

# Producer Recommendations on the Future of Canada's Transportation Act

Submission by: Agricultural Producers Association of Saskatchewan  
Saskatchewan Wheat Development Commission  
Saskatchewan Barley Development Commission  
Saskatchewan Pulse Growers

To: Canadian Transportation Act Review Panel

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## **EXECUTIVE SUMMARY**

Western grain producers lost an estimated \$3.1 billion in 2013/14 and could lose an additional \$2 billion in 2014/15 because of failures in the transportation and handling systems, according to a study commissioned by our coalition group. These losses occurred as a result of capacity shortfall relative to exportable supplies in the transportation and handling system.

Given these significant losses and other related concerns, the coalition, which consists of Saskatchewan Pulse Growers, Saskatchewan Barley Development Commission, Saskatchewan Wheat Development Commission and Agricultural Producers Association of Saskatchewan (APAS), developed preliminary recommendations for the Canada Transportation Act (CTA) review panel.

Our recommendations are designed according to the following principles:

- 1) The system needs to foster competition in all aspects of the grain transportation and handling system.
- 2) Market transparency is critical to efficient system performance.
- 3) The grain transportation system must be forward looking and positioned for growth.
- 4) Primary grain producers need their interests represented in the design and ongoing operations of the grain transportation system.

## **RECOMMENDATIONS**

### **a) Costing Review**

**It is recommended that the CTA Review Panel call for the completion of a formal costing review and adjust the maximum revenue entitlement accordingly.**

**b) Maximum Grain Revenue Entitlement**

**It is recommended that in their consideration of the CTA, a commitment is needed from the federal government that the maximum revenue entitlement will stay in place to ensure fair compensation to railways for hauling grain.**

**c) Information Requirements**

**It is recommended that the CTA and/or other legislation be amended to provide mandatory information reporting for the grain handling and transportation system to function effectively.**

**d) Rail Oversight**

**It is recommended that the CTA create a rail oversight group that includes agricultural producer representation, to assess ongoing operations of the railways.**

**e) Arbitration Process**

**It is recommended that the CTA create a responsive and meaningful dispute resolution mechanism that can resolve rate and service issues quickly and efficiently.**

**f) Running Rights**

**It is recommended that the CTA Review Panel establish provisions to enhance the use of running right provisions in Section 138 of the CTA.**

**g) Small Shippers**

**It is recommended that changes to the *Canada Transportation Act* support small shipper innovation, diversification and investment.**

**h) Producer Cars**

**It is recommended that the CTA Review Panel ensure that the unique requirements of producer car shippers and shortline railways in the**

**transportation system are recognized and accommodated within the legislative framework.**

**i) Rail Abandonment Process**

**It is recommended that the Canadian Transportation Agency be empowered to investigate and rule on a railway's genuine 'operational interest' in underserviced and unused rail lines in which other parties have expressed an interest. It is further recommended that if a genuine operational interest is not confirmed, that these lines go through the de-commissioning process and be put up for commercial sale.**

## **INTRODUCTION**

The Canada Transportation Act review represents a unique opportunity to examine the operational transportation requirements of all market participants in the grain handling and transportation system today and over the next several decades.

The experience of the 2013/14 crop year has taught us a number of lessons to guide us as we deliberate our future transportation needs. The first lesson was that Canada is capable of producing very large crops and we can expect that export volumes will fluctuate significantly depending on annual production and carryover stocks. The second lesson was that failure to transparently plan for the annual capacity requirements of the industry can lead to a system failure that reduces the potential economic benefits to Canadian producers, other market participants, and to Canada itself. Hopefully, the third lesson we learned is that 2013/14 was not a random or rare occurrence. Failure to design a future transportation system to manage annual fluctuations, and the capacity requirements of all market participants, will be a disservice to Canada's economic growth and prosperity.

Many changes have taken place in the Canadian grain industry in the last few years, particularly to major institutional relationships and authorities. It is important to note that Canada has had a long and storied history of operational and logistical problems, which included subsequent transportation reviews undertaken to address the needs of the future. While transitional changes to institutions affected the 2013/14 crop year transportation performance, many other factors, including growing demand for rail service from non-traditional shippers and the evolving commercial relationships between railways and shippers also had an impact.

The second lesson that was learned from the 2013/14 crop year is that the economic consequences of a grain transportation system failure are not shared equally by all market participants – primary producers bore the vast majority of the economic harm both in terms of lost sales and in terms of a distorted linkage to export market prices.

Addressing the changing market for transportation services requires input from all sectors of the grains industry. As grain producers, however, we are in one of the only transportation dependent industries where the producer of the product does not control their own transportation position. Compared to industries like lumber, coal and potash, grain producers lack control over the major factor critical to their economic return. Grain producers are unique in the rail transportation world as they are the parties that bear the transportation and handling costs when grain moves via rail. The uniqueness is embodied by the fact that although the producers bear the freight charges, they are not the payers of freight and unlike other industries the producer is unable to pass their rail costs onto anyone else.

Does this make them victims? No, but it does make them unique. And when a grain producing area is captive, it is truly captive. Grain producing areas of the prairies have some of the longest distances to export position and the transportation options are few. Grain producers in Canada are the most efficient in the world and produce some of the best grain product in the world. But, farm producers are price takers, not price makers.

Railways view their direct customers as the grain merchandisers and grain elevator companies. Why is that? Because those companies are the parties that engage in the shipping contract and physically pay the freight bills. Grain producers work very closely with grain merchandisers and elevator companies – the merchandisers and elevators take market risks and they provide the grain producers a window to the world markets. It is important that Canada recognize, however, that the grain producers in this country are the ones that bear the transportation and handling costs and have a unique interest in capacity planning and operational performance. Producers are faced with the combined effects of increasing railroad monopoly and market power and ineffective rail regulation. Now is the time to redefine this interdependent relationship. The railroads today want efficiency in the rail movement of grain and it is that striving for efficiency that frequently clashes with what is best for the farm producer's economics and innovation. It is the importance of the transportation system to the economic well-being of the grains sector and producers specifically, that has fashioned the statutory and regulatory framework that we are utilizing today. These producer transportation interests are reflected in many aspects of the *Canada Transportation Act*.

## **DRIVERS FOR CHANGE**

### **a) Producer Cost of the Transportation Failure**

The 2013/14 transportation system failure underlined the gaps in market processes and information required for appropriate market outcomes. High production, high quality, and relatively high prices held the promise for significant economic gains for all market participants. The resulting lack of operational capacity to move the volumes desired by the industry and compounding logistical failures resulted in a year of missed sales, delayed shipments and dissatisfied customers. While 2013/14 will be remembered by the industry as a missed economic opportunity for export sales, it is the differential economic impact on producers that needs to be most fully highlighted.

As grain marketers ramped up sales and volume targets, the transportation system struggled with the reality of the volumes that needed rail service in 2013/14. Historically, shortfalls in rail capacity would have caused reduced volumes of grain to enter the system (lower quotas) and hence reduced producer revenue. With changes to our grain marketing system, access to the grain marketing system was rationed by grain companies widening the basis to discourage producer deliveries. For producers, the impact of slow rail movement from primary elevators to port position changed from reduced deliveries to lower prices for those who choose to deliver. This change has stressed the fact that producers need to be more involved in designing the transportation system.

The export price basis is the difference between the export terminal port price and the price in the country, and normally reflects transportation costs, country and terminal handling costs, interest on grain purchases, demurrage costs and grain company margin. The need for cash flow, however, forced producers to accept this widened basis and deliver grain whenever the possibility existed. In February 2014 the difference between the FOB West Coast price and the primary elevator cash price reached \$208/metric tonne (mt). Richard Gray, an agriculture economist at the University of Saskatchewan, estimates that this is \$135/mt excess cost to producers, when compared to an expected competitive export basis of approximately \$72.50/mt. The excess basis cost to producers in Western Canada over the 2013/14 crop year is estimated by Gray to have exceeded \$3.1 billion (see Appendix 1).

What does this mean for 2014/15? Western Canada is estimated to have the second largest exportable supply of total grains and oilseeds on record in

2014/15. Export opportunities exist for all products and access to all markets will be critical. Despite recent improvements in rail shipment volumes, the basis from central Saskatchewan primary elevators to FOB west Coast ports is currently \$40/mt over the \$72/mt cost of rail and elevator handling tariffs. Gray estimates that if this continues throughout the year, it would represent \$2 billion of revenue in 2014/15 that will go to the grain handling industry instead of to producers. It is now estimated that in order for Western Canada to return to “normal carryout levels,” we will have to export 39 million metric tonnes (mmt) of total grains and oilseeds in 2014/15. This would be the second highest export volume on record (compared to +40 mmt in 2013/14). The grain handling and transportation system will again be challenged to meet high throughput volumes.

We cannot afford a repeat performance of the poor logistics and reduced capacity evident in 2013/14 and it is now clear that in the current grain marketing environment, the current level of service provisions in the *Canada Transportation Act* are not strong or clear enough. The Order in Council and *Fair Rail for Grain Farmers Act* were a step in the right direction, but more needs to be done.

Beyond the direct cost of the 2013/14 transportation system failure, another cost borne by producers is the undermining of the “Canada brand” resulting from the inability to get product to market. In multiple instances, foreign buyers switched from Canadian suppliers to competing suppliers because product could not get to market. The search for greater rail efficiency and cost reduction has resulted in policies and procedures by railways that favour unit trains of a single commodity. Under scarcity of rail service, very few cars were available on specific corridors resulting in severe damage to Canada’s reputation as a consistent supplier of these smaller crops, including malt barley, flax, oats, pulses, and numerous other special crops. Producers depend on cropping choices and flexibility in their planning and crop diversification.

Finally, the 2013/14 system failures highlight many aspects of the transportation system that need to change as they are behind the problems that were witnessed. Producers want a system that provides reliable market access; unbiased information to base decisions on and meaningful marketing options. Today, there is a discrepancy in the power between the railways, grain companies and producers. Grain companies do not want to launch formal complaints towards the railways on the risk that they will face reprisals in the form of increased rates or reduced service in the future. The producer does not have the resources or mechanisms required to take rail companies to court over rate or service complaints.



## **b) Producer Engagement in Key Decisions**

The railways independently sized their fleet and locomotive power and determined their tariff structures in a non-transparent process to suit their own operational and economic requirements. However, these decisions have service impacts on producers, grain handlers and customers. In 2013/14 the railways achieved record profits. Third quarter results were released on Oct 21, 2014, with the earnings per share of CP up 26% and CN up 21% compared to a year earlier. CP indicated that they had delivered the strongest results in company history, while CN had their highest third quarter results in company history.

While there are no public numbers available on the economic performance of the grain companies, we expect they also enjoyed a record year, given the extraordinarily wide basis flowing to their general revenues. Grain companies used the environment to their legitimate benefit.

Producers can be directly and adversely affected as neither rail competition, nor regulation, has provided assurances of fair treatment.

For example, the programs and incentives offered by the railways are designed to further consolidate the grain industry. For example, incentives offered by the railways for shipping unit trains of 100 cars or more are well above the actual cost savings that result. Their objective is less delivery points and in effect, less competition for farmer's grain. With all of the industry changes over the last couple of years, the railways have taken over all aspects of the car allocation mechanisms, with limited public policy debate, or any transparency on how they make decisions on who gets access to the constrained transportation system. No information is shared on the number of orders available and how cars were allocated. No reporting is provided on where cars were delivered. Needless to say their decisions can determine who succeeds or fails in the industry.

CP earlier this year circulated a proposal for a new allocation policy which would guarantee movement for companies booking 112 car unit trains. Trains of 56 cars would come from a general allocation on a first-come first-served basis, and cars in the 1-25 range would be auctioned off. The number of cars available for the general allocation and auction would depend on what percent of capacity was booked by unit trains and how the railway was performing in delivering cars. We expect the remaining capacity for less than unit train orders would be limited, particularly if there were any disruptions in movement. This system appears to be another attempt to focus only on unit train movement and to reduce producer car or small shipper movement. This has the potential to be a disaster for both small shippers and producer cars. Producer cars will have moved from being a

top priority in car allocation a few years ago, to now being the lowest priority and producers could have to pay even more for their movement. Small shippers will see their access to cars and their ability to have cost effective access to the transportation system reduced. This dramatic shift has occurred without any public discussion or transparent policy debate.

### **c) Rebalancing Market Power**

Markets function best when participants have comparable information and market power. Efforts can be undertaken to enhance competitive signals and, failing this, government regulation can and must be used.

Information is required for efficient market operations and much work needs to be done to identify, collect and disseminate information for the industry. There is currently no publically available information available on vessel line ups, terminal unloads, or forward export sales. Farmers have been asked to operate in an open market environment but have not been given the information needed to make informed decisions. This is in stark contrast to the information made publicly available in the U.S. grain markets.

The U.S. Department of Agriculture (USDA) produces a weekly Grain Transportation Report (See Appendix 2 for a complete listing of information in this report) giving grain market information, ocean vessel information, country grain prices, rail car loading, rail car freight values including auction levels, barge rates and movement, fuel prices, grain exports and commitments, vessel loadings and container information. In addition, FOB export price quotes are available from multiple sources in the U.S. for multiple grades. USDA provides its service as a recognized necessity for normal market operations.

In addition, the U.S. Surface Transportation Board (STB) recently required the U.S. railroads (including the U.S. subsidiaries of CN and CP) to report weekly a wide-variety of service metrics including: system-average train speed by train type; total cars on the line by car type; weekly total grain cars loaded and billed; and other service related metrics. (See Appendix 3 for a complete listing of information required by the STB).

Of course, the U.S. grain transportation system is not without its problems. Companies are required to bid for their rail cars called the secondary car market (which significantly increases transportation costs) and do not appear to receive much better service than in Canada. The reality of the situation is that grain rail transportation is often constrained by a lack of competition and that will always

be the case, particularly in the peak market period from October to May when rail capacity is constrained or congested. There must be a fair and transparent process to allocate this resource and capacity to ensure reasonable railway service.

We feel that the government took a step in the right direction setting minimum weekly unloads for the railways at port position and increasing the interswitching distance. However, regulation must be very precise to be effective. The railways quickly pulled back from servicing orders into the U.S. market or into Eastern Canada, focusing mainly on Thunder Bay and the West Coast. The result was a reduction in rail movement from Saskatchewan, as the railways preferred shipping from Alberta and Manitoba, the two provinces closest to port position and origins that produced the fastest turnaround times.

The Order in Council and *Fair Rail for Grain Farmers Act* were a start, but much more needs to be done. We must develop a Canadian-made solution. Currently, with the railways controlling car allocation, their direction appears to be to try and align their programs with those in the U.S. Currently, grain companies in the U.S. bid up to \$50/mt over the freight tariff to get rail service - a situation that would never exist with competition. This would not be in the interests of grain producers, who would see the full costs of this type of system directly in their local prices. The statutory railway revenue entitlement must be maintained for the protection of Western Canadian producers.

#### **d) Other Bulk Shipping Industries**

It is understood that the needs of agriculture are not the only driver for changes to the CTA. Dealing with the expanding service needs of all sectors must be a government priority if our economy is to flourish.

According to the Canadian Association of Petroleum Producers (CAPP), there were 17,000 car loadings of oil in Western Canada in January 2014. Movement of petroleum products by rail has increased dramatically over the last few years, whereas only minimal quantities were moved as recently as 2009. CAPP has projected that shipments of oil by rail from Western Canada are expected to triple in the next two years. The Potash Corporation of Saskatchewan has also projected substantial increases in potash exports.

Grain is seen as a captive market by the railways, due to available on-farm storage and lack of alternative shipping options and, accordingly, appears to almost be residual in railway thinking. The economic spinoff from grain

production, handling and marketing is important to be recognized. Without more certainty and focus on grain transportation, all of Canada will experience reduced economic outcomes.

## **PRINCIPLES FOR CHANGE**

Our recommendations are designed according to the following principles:

- 1) The system needs to foster competition in all aspects of the grain transportation and handling system.
  - In the absence of competitive market solutions, regulation will be required to approximate the costs and results that a competitive solution would deliver.
  
- 2) Market transparency is critical to system efficient performance.
  - Markets require adequate and transparent information to operate efficiently. The identification of information needs, its collection, and dissemination, will be critical to future system performance.
  
- 3) The grain transportation system must be forward looking and positioned for growth.
  - Transparent annual and long-term planning for capacity requirements will be critical to future success.
  
- 4) Primary grain producers need their interests represented in the design and ongoing operations of the grain transportation system.
  - Grain producers represent a unique financial interest in the design and operational effectiveness of our future system that will not be met by other players in the industry.

This submission has made the point that the current transportation system is not working for agricultural producers. This has jeopardized producer profitability and lowered the prospects of sector growth. Producers have requirements that other players in the system will not advance, nor should they. We have neither effective competition nor regulation that can give us an effective voice and fair treatment. The recommendations that follow lay out an approach that will give producers the leverage to ensure their interests are met as we move forward.

## RECOMMENDATIONS

### a) Costing Review

**It is recommended that the CTA Review Panel call for the completion of a formal costing review and adjust the maximum revenue entitlement accordingly.**

In March, 2010 John Edsforth released the results of his costing review for 2007/08 and 2008/09 crop years. His analysis showed that the railways received an extra \$4.61 and \$8.81/mt for those two crop years, respectively. This analysis used the agreed-upon 20 per cent railway contribution in excess of their volume related variable costs for grain. A 20% return has historically been deemed appropriate in order to ensure railways have sufficient resources to justify further reinvestments in infrastructure and capacity. Since that time an additional 1.4 mmt of primary elevator space has been taken out of the system, as railway incentives continue to push for less shipping points and unit train capable primary elevators. If these additional system efficiencies are taken into account, we expect dramatically improved railway profitability from statutory grain movement and hence the rationale for lower producer rates.

### b) Maximum Grain Revenue Entitlement Program

**It is recommended that in their consideration of the CTA that a commitment is needed from the federal government that the maximum revenue entitlement will stay in place to ensure fair compensation to railways for hauling grain.**

Few Western Canadian producers have interest in a deregulated rail rate environment. Without the maximum revenue entitlement, the railways would be in a position to charge and receive monopoly rent for the movement of grain. This would be in direct conflict with producers' economic interests and would add to the already excessive railway profits, with no prospect for improved service. We see this in the U.S. system and companies currently bid up to \$50/mt over the posted tariff in order to get assured rail car supplies.

### **c) Information Requirements**

**It is recommended that the CTA and/or other legislation be amended to provide sufficient information for the grain handling and transportation system to function effectively.**

There needs to be additional reporting of grain handling, marketing and transportation information, so producers and other industry participants, can make informed decisions in the marketing of their grain. Producers regularly report to Statistics Canada on production and farm stock levels, which gives the railways and grain companies the producer's market position. However railways and grain companies do not provide the required information in a public forum so that producers can market effectively. In the U.S., the USDA has been mandated to acquire and release the information required for more efficient market operation (see USDA Grain Transportation Report Appendix 2). Additionally, the U.S. Surface Transportation Board (STB), which has regulatory responsibility over railroads, has recently required the railroad to submit additional information on grain movements and railroad service. Due to the rail service meltdown in the northern grain belts, the STB held a hearing in April, 2014 in DC, followed by four field hearings in the northern plains states and fall, 2014 hearing in Fargo, ND. The STB has taken on the challenge of poor and erratic service. Its focus in April was mandating service reporting requirements by the northern grain railroads of CP and BNSF. These included weekly reporting on car backorders by state, with a weekly update of service plans. The theory that the STB was operating was to expose the service deficiency with a public spotlight.

Additionally, the STB ordered the railroads to focus all necessary efforts to move fertilizer to market position in the next three weeks. Ordering service is not something the U.S. regulators do very often. With the success of this action, the STB held a further hearing in Fargo, ND, in September and ordered all U.S. railroads to submit railroad movement summaries on a multitude of commodities.

(See STB Docket No. EP 724 (Sub-No. 3), United States Rail Service Issues—Data Collection, served October 8, 2014 – reporting requirements outline in Appendix 3). Again the theory is that shining the public spotlight on the railroad problems will serve both the public interest and the rail shippers.

One state, Montana, has collected grain movement statistics on all grains moving in, from and to the state every month for over 40 years by mode (truck and rail). The comprehensiveness of the data collection provides a solid base for analysis and tracking of grain shipments. The data is collected from all grain

merchandisers in the state on a confidential basis and then combined into districts in the state for publication. This is in addition to the USDA data and provides local grain producers with the grain movements going on locally.

This also needs to happen in Canada and a government mandate is required to ensure companies provide the appropriate information. This mandate needs to be included in the *Canada Transportation Act*. The type of information required is listed below although this list should not be viewed as complete:

- Weekly car allocation by all corridors and crops
- Weekly port unloads
- Vessel line ups by port
- Producer car allocations and outstanding orders
- Ocean freight rates with demurrage/despatch levels
- Weekly rail car movement by corridor
- Weekly backorders of rail cars by province, by railroad, by destination
- Weekly future orders for rail cars by province, by railroad, by destination
- Forward sales by commodity
- Lake freight values and availability
- Performance measures for all industry participants including dwell times
- Export price quotes by port and grade
- Primary elevator cash prices

The identification of information needs, its collection, and dissemination, will be critical to future system performance.

#### **d) Rail Oversight**

**It is recommended that the CTA create a rail oversight group that includes agricultural producer representation, to assess ongoing operations of the railways.**

Further work on this recommendation, to define both form and function of a rail oversight group to best reflect the needs of Saskatchewan producers, will be undertaken over the upcoming months.

#### **e) Arbitration Process**

**It is recommended that the CTA create a responsive and meaningful dispute resolution mechanism that can resolve rate and service issues quickly and efficiently.**

Currently disputes that do arise have no effective method for resolution. This has the potential to damage business relationships. Quick resolution is necessary so that the parties can go back to their respective businesses with minimal disruption. The process must be transparent, penalize or reward damages for harm done on either side and be resolved in a timely manner.

#### **f) Running Rights**

**It is recommended that the CTA Review Panel establish provisions to enhance the use of running right provisions in Section 138 of the CTA.**

The extension of interswitching from 30 kilometers (km) to 160 km in the Fair Rail for Grain Farmers Act was a step in the right direction and should be enshrined in the *Canada Transportation Act*. From an overall competitive point of view however, the use of running right provisions in Section 138 of the CTA would be extremely beneficial to farmers. We would request the agency review this section to determine how it can be enhanced to encourage usage. The interest of the applicant should be primary in the Agency's decision on whether to grant running rights with the main goal being to enhance competition in rail service.

#### **g) Small Shippers**

**It is recommended that changes to the *Canada Transportation Act* support small shipper innovation, diversification and investment.**

Statistics from the last 30 years show a decrease in acres planted to wheat and an increase in canola and special crops. This market diversity is reflected in special crop handling facilities which depend upon car allocations smaller than 100 cars.

Diverse crop rotations depend upon a diverse network of market players, serving both containers and bulk vessel demand. Disabling the competitive advantage of smaller shippers by forcing them to use higher costs alternatives such as inter-modals and inland containers (made necessary due to chronic shortfalls in bulk



railcars to facilities under 100 cars, in addition to forcing the market to specific corridors chosen by the railway i.e. Vancouver versus the U.S., Mexico or Montreal) will erode this sector.

Producers require diversity of crops to be economically viable therefore maintaining the competitive advantage of smaller shippers is key to enabling market diversity.

#### **h) Producer Cars**

**It is recommended that the CTA Review Panel ensure the unique requirements of producer car shippers and shortline railways in the transportation system are recognized and accommodated within the legislative framework.**

The Government of Canada assured producers that producer cars would be protected no matter what changes are made to marketing or transportation functions. This is not currently happening and we have concerns that over time, the railways and grain companies will reduce their access to the infrastructure and remove this competitive tool for producers. While producer cars have been one option to reach port position without experiencing the full basis in the market, the producer car experience for 2013/14 was typified by unfilled orders and backlogs. At the midpoint of 2013/14 producer cars were well behind movement from primary elevators (according to Canadian Grain Commission statistics). At the end of the year, close to 5000 cars had not been shipped. Recent restrictions on producer car orders to a two-to-four-week period will not give the appropriate signals of producer car demand. The establishment of the oversight/planning group would determine producer car demand and ensure sufficient producer and dealer car movement and service to shortline railways. This objective would need to be clearly defined in the mandate of the oversight/planning group.

In an effort to help their situation, some shortlines have pursued leasing cars. Railway restrictions on the use of these cars, however, deterred some from proceeding and frustrated those who did. Shortline railways have a unique position in the transportation infrastructure and this position needs to be recognized and facilitated.

It is clear that there is potential for a dramatic reduction in shipments of producer cars, dealer cars, and shortline rail movements, due to commercial decisions by

mainline railway operators without any public dialogue or transparent policy discussion.

#### **i) Rail Abandonment Process**

**It is recommended that the Canadian Transportation Agency be empowered to investigate and rule on a railway's genuine "operational interest" in underserviced and unused rail lines in which other parties have expressed an interest. It is further recommended that if a genuine operational interest is not confirmed, that these lines go through the de-commissioning process and be put up for commercial sale.**

Many branch lines will be decommissioned when the Class 1 railways determine that they no longer fit with their current business model. However, there are circumstances when local groups or existing short line operators may wish to take over the operation of the line. However, this transition is best achieved if the transfer can occur before the assets deteriorate or shippers make alternate long-term plans.

#### **CONCLUSION**

We appreciate the opportunity to provide input into the review process from a grain producer perspective. The experience of 2013/14 illustrates the massive transfers of wealth that can occur if producer interests are not represented in ongoing operational decisions in grain transportation and public information is not sufficient to allow for effective decision making by all participants in the industry. It is clear that these costs predominantly fell to grain producers.

Our recommendations are designed to assist in providing a more balanced framework for forward planning and ongoing operations and to enhance competition in the system. While all of Canada has an interest in a properly sized and efficiently operating grain handling and transportation system, producers are uniquely affected when problems arise. The need for a process in which producers are included and engaged is necessitated by the unique financial impacts borne by producers alone.

We look forward to further discussion on our concerns and recommendations.

# **Appendix 1**

## **THE ECONOMIC IMPACTS OF ELEVATED EXPORT BASIS LEVELS ON WESTERN CANADIAN GRAIN PRODUCERS**

**November 27, 2014**

**A report submitted to the**

**Saskatchewan Wheat Development Commission**

**Richard Gray**

**University of Saskatchewan**

# THE ECONOMIC IMPACTS OF ELEVATED EXPORT BASIS LEVELS ON WESTERN CANADIAN GRAIN PRODUCERS

## Introduction

Western Canadian grain producers are heavily reliant the grain handling transportation system to move their product to export markets. All production that is not consumed for domestic use must eventually find a home in export markets. Given the importance of the export market, the price of grains in Western Canada reflects export value minus rail transportation and grain handling margins. The difference between FOB (Free on Board) port prices and the cash prices paid to producers is referred to as the *export basis*. When there is sufficient capacity in the grain handling and transportation system, the export basis approximates rail transportation tariffs and grain handling tariffs, which both include a normal profit margin as a return to shareholders. However, when there is insufficient capacity in the grain handling and transportation system to move the grain produced within a crop year, the grain handling companies lower their cash bids to discourage producer delivery in order to match the limited movement capacity in the system. The resulting “increase in export basis” is reflected in a lower price paid to producers and reduced farm revenues.

The direct impact on producer revenue from inadequate grain export capacity was especially evident in the 2013/2014 crop year. In 2013, Western Canadian grain crop production was far in excess of any previous production level. The record crop, combined with slow fall deliveries and very low rail performance, created a crisis in grain movement. The crisis resulted in record high basis levels, as grain companies lowered their cash bids to deter producer grain deliveries into a congested grain handling and transportation system. By March 24, 2014, the West Coast basis levels for wheat exceeded \$208/tonne (t) and the combined canola basis and crush margins exceeded \$270/t. These extraordinary basis levels were 250-300% of the normal basis levels that would be based on costs between primary elevator and FOB positions.

Responding to the grain transportation crisis, the federal government passed an Order in Council on March 7, 2014, and the *Fair Rail for Grain Farmers Act*, which required both railway companies to ship a minimum number of railcars per week or face financial penalties for under performance. Subsequently, overall grain movement increased considerably, resulting in decreased basis levels as movement increased. Despite the increased movement between March and July 31, 2014, and record exports for the crop year, there was a significant carryover of grain into the current crop year.

The *Fair Rail for Grain Farmers Act* requires minimum weekly rail shipments until November 29, 2014 and the government is currently reviewing the need for continuing mandated minimum rail movement levels beyond November 29. The railways, which are subjects of the regulation, would like to see the mandated minimum

movement ended. The grain shippers, who can earn higher basis rents when the system is congested, could also benefit from removal of the mandate. Notably, however, the vast majority of the costs of congestion are borne by grain producers who see elevated basis levels. The current basis levels, and the costs that continue to be borne by producers, need to be documented as vital input into the review of the rail movement policy by the current Canadian Transportation Act Review Panel

## **Objective**

The objective of this report is to provide an estimate of current export basis levels for the principal grains in Western Canada and provide an approximate estimate of forgone producer revenue due to limited grain movement.

This report focuses on the current basis levels as the “market’s” best estimate of basis levels for the remainder of the 2014/15 crop year. If there was anticipation of lower basis levels, producers and brokers would postpone shipments and current basis levels would decrease accordingly. Similarly, if higher basis levels were anticipated, additional delivery pressure would increase current basis levels.

If the export basis levels returned to their long-run average level, this would suggest the producer and grain companies expect the current legislation and market conditions have solved the transportation crisis for the 2014/15 crop year. If, on the other hand, basis levels are persisting at above-normal levels, this would suggest a continuing expectation of insufficient capacity to move the current crop, which will continue to have a direct impact on producer returns. If current basis levels are expected to remain high, an extension of the period of mandated rail movement could be warranted to fully address the issue under the objectives of the legislation.

The remainder of this report begins with a brief review of the grain supply disposition for the last two crop years and the October 17, 2014, Agriculture Agri-Food Canada (AAFC) forecast for the 2014/15 crop year. This review is followed by a general description of the basis changes over the past 16 months. This description is followed by an analysis of current basis levels, including a discussion of the various sources of price data available. The current export basis levels are then compared to estimates of average export basis levels for the 2002/03 to 2012/13 based on Canadian Grain Commission (CGC) filed maximum tariffs. Using this 2002/03 – 2012/13 average as a benchmark, and the Agriculture and Agri-Food Canada (AAFC) reported estimates of production and exportable supplies, the impact of elevated basis levels on producer revenue is calculated. This analysis is followed by summary conclusions.

## **The Supply and Disposition of Principal Field Crops in Canada**

Table 1 outlines the supply-disposition of principal field crops in Western Canada for the past two years, and the October 17, 2014, AAFC forecast for the current crop year. The 2012/13 crop year was normal in many respects with production of 76.7 Million tonnes (Mt), exports of 42Mt, and ending stocks of 9.5Mt.

In contrast, the 2013/14 crop year was worthy of note in several respects. First of all, the total production of 97 Mt in Canada far exceeded any previous level of crop production in Canada. Excellent growing conditions on the prairies, low disease pressure, and excellent harvest conditions produced an excellent crop in nearly all regions in Western Canada with over 80Mt of all grains. Despite the record grain shipments in 2013/14, the ending stocks of 17.7Mt was one of the highest levels in recent history. As can be seen in Figure 1, July 31, 2014, farm stocks of grain in Western Canada exceeded 10Mt, which was significantly higher than average carryovers.

In 2014, Canadian crop production returned to normal levels. However, beginning with the higher carryover stocks, AAFC estimated 96Mt of available stocks. Forecasting 46.9 Mt of exports, the second highest exports on record, AAFC is anticipating a return to normal carryout stocks by the end of the crop year. As noted below, this forecast of normal ending stocks is somewhat at odds with current levels of exportable supplies, which are significantly above historic levels.

**Table 1: Canada: Principal Field Crops Supply and Disposition**

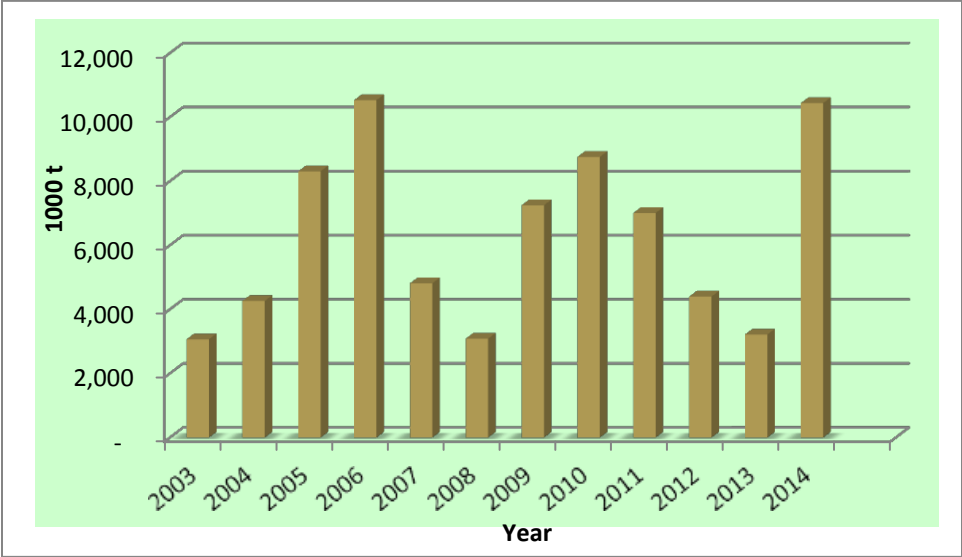
(t = tonne, ha = hectare)

	2012/13	2013/14	2014/15*
Area Seeded ( <b>1000</b> ha)	29,502	29,690	29,159
Area Harvested ( <b>1000</b> ha)	28,684	28,930	27,536
Yield (t/ha)	2.67	3.36	2.76
Production ( <b>1000 t</b> )	76,716	97,173	76,068
Imports ( <b>1000 t</b> )	1,160	1,141	1,891
Total Supply ( <b>1000 t</b> )	89,521	107,905	95,662
Exports ( <b>1000 t</b> )	41,889	48,659	46,915
Total Domestic Use ( <b>1000 t</b> )	38,042	41,556	39,897
Carry-out Stocks ( <b>1000 t</b> )	9,591	17,702	8,850

Source: Statistics Canada

\*AAFC October 17, 2014 forecast

**Figure 1: July 31 Farm Stocks of Grains Western Canada**



Source: Stats Canada CANSIM database

**Recent Grain Shipments and Basis Levels**

When producers are deciding when to market their crop, they compare the price offered minus storage and interest costs for current and all future delivery months, and then try to time their contracts sales to maximize their income. As such, offer prices for future months typically reflect the current price plus a small storage premium. Second, the quantities that grain companies are willing to contract in future months reflects their anticipated capacity to move the product. When a system is booked to capacity, all current and future local prices to producers at primary elevators will reflect the export price in the most distant month required for delivery, minus basis in that month, minus storage and interest costs.

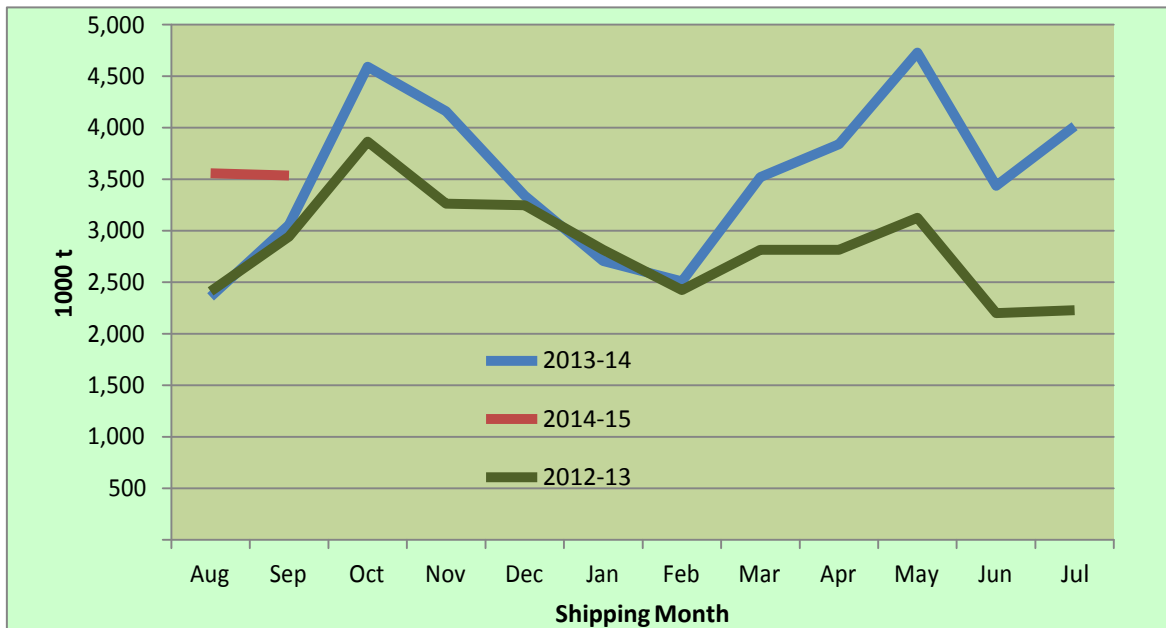
If the system has sufficient capacity to move the crop within the crop year, normal basis levels will tend to exist in all future months with slightly higher basis levels in the fall, when producers are eager to create cash flow. A somewhat lower than normal basis will exist at times of the year where producers need additional delivery encouragement because of cold weather or road bans. When there is insufficient capacity to move the crop within a single crop year, current prices will reflect the subsequent crop year’s prices minus storage. This can result in very large current basis, when the new crop year’s futures prices are lower than the current crop year. As a general rule, basis levels are elevated above normal levels whenever the system lacks the capacity to move



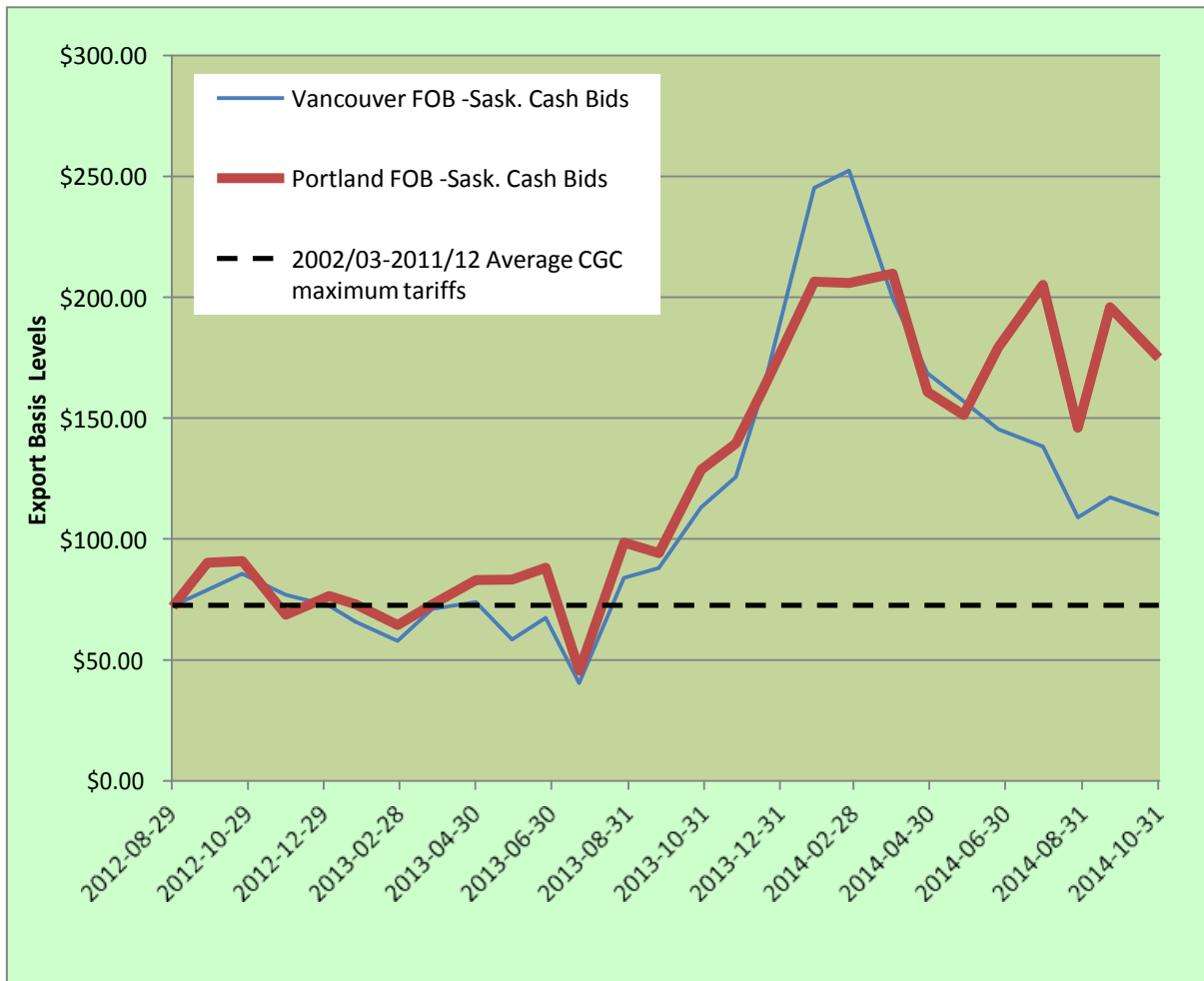
the crop within a single crop year, and may become very large if multiple years of excess carryover are anticipated.

Figure 2 show grains export volumes over the past 26 months (Aug/12 – Sept/14). As a point of reference, monthly shipments only averaged 2,456 thousand tonnes from 2003/04 to 2012/13. The August and September 2013 deliveries of the crop were lower than normal because of a somewhat delayed start to the 2013 harvest. Shipments then increased significantly, exceeding 4,500 thousand tonnes in October. This acceleration was short-lived, as an early onset to a very cold winter considerably slowed grain movement, a problem that was compounded by a lack of crews, locomotives and rail cars, as the railways had not planned for the capacity necessary to move the volumes desired by the industry (producers and grain handlers). Shipments slowly recovered with excellent post regulation movements, particularly from May to July 31 2014. Given the excellent movements in fall, spring and summer, total shipments for the 2013/14 crop year were a record level.

**Figure 2: Canadian Grain Exports by Month 2012/13, 2013/14 and 2014/15 Crop Years (t = tonne)**



**Figure 3: Approximate Saskatchewan Wheat Export Basis July 2012 to October 2014**



Sources: CGC, Industry, US Wheat Associates

As shown in Figure 3, the wheat export basis levels between the cash price received by producers and FOB Vancouver prices changed a great deal over last 27 months. In the 2012/13 crop year, which was post-Canadian Wheat Board (CWB) single-desk authority, the basis level closely tracked the long-term average of the tariff schedules for grain handling services that the grain companies had filed with the CGC, plus the average rail freight rates. As noted earlier, the 2012 harvest was somewhat smaller than anticipated and the grain handling and transportation system had adequate capacity to meet export requirements during the crop year. As a result, basis levels during the 2012/13 crop years reflected normal competitive returns as there was no need to ration access to the handling capacity in system.

Prior to harvest, at the beginning of the 2013/14 crop year, export basis levels were close to the CGC-reported average maximum tariffs from 2003-2012 of \$72.50/t (Central Saskatchewan elevator position). However, as the 2013 harvest commenced it became apparent that the crop was going to be larger than anticipated. With the looming prospect of large on-farm stocks, producers became eager to deliver and wanted more access. Basis levels increased to over \$100/t to ration delivery demand. When rail movement began to slow down in late November and the grain handling system became more congested, the basis levels continue to escalate, reaching about \$250/t by early January 2014. By March 2014 the West Coast basis levels for wheat had declined somewhat but were still \$208/t, and the combined canola basis and crush margins exceeded \$270/t (Gray, 2014). These extraordinary basis levels were 250-300% of normal basis levels. On March 7, 2014, the federal government responded to the crisis with regulations requiring minimum weekly rail shipments.

The overall economic impact of the abnormally high basis levels on producer income is difficult to precisely estimate because actual contracts price received can differ from cash prices. Applying the average excess quoted farm-to-port basis reported in Figure 3 to the pattern of export shipments for the crop year (reported in Figure 2), the estimated losses exceed 3.1 billion dollars for the 2013/14 crop year.

One reason for the particularly large increase in basis levels, was the “inversion of prices” in the grain futures markets. The futures market prices for the 2014 crop were lower than the United States (U.S.) drought impacted 2013 crop. Faced with the prospect of having to store their grain and sell it into a lower 2014 crop market, producers were willing to accept a very large basis in order to sell their crop in 2013/14. Further increasing the pressure to sell was the expectation that the carryover stocks would be so large that carryovers of grain on farm could persist for several years.

### **October 2014 Basis Levels**

Given the efficiency of futures markets, the current basis levels for nearby and future delivery months are the market’s best estimate of anticipated basis levels for the remainder of the crop year. The current export basis

level estimates are based on publically available producer prices and port prices. These per-tonne basis levels will be compared to historical values based on maximum CGC-filed tariffs to calculate the excess basis due to limited transport capacity. The excess basis levels will be applied to export shipments to approximate total cost of the higher basis levels to Western Canadian grain producers.

One could calculate a few different export basis points that would be relevant for Saskatchewan producers. In most years, one could simply use the Minneapolis price as a benchmark. However, with the very large U.S. crop, an aging barge system, and a U.S. rail system taxed by high oil movement, Minneapolis wheat prices have fallen dramatically relative to U.S. export port prices. For this reason, Vancouver or West Coast port prices provide a far better benchmark for the calculation of export basis. Wheat, as the largest volume crop exported, provides the most reliable estimate of grain export basis. Given the grain companies can choose which products that they will export, it is reasonable to assume that all grain being exported reflects similar basis levels. The average basis for the last two weeks of October 2014 are assumed to be representative of current basis levels. As can be seen in Table 2, this was a very stable period for both the FOB and inland wheat prices, so this estimated basis should be reasonably accurate.

There are several public sources of FOB West Coast wheat prices that are reported in Table 2. The USDA reports daily Portland Average FOB prices for 14% Dark Northern Spring (DNS) wheat. As shown in Table 2, the reported USDA prices for 14% DNS averaged \$336 USD/mt. Historically 13.5% Canadian Western Red Spring (CWRS) wheat is viewed as an equivalent product to DNS 14% and has sold at the same price levels. This year, because of wheat quality issues, there is a significant protein premium spread. The other reported Portland FOB price is the done weekly by the U.S. Wheat Associates, which quote a 13.5% protein level for DNS. As shown in Table 2, they report an average \$356 USD/mt, which is somewhat higher than the USDA reported prices.

The only public source for Vancouver FOB prices is the AAFC's weekly price summary, which attributes the International Wheat Council as the source. The reported prices for #1 CWRS 13.5% are an average \$295 USD/t or \$332 CND/t for the two weekly respective reports in October 2014.

The significant discount of Vancouver versus Portland prices is somewhat unusual. While there is consensus there is a spread in the FOB prices, the extent of the spread and the reasons for the spread are somewhat unclear. Some argue this is just an oddity in U.S. reporting. Others argue that export buyers are not moving to higher volumes of Canadian purchases, even at lower Canadian prices, due to the inherent risk of delayed delivery at Vancouver. Another plausible explanation is that the existence of the high grain handling basis in Canada gives the grain marketing firms the ability to offer some discounts to the Portland prices to secure additional market share, whereas the U.S. grain shippers face higher rail costs and are not in the position to offer similar discounts. If either of these last two explanations is correct, adequate capacity in the grain handling and transportation system would allow Vancouver prices to return to Portland price equivalency.

Public sources for the inland cash bids for CWRS wheat are also limited. While many grain companies have quotes available to producers, publication of these prices is not feasible given the requirements for confidentiality. The Saskatchewan Ministry of Agriculture provides a weekly estimate of bid prices for CWRS wheat, which averaged \$196/t. Comparing this average to the average of the publicly posted cash bids for #1 CWRS 13.5%, for delivery to North West Terminals Ltd. in Unity, Saskatchewan, which averaged \$197/t, showed they were at nearly identical quotations.

**Table 2: Reported West Coast and Saskatchewan Wheat Prices (t=tonne)**

Source	Date/ Week	Location	Grade	Price	Price
				US\$/t	CDN\$/t
USWA	OctM31	Portland	13.5% DNS	356	400
USWA	OctM24	Portland	13.5% DNS	355	399
USWA	OctM17	Portland	13.5% DNS	357	402
USDA	OctM24	Portland	#2 14 DNS	335	376
USDA	OctM28	Portland	#2 14 DNS	338	377
		<b>Portland</b>	<b>Average 13.5% DNS</b>	<b>356</b>	<b>400</b>
		Portland	Average USDA 14%DNS	336	377
AAFC/IWC	OctM24	W. Coast	#1 13.5 CWRS	295	331
AAFC/IWC	OctM17	W. Coast	#1 13.5% CWRS	296	333
		Vancouver	<b>average</b>	<b>296</b>	<b>332</b>
SMA	OctM22	Sask Ave	#1 CWRS	194	218
SMA	OctM29	Sask Average	#1 CWRS	198	220
NWTL	OctM17	Unity Sask	#1 13.5% CWRS	192	216
NWTL	OctM20	Unity Sask	#1 13.5% CWRS	190	215
NWTL	OctM22	Unity Sask	#1 13.5% CWRS	196	220
NWTL	OctM24	Unity Sask	#1 13.5% CWRS	192	215
NWTL	OctM27	Unity Sask	#1 13.5% CWRS	198	223
NWTL	OctM28	Unity Sask	#1 13.5% CWRS	200	223
NWTL	OctM30	Unity Sask	#1 13.5% CWRS	201	225
NWTL	OctM31	Unity Sask	#1 13.5% CWRS	203	229
		Unity Sask	<b>Average all</b>	<b>196</b>	<b>220</b>
		All Sask	SMA	196	219
		Unity-Sask	Ave NWTL	197	221

USWA - US Wheat Associates-Weekly Price Report, USDA- United States Department of Agriculture, AAFC - Agriculture and Agri-Food Canada - weekly price summary, Saskatchewan Ministry of Agriculture, NWTL - North West Terminal Limited (Unity, Sask)

The calculations of current export basis levels from the FOB port and inland cash bids reported in Table 2 are reported in Table 3. To be conservative, the lower USDA reported FOB prices are used for Portland. In Canadian dollars, the basis to **Portland** from Saskatchewan is **\$158/t** and the basis to **Vancouver** from Saskatchewan was **\$113/t**. These basis levels are far higher than the ten-year 2002/03-2012/13 crop year average of \$72.50/t. The Portland basis is 217% of normal and the Vancouver prices are 145% of normal. The excess over the historical average basis levels is \$85/t (Portland) and \$40/t (Vancouver). These high basis levels reflect an expectation that some grain will be involuntarily carried over beyond the end of the crop year into the next shipping season.

**Table 3: Average Reported Prices and Export Basis CWRS Wheat October 17-31, 2014 (t=tonne)**

	US\$/t	CDN\$/t
Location	Price	Price
Portland (USDA)	\$336.00	\$377.22
Vancouver	\$295.50	\$331.98
SMA Saskatchewan	\$195.94	\$219.00
	Basis	Basis
Portland- Sask.	\$140.06	\$158.22
Vancouver –Sask.	\$99.56	\$112.98
2002-2012 Average	\$64.86	\$72.50
	Excess Basis	Excess Basis
Portland- Sask.	\$75.20	\$85.72
Vancouver –Sask.	\$34.70	\$40.48

Source: Calculated from Table 2.

### **The Approximate Cost of High Basis On Grain Producer Receipts**

With production of 60Mt, and on-farm seed use and grain fed to livestock of about 10Mt, western farm sales for 2014/15 crop year are expected to be approximately 45-50Mt. With this volume of sales being affected by elevated basis levels, the cost to producers is significant. With the Saskatchewan to Vancouver basis reported in Table 3, the impacts are in the order of \$2 billion dollars if these levels persist for the remainder of the year. If the higher estimate based on the reported Portland prices is a measure of the export basis, the revenue reduction to producers is approximately \$4 billion dollars. Both figures are large and material to grain producers.

If the intent of the rail legislation is to ensure sufficient rail movement for the 2014/15 crop year, the current basis levels suggest the market continues to foresee the risk of significant involuntary carryover, while producers continue to face reduced prices at a significant economic cost.

The discount of Vancouver to Portland prices could also be an important signal of lack of confidence in the Canadian grain handling and transportation system to deliver product to buyers on time. This suggests that in the short run, the high pace of exports needs to be continued to restore buyer and shipper confidence. In the longer term, the grain handling and transportation system needs to build more west coast capacity and create a logistics system with the capability to quickly restore high movement after any disruption in the system. If these measures are not taken, history will almost certainly repeat itself as large crops and cold winters will occur in the future.

Finally, the high basis level over the past 27 months has clearly illustrated that grain producers have a far greater interest in a high capacity, low cost grain handling and transportation system than either railways or grain companies. As the parties bearing most of the cost of an under-performing grain handling and transportation system, they have a legitimate and unique financial interest in shaping the rules that govern the future design and operations of the transportation system.



## References and Data sources

AAFC, 2014 - Weekly Price Summary <http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/crops/crops-market-information-canadian-industry/weekly-price-summary/?id=1378745200250>

CANSIM (Statistics Canada) 2014a - 001-0010 - Estimated areas, yield, production and average farm price of principal field crops, in metric units,

CANSIM (Statistics Canada) 2014b. Field Crop Reporting Series (Detailed tables from CANSIM).

Gray, R.S. (2014). "Policy Options to Reduce Basis" presentation at the Grain Handling and Transportation Summit, March 26, Saskatoon, Sk. <http://www.grainsummit2014.ca/>

NWTL (Northwest Terminal Ltd.) 2014 posted cash prices  
<http://www.northwestterminal.com/index.cfm>

USWA (United States Wheat Associates) 2014. Weekly Price Report. <http://www.uswheat.org/>

USDA (United States Department of Agriculture), 2014. Portland, Market News Pacific NW Wheat Basis Report [http://www.ams.usda.gov/mnreports/jo\\_gr111.txt](http://www.ams.usda.gov/mnreports/jo_gr111.txt)

## Appendix 2

### Contents of USDA Weekly Grain Transportation Report

- Depending on time of year update on seeding, crop conditions or harvest
- Feature Articles, Examples include Storage shortfall Worsens, 2014 Fall Grain Transportation Situation and Outlook, Dry Bulk and Container Vessel Order book and Implication on Fleet sizes and Ocean freight rates.
- Grain Transportation Cost Indicators – Truck, Rail, Barge, Ocean Freight
- U.S. origin to export position spreads (basis)
- Grain bid summary by state in grain growing area
- Rail deliveries by port area
- By Rail carrier grain carloads originated
- Total weekly U.S. Class 1 Railway Grain Car Loadings
- Railcar Auction Offerings
- Bid/Offer for Railcars on Secondary Market
- Tariff Rail Rates for Unit and Shuttle Train shipments by grain by port
- Tariff Rail Rates for U.S. Bulk grain shipments to Mexico
- Railroad fuel surcharges
- Weekly Barge freight rates to the Gulf.
- Barge Movements on the Mississippi River by week by commodity
- Number of barges up bound and down bound on the Mississippi
- Weekly diesel price as a proxy for U.S. truck rates
- U.S. outstanding sales and cumulative exports by commodity and type of wheat
- Top 5 importers of U.S. corn this year and last year
- Top 5 importers of U.S. soybeans this year and last year
- Top 10 importers of U.S. wheat this year and last year
- Weekly grain inspections for export by port by commodity
- Weekly port region Grain ocean vessel activity- number of vessels in port, loaded, due
- Ocean vessel freight rates to Japan
- Ocean freight rates for selected shipments by grain and destination
- Top 10 destination markets for Containerized grain
- Monthly shipments of containerized grain to Asia

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5109756>

## Appendix 3

U.S. Surface Transportation Board (STB) Docket No.

EP 724 (Sub-No.3)

### United States Rail Service Issues – Data Collection

#### Weekly Rail Service Metrics (Items 1-6)

1. System-Average Train Speed by Train Type for the Reporting Week (MPH)
  - Intermodal
  - Grain Unit
  - Coal Unit
  - Automotive Unit
  - Crude Oil Unit
  - Ethanol Unit
  - Manifest
  - All Other
  
2. **A)** Weekly Average Terminal Dwell Time Measured in Hours Excluding Cars on Run Through Trains (System Average)  
**B)** Weekly Average Terminal Dwell Time Measured in Hours for 10 Largest Terminals In Terms Of Railcar Capacity (Varies by Railroad)
  
3. Total Cars On Line by Car Type for the Reporting Week
  - Box
  - Covered Hopper
  - Gondola
  - Intermodal
  - Multilevel (automotive)
  - Open hopper
  - Tank
  - Other
  - Total
  
4. Weekly Average Dwell Time at Origin for Unit Train Shipments Measured in Hours
  - Grain
  - Coal
  - Automotive
  - Crude Oil
  - Ethanol
  - All Other Unit Trains

**5. Weekly Total Number of Trains Held Short of Destination or Scheduled Interchange for Longer than 6 Hours by Train Type and Cause**

- Intermodal
- Grain unit
- Coal unit
- Automotive unit
- Crude oil unit
- Ethanol unit
- Other unit
- All other trains
- Total

**6. Weekly Total Number of Loaded and Empty Cars in Revenue Service That Have Not Moved In:**

- Intermodal
- Grain
- Coal
- Crude Oil
- Ethanol
- Automotive
- All Other

**Weekly Grain Service Metrics (Items 7-9)**

**7. Weekly total grain cars loaded and billed, reported by State, aggregated for the following Standard Transportation Commodity Codes (STCCs):**

- 01131 (barley)
- 01132 (corn)
- 01133 (oats)
- 01135 (rye)
- 01136 (sorghum grains)
- 01137 (wheat)
- 01139 (grain, not elsewhere classified)
- 01144 (soybeans)
- 01341 (beans, dry)
- 01342 (peas, dry) and
- 01343 (cowpeas, lentils, or lupines).

Total grain cars loaded and billed" includes cars in shuttle service; dedicated train service; reservation, lottery, open and other ordering systems; and, private cars. Additionally, please separately report the total cars loaded and billed in shuttle service (or dedicated

train service) versus total cars loaded and billed in all other ordering systems, including private cars. Instruction: Please enter ""0"" if no data is being reported for a field."

8. For the aggregated STCCs in item 7, report by State the following: a. running total number of outstanding car orders (a car order equals one car); b. average number of days late for all outstanding car orders; c. total number of new car orders received during the past week; d. total number of car orders filled during the past week; and e. number of orders cancelled, respectively, by shipper and railroad during the past week.
9. Plan vs. Performance For Grain Shuttle (Or Dedicated Grain Train) Round Trips, By Region, Updated To Reflect The Previous Four Weeks
  - System
  - CA
  - Gulf
  - Mexico
  - PNW
  - West TX

#### **Weekly Coal Service Metrics (Item 10)**

10. Average Daily Coal Unit Train Loadings vs. Plan for the Reporting Week By Coal Production Region
  - Powder River Basin
  - Illinois Basin
  - Uinta Basin
  - Northern Appalachia
  - Central Appalachia
  - Southern Appalachia
  - Other

## **Chicago Gateway Service Metrics**

- 1.** Average Daily Car Counts By Terminal Yard For The Reporting Week
  - Barr
  - Bensenville
  - Blue Island
  - Calumet
  - Cicero
  - Clearing
  - Corwith
  - Gibson
  - Kirk
  - Markham
  - Proviso
  - Other Yards
  
- 2.** Average Daily Number Of Trains Held For Delivery To Chicago Sorted by Receiving Carrier For The Reporting Week
  - BNSF
  - CN
  - CP
  - CSX
  - NS
  - UP

## **Appendix**

- 1.** Number of Grain Cars Requested by and Furnished to RCP&E from Nov 9, 2014 to Nov 15, 2014
  - Number of New Car Orders
  - Number of Car Orders Filled
  
- 2.** Number of Locomotives Moving to / from RCP&E
  - Locomotives Delivered By CP To RCPE
  - Locomotives Delivered By RCPE To CP