

Ottawa orders CN and CP to double grain shipments

Fines threatened if railways fail to move backlog

Bill Mah, Edmonton Journal March 8, 2014

Canadian National Railway will do its best to follow a federal order to more than double the volume of grain it hauls, but the company fired back some demands of its own on Friday.

In an effort to alleviate a costly backlog on the prairies, the Conservative government ordered railways to move at least 500,000 tonnes of grain each week or face fines of up to \$100,000 per day. CN and Canadian Pacific will have to more than double the current volume being moved.

Transport Minister Lisa Raitt, who on Friday announced an order in council would take immediate effect, said the companies have four weeks to ramp up shipments to meet the volume requirement, which will require 5,500 cars per week.

"For the past several months, the bumper crop of grain produced in Canada has not been moving fast enough to Canadian ports," Raitt said. "We are taking this action to more than double grain shipments in order to preserve the integrity of Canada's transportation system and our reputation as a global player." Jim Feeny, director of public and government affairs for CN, said the company can meet the 5,500-car weekly minimum but it will need help.

"CN is going to do its part to meet the challenge of moving a 100-year record crop," Feeny said.

"We've done the homework. CN believes an upper-limit target of 5,500 cars per week ... is achievable and sustainable but only if every member of the supply chain works together.

"We're going to need the grain companies to have strong sales programs through Thunder Bay and the seaway as well as through Vancouver and Prince Rupert. We're going to have to use all the corridors."

Timely loading and unloading of grain cars will also be necessary.

"We're going to need encouragement from the federal government to all players to act in a collaborative as opposed to an accusatory manner."

Ottawa's announcement was welcomed by the head of an Alberta farm group, but he worried it might not be enough to open a bottleneck that has left much of a record harvest sitting in bins, unable to get to port.

"It will certainly help," said Lynn Jacobson, president of the Alberta Federation of Agriculture. "One of the things we worry about is the railroad's ability to even comply with an order-in-council. Does the railroad have the surge capacity to handle something like that?" Wade Sobkowich, executive director of the Western Grain Elevators Association, lauded the announcement.

"It's good news the government is taking a positive and strong approach to this problem," Sobkowich said.

"We have a 61,000-car shortfall, outstanding orders for rail cars that have not been filled. We have 43 vessels waiting off the West Coast for grain to arrive and our country elevator system is at 95-per-cent capacity."

Alberta Agriculture Minister Verlyn Olson had recently called for stiffer penalties for railways.

"This is a really good start," Olson said. "I'm pleased there's some action being taken and it's immediate. This is something that has to be dealt with by the federal government in a regulatory or legislative way."

The railways say they are moving more grain than ever before, a task made tougher by what CP calls the harshest winter in 60 years.

"Canadian Pacific is disappointed with this unfortunate order in council," the company said in a statement.

"CP believes the actions of the federal government raise more questions than they answer and only focuses on the railways and not the entire supply chain."

"Despite an extraordinary crop size that was not forecasted by anyone and periods of extreme winter weather, our railway has continued to move record amounts of grain and despite this unfortunate order in council, ... CP expects to transport 240,000 carloads of Canadian grain this crop year, a more than 20 per cent increase over last year's record."

Western Canada's crop this year is 76 million tonnes, 50 per cent higher than average.

Further to the shipping minimums, federal Agriculture Minister Gerry Ritz said the government will introduce grain-handling legislation when Parliament resumes.

That too provoked a warning from CN.

"We believe that any such move to introduce more regulation on grain transportation is ill-advised and counter-productive," Feeny said.

"Inevitably, it will lead to more adversarial relationships within the supply chain at a time when collaboration is absolutely essential." bmah@edmontonjournal.com [Twitter.com/mahspace](https://twitter.com/mahspace)