

# Why we welcome new rail regulation

[Richard Phillips, Special to Financial Post](#) | Dec 17, 2012 9:00 PM ET

## *Bill will assure grain growers more balance*

In reaction to the Fair Rail Freight Service Act, Bill C-52, introduced in Parliament last week, the railways have been claiming this legislation is unnecessary, stifles innovation and puts the “engine of the country’s economic growth at risk.”

During the fall, Canadian National Railway Co. chief executive Claude Mongeau declared it is “best for the Canadian government to stick with a commercial approach to rail service instead of adding layers of regulations.”

It is fair to say that shippers, including farmers and grain companies, expect to bargain commercially with the railways. However, with only two major railways operating in Canada, there continues to be an inability to fairly negotiate adequate service and price for freight. The railway(s), on the other hand, can unilaterally impose penalties, conditions on shippers, or refuse to provide any service at all.

Farmers, the vast majority of whom have single railway access in their rural area at their local elevator, have attempted to have rail service issues addressed for over a decade. Frequently, farmers find themselves unable to get adequate levels of service or even to negotiate terms of service.

It is not like dealing with city cable and telephone companies — farmers cannot go out and switch their business to another railway company when they receive poor service if only one rail line comes through their town.

This is why the Grain Growers of Canada, working within the Coalition of Rail Shippers, a group representing 17 industry associations and over 3,235,000 jobs in Canada, has long been calling for some balance through legislation. And legislation has long been on the agenda as one of the recommendations brought forward by an independent Rail Freight Service Review Panel in 2010 where the report stated: “It has long been recognized in transportation law that regulations are required to address the potential abuse of market power by the railways.”

Granted, since the rail service review process began, rail service for grain shipments has generally improved in the short term. Farmers are counting on the new legislation to help backstop and enhance the recent rail-service gains for the long term.

In a speech this fall, CN chief Mongeau called the railways the “true backbone of the Canadian economy.” But if the railways are the backbone then we also need to recognize that agriculture in Canada puts the meat on those bones by contributing over \$18-billion annually to the Canadian economy.

Canada is the world's fifth-largest exporter of agriculture and food products, with over 90% of our farmers' livelihoods dependent on the sale of products that are exported or export priced.

The grain industry alone spends \$1.4-billion on rail freight annually, exporting 35 million tonnes of grain.

Farmers need to get their crops from their fields to port. Getting a better rail service deal that provides some balance, where Canadian farmers and the grain industry can count on the rail cars arriving on time (on the day they are scheduled to arrive, rather than days or even more than a week late at times) is not optional, it is essential for the agriculture industry to grow and for the Canadian economy as a whole to prosper.

When trains are late without explanation, it hinders Canada's export competitiveness in the global market and it is just not fair when penalties are one-sided against shippers.

There have been a lot of changes in the grain industry over the last year, with the Canadian Wheat Board becoming voluntary. The CWB's transformation and the federal government's aggressive trade agenda have meant new marketing opportunities for farmers.

While new trade deals are important, market access for Canadian farmers and the ability to meet our export commitments to ship our crops on time are also of the utmost importance. This is why the new rail service legislation is needed and why the Grain Growers of Canada supports the federal government's move to introduce this bill, assuring more balance in dealing with the railways.

In the legislation, we were glad to see the right to a service level agreement, an arbitration process when negotiations fail, and consequences for the railways when they don't live up to their obligations.

Hopefully the "true backbone," as the railway likes to call itself, can take a step back from the rhetoric and try to understand these are the bare bones that shippers, including farmers, need in order to meet our Canadian growth potential.

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