

# Ottawa To Order Railroads To Move Grain Amid Backlog

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WINNIPEG - Ottawa is forcing Canada's two main railway companies to double the amount of grain they ship in a week to try to unclog a transport bottleneck that has left piles of grain sitting in bins across the Prairies.

Transport Minister Lisa Raitt said cabinet has passed an order-in-council that gives Canadian National and Canadian Pacific a month to start moving a minimum of one million tonnes of grain in 11,000 cars each week.

If CP (TSX:CP) and CN (TSX:CNR) don't meet the requirement, Raitt said they face fines of up to \$100,000 a day. The Conservatives are also promising legislation when Parliament resumes that will help ensure agricultural products get to market.

"This is a very serious situation," Raitt said at a news conference in Winnipeg on Friday. "We have to demonstrate that Canada can maintain an efficient transportation system which is capable of moving our grain to market. This is an issue of great significance and we have to address it in a timely manner."

Farmers and provincial governments have been complaining loudly that a bumper grain crop is still sitting in bins while prices fluctuate. Last year's harvest was up by about 20 million tonnes.

Ottawa has already chipped in \$1.5 million for a five-year transportation study and ordered rail companies to report monthly on their performance.

CN and CP did not get a heads-up about Friday's announcement, Raitt said.

Agriculture Minister Gerry Ritz said farmers are increasingly frustrated by the "poor performance of the railways."

"The railways have dropped the ball," he said. "This situation is not acceptable."

Ed Greenberg, spokesman for Calgary-based CP, said the railway will comply with the order. But he called the move unfortunate and suggested it didn't take into account the "entire supply chain." The issue is complex and goes beyond the railway, he added.

The backlog has not been caused by a shortage of locomotives or crew, Greenberg said.

"It's been a combination of an extraordinary crop size combined with extreme weather that has resulted in this situation," he said. "And 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."

CN's Jim Feeny said the company can comply with the order if everyone in the supply chain works together.

The challenge in moving the biggest Prairie grain crop in history is unprecedented, he said. The company has been doing everything it can to keep grain moving but it has been hampered by extreme cold, Feeny said.

"We have hundreds of employees in those locations who have spent the last three to four months working night and day outside in temperatures that have persisted at -30, -35, -40 and even beyond at times with very little respite," he said.

"But the reality is, when you get that kind of cold, across that kind of territory, for that length of time with no breaks, it has a severe effect on the mechanical ability to operate trains."

Many farmers praised the order.

"Obviously the government heard us," said Dan Mazier, vice-president of Keystone Agricultural Producers, who was part of a delegation that met with Raitt last week. "This is great news from a farmer's perspective.

"The government keeps on telling us they want us to produce more so we can export more. We'd better have a transportation system that can support all that."

Greg Cherewyk, chief operating officer of Pulse Canada, said rail companies have taken grain farmers for granted because they have no other choice to get their product to market.

"We have two national carriers in this country that have focused relentlessly on trimming excess capacity," he said. "That means you can walk, but you can't run. You can never trip because you'll never catch up."

The Saskatchewan government has been calling for action on the backlog for weeks. Agriculture Minister Lyle Stewart said the railways have the ability to boost grain shipments.

"What's been lacking is the will to do it and certainly the penalties that are put in place will be a very strong encouragement to them to improve their service."

The province will be pushing for a minimum 13,000 cars a week, Stewart added.

"We have one shot at fixing this transportation mess and we better not fall short of the mark."

Alberta's Agriculture Minister Verlyn Olson said the federal government had little choice but to wield a big stick to get grain moving.

"We were really vulnerable and starting to see signs the reputation of Canada as a supplier to a global market was really being damaged," he said.

Some, however, weren't impressed. Saskatchewan Liberal MP Ralph Goodale called the order "far too little and it's far too late."

"They're not really requiring the railways to do anything out of the ordinary," he said. "So all of this militant talk, the railway bashing that's been going on, they're not prepared to back it up with any kind of specific measure that is over and above business as usual."

He suggested any penalties the government collects from railways should go back to farmers to cover their losses.