

New Report Underscores Need for Railway Costing Review

March 10, 2015 – Saskatoon, SK A new report, commissioned by a farm coalition consisting of the Agricultural Producers Association of Saskatchewan (APAS), Sask Wheat, Sask Pulse and Sask Barley, underscores the need to examine railway costs and efficiency gains as part of the federal government's review of the Canada Transportation Act (CTA).

Produced by Travacon Research Limited, the report shows that for the crop year 2013/14, Canadian National Railway (CN) and Canadian Pacific Railway (CP) earned \$322 million, or \$8.36 per tonne, in excess of the 20% contribution level that was deemed fair and adequate by the Canadian Transportation Agency. These new numbers would conservatively put the cumulative excess revenues earned by the railroads from 2008-2014 at an approximate \$2 billion.

The excess revenue earned from grain movement is a direct result of productivity gains being fully captured by railways. Railway costs for grain movement have not been fully reviewed since 1992. Since then, elevator consolidation, siding closures and the trend towards multi-car blocks have created efficiencies that would, under effective competition, translate into lower freight costs for producers.

These most recent findings come as producer groups, shippers and railways submit their recommendations to a federal panel reviewing the CTA. "What these numbers mean is that grain producers are being overcharged – grain is paying full freight, and then some," says Norm Hall, APAS President. "As part of the ongoing review of Canada's grain transportation system, we need a full costing review to determine fair costs for freight."

In December, the coalition group submitted recommendations to the CTA review panel which the group believes would lead to improvements in the grain transportation and handling systems. The coalition group met with the CTA review panel again late last week to follow up on the initial meeting. One of the key recommendations in the coalition's submission is for a full costing review and appropriate adjustment of Maximum Revenue Entitlement (MRE). (The complete report is available at www.apas.ca.)

"As grain producers, rail service and cost directly impact our ability to compete internationally," Hall says. "We hope the review panel will continue to respond to our coalition group's recommendations and ensure proper regulations are put in place so that producers get fair treatment."

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