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Chair

Mr. Bev Shipley

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•(1835)

[English]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): I call the meeting to order.

I apologize. We are running a little late. We had about an hour of votes and bells that interrupted our schedule a bit. I want to thank the staff for getting us back on track.

With that, we'll begin our next panel in terms of the study on Bill C-30.

I want to welcome from the Western Barley Growers Association, Brian Otto, director, and Caitlan Schnitzler, public relations coordinator.

From the Mining Association of Canada, we welcome Pierre Gratton, president and chief executive officer, and Brendan Marshall, director of economic affairs.

By video conference from Moose Jaw, Saskatchewan, we welcome Mr. Ian McCreary, as an individual.

I think I will start with you, Mr. McCreary, just in case something happens; you're participating at a distance, via video conference.

Please begin, Mr. McCreary. You have eight minutes.

Mr. Ian McCreary (Farmer, As an Individual): Mr. Chairman, honourable committee members, thank you for the opportunity to appear to discuss this critical issue facing the grain and oilseed industry in western Canada.

I've been involved in transportation issues throughout my adult life, and I thank the committee for providing me this opportunity to provide my perspective on a path toward the solution to this complex problem. I'd like to offer my assessment of the problem, suggest what is needed to find a solution, and identify the strength and weaknesses of this bill in moving us towards a solution.

First, the problem. Western Canada is a landlocked region that is further from tidewater than any other major exporting region. The transportation corridors to market are constrained. Further, the two main export channels are very different in total costs. The cost of movement from my delivery point in central Saskatchewan to the west coast is approximately \$72 a tonne, while the cost of moving east is around \$100 per tonne. Thus, in periods of relatively inexpensive ocean freight rates such as we have right now, it's less expensive to move grain to all offshore destinations from my farm through the west coast. However, the west coast can only handle approximately 21 million tonnes of grain per year. Western Canada

regularly produces 35 million tonnes of exportable supply, and this year has produced more than 50 million tonnes of exportable supply. The result is that the price spread between what the price farmers are paid for the grain and west coast prices has risen dramatically.

Currently, farm prices for wheat have fallen to \$170 per tonne, below west coast export values. Only \$70 of this can be accounted for in the cost of movement and handling, so farmers are paying grain companies an extra \$100 a tonne for the privilege of selling our grain. This extra cost to farmers has been there since mid-October, and if production stays at average to above average levels, this new grain robbery as it is being seen on the Prairies, will be there for the foreseeable future. Alternatively stated, current international prices are very strong, and western Canadian farmers are the only ones not to gain from this strong market.

The current problem has no solution under the current regulatory framework. Shippers are the only ones with standing with the agency. Shippers are the grain companies, which are making record profits from the current basis; thus a solution through the agency is unlikely.

To solve this transportation and marketing juggernaut requires action at a number of levels.

First, the industry needs a body that guarantees an aggregate level of service for grains and oilseed exports.

Second, there needs to be a way of apportioning the constrained capacity among competing users. Remember, every merchant will make the most money by shipping west, yet only 40% can go west.

Third, improvements are required in transparency, both in prices and in grain flow. Improved information improves the market function, and we can go some distance simply by getting better information out in public.

Fourth, the revenue cap needs review, but must be maintained. Producer cars and single-point shippers need to be protected.

Fifth, the competitive position of farmers depends on the existence of independents and alternate channels. The current regulatory framework puts both of those marketing channels at risk.

Sixth, we require improved rail competition. Done properly, this has the potential to improve service, increase capacity, and reduce rail costs.

Finally and perhaps more importantly, we need a long-term plan to develop an increase in capacity in both export corridors with a focus on fixing some of the issues at the west coast.

Moving specifically to the current bill, Bill C-30 provides one tool to deal with aggregate levels of service, and does wave a flag at rail competition through potential changes to interswitching. Both of these are positive; however, this bill will not solve the problem. The problem has many components, and the bill deals only with rail.

I would like to suggest additional pieces that I feel need to be part of a long-term solution for the western grain industry.

● (1840)

I'd like to start by suggesting reinventing the GTA or a GTA-like organization. In 1979, the then Conservative government pulled the responsibility for aggregate service levels from the Canadian Wheat Board and established the Grain Transportation Authority. This group was responsible for aggregate service, apportioning cars, long-term planning, and information flows. This worked well until it was ended in the 1995 federal budget.

The CTA level of service claims subsequently placed the Canadian Wheat Board back into the position of responsibility for aggregate service. When the government chose to end the Canadian Wheat Board, none of the transportation services were understood or replaced. The result is the current mess. Now is the time to re-establish the office of the Grain Transportation Authority to provide aggregate service, car apportioning, and the desperately needed long-term planning for the growth of our industry.

In addition, I think the long-term planning.... If we do move in the direction of establishing a body such as the agency, many of the functions can be dealt with directly through there, specifically the price transparency and the transparency on movement and flows. Some work has been done by the minister with the changes in the mandate of Quorum, which again is positive, but the price transparency component is a potential addition that could be done through the Canadian Grain Commission with additional amendments to the Canada Grain Act.

The rail competition on the interswitching side is unlikely to be aggressive enough to do what's required on the additional capacity and the long-term effects on prices.

Mr. Chairman, it's my hope that we can all pause and look to a solution that has the potential to be longer term. It is my view that if we have an average to above average crop, the bill that is before us will not change adequately to adjust basis levels in the foreseeable future. I think we still have more work to do, and I hope everyone can work together to find the solutions required.

Thank you, Mr. Chairman.

● (1845)

The Chair: Thank you very much for your presentation.

We'll now go to the Western Barley Growers and Mr. Otto.

Mr. Brian Otto (Director, Western Barley Growers Association): Thank you, Mr. Chairman.

Good evening to everybody. I appreciate your taking the time to listen to us this evening. I know it's been a long day, so I'll try to be as brief as I can.

Thank you for inviting me here today to discuss the rail transportation issues on behalf of the Barley Council of Canada and the Western Barley Growers Association.

My name is Brian Otto. I'm the chairman of the Barley Council of Canada. I have sat on numerous boards, I have been a director with Alberta Barley, the Western Grains Research Foundation, and I am the past president of the Western Barley Growers Association. I have a mixed farming operation at Warner, Alberta, which is just north of the Montana-Alberta border. I am chairman of the Barley Council of Canada, which represents farmers from across Canada, as well as the entire supply chain for barley from the malting and brewing industry to the livestock industry.

At the Barley Council of Canada we believe the government's initiative to address the rail transportation issues is a good first step in addressing a larger problem within the system. This problem is that the rail system is simply not working efficiently for Canadian shippers. While we respect the work that's being done to make railway work, at the end of the day it's the smaller businesses, such as malt companies, that will buy smaller volumes of barley that aren't able to do business effectively under the current conditions. These businesses provide a diversity to our economy that brings significant value to all Canadians.

Our transportation issues at home are affecting our international reputation. In the coming months we need to take the united approach being suggested by the government to ensure that all commodities are represented. Canada is pro-trade. We are on the verge of signing two major international trade agreements, but we have to prove that we are reliable trading partners.

We are not here today to pit farmers against anyone. Farming is an economic driver, and we simply want to help drive the economy forward. The stakes could not be higher. The barley industry is ready for growth and prosperity. We formed a national organization across the supply chain. We brought partners together. We have buy-in from our value chain. We have the supply and the quality, but there are hurdles restricting our ability to conduct good business. Hurdles such as market access issues, falling behind our competitors on trade agreements, lack of transportation efficiencies and logistics are holding us back from maximizing our potential.

We want the grain industry to have fair and equal access under a transparent system and we want our industry to grow in conjunction with other commodities. In particular, we recognize the challenges faced by our colleagues in the forestry, potash, mining, coal, and other sectors. This is why we want a solution for transportation in Canada that's focused on a collaborative effort involving everyone in the value chain. We believe it is in Canada's national economic security interest that a competitive rail system is developed for all commodities. We also believe that the work we do for agriculture now is just as important as the ongoing debates over oil pipelines and other economic priorities.

The good news is that we never hear any complaints when we have full grain trains. But we do know that we need a more transparent system, and that we need better communication throughout the system for it to operate efficiently. Canada's national economic security depends on our ability to respond to a growing demand for our quality products. Canada's international reputation was built over time and has required significant investment from a cross-sector of stakeholders. There is mounting evidence that Canada's reputation as a reliable shipper is in jeopardy as many of our customers have started to source product from our competitors.

At least one General Mills facility in the United States is turning to Scandinavia as a result of the challenge they experienced accessing oats from our traditional suppliers in Saskatchewan and Manitoba. Japanese buyers who have purchased Canadian wheat for years are now turning to the United States after one of our ships sat waiting in Port Metro Vancouver for three weeks.

- (1850)

In addition to these issues, I'd like to focus a little bit more on what's happening to our small businesses that are affected by the rail transportation issues. Encouraging east-west access means more grain is moving along the major routes at the expense of the smaller shippers, like our malt companies that move product north and south.

Remembering the importance of our largest trading partner to the south is paramount as transportation corridors are being affected by the new legislation. It's important to encourage all shipping to all ports, not just Vancouver, Prince Rupert, and Thunder Bay. Our transportation difficulties could be more manageable when we involve our shipping partners to the south.

Some of our niche shippers, malt barley shippers in particular, aren't able to get any cars to ship south. This affects our ability to do business and impacts our reputation as a country with our international customers. It's not the way to do business.

Following the example of the Barley Council of Canada, we believe everyone needs to be at the table to fix transportation in Canada, the entire value chain. By working together, I believe we can fix the problem, and by taking the time to fix the system now, we are better able to ensure our national economic security for the future for our children and grandchildren.

The Barley Council of Canada supports the proposed changes in Bill C-30 and looks forward to a more secure future for our value chain. We see the government's recent efforts as a good first step, while looking forward to a time when the system will function better for all in the future.

Thank you.

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

We'll now move to the Mining Association of Canada.

Welcome, Mr. Pierre Gratton and Mr. Brendan Marshall, for eight minutes, please.

Mr. Pierre Gratton (President and Chief Executive Officer, Mining Association of Canada): Thank you, Mr. Chair, members of the committee, clerk, and fellow attendees. I appreciate this opportunity. I didn't think I'd have an opportunity to speak to the agriculture committee in this role of mine.

The Canadian mining industry is a major economic driver contributing over \$52 billion to gross domestic product in 2012, employing some 400,000 people, and accounting for \$92 billion, or over 20% of the value, of Canada's total exports.

As a consequence of this international reach, mining is one of the largest users of Canada's transportation sector. We represent the single largest industrial customer group of Canadian railways, and consistently account for over half of the total rail freight revenue and the largest share of total volume carried.

Having recently polled our membership, I can report that poor rail service has been causing a range of challenges for miners since the fall of 2013, including unacceptable ratios, with some 50% to 60% of cars ordered versus cars delivered, resulting in some instances in the downscaling of production and operations. Just today I learned that CP Rail verbally communicated that it will no longer transport uranium, a decision contrary to the common carrier obligation that could adversely affect investment in Canada's world-class uranium resources and undermine all of the excellent work and leadership that the government has undertaken to secure access to Asian markets for uranium.

There is a cost to the Canadian economy resulting from poor rail service. Railways do not produce the goods for exports that allow trade to grow, our economy to expand, and employment to increase. Rather, they are an essential conduit for Canadian industry to receive crucial inputs and get its goods to market. Without a healthy and reliable railway network, Canada's reputation and success as a trading nation are seriously hampered.

With respect to this bill, MAC is sympathetic to the grain growers' difficult circumstances and to the government's motivation in assisting them. We also appreciate the sincere effort at reform. However, we are concerned about the unintended consequences that will befall other Canadian sectors reliant on rail service, including mining, as a result of the measures contained in Bill C-30.

Specifically, we have three areas of concern.

The first area of concern is the grain volume commitments. Enacting grain sector specific volume commitments will exacerbate existing rail capacity constraints to the detriment of all the other shipping sectors, including ours. Mining companies are also concerned that enacting grain sector specific volume commitments will undermine the legal remedies available to shippers in the Canada Transportation Act. How can mining companies forced to operate outside the provisions of Bill C-30 upon enactment make a service case against a railway that is legally obligated, through pain of penalty, to serve grain companies? A railway's unwillingness to break the law requiring it to move grain is a defence against the legal remedies available to other rail customers seeking to address their service challenges.

Our second area of concern is the limited extension of interswitching provisions to the Prairies. We are concerned the new interswitching provisions will result in the railways being forced to do more short-hauls, which are operationally more expensive than longer ones. A consequence of this is a reduction in rail freight revenue due to the interswitching rate being federally regulated, which will leave the railways to make up for lost revenue by either reducing service to better optimize their assets and/or increasing rates for shippers who are captive, or have uncompetitive options. While MAC is not opposed to interswitching regulations in principle, we would encourage appropriate consultation on their potential positive and negative impacts on the effectiveness of Canada's rail network as a whole before implementing them.

Our third area of concern has to do with regulating improvements to the service level agreement mechanism. Bill C-30 proposes amendments that would give the Canadian Transportation Agency the authority to regulate prescribed elements in arbitrated service level agreements, the details of which would be determined through a consultation process. While this measure may seem promising, we do not believe it will be effective. The service level agreement provisions in the act mandate that an arbitrator take a rail company's service obligations to other shippers into account before rendering a decision. If Bill C-30 passes, an arbitrator will be bound to consider the railway's legal obligation to transport grain against the elements of service that a non-grain shipper is seeking, superseding any regulation designed to enhance a non-grain shipper's position in an arbitrated service level agreement.

In summary, we do not think the legislation will address the challenges faced by all shippers, and it could make the situation worse for some. I am also very concerned by an approach to rail reform that attempts to address rail issues piecemeal, one commodity at a time.

•(1855)

We support a collaborative approach to addressing rail service challenges in Canada and strongly advise against government or Parliament picking winners and losers. Exacerbating the rail service challenges that miners already experience is not the right way to go. As I mentioned earlier, we are responsible for over 50% of rail revenues. If those decline because mines aren't able to operate, the costs of the overall transportation system will go up for everyone.

We need to take a step back and look at the whole supply chain and the kind of transportation Canada needs to succeed as an export-

driven country rich in natural resources. We need solutions that are based on commercial market-based principles. A long-standing MAC recommendation to ameliorate the commercial balance between railways and their customers, for example, would be to insert a new stand-alone section in the act that would define "adequate and suitable accommodation" and "service obligations". This would not regulate the railways; it would merely define an existing measure available to shippers to pursue in their contract negotiations with the railways.

Second, we need policies informed by accurate data. The president and CEO of CN appeared before this committee last night and emphasized in his presentation the need for better alignment across the supply chain and accountability for performance. MAC supports the spirit of these remarks and recommends that the government require railways to provide both regular monthly public rail performance data on a sector basis and confidential company-specific performance data upon request.

Such a measure as is already being undertaken in the grain sector will provide all parties with the tools to quantitatively understand the nature of rail service challenges and causally identify why service failures occur and where the capacity choke points are forming, and based on such analysis, determine what can be done to fix the problems.

Increased transparency should improve the relationship between railways and shippers, as both parties, in possession of the same facts, will be more motivated to find solutions that are mutually beneficial and that provide the government with better information to guide its own actions.

While MAC remains sympathetic to the agriculture sector's difficult circumstances and acknowledges that the government's motivation is to try to ameliorate the situation, we would be remiss if we did not raise concern about the unintended consequences that will befall other Canadian sectors that rely on rail service, including mining, if the measures currently contained in Bill C-30 become law.

Thank you.

•(1900)

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

Now we'll go to our rounds of questions by members.

We'll start with Mr. Malcolm Allen of the NDP, for five minutes.

Mr. Malcolm Allen (Welland, NDP): Thank you, everyone, for your attendance.

Mr. McCreary, maybe I can start with you, because you had quite an extensive piece that you talked about.

Were you at the panel in Saskatchewan on Wednesday, the transportation piece?

Mr. Ian McCreary: I was.

Mr. Malcolm Allen: I've heard from a couple of other folks about a GTA or some sort of transportation authority. It was around many years ago, and it went away and then it came back. Can you give me an aggregate sense of what the old CWB used to do versus what the GTA could look like vis-à-vis that?

Mr. Ian McCreary: I can do my best.

Essentially what the GTA did was define and make transparent the aggregate service that would be available to the agriculture sector. Then it apportioned those cars first between the Wheat Board for the movement of board grains and the various non-board players that required service.

I think it's interesting that Mr. Otto mentioned the plight of some of the smaller players with regard to this particular bill. One of the pieces that has to be considered as we move forward in a regulatory framework is to make sure that all of the niche players in this system get access to their share of cars. That was something the Grain Transportation Authority used to be accountable for, to make sure that all the players got a piece.

The bill that's before us provides a bit of a perverse incentive to the railways to service only, or primarily, fast-turnaround large-block movers. As Brian Otto mentioned, it's really important to our sector that all of the other pieces get done.

In terms of the Canadian Wheat Board, the big piece that was different is that a portion of grain that could not be moved was essentially not contracted with farmers, so it didn't overhang the market and it did not drive basis levels to the current levels. The Canadian Wheat Board system would have resulted in perhaps modestly more grain movement, or perhaps modestly less. That is immaterial. What's material is the fact that the cost of movement—the difference between the international values and the farm values—would not have been anything other than the cost of movement. So, this current situation would not have resulted in \$4 billion or \$5 billion of transfer from farmers to grain companies.

Mr. Malcolm Allen: The other thing I've heard, and I think you raised it as well, is this issue about how much really can go out the port of Vancouver. All things being equal, if there were enough locomotives and cars and crews to move all this stuff and the average temperatures in this country were 20°C 12 months of the year, we still couldn't get all of the crop and, to be fair to the mining group, the mining group stuff, and lumber and everything else, out the port of Vancouver, for all those who want to go in that direction.

How do we balance that? Is there a mechanism that says stuff has to go east? In fact, we're in the east at the moment, so we actually

want stuff to come this way agriculturally. Is there any suggestion as to how that works to balance it, recognizing it's more expensive to bring it here than it is to go to the west coast, from the Prairies specifically?

Mr. Ian McCreary: The key is that you do need an aggregate agency-type player so that you have either an administrative or a market mechanism to send the signal to the players the amount that can go west has been contracted. As Mr. Otto suggested, there is also the southern move, which is an important export corridor, and the eastern move. Both of those are pieces of the puzzle that have to be considered. The fact remains that the difficulty right now is that no one is apportioning that west coast capacity.

As the railways said, yes, it was a cold winter, but even if it had been a warm winter, there would have only been another 10,000 cars. That wouldn't have materially changed where we are right now. The outcome still needs to be one in which there's a central body, a grain transportation authority or some other player, that sends the market or administrative signal to the grain companies that the west coast is sold out, and they're going to find another way to get this grain to market.

Frankly, as Canada, we need to do some work to build on other export corridors. Before the Canadian Wheat Board was ended, it had a line to buy a fleet of lakers. That was part of the recognition that we needed surge capacity in this country to get grain out. We're way better off paying the extra \$20 or \$25 to go east than we are paying \$100 a tonne on every tonne that sits on the Prairies.

● (1905)

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

We're going to move on to Mr. Lemieux, for five minutes please.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you to the witnesses.

Mr. McCreary, you're a pretty strong advocate for an aggregate agency, be it a GTA or the Wheat Board. Were you involved with the Wheat Board before?

Mr. Ian McCreary: Yes. I was a director of the Canadian Wheat Board. I chaired the Canadian Wheat Board's transportation committee, which was responsible for the negotiation of the previous commercial arrangements which resulted in a net dispatch earning for 10 years of movement through that program. It is fair to say that my frame of reference was largely framed from that time period.

Mr. Pierre Lemieux: Thank you.

When we had Richard Phillips from the Canada Grains Council here, he was recommending that stakeholders in the industry work more closely together to find stakeholder solutions. He certainly mentioned the crop logistics working group, a \$3-million initiative to help bring stakeholders together to put in place initiatives to improve the logistics system. It didn't sound like he was talking about an aggregate agency. I think of a bureaucratic level in there that's going to be orchestrating all of this.

But Mr. Otto is right here. I'd like to ask Mr. Otto his thoughts on that.

Do you see the Wheat Board running this or do you see another GTA coming in, some sort of aggregate agency? Is that going to be helpful to this sector, or do you prefer the solution of key stakeholders working together to identify how they may share data to their own benefit?

Mr. Brian Otto: No, I believe in a commercial system, as little regulation as possible. I believe a commercial system will work. What we need right now, in my opinion, is transparency in the transportation system.

Mr. Pierre Lemieux: Right.

Mr. Brian Otto: We have to have a tracking system so that we know where our cars are, and what grain has to be moved. We need good communication between the railroads and the shippers so that we can work this out.

I firmly believe that we need to get all the players to sit around the table and work this out.

The Barley Council of Canada is an example. We've put all the players at the table in the barley industry, from the producer right through to the end users, the processors, the feeders. If we have a problem in barley, we have all the people in the value chain together to sit there and work out a solution.

That's what has to happen in this transportation system. We need to get everybody that's involved in it to sit down and work this thing out. I truly believe that if we have everybody at the table, there are solutions to this. But we don't know the challenges of each sector. Until we understand those challenges across the value chain, it's going to be very difficult to arrive at a solution.

Mr. Pierre Lemieux: I want to thank you for your response, because I think this is the first opportunity we've had to ask a stakeholder, "What do you think about having an industry-led solution that's more commercially based, or what do you think about having a more bureaucratic solution that's aggregate agency based?" What I hear in your answer is what I heard without having asked the question. It's what our other witnesses said, and how they're viewing this situation on how crop logistics should improve.

I think it's just fair to say that the NDP and Liberals are advocating more of an aggregate agency position. We are not. I think we're very much more on the side of the comments that you just made, which is, I think, that greater visibility of all the moving parts of performance metrics, of what is actually being delivered, and having that tuned by the industry itself is actually the solution. In this case, as I mentioned to our witnesses beforehand, we have taken a legislative approach to not manipulate all the little details about rail movement, but instead to put in place a goal. It's very action oriented: deliver this goal; this is your target. As opposed to being management focused, it's action focused in terms of achieving goals.

Do you want to make a comment on that?

• (1910)

Mr. Brian Otto: The only thing I'd like to say on this is that in a truly commercial system, the whole value chain has to be responsible for their sector. In other words, just to use an example as a producer, if I sign a forward-pricing contract with a grain company, I'm responsible for delivery of that grain at a certain period of time, and

they're responsible for the price that I've signed up for and to take delivery of it. If that contract breaks down either from my side or from their side, there are penalties that apply.

Unfortunately, that's where the chain breaks. We don't have any way to apply penalties to the railroads if they don't supply service, and they're responsible for the problem if the grain company can't take delivery of it or I can't deliver.

That's where I see that we have to address this situation. It's been referred to as reciprocal penalties, but I don't care what you call it. I'm a firm believer that if I'm a producer and I have not honoured my contract, yes, I have to pay the penalty. So does the grain company. The way I look at it is, if the railroad is the problem, they should pay the penalty. There's a cost to this, and whoever's responsible for that cost should be responsible for picking it up.

The Chair: Thank you very much.

We're going to Mr. Easter, for five minutes, please.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, witnesses, for all your presentations. It was really good to hear from the mining industry and the impact that this could have on that industry as well.

Mr. Otto certainly mentioned the boomerang effect of some of the smaller players in the system when the railways are basically going to be obligated to move 11,000 cars a week to wherever they can find the capacity.

To you first, Mr. Otto, and I would comment on Mr. Lemieux's point.

Simply put, if this system was working under the theory that you're talking about, we certainly wouldn't need this legislation today. I think history has shown that you do need some kind of GTA to have the authority to make the system work as you would like it to.

Mr. Otto, if a clear statement was put into the CTA that the principal purpose is to serve domestic shippers and domestic and foreign buyers, would that in any way give any authority? Would you support that kind of a statement?

Mr. Brian Otto: Before I could comment on that, I think we have to define what that service is. The act right now is pretty vague on what service is. Before we can answer that question, we have to define that.

As a grain producer, and for any shipper who's involved in moving product by railway, that has to come first.

Hon. Wayne Easter: Okay.

Ian, you had considerable experience in monitoring and logistics in your former capacity. How important is that in fairness in the whole system? I'd like you to expand on the fact that this isn't just a railway problem, this is a problem for grain companies being able to, in this situation, take advantage of producers, take profits themselves, and producers end up retaining less.

Mr. Ian McCreary: It gets back, Mr. Easter, to the core problem that there is an absolute capacity constraint at the west coast. We can point fingers at the railways, and I have some sympathy for what the Mining Association of Canada has said. I've sat in and talked to the people in both the mining and the lumber industries somewhat over the last two weeks on this question, and everyone did experience the same difficulties in that west coast move.

One of the difficulties with a market-only solution is that if you have a constraint, and there is only so much west coast movement, 21 million tonnes, but let's be generous and say everybody does perfectly and we go to 22 million, there are 50 million tonnes of product that have to go out. If you have a market solution, every tonne is going to bid for that west coast capacity, so we need some mechanism.

In terms of the monitoring piece, we in agriculture failed the railways in the sense that we need a better way of pegging that export number earlier. Frankly, with the cuts in Statistics Canada and everything else, those numbers were not very well refined until October. In all reasonableness, it would take them six or eight weeks to gear up even if they actually tried, yet an agronomist could have pegged that crop in August. We could have invested as a country and done some forward planning to do the head counts, and we would have known where we were with those types of volumes.

That was the role the Canadian Wheat Board played. We fed that information consistently in communication with the railways. We built that west coast export plan based on the assumption the other crops were going to move, and then we figured out how much of the rest of the crop could go east, and we accepted that much grain. Now, granted, the new solution will not be that administrative in nature, but it does have to find a way of defining how much export capacity there is, how much grain is going to want to go, and apportioning that so all the potential users have a reasonable probability of getting their share of that capacity constraint.

As you said in your opening remarks, we have learned what the absolute market solution gave us. It gave us a \$100 a tonne excess basis. That's a \$4.8 billion transfer from farmers to grain companies. That's not a very attractive solution.

We need to be a bit more creative in finding that solution.

•(1915)

The Chair: Thank you very much.

Now we'll move to Mr. Payne, for five minutes, please.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you to the witnesses for coming tonight to discuss this really important issue.

We had this outstanding crop across the Prairies, far more than was forecast by anybody, and obviously, with that difficulty, it was certainly trying to get that to market.

I just want to make a comment here with regard to the GTA. I understand that it was cut in the 1995 budget, which was under the previous Liberal government.

Mr. Otto, you said that Bill C-30 was a good first step. I wonder if you want to expand your thoughts on that particular piece.

Mr. Brian Otto: I look at the present legislation as a short-term solution. We have to start looking at longer term solutions. That's why I say, as a grain producer, I can identify the challenges on my farm, but certainly, on the challenges that the elevator companies are facing, I know some of them, but I don't know all of their business, and it's the same with the railroads, the same with the ports. Perhaps we can get everybody to just calm down, step back, think about this, and then let's all get together and let's see what the challenges are in each of our different sectors and how we can work together to get this grain moving, or get any product moving.

We're talking about grain here. Certainly, we've heard about the mining situation. They're worried about movement of product. I've heard the fertilizer industry is struggling, and so is potash, and so is the forestry industry.

I don't want to operate in a box here. I would much rather work with everybody to put a plan in place for the long-term future and get grain moving, or ore moving, or fertilizer moving so we can meet our customers' expectations.

Mr. LaVar Payne: What are your thoughts on short line and interswitching?

Mr. Brian Otto: I'll give you a little story about interswitching.

As a grain producer I do have friends in the elevator system, so I asked them about the interswitching. I think it's what I call a good threat to use to get the railways to consider giving better service, but in this particular instance, the person whom I talked to said they already have the ability for interswitching on certain loading sites. He said they can get that grain moving off that site by the competing railroad, but good luck getting cars back to that site the next time to load.

That's the unintended consequence of it. If we're going to allow interswitching, we have to be very aware of what some of the backlash can be on that. I think it's important in the interswitching that it does create the opportunity for that north-south movement. We do have BNSF that would possibly start moving.

We have to be aware that there are four major elevator construction sites on the other side of the 49th parallel in the U.S. that are in place and being built right now and they are certainly not being built for U.S. grain. They have an eye on starting to move Canadian products.

We have to establish.... We have the east-west movement and we do have constraints, as we've heard, on the west coast. Certainly if we can start accessing that movement south, that certainly will help to take the pressure off the system that we have here in Canada.

•(1920)

Mr. LaVar Payne: That 160 kilometres is a big change from the 30.

Mr. Gratton, you did talk about some of the poor service you got in the fall from the railways and I'm not sure if it's just the winter or whether it's fall. You also talked about no longer carrying uranium.

My impression from the railways is that they would be able to meet the 11,000 cars a week and it wouldn't hamper the rest of their system. I'm just wondering now, we're starting to hear and we heard it actually in one of our other meetings.... What's going on, in your view, in terms of being denied service with respect to the uranium? Obviously that goes on to other bulk carriers as well.

The Chair: A very short answer. I'm sorry.

Mr. Pierre Gratton: It is our view that in the system you can't make a change in one place without expecting a consequence elsewhere. We do expect regardless of what they may say that we're going to feel it; we're going to feel it far afield and we're going to feel it nearby. There will be a price to pay by others. Will it be huge? It's hard to say, but there will be a price to pay by others.

I would also like to say, since this is my first opportunity, that I agree with a lot of what he's saying in terms of the need to collaborate and work together and find solutions. We need commercial solutions to the issues that we're facing.

Data is important. This bill does address the issue of data for grain, but not for other sectors. If you can do something for all of us, it would be to take that thinking around data and make it pan-Canadian for all sectors. Without that information we continue to have these lengthy debates and back-and-forths with the railways asking for the evidence.

Let's have the evidence and then we can have a discussion as to where the real problems are. Maybe there will be many cases where the railways are right. It's not their fault; it's not because of them, but where there are circumstances where they are, we'll be able to deal with it.

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

Thank you, Ms. Ashton, for joining our committee. You have five minutes, please.

Ms. Niki Ashton (Churchill, NDP): Thank you very much.

Thank you to all of our witnesses.

Mr. Gratton, I'm sure you're familiar with the part of the country that I come from, northern Manitoba, which depends a great deal on mining, forestry, and in a smaller part, agriculture.

You've talked about the way the industry is losing out. The way I see it is that the same people, the same communities, the same families that either work in the mines or have some agricultural production or have a relative working in the mill, are losing out tenfold and their livelihoods are at risk.

We've seen a reduction in production in forestry in particular in my area, as well as the movement of agricultural product as a result of the backlog.

Given that this issue is not going away anytime soon, how important do you think it is to have some federal championing of this issue, not only in terms of the short-term solution but also as a longer-term coordinated commitment? How important is that kind of federal championing in this case?

•(1925)

Mr. Pierre Gratton: I think it's very important.

We are facing a future of a rising demand from Asian markets. There is going to be a demand for more of our products going west, and the CETA with Europe is going to potentially increase exports going east. We have a vast country; a lot of it is landlocked. In the case of mining in Thompson or Flin Flon, Manitoba, it's a long way to market from there, and it's single access. There is one railway and you don't have interswitching. You'd have to make it 1,000 kilometres or something like that to make it a possibility.

It's a crucial issue and I think it's one of the most challenging issues our country faces going forward. We have to get our transportation infrastructure system right. It's not only about the railroads. There are many different pieces to this, but we really need to focus on it and get it right or we're going to be missing some opportunities.

Ms. Niki Ashton: Thank you.

Mr. McCreary, I had the pleasure of working with you just a few short years ago on the Canadian Wheat Board. Obviously, it's something that was very important to my constituency with the port of Churchill.

I'm concerned when I hear about the focus of grain going west and needing to find solutions about it going west. There is no question that needs to be part of what we're focused on here. Yet the reality for a lot of Manitoba farmers and northern Saskatchewan farmers is that the port of Churchill, and even more so, the port of Thunder Bay, is where they go to get their product out.

Given that reality, understanding that Alberta's situation is different, the farmers in Saskatchewan face a different situation, and it has everything to do with geography, and we need to have a multi-pronged approach that maybe only an authority could help give guidance to, could you speak to how important an authority is?

Mr. Ian McCreary: Yes, I can try.

You make a good point. Whenever people say that we need more west coast capacity, I always say that we need more capacity, period. The additional marginal cost of more export capacity at the west coast has the potential to be very high. The cost of using Churchill, at the margin, is relatively low, and potentially the cost of growing the east coast system will also be relatively lower than potentially having to add all the surplus capacity out to the west coast.

There is no way that Canada wants to build a transportation network that will move 60 million tonnes out to the west coast. The cost would be so prohibitive that no one could afford to be in the business. So, those other corridors are important, and it is the case that in order to use those, it requires planning. As the short-term incentive, the market is going to say to every individual operating separately to look specifically to the west coast.

I think Churchill needs to be considered as another potential victim on simply requiring a certain number of cars per week because the railways are going to say that Churchill has a longer car cycle time that will tie their cars up for more days than a 100-car spot to the west coast or a 100-car spot from southern Manitoba to Thunder Bay will.

It's the same difficulty that Brian Otto pointed out with a malt barley shipper. You can't have a general aggregate number without also having a way of dividing up who has access to that capacity based on some sort of economic priority. In order to make that work, you need an authority.

The Chair: Thank you very much.

I'll go now to Mr. Maguire for five minutes, please. Welcome to our committee.

Mr. Larry Maguire (Brandon—Souris, CPC): There have been some questions about transparency tonight. I think all three speakers tonight have talked about transparency and the need to have a clearer vision of how we move forward. The review that will be coming up is over and above the bill that's going to come forward to help move some of the product or make some changes to it.

Can each of you outline your thoughts on what would be required to provide much more efficiency on that type of system that Mr. Gratton and Mr. Otto were speaking of? There are other venues. Nobody has talked about much longer shipping routes. We're talking about Thunder Bay going east when there are Montreal, Baie-Comeau and other areas in the grain sector as well. They are much longer hauls, but at certain times of the year they make some sense when perhaps other areas are more closed.

I'll leave it at that for the first question anyway, and see if you can provide me with some answers as to what kind of transparency you need or you would see; whether it's transparency in the means that cars are allocated or delivered or the mechanism; or whether it's transparency in volumes of grain and other available products.

• (1930)

Mr. Brendan Marshall (Director, Economic Affairs, Mining Association of Canada): As Pierre underscored earlier with respect to data, I think the increase in transparency would help facilitate commercial negotiations between shippers and railways. The reason for that is right now shippers are at a disadvantage, unfortunately, with respect to the amount of data they have. When they go to the bargaining table with railways, the limitations of that data serve as a weakness in their ability to have a balanced commercial negotiation. In many instances the result is dissatisfaction with rail service across multiple sectors.

The increase in transparency we view as creating an elevation in that balanced relationship, elevating the shippers to the same playing field as the railways to allow equally empowered parties to have a

legitimate commercial negotiation. We believe if you do that you will reduce the amount of recourse to the remedies in the Canada Transportation Act that are available to shippers, because both parties will want to find that new middle ground. Both will be well aware of what is realistic, because there will be disclosure of the capability of the network and the railways to deliver that service to those parties.

The Chair: Mr. Otto, I don't know if you want to comment, and then we'll go to Mr. McCreary.

Mr. Brian Otto: Larry, with regard to the movement of grain, I think there has to be some identified formula that will allow the railways and the grain companies to identify what they want to ship. As I understand it right now, there's a breakdown in how they calculate the allocation of cars and what's being moved, how they're tracking that. They use different formulas.

We need the railways to ask how much grain do you move, where is it coming from, what ships do you have coming in, where do you want to move it from, and how many cars are available? The elevators have to be able to give that information to the railways and coordinate this information so when cars arrive at an elevator, they arrive on time, and when they are filled, they are moved out, and moved to port on time, and put into the terminal.

The other side of this is the terminal side. We're hearing about congestion at the terminal. Right now, quite frankly, the last figure I heard, and it might be a little old, is the terminals were running at about 20% capacity. Obviously we have a lot of terminal capacity right now, and we're not using it.

Why is that happening? Because we haven't had good communication between the railways and the elevator companies on how to move the right product into port. Let's get that correct too, because you don't want to be moving out spring wheat to load a ship that's there to load with durum or canola.

We have to get all this coordinated. I'm a producer, and it happened to me the other day. I was in Regina at a meeting, and I got a phone call. They needed durum, an emergency situation. Could I get it there? You bet. As a producer, I said I'd get my trucker lined up, and we moved eight super Bs of durum the next day.

That's what has to happen. You have to have that coordination, but people have to know what's expected.

• (1935)

The Chair: Thank you very much to our witnesses.

Our time has expired. We still have two more panels to go before the night is over.

Thank you so much for coming via video conference, Mr. McCreary, and to the Mining Association of Canada and also to the Western Barley Growers Association, thank you very much for your time.

We'll recess for a couple of minutes while we get set for the next panel.

● (1935)

_____ (Pause) _____

● (1935)

The Chair: I call back to order the standing committee.

Mr. Ballantyne, welcome. Please take a seat.

We have on video conference, Mark Hemmes, the president of Quorum Corporation. Welcome, Mark.

From Port Metro Vancouver we have Peter Xotta.

Each of you will have eight minutes. I'm going to start with the folks on video conference first, please. I would ask that Quorum Corporation's president, Mr. Mark Hemmes, take the first eight minutes.

● (1940)

Mr. Mark Hemmes (President, Quorum Corporation): Thank you very much for the opportunity. I appreciate the invitation.

My name is Mark Hemmes. I represent Quorum Corporation. Our company has been under contract with the federal government for the last 13 years as the grain monitor. In that capacity, we are charged with monitoring the performance of the grain handling and transportation system in western Canada. We report to the Minister of Agriculture and the Minister of Transport. We report quarterly, but we also report ad hoc on a regular basis when times are tough, as they are today.

I think what I will do in my presentation today is talk about the current status of the grain handling and transportation system and describe basically how we got here.

I would start by pretty much describing a historical perspective. If you go back to June 2013 and look at the situation that was facing us, you will see that we had a late harvest. We had lots of moisture in the soil. We thought we were going to end up with a crop that was going to be, at best, average and possibly even worse, but by the time we got through July and into August, it was obvious that things were much better. The growing conditions were exceptional, and as we got towards the end of August, it was becoming obvious that there was going to be a bumper crop.

As we moved into September, that became far more real. Actually, Stats Canada came out with a preliminary forecast for the crop of 65 million tonnes. At that point, we had been talking to the grain companies, and the grain companies had been talking to the railways advising them that they were going to see a higher than normal crop and that they would be looking to ship more.

At that time, I think the railways said they had actually planned to do about the same as they had done in the preceding year; they would attempt to do 5,000 cars a week. They had signaled that to us as well.

By the time we got into November, of course, the full impact of the size of the crop had become apparent. That's when Stats Canada came out with the final number of more than 75 million tonnes.

Here is a little bit about how things have performed within the grain handling and transportation system. By the time we got to about week seven of this crop year, which was early in October, the country elevator system had pretty much filled up. Since that point in time, we have seen the working capacity of the elevator system not fall below about 95% utilization. For all intents and purposes, that is telling us that the elevator system has been full ever since about week seven, back in October.

Conversely, with the port terminals we have seen exactly the opposite: the port terminal inventories have held at a historically low level. As a result, they've had difficulty in filling the vessels that have been arriving at the port. In the Vancouver corridor, what we found when looking at railcar allocation and at what the railways have both planned, is that what they have actually delivered has averaged since about week 10 about 22% below plan. In the Prince Rupert corridor, they've been falling between 8% and 10% below the planned allocation.

The bottom line is that they have committed to the grain companies a certain level and have fallen below it. As a consequence, we have seen this dreadful falling down of the ability to load vessels at the ports of both Vancouver and Prince Rupert.

● (1945)

Consequently, we've seen vessel lineups that have gone as high as 38 vessels in Vancouver and in excess of 17 at one point in time up in Prince Rupert. Thankfully, that has fallen. I'll talk about that in a minute.

As of late, total unloads on the west coast have fallen, year to date, about 1% below what the normal average is and about 1% below last year. Prince Rupert is holding it at about even to where they were last year. Total western Canada unloads are at about 5% below where we were last year, and about even with what the five-year average would be.

From about week 12 through to only about two weeks ago, we've found that the average unload counts have fallen far below both the five-year average and what we did last year. That has contributed to the problem.

That said, I would point to the fact that in the last two or three weeks we've seen an about-face in that the railways have been delivering to both the west coast ports. I would say in terms of a comparison to last year, they are about 23% above in Vancouver, about 51% above what they were in Prince Rupert at this time in these last weeks, and on a four-week rolling average, 4% ahead in Vancouver and 13% in Prince Rupert.

We haven't seen Thunder Bay gear up yet, although I know in the last five days they've done over 500 unloads. It's starting to turn around there as well.

I mentioned the highs in the vessel lineups that we've seen. In this last week, which is week 34, as measured on Friday, the vessel count in Vancouver was 29 and we're down to eight in Prince Rupert, which is a very positive situation. We're looking to have that come down quite a bit more.

In terms of exports so far this year, to the end of week 33, Vancouver is roughly 3% behind last year, and Prince Rupert is 7% behind, although they're starting to catch up with the high level of unloads. I would point out, too, that about last week, Prince Rupert Grain set a record, and I think it was an all-time record, of 1,870 cars unloaded in a seven-day period. That really helped move out a couple more ships from the port of Prince Rupert. Overall, shipments or exports from western Canadian ports, year to date, were about 6% behind.

In summary, I would point to a couple of things. First of all, I don't think there is any one event that you can point to that would contribute to the problems we've seen this year, but these are some of the ones you should consider. We did have an unforeseen higher demand for railway capacity. There is the issue of an over-commitment by the railways to the grain companies, which led them to make sales and order vessels that we weren't capable of loading and that still continue to sit out on the west coast. The railways had significant operational challenges through the month of December especially. There was a combination of a couple of derailments that they had to work their way through, as well as the cold weather. They also had an inability to recover from that. It was a long time before they actually got back up on their feet.

I would also point out that this year's bumper crop has not yet been one of the fundamental problems we've seen in the grain handling and transportation system. It will only start to challenge the system as we near the next harvest and the year-end carry-out starts to push the capability of both our storage and logistical resources. Right now we're basically working on a premise that we're trying to keep up to where we were last year and start to move out that carry-out in the next few weeks.

I think I'll—

The Chair: Thank you, Mr. Hemmes. We're going to have to bring it to an end. We're way over time.

Mr. Mark Hemmes: I was done.

● (1950)

The Chair: Great. Thank you. Perfect timing.

Mr. Mark Hemmes: Thank you.

The Chair: I'll now go to Mr. Xotta from Port Metro Vancouver, please, for eight minutes.

Mr. Peter Xotta (Vice-President, Planning and Operations, Port Metro Vancouver): Thank you very much, Mr. Chair.

I appreciate the honourable members giving the port the opportunity to provide comment. I'll try not to duplicate Mr. Hemmes' comments.

As members may be aware, Port Metro Vancouver is Canada's largest and busiest port. We serve as a vital strategic gateway for domestic and international trade and as a significant economic force in Canada.

We're a diversified port, and that's very relevant to the discussion around rail service, facilitating trade with 160 economies and about 130 million tonnes of cargo in the most recent calendar year. We handle that cargo at 28 major marine terminals. We have three class I

railways and a full range of other facilities to support our role in international shipping.

The port is also a cornerstone, as you can imagine, of the economic activity of British Columbia's Lower Mainland, with about 80,000 folks earning their livelihood from port- and transportation-related activity.

With regard to handling of grains, special crops and feed, it's a significant part of the port's activities. In 2013 approximately 19 million tonnes were handled through the various facilities outbound to markets, including Japan, China, India, Indonesia, Italy, Colombia, and others. Those numbers for 2013 represent about a 5% increase in overall volume of these crops.

As with any commodity, the port's primary interest in the handling of agricultural commodities is to ensure their efficient flow through our gateway, maximizing available capacity at our terminals without creating backlogs or extending wait times. At present for grain loading, the port has available terminal capacity, berth capacity, and rail unloading capacity at the five separate grain terminals that operate within our jurisdiction.

As Mark has indicated, we've had a significant backlog of vessels. We operate 32 anchorages, 23 of which are available at any given time. The remainder are dedicated for emergencies or short-term use.

As of this morning, there are currently six grain vessels alongside terminals in Vancouver and 16 grain vessels at anchor in English Bay and the inner harbour. There are another 15 grain vessels currently anchored at designated Vancouver Island anchorage locations that serve as an overflow for port activity, although Port Metro Vancouver does not have direct control.

To put these numbers in context, the average grain vessel time in port is greater than 18 days today, while the other bulk commodity vessels average around six days in port. It's also important to remember that anchorages are a finite asset that require logistical rigour and proper management in order to keep the port fluid. We will be undertaking a review of our anchorage policies because of this particular situation that is ongoing in Port Metro Vancouver.

To ensure we're able to handle Canada's grain year over year and support growth in the agriculture commodity export sector, the port has worked in close cooperation with municipal, provincial, and federal governments, industry, shippers, and railways to develop and fund more than \$6 billion in related off-terminal infrastructure, essentially to provide the capacity for the gateway to continue to grow across all sectors. The effect of this has been to reduce landside conflicts around the Lower Mainland, where there were points of intersection between road and rail crossings, so a tremendous increase in our capacity.

Examples of this collaboration include the 800-metre elevated roadway on the south shore of Burrard Inlet near three of our grain facilities, which went into service in December of last year. The roadway allows unimpeded rail switching across what were formerly 10 level crossings. Now, unrestricted access to those facilities can be gained by virtue of this investment. The Low Level Road project in the north shore trade area in North Vancouver is enhancing rail and port operations, as international trade continues to grow in this area as well.

One year ago, in April 2013, Port Metro Vancouver granted a project permit for Richardson International's expansion of their facility in that jurisdiction. This \$200-million project involves construction of two 40,000 metric tonne concrete silos. We're also encouraging increased capacity on port lands in other parts of our jurisdiction and are working to advance specific initiatives in collaboration with industry to deal with things like inclement weather loading, where there has been significant progress made.

- (1955)

Other initiatives include efforts that will drive labour stability, rail collaboration, trucking and gate initiatives, and as mentioned, anchor management and availability.

Crucial to the success of these endeavours is collaboration and transparency in the supply chain. The better informed we are, the more efficiently we can plan and work.

In this context we have a profound appreciation for the importance of our role as a data collection and reporting point for industry and for government. We will continue to focus on monitoring, measurement, and reporting of data with as much transparency as possible across each of our business sectors for the purpose of informing initiatives and government decisions.

Port Metro Vancouver understands the provisions in the act under review here that will enhance the Canadian Transportation Agency's ability to prescribe elements in arbitrated service level agreements between shippers and railways, as well as provide for the collection by the agency of more data from railways.

We would further recommend requiring data collection from other supply chain partners, such as marine terminals and terminal elevators. This would allow for greater transparency into supply chain performance on an ongoing basis.

Acknowledging that market forces should be the primary drivers of capacity allocation and the need to address the current situation of significant increase in overall agricultural product volume, it is important that this type of legislation include a sunset clause, as this bill does. It's our understanding it does.

Governments and transportation sector partners, including the railways and Port Metro Vancouver, have made significant market-based investments in the Asia-Pacific gateway. Certainty of the regulatory regime is a precursor for capital investment, be it at the port or in the prairie provinces.

Anticipating the impacts that certain provisions of the bill will have on other sectors and commodities trading through Port Metro Vancouver is a significant challenge. As such, we ask the committee members, as you navigate this bill forward, to consider the long-term

implications of future capital investments needed to support the growing demands of the supply chain.

In closing, the port clearly understands our role as a vital transit point for Canada's agricultural exports and in that context appreciates how our actions, performance, and the performance of the supply chain can have a dramatic effect on Canadians seeking to deliver their goods to market. It's with this responsibility in mind that we continuously review our operations in collaboration with supply chain partners to make sure that this happens.

I thank you for the opportunity to present to you today and I'm happy to take any questions that you might have.

The Chair: Thank you very much for your presentation.

We'll now go to Mr. Ballantyne, from the Freight Management Association of Canada. Mr. Ballantyne is the president.

Welcome, sir. You have eight minutes.

Mr. Robert Ballantyne (President, Freight Management Association of Canada): Mr. Chairman, thanks for the opportunity to present to the committee tonight.

The Freight Management Association, formerly the Canadian Industrial Transportation Association, has been representing the freight transportation concerns of Canadian industry since 1916. I was not at the first meeting.

Voices: Oh, oh!

Mr. Robert Ballantyne: The 100-plus members of the association spend approximately \$6 billion annually on transportation services by all modes. We advocate for our member companies' interests with regard to air freight, trucking, marine, and rail. FMA will only comment on the sections of Bill C-30 that would amend the Canada Transportation Act, and also on the government's related announcements that relate to the transportation elements in Bill C-30.

I will attempt to provide some context on how we arrived at this point with regard to rail service, provide some comments on Bill C-30, and more importantly, look at what needs to be done to ensure that the rail system and other parts of the supply chain system have the capacity to meet the future needs of rail shippers.

During the run-up to Bill C-8 which amended the Canada Transportation Act in 2008, there were widespread complaints about rail service from across the country. When Bill C-8 was passed in June 2008, the government agreed to undertake an independent review of rail service. The review panel published their final report on January 2011.

One of the panel's consultants, NRG Research Group, found in its independent survey of 262 shippers that only 17% of their respondents rated their satisfaction at a six or seven on a scale of one to seven, where seven was the most satisfied. NRG also reported that 62% of shippers reported they had suffered financial consequences as a result of poor service performance. The rail freight service review panel recognized the fundamental problem, and said in its final report, "This railway market power results in an imbalance in the commercial relationships between the railways and other stakeholders." Canadian railway law has acknowledged for over a century that rail freight is not a normally functioning competitive market.

Part of the government's response to the rail freight service review was to introduce Bill C-52, the Fair Rail Freight Service Act, which became law in June 2013. Bill C-52 breaks new ground by providing for the first time in Canadian law the right of all rail shippers to a service level agreement, and if it can't be negotiated directly with the railway, it can be achieved through arbitration. The shipper community, through the Coalition of Rail Shippers—and there are a number of our associations, some of which you've already heard from, that are members of Coalition of Rail Shippers—identified several areas where Bill C-52 could be strengthened in a way that would minimize uncertainty and give better guidance to our arbitrators. Also, some of the most significant recommendations of the rail service panel did not find their way into Bill C-52, particularly the review panel's list of elements that should be included in service level agreements at the option of the shipper.

The Coalition of Rail Shippers' proposed amendments to Bill C-52 were designed to strengthen it and make it more likely to effectively rebalance the commercial relationship and meet the government's stated objectives for the bill. The government declined to accept any of the six recommendations proposed by the Coalition of Rail Shippers. Consequently, to my knowledge at least, there have been no shipper attempts to achieve a service level agreement using the provisions of Bill C-52.

Bill C-30 provides another opportunity to revisit the shortcomings of the Fair Rail Freight Service Act. Clause 7 of Bill C-30, for example, provides the authority for the agency to extend interswitching limits "for the regions or goods that it specifies". This amendment to the interswitching regulations will allow the agency to give effect to the government's policy announcement to extend the maximum interswitching on the prairie provinces from 30 kilometres to 160 kilometres. The interswitching regulations have been useful to shippers over many decades and are an effective surrogate for real competition. Given the current backlog of grain, this temporary provision may give grain shippers more flexibility in arranging service, and it will be available to all shippers who may have facilities located within the 160-kilometre zones that will be established.

● (2000)

Once a more general review of the Canada Transportation Act is undertaken, the maximum interswitching limit across the entire country should be investigated to determine if the current 30-kilometre limit should be extended.

The other significant provision of Bill C-30 that's relevant to all shippers is clause 8, which authorizes the agency to "make regulations specifying what constitutes operational terms" to be included in a service level agreement through arbitration. While it's unclear how the agency and the government will use this provision, it could be a vehicle for achieving some of the shipper amendments that were rejected during the Bill C-52 debates. FMA will certainly engage with the agency as these regulations evolve.

I'm not going to comment on the provisions related to potential fines for the railways for missing targets, or the provision that allows the Governor in Council to set targets in the next two crop years. It is acknowledged that the current backlog of grain is an unusual situation, and clearly the government felt compelled to intervene at an unprecedented level of detail.

As you've heard and you probably will continue to hear, there is concern among some of the shipper community that singling out one industry group in such a manner could cause service problems for other shippers. FMA includes among its members grain companies but also many shippers in many other industries. We've informed our membership that the targets set in the order in council and in Bill C-30 originated with CN and CPR, and we have to start from the premise that the railways would have offered those targets only if they felt they could maintain the current level of service for their other shippers.

Intervention such as that in Bill C-30 needs to be applied very carefully and only under the most extraordinary circumstances.

With regard to the future, a welcome announcement in Bill C-30 is that the statutory review of the Canada Transportation Act will be moved to an earlier date rather than its mandatory latest start date of June 2015.

Two basic issues that the statutory review should address are: one, the need to provide appropriate rail capacity for the needs of Canadian industry over the coming decades, and Mark Hemmes made some comments about the growth that is expected to take place in at least some of the agricultural commodities; two, the need to improve the relationship and trust between the railways and significantly large segments of their customers.

With regard to capacity, this will require significant investment by the railway companies, by other supply chain partners as Peter mentioned in his remarks, and possibly by several levels of government. The statutory review will provide an opportunity for an in-depth analysis of the capacity needs going forward and the role the various stakeholders should play. How this is addressed will have a significant impact on the national economy and our global competitiveness.

Last, with regard to shipper-railway relationships, it will be difficult to overcome the distrust, and to some extent, the acrimony that currently exists. In this connection, there have been informal discussions under the academic umbrella of Carleton University School of Public Policy and Administration. They run a process called critical conversation, which involves direct and confidential discussions within an academic environment among stakeholders to start a dialogue to overcome distrust. While arrangements have not yet been confirmed for critical conversations involving the railways and shippers, the planning discussions with the various stakeholders continue.

Rail service is vital to the Canadian economy, and the members of the Freight Management Association are ready to work in a constructive way with the government and the railways to improve Canadian supply chains for the benefit of the railways, their customers, and the Canadian economy.

Thank you.

● (2005)

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

We will now go straight into questions.

Mr. Allen from the NDP will go first, please, for five minutes.

Mr. Malcolm Allen: Thank you, witnesses, for being with us this evening.

Perhaps I'll start with Port Metro Vancouver and ask for help with a statement that was made last night by one of the rail shippers, one of the railroads, who simply said there were 1,600 cars unloaded in the port of Vancouver and that the port of Vancouver was going to be part of the problem because they weren't able to do things.

Are you experiencing that type of problem? Are you not able to unload cars or not able to get them back to CP and CN so they can get them back into their system? Is there an issue?

Mr. Peter Xotta: Thank you for the question.

I'll probably look to Mark to provide some additional context to this, but what I was trying to frame up is that we're at an all-time low of average in store in Vancouver. There's nothing I'm aware of that is stopping us from handling a significantly larger volume, week over week, other than the points that have been made on product arriving.

This has been a very challenging winter for the railways, and we accept that there are some very legitimate reasons that it has been a challenge, but the reality at the port is that for a whole bunch of reasons, including a recent truck disruption, lots of folks are ready to handle cargo at the bulk facilities.

Mr. Malcolm Allen: Really, they were saying it is an issue now. They weren't actually talking about their problems over the winter or anything else; they were saying they're bottlenecked now. That was Mr. Creel's assertion last night. I don't have his testimony directly in front of me, but what I'm hearing from you is that you don't have stuff stuck there at the moment.

I asked Mr. Creel to supply the committee with that particular factual information from the document. I will wait to see whether we get it.

Let me ask one more question. Either you, Mark, or Peter can answer this. I think you said it's six days to turn around other commodities to ship and 18 days to turn around a ship if it is grains, oilseeds, etc. Can you explain the differential in the timeline? We're talking six days. We're not doing a rounding off of numbers here; it's not six and a half versus seven days. We're talking three times as long.

Can you give us an explanation as to how that happens?

● (2010)

Mr. Peter Xotta: Once again, I'll offer up a view from the port's perspective.

We track vessels coming in of all varieties, and consistently with the previous system under the Wheat Board and even today, the average duration of port call for grain vessels is higher. A number of reasons for that relate to the number of terminals they might go to, etc., but under normal circumstances, the average stay at port for grain vessels is typically higher than for other commodities.

It has become exceptionally high in recent months and over the years there are periods when it has become problematic. As port volumes grow, we have not been able to identify as many additional anchorages as might be necessary to support that. In the future, it's going to become much more critical that we manage those available anchorages with increasing discipline.

The current backlog and imbalance in the supply chain is at the root, I believe, of the delays. Clearly, there are vessels available to take cargo and terminals available for that cargo, and the priority needs to be to rebalance our supply chain.

Mark, I don't know if you want to add something to that.

Mr. Malcolm Allen: I have five minutes, and I want to get to Mr. Hemmes about some of the issues he raised.

I thank you, gentlemen, for that. Maybe someone else will come back to you about it and Mark can maybe get in.

Mr. Hemmes, you talked about the carry-out. I may have missed it, but I thought you said that you expect this to be perhaps not as good as what folks are hoping for as we go forward, with additional carry-out as we go forward, if we have just an average crop year. Was that where you were headed with that statement?

Mr. Mark Hemmes: Yes, in essence, if we do not see the kind of performance we're hoping for from the railways, we're looking at a carry-out in excess of 20 million tonnes. If we have that, we're going to be carrying it forward into next year, and we're going to be in the same boat next year as we are in this year. The problem is that so much of that grain is going to be old grain sitting on the farms. That's problematic because it causes a cash-flow problem for the producers. It's just taking the same problem we have now and moving it forward. What we have to do is find a way to whittle away at that.

If I might just take an opportunity to follow up on that previous question—

The Chair: Very quickly, please, as we're out of time.

Mr. Mark Hemmes: I think I would challenge the point made about a problem with congestion in Vancouver. Our office is in regular contact with all the grain companies and the terminals in Vancouver and Prince Rupert, and I can say with certainty that they are not congested by any stretch of the imagination. Every time they get cars, they unload them as quickly as they can.

The Chair: Thank you very much.

We'll move Mr. Lemieux from the Conservatives, for five minutes, please.

Mr. Pierre Lemieux: Thank you to all our witnesses.

I was at the port of Vancouver at the end of January. Let me give my thanks to Marko for showing me around. It was an excellent tour. It turned out to be very fortuitous and extremely well timed, given where this legislation is. Certainly, when we went around the port, we were looking at grain terminals and rail into grain terminals. We were looking at the overpasses as well to minimize blockages and slow traffic and congestion. At the time most of the terminals were, and I don't remember the number, but they were definitely under capacity in terms of were they full or were they not full.

Certainly Monsieur Mongeau, from CN said yesterday that they're ramping up right now, of course, to meet the targets we have set. He commented that the port is filling up. He didn't say there were any red flags yet, but certainly he tabled a concern about other players in the supply chain not being able to keep up with the delivery capacity of rail.

I wrote down some of your numbers and some of the numbers that Quorum gave us during this presentation. Do you foresee a possible choke point at the port—not now, not in the next two weeks, but I'm talking months, maybe in six or eight months—and what sort of forward planning would you do to mitigate that type of situation, should you see it starting to present itself?

● (2015)

Mr. Peter Xotta: From a port perspective I think we're the convergence of a number of supply chains across commodities. At the centre of that, of course, is rail service and nobody is better placed to do that forward planning than the commercial partners involved in that, both rail and grain terminals.

We know there is a significant backlog and a tremendous amount of grain that wants to get to the west coast. As Mark said, there's ample capacity to grow that volume substantially. We would expect other supply chain partners, including terminal elevator operators, to make every available hour available to the railways to operate. In some instances when volumes are lower, they won't work 24 hours a day; they will work eight or 16 hours a day. I think under the current circumstance we can expect they will be making all those hours available.

The other parties to the vessel loading operation, at least, and there's a variety of them, including longshore labour, are available and ready to work on demand. That requirement on grain vessels is lower than other types of activity. All partners are available and ready to work. I have no indication that we're expecting a backlog of any kind at the port, but managing that comes through the work of Quorum, and as I said, the private partners to the activity.

Mr. Pierre Lemieux: Thank you. Let me move over to Mark from Quorum.

Under this legislation, you're required to report weekly. Does that pose any type of challenge for you, or not really?

Mr. Mark Hemmes: In terms of legislation or the order in council, we're not being called upon to report on it weekly. We'll be reporting on it monthly. No, it doesn't pose any problems. We have been reporting weekly to the federal government through this difficult period, but going forward, it will be monthly. You might be confusing that with the requirements under the order in council, and Transport Canada is dealing with that themselves to the best of my knowledge.

Mr. Pierre Lemieux: Okay.

Can you provide us quickly with some of the metrics that you report on?

Mr. Mark Hemmes: Presently what we report on is everything from the farm gate to the time that it gets loaded on the vessel, which includes the volumes in each section of the supply chain at the country elevator, on the railway, at the port, and with the vessel loading.

We report on the performance of the country elevator network, their loading capabilities, and the time the grain spends in the system. We follow railway performance in terms of what the cycle times are and what the transit times are. One of the things we do not presently report on but will be reporting on in the future is order fulfillment. Basically that's how many cars are ordered, how many cars are actually committed to by the railway, and how many are actually placed in the country, and then we'll follow that on with how many cars are actually unloaded.

We track at the port terminal when trains arrive, when cars arrive, and when grains are delivered to the terminal. We track the terminal performance, how long grain stays in the terminal, and what the dwell time is in how long terminals are taking to unload cars. We track how long vessels have been in the port. We do that in conjunction with the port of Vancouver and the other ports. We track how many times vessels berth. We also track how long they've been staying in the port and when they leave. We do track that on the railway side on a car-by-car basis, and on the vessel side on a vessel-by-vessel basis.

That's a highlight, but essentially in the grain monitoring program, there are about 240 separate measures, so I hit the top end of it.

● (2020)

Mr. Pierre Lemieux: Great, thank you.

The Chair: Thank you very much for that time.

I'll go to Mr. Easter, for five minutes, please.

Hon. Wayne Easter: I thank all three witnesses for their presentations.

Mr. Ballantyne, you mentioned a number of proposed amendments that you had previously. We will have a look at those, but if you have any that are specific which you think would improve this bill, we'd appreciate it if you could forward them to us. I don't want to take time here to get into them.

Turning to Quorum, Quorum monitors grain, as I understand it, not the total system. Am I correct in that? You're not monitoring the total transportation system in terms of its capacity with respect to potash, fertilizer, or oil. You're just monitoring grain. That's your responsibility.

Mr. Mark Hemmes: Yes.

Hon. Wayne Easter: Are there any gaps in the system that make it difficult for you to gain access to the necessary data? Let me give you an example. How much grain car rolling stock is on sidings sitting empty, not moving on the railway system within Canada, especially on the Prairies, at any given time?

I ask that because I was in CN's Chicago centre a year ago, and they were showing me on their computer system how they could tell where a car was and what was in that car at any given time. Are they providing you information on how many grain cars are sitting empty in the sidings, or can you get it?

Mr. Mark Hemmes: In the past we were having difficulty getting that information, but this last three months and the orders that went forward from the government will start to provide us that information. I expect we'll start to get it within the next four or five weeks, and we will be tracking that on an ongoing basis going forward.

Insofar as the position of cars in the network, if it's loaded, we get a record of it.

Hon. Wayne Easter: In terms of your monitoring today or in the last week, is there any congestion in the port of Vancouver relative to grain cars being unloaded, based on the previous questions just asked?

Mr. Mark Hemmes: To the best of my knowledge and every indication that's been given to us by the grain companies, no. They are unloading them as quickly as they possibly can and turning them around.

Hon. Wayne Easter: Let me turn to logistics as a whole. This question is for both witnesses, Mr. Hemmes and Mr. Xotta.

In terms of preventing congestion in Vancouver, I'm told that under the previous system, when a unit train got to Vancouver, there would be basically a paper transaction to allocate.... The total unit train might go to one terminal, but there would be a paper transaction to give credit to the other grain companies for that grain that was realistically theirs, same grade, same quality. That created some massive efficiencies in the system. Now I'm told that it's actually physical cars that are moving around.

Can either one of you give us any information on that?

Mr. Mark Hemmes: I can comment on that.

Mr. Easter, what you're referring to is a process that actually was abandoned about 12 years ago. It was done basically in collaboration between the grain companies and the Canadian Wheat Board. They felt that keeping track of it was unfairly penalizing some groups, and it wasn't to the advantage of the actual sale of the grain. It was actually confounding the railway operations. They chose to abandon it roughly 12 or 13 years ago.

The system that was brought into place in behind that saw a more direct method of moving cars into position. What resulted from that

was a far, far more efficient use of the railway equipment than what was used under that previous system.

• (2025)

Hon. Wayne Easter: Is that system still working today?

Mr. Mark Hemmes: I would say it is. Yes.

Hon. Wayne Easter: Thank you.

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

We'll now go to Mr. Zimmer, for five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you for appearing at committee tonight. I know it's late.

I'm pretty much going to keep my questions for Mark at Quorum and Peter at Port Metro Vancouver.

Mark, a colleague just asked about the jams at the port currently, and you said it wasn't. Are any projected in the future, with these higher volumes coming into Vancouver? Are you projecting any jams of that sort in the next month to four months?

Mr. Mark Hemmes: I don't foresee it, but now that I've said that, it could happen. It could happen for a multitude of reasons.

What you have to bear in mind is that with 28 or 29 ships sitting out in Vancouver right now, and most of the terminal empty, you have very close to 1.8 million tonnes' worth of available space to put grain. It will take a long time to fill that. You also have to bear in mind there are ships coming in every day looking for grain. As long as the cars keep running into the terminal on a consistent and regular basis so that you don't end up with big surges, I can foresee where they will continue to operate that way.

You can't forget, too, that you have the port of Prince Rupert, and Thunder Bay is just coming on stream now. I think they're going to start moving a lot of grain as well.

Mr. Bob Zimmer: Thanks.

Peter, we heard from CN CEO Claude Mongeau last night, and he wasn't particularly fond of the legislation and the teeth it has. He thought it unfairly targeted rail companies, and he pointed a finger at you guys. He took some of the blame, but he said that part of it belongs to the ports, because the grain can't get out fast enough.

Is that accurate?

Mr. Peter Xotta: I think this probably will be repeating my comments from a previous question.

I think it would be a fair concern for Claude, who runs generally speaking a very efficient operation that runs 24-7. If they are spotting traffic in Vancouver, and terminals choose not to unload those cars for a variety of reasons until the next day, or don't want to operate a shift, that has a significant knock-on effect in other parts of the supply chain.

If that's the nature of CN's concern, I think that is something that needs to be addressed with the terminal elevators. Given the situation we're in, in terms of the backlog and the pressures on the system to rebalance, I can't speak for those elevator companies, but I would imagine they will be operating every available shift, and frankly, I think they should be in order to assist the railways in reaching their objectives.

Mr. Bob Zimmer: I have one last question. I'll make it really simple.

Who do you think is to blame for the current situation we have right now affecting grain farmers on the Prairies not being able to get their grain to market? Do you have somebody who you would point a finger at first?

Mr. Peter Xotta: Frankly, the increase in demand that we've seen concurrent with the weather challenges have created a situation that we need to work through collectively.

As I said in my statement, I'm a very strong supporter of the work Quorum does, and as a port we're very committed to monitoring and measuring service performance. The exciting thing about this work that's proposed to be undertaken is bringing greater visibility and data sharing across the supply chain, so we can do better forward planning. That, to me, would be a positive outcome.

Mr. Bob Zimmer: Mark, you're monitoring this on a daily basis. Can you give a quick answer to that?

• (2030)

Mr. Mark Hemmes: In my summarized comments I said that I don't think you can point to any one place and say that's where you pin the blame. I think the railways carry the brunt of it, but I think there is also an issue with the fact that there isn't enough transparency, or there presently isn't enough transparency in the market for people who are selling grain to be able to see a problem like that coming at them.

It's not a simple issue just to point your finger at one stakeholder and say it's all its fault. I think we would be remiss in this process if we were to do that.

The Chair: Ms. Ashton, I'm going to give you about two or three minutes if you have questions, and then we want to move on to the next panel.

Ms. Niki Ashton: Great. Thank you.

Thank you to our witnesses.

As a member of Parliament from the eastern part of western Canada, from Manitoba, what I've heard from people on the ground is the need for federal leadership and a federal championing of this strategy. A lot of producers from our part of the country go east to Thunder Bay and are looking to reinforce their capacity through the north. I'm wondering to what extent you believe it is important to see federal leadership that looks at all the options that would benefit producers, given the varied realities of producers depending on which part of the country they're in.

Perhaps, Mr. Ballantyne, you could speak to that, and Mr. Hemmes as well.

Mr. Robert Ballantyne: There is a role for all the stakeholders in moving things forward.

Transportation is always something that has a high level of government involvement one way or the other. There clearly is a role for the federal government to be involved in this and possibly take a leadership role. As the answers to the various questions have shown so far tonight, it certainly is going to require really good cooperation going forward, and good transparent data sharing on the part of all the participants in the supply chain, not only for grain but for other commodities as well.

One other point I would make is that the issue of railway service is not a western Canadian problem; it's a problem across the country. I have member companies in Toronto that are having some of the same problems that branch-line people are having in Saskatchewan. So, it does require good leadership from the government and the other folks.

Ms. Niki Ashton: That's a very important point on how national this issue is and clearly how important it is for the federal government to take a leadership role.

Quickly, Mr. Hemmes, I'm wondering if you have anything to add.

The Chair: Be very quick, please.

Mr. Mark Hemmes: I think Bob put it quite well, actually.

To your point about the eastern part of the Prairies being especially challenged, we look at our numbers right now and see that Manitoba is over 100% of the working capacity, which tells us that there is a lot of grain that's still sitting on the ground not in elevators. That's going to be a particular challenge. I think movement through Thunder Bay and the seaway is going to be the key to solving that.

Yes, I do think it needs federal government involvement, at the very least in a facilitating role, to guide the parties to a point where they are going to come to some kind of answer to this. I don't see, under the present situation, that they're going to come to a solution on their own, because as Bob mentioned, we see a lot of acrimony. Basically people are coming to the negotiating table already armed with sharp sticks, and we've got to get past that.

The Chair: Thank you, Ms. Ashton.

I want to thank our witnesses for being a part of this great debate.

We'll break for about three minutes while we switch to the next panel.

• (2030)

(Pause)

• (2035)

The Chair: I'd like to call the committee to order, please.

First of all, I want to say thank you to the Canadian Federation of Agriculture—first here and last to leave. They gave their presentation earlier, before the votes. Thank you for returning to be part of the witness panel.

I want to welcome Roger Larson, from the Canadian Fertilizer Institute. The federation gave their presentation, so we'll now go to Mr. Larson, for eight minutes, please.

Mr. Roger Larson (President, Canadian Fertilizer Institute): Or less than eight minutes, I hope.

Mr. Chairman, thank you very much for your introduction and your invitation to appear before the Standing Committee on Agriculture and Agri-Food on this important issue, Bill C-30. Good evening, members of the committee, and thank you for staying so late.

My name is Roger Larson. I'm president of the Canadian Fertilizer Institute. CFI represents the manufacturers of nitrogen, phosphate, potash, and sulphur fertilizers, as well as the major wholesale and retail distribution companies in Canada. Our members produce over 25 million tonnes of fertilizers annually, over 75% of which is exported to more than 60 countries around the world. Canada accounts for about a third of world potash production and 45% of world potash trade. Canadian farmers purchase \$3.5 billion of fertilizer annually.

The Canadian fertilizer industry understands the urgent demands for prompt action to alleviate the current backlog of grain through Bill C-30. However, our position has been that government-mandated allocation is not an effective solution. Without an expansion of rail capacity it is a zero-sum game. Our industry supports commercial solutions through clear service level agreements negotiated between the railways and their customers.

In addition, there are three other critical points that I would like to make.

Policy commitments announced in conjunction with the tabling of Bill C-30, with the additional enhancements, could be a robust solution to the current challenges which exist for all rail shippers.

We do not believe that this winter's backlog of grain and other rail shipments, including fertilizers, is a blip. Canada's commodity transportation system is hitting the limits of its capacity, both domestically and for exports. Only a strategic partnership of governments, railways, and shippers can ensure that Canada's place as an export powerhouse will be realized.

Regarding Bill C-30, our industry understands that the government is moving to rapidly pass this legislation; however, there are important issues which need to be addressed before this bill becomes law.

First, expanding interswitching distance beyond 160 kilometres would allow our members' fertilizer facilities to have access to multiple railway companies, improving service and competitiveness.

Second, enhance service level agreements or SLA policy commitments to include the following provisions: the collection, reporting and measurement of performance metrics; the performance standards applicable to the railways' obligations; the charges, penalties or fees that a railway should pay upon a breach of its service contract; and a mechanism for the resolution of disputes under SLA.

I want to emphasize that this winter's backlog of grain and other rail shipments is part of a trend. Canada's commodity transportation system is hitting the limits of capacity domestically and for exports. The crisis in rail shipments is not just a perfect storm of bad weather, record grain harvest, and lack of customer focus by the railways; rather, it is a wake-up call for everyone in the transportation and logistics community.

The frustration of shippers who simply cannot get their goods to markets has been boiling for years. This is not, and should not become, a power struggle with the railways. It's about farmers, miners, and manufacturers who are losing money because of inadequate rail service.

With the Canadian government looking to aggressively grow Canada's trade with key markets, the clock is ticking on the readiness of the Canadian logistics and supply chain to accommodate a huge surge in traffic.

● (2040)

We need to act now to optimize our existing framework so that we can achieve this economic opportunity. Addressing one sector's concerns without considering the broader supply chain will result in a patchwork of policies that do not solve any fundamental issues. Shippers, railways, and the government need to take a holistic look at the challenges facing Canada's transportation system and develop sustainable commercial solutions that are good for all sectors, the railways, and the Canadian economy.

In closing, I'd like to thank the members of the committee for this opportunity to present our views. A good dialogue between government and the private sector is important as industrial policies are contemplated, ensuring a good understanding of the opportunities and challenges that businesses face, as well as opening the door for partnerships that strengthen Canada's economic competitiveness.

We welcome the opportunity to continue this dialogue. I am pleased to answer any of your questions.

Thank you.

● (2045)

The Chair: Thank you for your time, Mr. Larson.

As we know, Mr. Etsell and Mr. Banack are also open for questions.

We will start with Mr. Allen from the NDP, for five minutes, please.

Mr. Malcolm Allen: Mr. Larson, thank you for being with us so late in the evening.

Also, thank you to Mr. Etsell and Mr. Banack for coming back. We didn't get an opportunity earlier to ask questions on your presentations.

Quite frankly, Mr. Larson, I was struck by the end of your statement around this idea that there just is not enough capacity and there has not been enough capacity for a number of years. Has your association tried to quantify what you feel is the lack of capacity? Is it 2% or 5%? Is it a big number, notwithstanding the growth potential in the economy that some areas may see? Do you have any quantifier to that? Or is this a number that we need to get data on that actually will tell us that?

Mr. Roger Larson: I think the simple answer is the latter part of your question, Mr. Allen. It would be a tremendous undertaking for us to quantify that, even for our own industry. Our companies are individual corporate entities with competitive interests. They don't share that information even with us. Then you have the other major industries that you would need to look at as well.

Mr. Hemmes, who testified earlier, is one of the people who would have the skill set and the capacity to help guide that study.

Mr. Malcolm Allen: We've heard a lot about transparency and data collection in order to make decisions, because clearly, to say that the railroads don't have enough capacity, without any data, is that true or not? It's akin to what my colleague and I asked about. The railroads are saying there is stuff at the port of Vancouver, but then when you ask the Port Metro Vancouver, they say it's not there. That's the problem, right?

You tell us there's not enough capacity, and the railroads say they think there is. Without any hard data, it would be really difficult to make decisions about how to go forward with this. If they point to this as a one-off, then what do we do? I'm seeing and hearing a trend.

Mr. Etsell, with respect to what you were talking about earlier this evening, you're an inland producer, in a sense. You're in British Columbia, so you're not a port exporter. I'd like you to walk us through that piece you talked about, because I think it's important to hear. We've talked a lot about getting it to the port and getting it out somewhere else. That's not your issue, is it?

Mr. Garnet Etsell (Executive, British Columbia Agricultural Council, Canadian Federation of Agriculture): Our problem is.... And it's very frustrating. There's a glut of grain in the Prairies and we're not able.... Our requirement is steady. It's 100 cars per week, 52 weeks of the year. It doesn't vary, yet particularly with the passage of this legislation and the order in council, it has really meant that the railroads have shut us down in terms of being able to get delivery of grain. There are no new contracts they are entering into.

The four major grain companies are not selling any new contracts to us, but we do have sellers. There are sellers out there who we can get access to, the small inland terminals and the individual producers with producer cars, but the railroads are not pulling those cars. That is our problem.

The Chair: You have a minute.

Mr. Malcolm Allen: Perfect.

Mr. Banack, maybe you could talk to the producer car issue, because I don't believe we've had a lot of time to talk about it. There have been some concerns that there aren't enough and about how to make sure that there are.

From your perspective, what would you like to see happen to ensure that producer cars...? They are a true option for farmers to get stuff moving, provided of course that they get to the right place and can be spotted and all those things and that the short lines can get to work. What's your sense of what we need to do around that particular issue?

• (2050)

Mr. Humphrey Banack (Vice-President, Canadian Federation of Agriculture): The bill talks about making sure that we have

access to all corridors. Access to all corridors has to include the producer car shippers. They're not a corridor; they're not a specific spot. The corridors speak to areas in Saskatchewan. I think we have to work with the legislation to add producer car spots.

The short line I am a member of and on which I ship grain sent me some numbers the other day. They have shipped 531 cars this year, which is good. They are another 500 cars behind, and they have to get to 2,000 cars for the annual year by the end of the year. We're in week 32 of our shipping year; we have 20 weeks left. That's an awful lot of cars. They have to ship another 1,500 cars. That's what they have committed to people such as Garnet.

In the last little while, this is where producers have been going to move their grain, because these are the guys who have said they can move the grain. Their prices have been better, because the basis on the producer cars has not changed nearly as dramatically as that of the elevator system. The producer cars have been returning us better returns for the last three or four months.

I think it's critical, when we talk about the access to corridors, that you have access to shippers within some of those corridors, to make sure the producer cars are there.

We're shipping 50 cars out of our line at a time. The railways aren't really keen to meet that 11,000-car target. It's very difficult for them to pick up these small numbers of cars.

The Chair: Thank you very much.

We'll now go to the Conservatives, and Mr. Zimmer for five minutes, please.

Mr. Bob Zimmer: Thank you for coming to the committee tonight.

I'll start with Roger.

From some of your comments, I think we think completely alike. You said you want a market-driven solution to the problem. You said that it's an overall infrastructure shortage that is the issue; yet within a few minutes you said that as an organization you don't have an answer as to what a solution would be for this infrastructure problem.

Here we are. We're asking for a solution to the infrastructure shortages and an answer as to how we can fix this thing. We're looking at Bill C-30. Yes, it's more short-term as a solution, but long term.... So we come back and ask you what your solution is. Your answer is that you don't even really get along yourselves to provide us with such a solution.

I guess that's where we're stuck. If you want a market-driven solution, then you need to give us a market-driven solution. If you want our solution, we'll give it to you, but.... Do you know what I'm saying?

We want you to give us that solution.

I'll go to Humphrey and Garnet. I would say to Garnet, too, that a bit of the overlooked problem here is that we talk about exports, but we haven't been talking a whole lot about domestic supply and the shortages there. I'm from B.C. I lived in the Lower Mainland when I went to school. I lived in Abbotsford and your area, so I know how turkey farms operate. You need a lot of feed for those turkeys.

I mean real turkeys, not—

Voices: Oh, oh!

Mr. Bob Zimmer: —whatever people might want to reference there.

We heard testimony from Mr. Mongeau from CN, and I'll focus on Mr. Mongeau because it is CN that operates in my riding exclusively. We had almost presumed that a car shortage was something of an anomaly this year only, but I have heard comments about problems since I became a member of Parliament. I heard of previous problems of shortage of railcars. I heard about the shortage of railcars at pulp mills, and I've heard about it in other commodity areas too.

Humphrey and Garnet, please tell me what the situation has been in the last number of years and when the shortages occurred. How has it been going? Has it been getting worse or better? Perhaps you could give us an overview.

Let's start with Humphrey, please.

Mr. Humphrey Banack: Shortage of cars.... I think sometimes there is a terrible shortage of logistics. In conversations we've had with the railroads, they have said that putting more cars on the railroads may be like adding more cars to a freeway like the 401 in rush hour. Are you going to get anywhere faster?

Yes, we're not getting the cars on time. I believe the biggest factor missing is coordination within the policy. As we've heard in talk about the ports tonight, the railways bring cars in on Friday afternoon because they know the ports aren't going to work on the weekend, and then they say that the ports are congested.

The terminal elevator that I deliver to phoned me. I talked to them on Friday afternoon; they had said to phone on Friday. "Can you deliver on Monday?" I want to deliver next week. There's a call on Friday morning that all deliveries are off. The railway isn't spotting this week. Okay, so I had to change all my plans to go back. On Friday afternoon, they got a call from CN saying that they're going to have cars there Saturday morning.

Somehow we have to fix that spot of it. How do the shippers, how do the receivers...? We have to fix that side of it.

Is there a shortage of cars, a shortage of things in the middle? There may very well be; we'll find that out. I think the biggest most critical thing is to have the coordination there to say that when CN says it will have cars at the terminal, they arrive on time and they are taken on time.

CN will bring cars into this facility, but if there are fertilizer cars in the way, they just park the grain cars out on the line where they can't get to them. Then they have to wait for CN to come back and move the cars again. How do you load this 110-car spot?

This is a great part of the logistics within that system and of managing it. Those are the things that come back to haunt the system. Is there a shortage of cars and capacity? I think it's as much to do with the logistics. Manage those logistics.

Whether it comes down to service level agreements under which, if the railways say they're going to be there at four o'clock on Saturday afternoon and they're not there at four o'clock on Saturday afternoon.... The companies are bringing people in to load those cars. There's a 24-hour spot. There's a premium to load them in 24 hours. They want that premium. Every terminal I deal with will bring people in to load those cars. Do you want to be that guy who says, "Yes, I'll work the weekend", "No I won't work the weekend", "Yes, I'll work the weekend"?

Those are the issues that we have. We need logistics control.

• (2055)

Mr. Bob Zimmer: Sure.

Garnet, can you comment? I think I have two minutes left.

Mr. Garnet Etsell: Let me go back to my experience when I was in the feed mill industry. Service issues have been chronic for years. It's a chronic issue, but never to this extent.

I think what is missing is the service level agreements. They need to be reciprocal agreements, operating on both sides, so that there are consequences on both sides.

The thing I really liked about one of Minister Raitt's recommendations was the idea of having a commodity supply round table. I think that is just an outstanding idea, and it's the starting point for helping to coordinate what the needs are.

The Chair: Thank you very much for your time.

Now we're going to the Liberals. Mr. Goodale, you have five minutes, please.

Hon. Ralph Goodale (Wascana, Lib.): Thanks again to the witnesses.

I have a couple of questions for the CFA representatives, but first of all, Mr. Larson, let me pick up a little bit on the last couple of questions.

I think everybody would prefer a commercial solution that worked, with the parties collaborating with each other, but as we have sat through some of these hearings, especially last night, you could almost cut the atmosphere with a knife. The relationships are obviously not good.

So I ask, how can you achieve that commercial atmosphere in which people are constructively working on solutions when the current atmosphere is so bad? How did this rancour develop? How is it that over the last year or two, this enormously bad feeling has so corroded the relationships?

Mr. Roger Larson: Mr. Goodale, I'm not sure how the corrosion in the relationship between the different participants in the grain sector and the railways has occurred because I'm not involved in that sector and haven't been involved in those discussions. I'm certainly standing close to it. As a supplier to the agriculture industry, I've been aware of the growing concerns.

One of the things we have focused on with our commercial emphasis is that we need to find ways for firm service level agreement contracts with their customers, and then the measurement and the performance needs to be against those contracts. We believe that will remove a lot of rancour. When a customer and their supplier can say, "Here's the contract. Did we deliver against that contract and, if not, what are the remedies, the next steps?" that is going to improve the performance.

It's also going to allow the larger group of industries to work with the railways to identify what the capacity needs are for the future and to determine who is going to pay for those capacity increases. I think it's tying everything to the contract, to performance, to delivering on those commercial contracts, and looking at how to create an atmosphere where we can work together with the railways to invest in the infrastructure we need. Those infrastructure challenges are things like longer sidings and double tracking, but it's also investment in operating personnel and equipment that will enhance the speed and fluidity of the network. It's not just about building more track; it's about system solutions that will help the entire logistics system work.

• (2100)

Hon. Ralph Goodale: Thank you.

To the CFA, looking at the order in council that was passed and the version that is being put in the legislation, how would you, in the context of that legislative and regulatory framework, make sure that short lines are getting the attention they need and the producer cars are getting the attention they need? I understand there was a communication from the Grain Commission the other day that said there would be no more producer cars for some indefinite period of time. That's the safety valve for a lot of producers that now seems to be missing.

If you could change, adjust or model the order in council or legislation, what would you say in it to make sure that producer cars and short-line operators are being treated properly and that it's not just sort of the rush to get the volume to the coast because that's what counts for the law?

Mr. Humphrey Banack: It's very important to have this. The order in council needs to say that instead of just managing 11,000 cars, a percentage of them have to be producer cars. If there are x number of producer cars to be moved this crop year, and we have a number of how many we're looking at, we need to make sure that's part of that 11,000 and then make sure the railways look at those 11,000. It has to be included in the areas that they want to work in.

That would be my answer. It would be to make sure that out of the 11,000, they push the railways to commit at least that many to producer cars.

The Chair: Thank you, Mr. Goodale.

Now we'll go to Mr. Dreeshen from the Conservatives, for five minutes, please.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much for being here this evening.

Mr. Larson, I'd like to go to you first of all.

The 11,000 cars per week that have been mentioned, and we've talked about this before, were numbers in various corridors that CN and CP said they would be able to handle without affecting other shippers. Of course, we've heard stories where that doesn't seem to be the message that is going to the other shippers, so it brings up this issue about one group fighting against the other, and that's going to affect everybody's approach to this.

Somebody mentioned the rancour that exists. I know that Mr. Payne spoke earlier of some of the concerns. As you say, this is not something that has just happened in the last couple of years. This has been ongoing for quite some time.

The way I'm looking at it is that there are other things that CN and CP have spoken of. One of those things was that they were also against interswitching, yet you were saying that perhaps we should be taking a look at expanding that.

The first question I had when I heard you speak was what would that number be, or what kind of flexibility do you think a person might have to have in order to at least help those in your industry?

Mr. Roger Larson: Mr. Dreeshen, I'll address the interswitching question first. I don't have an exact number for all of my member companies, but I would be prepared to have member companies discuss that number with you directly because at that point it is in their individual commercial interest to advance that request.

The CFI presented a proposal a number of years ago, in 2006, called a competitive access rate, which is very similar to the concept that is being proposed, with the addition of interswitching distances here. We could also share that along with individual companies.

There are concerns with the 11,000 cars per week. We've had discussions with at least one of the two railways. The feeling is that in normal conditions that number can be achieved with their operations without damaging their obligations to their other customers. The challenge that we have been advised of... Keep in mind that we probably share the infrastructure with the grain industry more than any other industry in Canada. The Saskatoon yard is that kind of thing. We share the same yards. We're shipping to and from the same points. Distribution for fertilizer really is a mirror of distribution for grain. We ship fertilizer to the farm and then farmers ship grain back to markets.

We've been warned by the railways that any disruption that affects those 11,000 cars could have an impact on our industry.

• (2105)

Mr. Earl Dreeshen: Okay, I thank you for that. Again, they were their numbers to start with that said it wouldn't affect you, but of course, you know, they're couching the discussion somewhat just in case, and you're a little further down the pecking order, so of course you're going to feel that.

I also want to talk about producer cars. Mr. Banack, you were discussing that.

My experience with producer cars is a little bit different from some of the other areas. There are some great facilities that are set up for producer cars. Mine was hauling in my own auger and somehow trying to figure out how to get the train up and down the track. But I do have some experience with it, and I think CGC didn't stop producer cars. They were simply saying that the wait times were so long because of the poor rail performance, and that's what we are dealing with, of course. Producer cars certainly will roll if we can get them hooked onto a train.

I'm wondering if you could talk about some of the efficiencies that we might be able to look at. You also talked about short lines. Could you tie in some of the thoughts that you have about producer cars, short lines, and what we should be looking at in that regard?

Mr. Humphrey Banack: Producer cars provide an option for a lot of producers. Where I am in east central Alberta, there's a line, Battle River Railway it's called, that runs from Camrose to Alliance through an area where there isn't a lot of service. It provides the producers along that line very close hauling distances. With the amalgamation, the consolidation of the elevators across the Prairies, some of these guys.... I was talking to a fellow the other day who went 220 kilometres one way from Castor to the terminal, one trip a day virtually for him.

The producer cars have allowed that, and in our area, it's a proven fact—it has been proven through studies—that any place where you're close to a producer line, the producer cars do bring down the basis in those areas. They provide that competition. So we ship a small percentage of our grain through producer cars, but our terminal elevators know I do, and they're a very important part of moving forward to keep that competitive.

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

We'll now go to Ms. Ashton for five minutes, please.

Ms. Niki Ashton: Thank you to our witnesses for joining us.

Mr. Banack and Mr. Etsell, I really appreciate the sentiment that you have shared with us today as producers and the frustration you feel. Sadly, this committee, thanks to the government's approach, is limiting the number of voices we can hear, particularly of producers. It means that we don't get to hear directly that frustration. I'm sure it's the reality for members across, as it is my reality that when I—

The Chair: Mr. Zimmer, on a point of order.

Mr. Bob Zimmer: Mr. Chair, on a point of order, I don't think Ms. Ashton understands that we're trying to get this legislation through to help farmers as quickly as possible. That's why we have the agenda that we do. Maybe if she understood farmers and their desires to have this done, that statement might be accurate, but it certainly isn't.

The Chair: Carry on.

Ms. Niki Ashton: Thank you for the clarification, but that's not necessary. Mr. Zimmer, I understand very well what happens in this Parliament.

All this to say that where I come from, producers and people in communities across Manitoba are very concerned about the backlog and the lack of federal leadership on this front. To hear from people

on the ground is the most important.... We've heard a lot certainly from industry and from representative organizations, but the fact of the matter is that the frustration is being felt first-hand by people on the ground.

In light of this discussion, I realize that the Canadian Federation of Agriculture has also put forward recommendations on the way in which Bill C-30 could be improved, certainly recommendations that we believe need to be looked at very carefully. I'm especially interested in recommendation number seven, where you're calling for transparency in the grain logistics system. You talk about how the U.S. has a model that supports producers by offering greater transparency. What we're hearing, and we heard it in the previous panels as well, is the need for federal leadership, the need for coordination, and the need to have information that is housed and offered by government, and obviously in the interests of producers.

I'm wondering if you could speak to the importance of that kind of coordination and federal leadership when it comes to transparency.

• (2110)

Mr. Humphrey Banack: Yes. On our lobby day on the Hill yesterday, I know we were visiting Mr. Payne for sure and some of the other MPs around the table, including Mr. Eyking. We talked of transparency and great logistics systems. I think that's absolutely important.

Every Saturday I get my marketing report on my desk and they talk of U.S. sales, out of the U.S. That's the U.S. sales and all the U.S. transport, how much is loaded and shipped, the U.S. shipments per week. We don't have that capability in Canada. We have to somehow get that out there. It helps both for marketing and logistics. Whoever is gathering this stuff will understand how many sales have been made. That's the first point in understanding what logistics you need to move the grain to that port, the shippings. If you have this many shippings, the U.S. data report says we need to ship 482 million tonnes of wheat a week. We're at 450 million. We do that for three or four weeks and pretty soon they say there's a logistics problem.

Those are the numbers that they provide to their producers. We don't have that in Canada. That's what we're calling for, that opportunity to take that number and put it to either a round table or an agency that would take those numbers and use them to make those long-term plans. But, first of all, you need that number, that solid number on sales and that solid number on shipments. That can give that long-term planning.

Ms. Niki Ashton: Thank you very much for sharing that.

I'm wondering in terms of the other recommendations you made, if you could share what kind of feedback you've had from others on the ground that you work with, not just through your organization, but perhaps other organizations. Do people agree with the kinds of recommendations you're putting forward? Should this committee be aiming to improve Bill C-30 by adding these recommendations, based on the views of many people out there?

Mr. Garnet Etsell: Let me address the domestic grain issue because that really comes from ANAC, the Animal Nutrition Association of Canada. If we do not get some kind of prioritization in Bill C-30, we will be unable to get enough grain in the valley to feed our animals. If that day comes where the bins are empty, we are going to be faced with a decision. The decision is going to be to cull animals.

Just from an animal welfare point of view, you cannot send a half-grown chicken to market. There's only one thing to do and that's to destroy it. That is what we're faced with.

The Chair: Thank you very much.

We'll go to Mr. Payne, for five minutes, please.

Mr. LaVar Payne: Thank you, gentlemen, for coming. Thanks in particular to Mr. Banack and Mr. Etsell for coming back after your first presentation and our apologies for being disrupted by the bells on a couple of occasions.

I'm really disappointed in our colleague, Ms. Ashton, across the way, for suggesting that the government has not been doing anything on this. She hasn't been helpful at all in this whole process. If I think about it, Minister Raitt and Minister Ritz have been leading the charge on this whole process. They've been talking to grain companies, the railways, the producers. They've brought forward this bill. We've been doing what we can to help move this record crop. Certainly, we understand there are other aspects to this whole issue.

In terms of that, Mr. Banack, you talked about the producer cars. I was wondering how many producer cars there are per year. As I understand it there are about 7,000 allocated, so the whole question is where those cars are that you suggested. You also talked about the sidings. You talked about the closure of sidings.

I wonder if you could add some further comment on those items.

• (2115)

Mr. Humphrey Banack: Yes, on producer car numbers, when we had the Wheat Board before the change in the marketing status, until producers found a different way to use the producer cars, we were doing between 11,000 and 13,000 producer cars per year.

In the following year, until we find— First, to ship a producer car we have to have a buyer at the coast, so those relationships had to be built. The line we deal with deals with two grain companies, P & H grain, and Lansing. It took a while to develop those things.

As I said, our line this year is looking at doing 2,000 cars out of there, so I think that producer cars have an opportunity to grow in this atmosphere.

Producer cars need sidings. In the last number of years we've seen CN and CP close sidings. There are sidings out there that they don't have registered to load as producer cars.

We have to be able to allow the option for these producer cars because they're our only outlet when we want to have some options against the big four grain companies. They're that other outlet we have to produce.

Number two was to call for a moratorium on railway siding abandonments and make sure that the ones that are there are re-listed for producer car loading sites. We have a large number of producer car loading sites that have been delisted by the railways and they said they would not spot railcars on those sites. We need to go backwards. I understand there is a cost to maintaining these lines, but there's also a cost to western Canadian grain producers when we lose that competition.

Mr. LaVar Payne: Thank you.

Mr. Larson, thank you for coming in.

You talked about shipping problems, and this is ongoing. As you're aware, in my riding I have a major fertilizer producer, a petrochemical producer, carbon black. I have farmers. Quite frankly, CP has kind of had their way and done their thing. I don't know if you have any information particularly on Canadian Fertilizers Limited's operation there, but could you give us some feedback from your members in terms of the disaster, in terms of being able to deliver cars and move product for you?

Mr. Roger Larson: Thank you, Mr. Payne. I do encourage you to talk to your constituents about their opportunities and concerns.

Our feedback would be general, that we've had some very significant problems in getting fertilizer to farmers this winter. I was invited by some of our farm groups to join them for some meetings with one of the railways to discuss the challenges both in terms of moving grain off the farms and then moving fertilizer to the farms.

Most farmers recognize that we're facing a potential crisis on both sides. Probably the one saving grace that we're going to have with regard to this spring's crop is that it looks like a late spring. A late spring gives us more time to deliver fertilizer to our farmers, and hopefully that will mitigate some of the risks of not meeting our needs for our customers.

I would add that I've heard of some very unusual situations from some of our members. One retail company told me that they could not move urea from one side of western Canada to the other. Consequently, they were importing something in the order of 100,000 tonnes of urea through the Panama Canal into the eastern United States and putting it on U.S. rail to move it to the eastern Prairies.

Those are sales that your constituent and other fertilizer producers in western Canada have lost. It's going to be handled by imported fertilizer materials because of the challenges we have in transportation this year.

• (2120)

The Chair: Thank you, both.

We're short on time, and we're pretty close to the end of our time. We have one more.

Mr. Watson, go ahead for five minutes, please.

Mr. Jeff Watson (Essex, CPC): Before I get to any questions, it's probably appropriate to take a step back for a second.

The government's approach with respect to what is happening in the west first of all was an immediate solution to ramp up the cars available, if you will. That was the order in council.

Bill C-30 is not a long-term structural change. It's intended to address near-term issues in a more comprehensive way than the order in council allows us to do. Through that we're proposing, among many things, a flexible regulatory approach to some of the service level issues that have been raised, as opposed to putting in force a legislated framework, and trying to be prescriptive about it in that approach for a short duration.

The third aspect is that we are proposing to accelerate the review of the Canada Transportation Act. It's important because of some of the bigger structural questions. Earlier we heard from witnesses about the establishment of a transportation authority and some other things like that. These are major structural things and we don't necessarily know what the interrelationships will be. I don't even know if they'll exceed the scope of the bill as it currently exists. But some of these issues related to major structural changes to the legislative framework of the Canada Transportation Act are probably dealt with better in that earlier review, so we can take a look at that.

I think Bill C-30 has to be looked at with a view of not trying to solve all the issues, if you will, in a structural fashion. That being said, it doesn't mean there aren't opportunities. There'll be consultation, obviously, on the regulations. I think we've heard a number of witnesses who think that will achieve at least some of the important objectives related to operational terms of service level agreements.

Is that a fair understanding of that approach in that regard? Do we understand that we're not trying to solve all of the issues, if you will, structurally with this particular bill? Are you comfortable with that approach, knowing that the bigger questions will be dealt with in an accelerated fashion?

Mr. Humphrey Banack: Yes. The bill outlines a sunset date of 2016. We realize this is a medium-term solution. The order in council was a short-term solution, and we have to build beyond that.

The long-term solution, as you said, is a review of the Canada Transportation Act. That, as we understand it, will be accelerated to probably start in June of this coming year.

Mr. Jeff Watson: That will include major consultation obviously.

Mr. Humphrey Banack: That will mean major consultation.

It's a very important part of that moving forward. I think where we are is very good. We don't have all the answers by far.

Mr. Jeff Watson: Right.

That being said, you've raised some other issues that wouldn't be contingent per se on the Canada Transportation Act review. Those, I think, form some important advice to this committee in this process right now with Bill C-30.

Mr. Garnet Etsell: Yes, it's really critical. The livestock situation can't wait until 2016. That has to be dealt with now.

Mr. Jeff Watson: That doesn't necessarily deal with long-term structural changes—

Mr. Garnet Etsell: No.

Mr. Jeff Watson: —to the Canada Transportation Act, so that's why I say I think that input informs us right now.

I think earlier we had a witness who suggested, for example, that a question of interswitching could be something in that same review later on, but whether that's extended across the country, and what that could possibly mean.... There are certain questions, I think, that are sort of better put in that.

The Chair: Be very quick.

Mr. Jeff Watson: I'll leave it at that, Mr. Chair. I don't think I need to go any further. I think I've made my point, and I think our witnesses understand the approach the government's trying to take with that.

We'd appreciate your additional comments that could fall within the scope of what we're doing here today.

Thank you.

The Chair: Thank you very much.

I want to thank the witnesses again for hanging around and then coming in.

Actually, this wraps up our witness list. Thank you very much.

I also want to say, though, to the committee, considering that we kind of got behind about an hour and a quarter or an hour and a half today, we're now within five minutes of being on time. You have been really important in making that happen, and I very much appreciate it.

We have some new business to do in camera.

[Proceedings continue in camera]

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