

# CN boss slams new grain-by-rail legislation

BY AMANDA STEPHENSON, CALGARY HERALD MARCH 27, 2014 8:00 AM

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The CEO of one of Canada's railway companies fired back at the federal government Wednesday, saying new legislation aimed at easing the grain transportation backlog plaguing Prairie farmers is unfair and heavy-handed.

Canadian National Railway CEO Claude Mongeau said in a statement he was "disturbed" by the Fair Rail for Grain Farmers Act, tabled in the House of Commons by Agriculture Minister Gerry Ritz and Transportation Minister Lisa Raitt.

Mongeau said the bill — which gives the government the ability to mandate the amount of grain railways must ship and also expands shippers' abilities to choose a different railway — could undermine rail viability and accused the government of unfairly penalizing railways to satisfy the demands of farmers.

"It's a sad day for Canada when the government decides to hit one sector of the economy to placate a vocal constituency, instead of fostering sound commercial solutions to strengthen Canada's transportation infrastructure," Mongeau said.

Calgary-based Canadian Pacific Railway did not provide a comment on the legislation by deadline. A spokesperson said company officials were still reviewing the details.

The federal government has been under pressure from farm lobby groups, as well as the governments of all three prairie provinces, to do something about the grain-by-rail issue. Western Canadian farmers harvested a record 76 million tonnes of grains and oilseeds last year, but much of that crop has remained stranded in bins and elevators due to lack of rail movement.

Both CN and Canadian Pacific Railway have blamed extreme winter conditions for the slowdown in shipments.

Earlier this month, the federal government issued an emergency directive giving the railways four weeks to double their grain shipments to a combined target of one million metric tonnes per week, or face fines of \$100,000 per day.

The Fair Rail for Grain Farmers Act would extend those requirements until August 3, 2014. In addition, it gives the government the power going forward to set minimum grain transport

volume requirements at the joint recommendation of the Minister of Transport and the Minister of Agriculture and Agri-Food.

The new legislation also extends “interswitching” limits. Currently, where a shipper is served by only one railway, the shipper is entitled to transfer its traffic to another railway at a regulated rate if the shipper’s facility is located within a 30-km radius of where the two railways connect.

The bill would extend those limits to 160 km in an effort to increase competition and give shippers access to alternative rail services.

“This action could hit Canada’s railways by opening their business to unfair poaching by U.S. railways without any reciprocity,” Mongeau said. “Besides causing financial harm to CN, it could drain traffic away from Canadian ports.”

But Ritz said higher crop yields are expected to the new norm in Canada, and the country’s transportation system needs to be prepared to handle it.

“This legislation creates the necessary tools to help ensure Canadian shippers have access to a world-class logistics system that gets their commodities to market in a predictable and timely way,” Ritz said in a statement. “Farmers and our economy need a system that works today and tomorrow, with the capacity to move what is grown.”

Alberta Federation of Agriculture president Lynn Jacobson gave the new legislation a grade of 8 out of 10.

“It all seems positive, but the devil will be in the details as we dig into this a bit more,” Jacobson said. “I do think this will go a long way toward clearing up some of the transportation backlog.”

Jacobson said the government’s commitment to better supply chain transparency is exactly what farmers were looking for, but said he still has questions about how the performance objectives and penalties will be worked out.

“One of the questions is, who’s going to do the monitoring. And that’s still to be determined,” Jacobson said.

The Alberta government issued a statement in support of the bill, saying several of the initiatives included in the legislation were ones the province had been lobbying for. Provincial

Agriculture Minister Verlyn Olson said he is also pleased the federal government has committed to an accelerated review of the Canada Transportation Act.

“We will continue to advocate for measures that will enhance service and accountability throughout the supply chain,” Olson said. “This includes direct commercial penalties for rail companies that fail to meet service obligations.”

But the Saskatchewan government said it was disappointed that the legislation does not increase the \$100,000 penalty, boost minimum volume numbers, or direct fines to benefit farmers instead of federal coffers.

Saskatchewan Agriculture Minister Lyle Stewart says “at first blush ... the legislation itself is deficient.” “We made some substantial asks and they weren’t numbers that we pulled out of the air,” Stewart said in Regina.