talk about.

We're really very unhappy with how sidings are being discontinued today. The notice period is way too short. But I'll leave it to my colleagues to explain more, and we fully support SARM's position on this.

Rick, do you have a few words on some other rail issues?

• (1650)

Mr. Rick White (Executive Director, Canadian Canola Growers Association, Grain Growers of Canada): Yes, thank you, Richard. And thank you to the committee for providing an opportunity to talk to you about some of these topics.

First of all, I would like to change the focus of the discussion here a little bit to the broader issue of competitiveness. As growers, we need an efficient, effective, and affordable rail transportation system to keep us competitive in the global market.

There are two components to rail transportation in general that affect our competitiveness as growers in that market. 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. We fully support that initiative and look forward to its completion and the implementation of the recommendations that will emerge. We're optimistic on the service issue.

The second component of 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 minimum, our competitiveness would certainly be reduced. We are fortunate to have a legislated revenue cap in place for the movement of western Canadian grain, and we certainly need that cap to remain in place in the future. The revenue cap is effective in allowing the railways to have pricing flexibility to reflect proper market signals, and at the same time, it protects farmers to some degree by limiting the overall yearly revenues earned by the railways from the movement of grain. While the existing regulation governs maximum railway revenues, nonetheless, it is still cost based, where the costs are historical railway costs. In fact, the current revenue cap is based on the costs of railways established by the WGTA way 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're 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 that the revenue cap remains

relevant and fair to the industry, and to ensure our competitiveness in the future.

In very quick summary, we support SARM's proposal to amend the Canada Transportation Act to ensure that sidings go through a fair abandonment process. Secondly, we strongly support the level of service review that is currently under way and ask members of all parties to act swiftly to implement the recommendations when they come forward next spring. Last, we feel the time has come to conduct a costing review of the railway revenue caps, and we would encourage this committee to support us in that endeavour.

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

The Chair: Thank you.

Mr. Marit, or Mr. Hallick.

Mr. David Marit (President, Saskatchewan Association of Rural Municipalities): Thank you, Mr. Chair.

I want to take this opportunity to thank the committee for hearing us here today. My name is David Marit. I'm president of the Saskatchewan Association of Rural Municipalities. With me here today is my good friend and our vice-president Jim Hallick. As a bit of background about the organization, we are an independent voluntary association representing all of Saskatchewan's 296 rural municipalities.

The railway system in Saskatchewan is vital to our province, perhaps more than other provinces. Railways provide the primary method by which farmers and producers can move products and commodities to market for export.

Competition is absolutely essential to the success of our agrifood industry. Competitiveness is threatened by CN's delisting of 52 producer car loading sites across western Canada, 24 of which are in Saskatchewan. Delisting means, of course, that producers can no longer order cars to be sent to that site to load grain. Western Canadian farmers have long been able to order their own grain cars and load them themselves. The right was legislated in 1902. The economic savings to producers who choose to load those cars has been estimated at more than \$1,200 per car.

In recent years there has been a renewed interest in using producer cars because of transport cost savings. The most recent statistics from Quorum Corporation's grain-handling report indicate that over 12,000 producer cars were loaded in western Canada in 2006-07. This is a record number of producer car loadings. The statistics for Saskatchewan are equally impressive: 1,572 producer cars were loaded in our province in 1999, and in 2006-07 that number climbed to 8,971.

Clearly the system is widely used, and every indication points toward expanded use in the future. But in addition to this, we must emphasize that it costs nothing to maintain a siding on a producer car loading site. These sites allow producers to load commodities for transport, and CN's proposal to delist these sites means that our province's already few transport options will be reduced even further.

Once a railway siding is rendered inactive through delisting, it becomes easier for the rail companies to justify the discontinuance and ultimate abandonment of the siding itself, which would further reduce available transportation options. This would result in an awkward and centralized transportation system that does not accurately reflect producers' needs and requirements.

SARM recently presented a resolution at the Federation of Canadian Municipalities' rural forum that would seek proper and appropriate protection for rail sidings by amending the definition of "railway" in the Canada Transportation Act. That resolution was unanimously passed. The resolution is timely, because delisting a loading site means that a siding is potentially inactive. An inactive siding is one that could be discontinued, and once a siding is gone, it is gone for good.

We are aware of statistics that show that a very small percentage of producer car loading sites have been underutilized in the past. However, it is plainly evident that overall usage has been steadily and consistently increasing, so now is not the time to be delisting sites.

We are frustrated at the lack of transparency in the delisting process. We do not know what criteria CN used to delist the sites; we do not know who was using the delisted sites or for what purpose; and up until late yesterday afternoon, we did not know if any objections had been registered with the Canadian Transportation Agency during CN's 60-day delisting notification period.

SARM learned late yesterday, after much investigation, that 14 individuals and organizations submitted complaints and objections to the proposed delisting, but they did so only after the 60-day notification period had expired and the matter became public knowledge.

These 14 letters to the CTA, eight of which were from Saskatchewan, were all dated on or after September 5, which was well after the official delisting announcement had been made. This circumstance tends to suggest that these people and organizations were simply not aware of CN's intentions until after the public comment period had drawn to a close.

By advertising the notification to delist the sites in obscure and little-read regional publications, CN followed the letter of the law but not the spirit of the law. SARM is therefore asking for an immediate halt to the delisting of these 52 sites. We also request a moratorium on future delisting of all producer car loading sites until such time as the Canada Transportation Act can be changed to allow for a more transparent delisting process.

•(1655)

By transparency, we mean the following. Rural municipalities in the general area of the proposed delisted site must be notified and allowed to respond. The notification to delist a site must be published in either one or both of our two provincial major daily

newspapers or the *Western Producer*, and we want CN to publicly display the criteria it uses in determining which sidings to delist. We want publicly and easily accessible information that indicates if there were any objections to the proposed delisting during the 60-day period.

This request for a legislative change to the Canada Transportation Act is important to us for one primary reason: our provincial grain economy depends almost entirely upon having an adequate and responsive rail network, and we need to have simple and ready access to any information that threatens this economic well-being.

According to the Quorum Corporation's annual report, the railways have plans to discontinue an estimated 700 miles of track in western Canada over the next three years. Five hundred and seventeen miles of that track was discontinued in western Canada in 2007-08 and 400 miles of that track was in Saskatchewan. The continued abandonment of rail lines, combined with the threat of increased siding discontinuance as a logical result of the closure of producer car loading sites, means that our province is faced with significant challenges, not only to our options for transport but also to our road infrastructure.

Every rail line that is closed, every siding that is ripped up, and every producer car loading site that is shut down necessarily result in an increase in road traffic and a consequent increase in the need for road repairs. Saskatchewan is in the enviable position of having one of the most vibrant and healthy short-line railway industries in the country. A ninth line was established this summer and a tenth line is in the works. This industry relieves an already overburdened road network, offers producers reliable and inexpensive transport, maintains the basic integrity of our transportation system, and fosters competition, which we understand as a necessary good.

We believe more can be done to ensure that the short-line industry is accommodated and encouraged. Rail line transportation is a vital issue in Saskatchewan and is one that we do not take lightly. Although the delisting of producer car loading sites may have the superficial appearance of being a small issue, we assure you that it is not. Once a loading site is delisted, the rail siding on which the loading occurred is inactive, and an inactive siding is an easy target for discontinuance. As we mentioned earlier, once a siding is discontinued or abandoned, it cannot be replaced. It is gone.

CN announced its intentions to delist 24 sites in Saskatchewan. From the perspective of Saskatchewan, the implications are frightening.

Thank you, ladies and gentlemen, for hearing our submission.

•(1700)

The Chair: Thank you very much.

Mr. Gerelus or Mr. Smolik, we'll turn it over to you.

Jim.

Mr. Jim Smolik (Assistant Chief Commissioner, Canadian Grain Commission): Thank you very much, Mr. Chair.

I'd like to thank the committee for this opportunity to be heard today. I am very pleased to be here today to speak about producer cars and the role of the Canadian Grain Commission, or CGC, in these cars.

My name is Jim Smolik, and I am assistant chief commissioner at the Canadian Grain Commission. Prior to this job, I was a grains and oilseed producer in the Peace River region of British Columbia and farmed near Dawson Creek.

I am also joined here today by Nathan Gerelus. He is one of our policy analysts at the CGC.

Before I get started, I'll just mention that we've started receiving early samples of this year's crop, the one that's being harvested right now. On a good news note, the samples are looking very good. The quality is looking very good. We're very pleased to hear that. It's good news for the producers out there. We hope the good weather continues so that our farmers can finish off this much challenging year.

Today I'm going to provide some context around producer cars to help inform this discussion. I'll be talking about the authority given to the CGC under the Canada Grain Act. It's important to be clear that the Canada Transportation Act is the act that deals with producer siding closures. It is not under the CGC's jurisdiction.

The producers' right to access producer cars has been protected by the Canada Grain Act since its inception in 1912. The act also establishes the CGC's responsibility for producer car allocation. I think it's important to note that this right applies to all 21 grains that are covered under the Canada Grain Act and regulations.

Producer cars provide producers an alternative to the licensed elevator handling system. Producers may choose to load a producer car for many different reasons. It may be to save on elevation and handling fees at their local elevator, or a producer may choose a producer car because the loading site is closer to their farm than the closest elevator or is otherwise more convenient. Some producers may choose producer cars simply to directly obtain CGC grading and dockage that unload at port.

As I said earlier, allocation of producer cars is the CGC's responsibility. It is one that we uphold by working closely with producer car administrators, the railways, and the Canadian Wheat Board in the case of board grains.

Very briefly, this is how the system works. A producer applies for a producer car to the CGC, indicating the type of grain the producer wishes to load and the shipping week within which he or she wishes to load it. The CGC processes the producer car applications in the order in which they are received, working within certain parameters, such as the railways' weekly service plans and, if applicable, the Canadian Wheat Board's grain and grade pattern.

Prior to scheduling the car, producers are contacted to ensure their availability to load during that specific week. Each producer must either choose to obtain the services of a producer car administrator or self-administer their car. The CGC has a dedicated producer car unit that handles this process.

The whole process is a little more complex, but in the interest of time, I won't get into any more details at this point.

Producer cars can be, and still are, loaded at traditional producer car sidings by producers with augers directly from trucks into railcars. However, the trend has been towards producers working together and collectively constructing producer car loading facilities to achieve the same end.

In fact, just this past year a group of producers in southern Manitoba, calling themselves the Boundary Trails Railway Company, purchased a section of rail line near Darlingford and began to ship producer cars.

Another group of producers in eastern Alberta, the Battle River Producer Car Group, has also recently purchased a section of abandoned line near Alliance, upon which they plan to load producer cars as well.

The volume of producer cars has gradually risen in recent years. In the 2004-05 crop year, producers loaded 8,061 producer cars. During the 2008-09 crop year, producers loaded 13,243 producer cars. We expect this slow and gradual trend to continue. However, to keep this in perspective, we must not forget that while 13,000 producer cars is a very significant number, this represents quite a small portion of the total grain movement. Approximately 250,000 railcars unload annually at port position alone. Of these, producer cars make up anywhere from 2% to 5% of the total shipments in a given crop year.

Now, I understand that we're here today because there is a proposal to close several producer sidings. As I stated before, it is not under the CGC's authority to oversee the process of closing producer car sites. We can, however, provide some statistics concerning these particular sites. We've prepared and provided you with a handout.

As you can see, many of the sites slated for closure have loaded zero producer cars over the past five years, and those that have been used loaded only a handful of times. Five of these sites, Brandon, Biggar, Tisdale, Wadena, and Yorkton, are also called dual sites, where both CN and CP service the town. Percentage wise, the total loadings of these site work out to approximately 0.1% of total producer car movement.

● (1705)

In closing, I just want reiterate that the CGC takes its responsibility related to producer cars very seriously. We feel that producer cars are a very important aspect of the producer protection offered by the Canada Grain Act and administered by the CGC.

I also want to mention that of the 13,986 producer cars requested last year, 13,243 were allocated. That's about 95%. So virtually everyone who ordered one received one.

At this point, I'll end my comments, and I'm willing to answer any questions you may have.

Thank you very much.

The Chair: Okay.

Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): I just want to raise a quick point. People in this room might be aware of this, but people who are following the proceedings may not.

Immediately upon learning that CN Rail was going to be closing 52 producer car rail sites without meaningful consultation, Minister Merrifield, the secretary of state for transportation, called its senior management into his office. The end result of their discussion is that this morning CN confirmed it will continue to service these sites until at least the new year, and this additional time will provide for significant consultations with farmers interested in using the sites.

As the government, we're very pleased that CN has agreed to reconsider its action and that it's going to take into account farmers' needs. We as committee members are also interested in this matter, and it is the hope of our committee that we will conduct consultations on this matter as well.

I just wanted to bring you up to date on the matter, if you perhaps didn't know, and certainly Canadians who might be following these proceedings, before we got into our questions and answers.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Lemieux.

We'll move to questions. Is a five-minute round okay?

Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): Gentlemen, first of all, thank you for coming up here.

No, it is not a small issue, as one of you alluded to. I think this is reflected in the fact the chair of our committee called you so quickly to come up and give testimony on the issue, notwithstanding the fact that there is now no immediate movement to close these lines.

However, should it happen, we have to be prepared. I'm curious to understand this, and as I do not farm, you will have to teach me some things here.

You spoke of the Canada Grain Act and the Canada Transportation Act, and you've delineated the jurisdiction of each to a certain extent. But it sounds to me that CN can make application, and I'm not certain whether they have to establish something and gain permission to close the these producer cars down, or whether or not they just have to give notification and it automatically happens on proper notice. Regardless of either, I'd like to know what you think the government could do, what measures could be introduced either in legislation or regulations that would prevent the arbitrary closure of these producer car loading sites. In other words, must they establish that there are certain losses, or that there is no need, or some such thing, before they're actually permitted to close them? And should they close them, can you talk to us about what might be done to mitigate the effect of a closure?

So there are two questions.

Mr. Marit, and Mr. Smolik, as both of you seem to have hit on this issue in some way, either of you can answer.

• (1710)

Mr. Jim Smolik: I'll start.

Hopefully I've made it fairly clear that the closure of the sites is under the jurisdiction of the Canada Transportation Act and not under the jurisdiction of the Canada Grain Act. So we won't have a position on establishment of certain boundaries; it's not in our authority.

But we are the allocators of producer cars and we allocate them to the sidings that are serviced by the railway companies.

Mr. Francis Valeriote: So you're not in the position to answer that question.

Mr. Marit, can you talk to me about it?

Mr. David Marit: I'll try from what we understand. Just to provide a little more background to my position, I'm also president of a short-line rail. Our municipalities own our own railway and are very successful.

Our understanding of this issue of the de-listing of producer car sites is that the railways only have to give 60 days' notice in any local media they deem fit. It doesn't have to be within the immediate area of the discontinuance.

I'll give you an example of that. I'm in the southern part of the province. We are serviced by a CP line. We have three short lines in the southern part of the province and we have service by CP from Assiniboia to Moose Jaw. There was an ad put into *The Assiniboia Times*—which is dependent on CP—on the closures by CN. It has no relevance to us whatsoever.

I believe, and I think we stated this in our presentation, that there has to be a transparency by the railways.

Mr. Francis Valeriote: Okay, I understand that.

We have only a few minutes. I want your opinion on what should be introduced into regulations and legislation so that they can't arbitrarily be closed.

Mr. David Marit: I think the first thing that has to be done, as I said in my presentation, is that the definition of "railway" has to be redefined and sidings have to be part of that definition. That is key.

Mr. Francis Valeriote: And why is that so?

Mr. David Marit: That is key because the railway can come along at their discretion and, as a business decision that they made, and with no notification, tear out a siding. With no notification they can do that. They do have to if it goes through an urban setting, but they don't have to if it's a rural setting. We feel that it should be treated the same.

Mr. Francis Valeriote: Is there anyone else who would like to offer an opinion on measures that could be introduced?

Mr. Richard Phillips: Yes. If you made the amendment that he's asking, then the railways would be required to do a three-year process, not a 60-day process. That would give municipalities and farmers a chance to get together, put together a business plan, find some financing, and make an offer to buy them. What we need is that timeframe.

Mr. Francis Valeriote: So you're not suggesting that they should be prohibited from doing this?

Mr. David Marit: No.

Mr. Francis Valeriote: Can you tell me what the alternatives are for transporting your grain should they actually close? It was suggested that the only way is the highway. Are there other options?

Mr. David Marit: My comment is no, quite briefly. In our province the only other mode of transportation is road. And with that, a lot of our producers lose a competitive edge.

Mr. Francis Valeriote: And if you assess the costs of what that would be...or do you plan to, in preparation for arguing against any further closures?

Mr. David Marit: We sure can, and the costs are quite extreme. And somebody has to look at the environmental impact on this too.

The Chair: Thank you. Your time has expired, Mr. Valeriote.

Mr. Bellavance.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): What I understand from what Mr. Lemieux said earlier is that the issue is far from settled. CN put off its decision just until the end of the year. The threat still looms over communities and producers. We are talking about 52 sites that could be closed, and that is nothing to sneeze at. For my own benefit and probably for the benefit of those who will be reading the evidence of the agriculture committee, I would like to know whether the people at CN have done the same thing in the recent past, that is, closing sites almost arbitrarily.

I want to know whether they do this a lot, closing a number of sites. I also want to know if the company had a plan to determine whether all these sites were profitable or if the people affected were caught off guard. At some point, was a decision made to close 3 sites and then 52? Or, on the contrary, had there not been any closures for many years, and then, all of a sudden, CN announced that it was closing 52 sites? I would like a little background on the situation. I want to hear how CN went about choosing the sites and whether it consulted anyone.

My questions are for everyone.

• (1715)

[English]

Mr. David Marit: I'll try on this one.

The rules as we understand them are that they just have to advertise that they're going to close the sites and give 60 days' notice. There is no recourse, as we take it, to change that. You can make your complaint, but we don't even know where that would get you, and that's our concern. You can file a complaint with the CTA, and that's all we really know about that.

The rationale to do it is probably—and this is only my opinion, take it for that—that these are an inconvenience to the rail line and probably to other industries. I guess it's a competition, it's a competitive aspect of the industry, that somebody is trying to eliminate.

[Translation]

Mr. André Bellavance: I will ask one of my questions again.

Had a number of sites been closed in the recent past, or had there not been any closures for a long time, when suddenly, CN announced that it had to close 52 sites?

[English]

Mr. David Marit: I have to honestly say this is the first that I am aware of.

[Translation]

Mr. André Bellavance: As I was saying earlier, the closure of 52 sites is a serious blow to those who have been using these sites for many years, sites that were no doubt reasonably close by. From now on, costs will go up, only for transport. I want to come back to what Frank was saying. By law, CN has to ask for Transport Canada's permission, but it does not have to give the slightest reason. As I said, when they want to close a site, things are done arbitrarily. I want to know if Transport Canada asks for valid reasons before it gives its authorization. I am not sure. We are not really familiar with what Transport Canada has to do in these cases. The idea that Transport Canada would just give its authorization at CN's request seems rather shocking.

[English]

The Chair: Does anybody want to comment?

Mr. Richard Phillips: Maybe I'll just back up a little. When we looked at the numbers, we saw that a lot of these sites had not been used in a number of years. The farmers aren't using them. The issue is that what they're suggesting is that the timeline is too tight. So the community says, well, if we'd known you were going to close it, maybe more farmers would have been using it. Sometimes we have to be woken up a little bit, and I think that's some of the case here. We've woken up, and it really got our attention too.

So what I think we need now is some time for the communities to look at the rail sidings and say, let's put together a package, let's buy it, and let's encourage farmers to deliver grain here. In some cases, the communities may say, it's not worth it, so let it go; there's another town close by. Perhaps there's another siding not that far away.

So what we're asking from you is some time. But I think in terms of process, if they go through the process, they can just abandon them.

[Translation]

Mr. André Bellavance: I would suggest that you....

[English]

The Chair: Your time is up, Mr. Bellavance.

[Translation]

Mr. André Bellavance: I have a simple suggestion. It might be useful for these people to appear before the transport committee, as well.

[English]

The Chair: And at your directive, we can certainly do that here—or suggest it, I should say.

Mr. Atamanenko, five minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you.

I just want to get this clear in my mind. Let us take a community like Blaine Lake in Saskatchewan, which years ago used to have an elevator. When I'd help my uncle, we used to deliver grain there. There are no more elevators now. Blaine Lake doesn't accept grain. It's not one of these sites, but if the farmers in that area wanted to have it, could there be other sites opened? I don't quite understand the process. Is that possible?

I have another question. There are 52 sites that are closed, and yet according to this only six of them have operated in this last year, so the danger here is that if we allow this to happen, the idea we're looking at is the potential of reactivating these sites. There's a potential for that. That's why we're on this, if I'm not mistaken. Also, is it possible to open up other sites? Physically, what's necessary? Is it just a side railway line beside the main line?

Maybe you could explain that to me, please.

• (1720)

Mr. Richard Phillips: Once they go through this process, what we anticipate would happen is that they would simply pull out all the steel and all the ties and these would be decommissioned. I don't think you would ever see anybody go back in and build a siding again. The cost of doing that and negotiating... Once they're gone, they're gone for good. That's why we need this time.

You know, maybe some of these will be gone for good, no matter what. Maybe they're not needed because there's an alternative close by. What we need is that time, because once they're gone, they're gone. Is anybody going to build brand new sidings? I don't think there are going to be many built. It's very, very expensive. That's why we want to just buy some time to see what we can do with these.

Mr. David Marit: Mr. Chair, if I could add to that, we have to be very clear on this. A producer car siding is an allocation of that siding. It is not the siding itself. It's an allocation of it. Once you remove that allocation, you will never get it back, and then you've removed the competition on that siding. That's our whole defence here: that there should be a more transparent process to remove that allocation.

Mr. Alex Atamanenko: I have another question in regard to CP. We haven't heard CP mentioned. What's happening with CP?

Mr. David Marit: As far as we know, CP has not put any sidings or producer car allocation sites on the list for delisting.

Mr. Alex Atamanenko: So CN has done this because they're saying it's too costly. Is that correct? What's the cost to them?

Mr. David Marit: The only costs I can see that CN or the railway could defend on a producer car allocation is if that siding was not used for anything else—if no other industry player or grain company was using that siding. If a siding is a half a mile or a mile long and there's a grain terminal on it, then the grain terminal is using that siding.

There's no more cost for the allocation portion of that siding for a producer car loading site. They don't pay an extra tax on it. If the siding is not being used by any other industry player and there's a producer car allocation, in defence of CN the cost would be the tax of the siding and the maintenance of the switches.

Mr. Alex Atamanenko: But they're making money transporting the grain.

Mr. David Marit: That's right. But they would say the siding was not being used for any purpose whatsoever, and they'd have to maintain the switches and pay tax on the siding.

Mr. Alex Atamanenko: Thank you. I don't have any more questions.

The Chair: Thank you, Mr. Atamanenko.

We'll now move on to Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, gentlemen, for coming. I know it's short notice.

When we first heard about this, to say I was concerned would be saying it lightly. We contacted both Minister Ritz and Rob Merrifield, who handles transport. They both got behind this right away to say it was something that needed to be looked at. I'm glad that commitment created this result that has bought us a little bit of time.

Mr. Smolik, in your report here, this is just loading of railcars, not non-grain products.

Mr. Jim Smolik: Yes.

Mr. Randy Hoback: David, you touched a little on the fact that these sidings can be used for other things besides railcars. For example, in Tisdale, Northern Steel also uses that site for bringing steel in and out. So I'd like to inform committee members that what you're seeing here is not the full use of that site; it's just the grain side of the business.

One of the things I've often wondered about is that you'll see producer cars kind of go in waves. All of a sudden guys will be happy and do it for two or three years, then they'll back off. Is there anything you can relate on why that is? If we look at this list, some sites are very active and some sites just aren't active at all. Are there any similar characteristics? Are there barriers in place right now that we should be looking at as a committee that are preventing farmers from using these producer sites?

Jim, I'll start with you.

• (1725)

Mr. Jim Smolik: Thanks, Randy.

You're going to see a variance in producer car loadings, and a lot of it has to do with the crop year, the condition of the crop, and what the marketplace is demanding. Right now, a large percentage of the producer cars going to port are carrying Canadian Wheat Board grains. We're seeing an expansion in the pulses and the peas, so the market is demanding the use of these products, and that allows the opportunity for the producer cars to be used in that respect. So it possibly saves producers money in getting it to port. As the ebbs and flows of natural business happen, you'll see the producer cars being used, more or less.

But as I said in my report, we are seeing a continual expansion in producer cars. The short-line railways are also utilizing some of these rail lines. Some sections of the line are being bought by certain companies—you mentioned steel—and they're maybe adding grain, so farmers are making arrangements with them as well.

We can allocate cars to a producer on a short-line railway that has nothing to do with grain, but they're allowing grain cars to be pulled on that trackage as well.

Mr. David Marit: Thank you.

The only one I can speak to with experience, after operating a short line, is level of service. We have seen in the past in Saskatchewan that if branch lines were under CP or CN rule, regardless of which one, and a producer car loading site on one of those lines ordered cars, the class one railways would say, "We won't bring them to you because it costs us too much to get them there. We won't get them to you unless we come down that train run with 100 cars, or 50 cars".

When they become short lines we can do it a lot cheaper, and we can do 10 cars, five cars, or 25 cars. That's about the only argument I can give as to why you would see a spike and an increase in it. We're seeing more short lines in Saskatchewan, therefore we're seeing more producer cars because of level of service. We can deliver it, and that would be the only thing.

If the federal government could address level of service and make sure it was addressed, that would be a huge plus for the farmers and the grain producers in Saskatchewan and western Canada.

Mr. Randy Hoback: I guess, again, the level of service is something that our government has committed to, and I understand that study is going to take place pretty soon.

Mr. White, there used to be a lot of canola shipped on producer cars. Why isn't there now?

Mr. Rick White: There's very little canola being shipped in producer cars. I guess our growers are more or less satisfied with going through the mainline companies and doing it the traditional way, taking advantage of multi-car incentive rates, for example. When you go to 50- or 120-car spots, there are substantial trucking premiums associated with that to attract the grain. You know, a carload of canola is very expensive, and when you're shipping a producer car you're bearing the risk of that entire car on your own. It's not blended off in a train. It's not blended off in some kind of composite sample. It has to stand on its own. So there are some risks, and when the value of the commodity is as high as canola, those risks are substantial.

Probably another reason is that it's difficult to find a buyer for your canola at the other end of the pipeline. For you to get a producer car and ship canola to the west coast, for example, you have to have somebody there to take ownership of it. Now, unless you've arranged that yourself... It's sometimes difficult for farmers to do that. So I think that's a bit of a holdup for canola growers specifically, and why they maybe shy away from producer cars.

The Chair: Your time has expired, Mr. Hoback.

Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

Randy, you should recognize that's the good argument for why you need the Wheat Board—so that you can continue to ship producer cars. Whether the sites have been used or not, it's really an issue of producer rights. How do you balance that against the railways? In this town they have all the power. I said it earlier, in joking to André, but it's true. The Department of Transport might as well be called the department of railways, because all the power is on the side of the railways.

Do you want to talk about lobbying? When we were preparing for this meeting today...CN actually met 33 times with government officials, including the chair of the CTA, since January, and with Minister Baird and Minister Merrifield separately on August 31. So they're doing their work, and I certainly give Merrifield credit for calling them in. But if they decide they're going to close them anyway, is there any authority now on the books through which we can order that those producer car allocations—the sidings, as you said, David—must be maintained? If the government can't do that, then we need changes in legislation so that they can.

Can anybody answer that?

• (1730)

Mr. Richard Phillips: There is the possibility of government action, Mr. Easter, but it's a long shot. The CTA does have the power to step in where it looks like they're de-marketing a line. If they're trying to strip the sidings off to make the line valueless, then in theory the CTA could come in. But we met with them recently and asked, and they said it would be extremely unlikely that they would get involved.

Hon. Wayne Easter: We certainly have a problem here that I think we need to make some recommendations on, Mr. Chair, in terms of process, to give somebody the authority to say that this can't be allowed to happen. I think we have a little bit of time to do that.

There is a second point, although not directly related. Richard, in your presentation you made the point that if the roof leaks on the car and rain gets in, or if the grain leaks out of a hatch, it's 100% your loss?

Mr. Richard Phillips: Yes. If I go back and try to claim from the railways—

Hon. Wayne Easter: The railways are paid to provide railway cars that are properly maintained. We know with the costing review that the government fails to bring in, we know with the facts released for the Canadian Wheat Board, that the railways have been gouging farmers for years on those costs, and they're getting paid costs that they obviously don't deserve.

Are you telling me that the railways don't have to pay for your loss of grain if the car is not properly maintained?

Mr. Richard Phillips: Yes, the railway will say you shouldn't have loaded it if it wasn't in good shape. That's their defence.

Hon. Wayne Easter: They're not responsible for the car. This is just about to the point of being criminal. Mr. Chair, we should look in to that too.

The last point that I wanted to make is to the Canadian Grain Commission.

Where does your authority end in this issue, Jim? You basically spot the cars to a certain extent?

Mr. Jim Smolik: When a producer orders a producer car, we allocate that car to the producer. For example, if it's a movement of Canadian Wheat Board grain, he has to either contact us or go through his administrator and they will order the car from the Canadian Grain Commission. We will allocate the car to the producer, not to the railway, not to the Wheat Board.

Hon. Wayne Easter: I thought I knew that, but I wasn't sure.

Thanks.

The Chair: Ms. Bonsant, no questions?

Mr. Hoback, five minutes.

Mr. Randy Hoback: You talked about the \$1,200 that they saved on board grains. Is it possible that the reason farmers are using them on board grains is because they can save \$1,200 on board grains whereas they can't save \$1,200 on non-board grains? I would just like to make that point, Mr. Easter.

If the board had a way of looking at how they go about allocating their basis at the grain elevators and how they pay storage, and all these other little costs that they ding farmers for, maybe we would see that cost go down and things would change. There's one thing that I found really interesting in this whole topic of short lines. I have two short lines in my riding. I have a short-line, for example, that goes out to Choiceland through Nipawin and it went from no cars, and last year it went to 400 or 500 cars of oats. I know Mr. Phillips made the comment that sometimes you need to threaten to remove it before everybody wakes up and says they're going to utilize it, and that's exactly what's happened in this case.

So I can understand why you say the process and the time is required there. So it's a consideration we should take in place.

The other thing I think we need to talk about is level of service, which you mentioned. I've been on the other end where I've loaded trucks on a Sunday night. I had five trucks on the road heading to North Battleford. I got a phone call at 8:30 that the trucks were almost there, which is a two-hour drive, and the train didn't show. So that level of service to me costs a pile of money every time that happens. Unfortunately, it seems to happen way too often, and it seems like, again, who pays for it? The farmer pays for it. I know there's the comment that Mr. Easter made about the leaking car and all that. Again, who pays for it? The farmer pays for it. It seems like every time we turn around it's either the farmer, or the grain company, but never the railways that are accountable for anything they do.

I had a scenario with a pulse processor in my riding, and it was the same thing; he loaded a car and CN made him actually dictate the

route to Mexico. So it was not just, here's the train car and give it to CN and let them figure out the logistics to get it there. If he didn't figure out the route for them, he'd get penalized. So I think when we look at rail transportation and agriculture products, if there's not a reason to look at it, there are a lot of examples of why this needs to be looked at, for sure. You have a very compassionate ear right here.

• (1735)

The Chair: Have you any closing comments, gentlemen?

Mr. Marit.

Mr. David Marit: Thank you, Mr. Chair.

I've been talking quite a bit this afternoon. I apologize. I guess you can tell we're very passionate about our railways and keeping them, and keeping the traffic where it should be, on rail and off our roads.

We would like to leave it that.... As a short-line operator, I think there are things that the federal government could do and should do to assist rail transportation, to assist producers, not just in producer cars but in the grain industry. As was said earlier by the presenters, we feel strongly that there should be a full costing review done. The last one that was done was in 1992. It's long overdue. It's time to do that.

There are issues that I think the federal government has to look at to help in short-line rail growth, not only in western Canada but, as I heard at FCM, in all parts of this country. In Quebec and Ontario, it's happening. There have to be ways for communities, individuals, and groups to purchase those railways, and there have to be opportunities for them to access funds. There is also an issue called successor rights that goes along with these railways that has to be dealt with federally. Also, somebody has to take a very serious look at the environmental impact and the environmental footprint that is left when railways leave and put that same product on the road. Nobody has taken a serious look at that. When you start putting three Super B trains on the road versus one railcar, you're putting a huge environmental impact on this country. Somebody has to look at that environmental footprint, please.

The Chair: From any of the witnesses, we'd certainly welcome at any time suggestions for the committee or for the government on things we can do to help our producers around there.

There is just one question I have for clarification. We talked about the spillage out of the cars and how, if a car went from Tisdale to Vancouver and ended up empty or close to it when it got there, it was all on the producer. If they're producer-owned cars, at first glance it would seem to me, if the producers own the cars, why wouldn't they be responsible for the cars? Can you explain that? There's probably a simple answer.

Mr. Jim Hallick (Vice President, Saskatchewan Association of Rural Municipalities): The producers don't own the cars; they're railroad cars.

The Chair: So "producer cars" is a term that's a little misleading.

Mr. Jim Hallick: It's a term that's used when we load our cars, but they're railroad cars.

The Chair: Fair enough. Thank you.

Mr. Smolik.

Mr. Jim Smolik: I want to thank the committee for the opportunity to appear today.

To Mr. Bellavance's comments, I think it would be important that you offer to invite Transport Canada here to address some of his questions. I think they're good questions, but currently this is not under our jurisdiction.

Again, just to make sure that everyone is clear, producer car usage is increasing. As Mr. Hoback has made clear, they're an important part in his area as well. We are seeing some of that shifting. I think that's why it's very important for this committee to continue to look at ways of keeping those sidings open on behalf of the producers.

At the Grain Commission, we'll do what we can as far as placing cars is concerned, allocating those cars to producers, but we have no authority beyond that—just to make that very clear.

• (1740)

The Chair: Okay, thank you.

Just before we close, Mr. Shipley has a question.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): I think it's just for direction. There has been a lot of good discussion, considering that it all happened really quickly. With Mr. Merrifield's intervention, I think that gave some time.

Quite honestly, we need some direction from you in terms of giving us something written. I know you didn't have time for a written presentation, but if we could get some of those requests or recommendations that would have come from you, had you had longer—because this thing came up very quickly—I think that would be very beneficial. It would allow us, then, to have that format.

That's an opening that I would take from Mr. Merrifield, the minister, in fact, of getting that time. It's not long, when you think about 60 days, or with this, 90 days, in terms of the three years if the regulations were changed.

I'll just leave that, Mr. Chair. I think that's what you were referring to. It would be very beneficial for us as a committee, and in fact for the minister, to help where we can on such short notice.

The Chair: Thank you very much, Mr. Shipley.

Mr. White.

Mr. Rick White: I just want to finish by thanking you again for the opportunity to speak to you today.

As a quick reminder in closing, we are very thankful for the railway service review that is under way right now. It is very important to growers. We are very much looking forward to the results and recommendations from the panel that is going to be named soon and will be working on rail service issues over the winter, and we expect a report to come out on that in the spring.

We are watching it very closely as growers, and we hope this committee will help us keep an eye on that as well. It's one thing to come up with recommendations, but once those recommendations come, they need to be implemented before they're any good to anyone. We're going to need some help getting those recommendations implemented where the rubber hits the road, and we're trying to get that rail service up to snuff for the benefit of our growers.

Thank you for now.

The Chair: Mr. Hallick.

Mr. Jim Hallick: On behalf of SARM, we would like to thank you for the opportunity to appear here today. Certainly if we can be helpful in some suggestions, they will be forthcoming.

Thank you very much.

The Chair: Thank you very much for coming as well, to all of you. We appreciate it. We've heard a lot today, but I think we're going to hear a lot more of this, and we hope to hear a lot more about this issue in the coming months.

We will adjourn until September 29.

MAIL  POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

Lettermail

Poste-lettre

**1782711
Ottawa**

If undelivered, return COVER ONLY to:

Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5

En cas de non-livraison,

retourner cette COUVERTURE SEULEMENT à :
Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and
Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les
Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à
l'adresse suivante : <http://www.parl.gc.ca>