

## **Addendum to November 10, 2014 Submission to**

### ***The Canada Transportation Act Review***

The Canadian Canola Growers Association (CCGA) provided a submission to *The Canada Transportation Act Review* on November 10, 2014. This submission is an addendum to two of the issues raised in Section 3.4 of that document. It highlights some of the developments that have occurred in the past six months and offers several strategic considerations for the Review, as it begins to formulate its thinking and produce its report.

#### **1. Railway Performance Measurement Reporting**

Section 3.4 of the original CCGA submission addressed the issue of transparency; specifically pertaining to railway performance and service measurement and public reporting. On this subject, one recommendation was made and that was to: “implement weekly reporting of status on rail performance”. It was noted that an aggregate snapshot of weekly railway performance would have helped to bring rationality and clarity to the issues surrounding the 2013-14 transportation issues in the grain supply chain.

In the intervening six months, within the grain sector it is encouraging to see that this issue is being addressed in part by the monthly and weekly performance measurement reporting of the federally appointed Grain Monitor (commencing in March 2015 as directed / authorized by government for the interim), as well as through the weekly reporting of the Ag Transport Coalition (commencing January 2015 and will continue until March 31, 2017). It should be noted that the Ag Transport Coalition reporting was several years in the making, and the eventual timing of its launch came at a point that a need for weekly public reporting existed, and the shipper’s perspective to the dialogue regarding grain transportation added a valid, empirical voice to the public policy debate on this issue. As noted above, this reporting project is temporary in nature.

As the Review will be fully aware of, Transport Canada and Agriculture and Agri-Foods Canada are currently reviewing the federal Grain Monitoring Program and stakeholders are being consulted. It is understood that the Review has studied other regulatory frameworks and it is **recommended the issue of how to produce timely, impartial, public railway performance reporting and who should do this is an area that the Review Panel will give serious consideration.** This has been pointed to by many rail shippers, including those beyond the agricultural sector such as the cross-sectoral Coalition of Rail Shippers (CRS). For a subject that is so crucial to the national economy, this reporting can be viewed as public good.

#### **2. Information and Transparency: Key to Commercial and Policy Decision Making**

Beyond information related to operationally-oriented measurements of performance, CCGA recommends that the Review consider the fundamental role that information and transparency plays in counteracting market power and its commercial and operational effects in the Canadian rail freight sector. Many grain sector stakeholders have noted this in their submissions to the Review and Canadian producers recognize the fact that asymmetric information hurts the efficiency of the marketplace.

**Firstly, information is critical to support increased competition and shipper protection and achieve the goals of a competitive economy, improved commercial decision making and improved public policy making.** Asymmetry of data (e.g. one-sided) and lack of transparency (e.g. public availability) is a fundamental problem (which is not restricted to the agricultural sector).<sup>1</sup> Due to the emergence of confidential contracts between shippers and railways (beginning in 1987), there is much less public information regarding real rail rates and their trends, as published tariffs may overstate rates and may have large volume movement stipulations. As such, there has developed an absence of public information with which to gauge one's quoted rail service rates and understand if these are within the range of reasonable vis a vis one's competitors and the posted tariff rates. Having the Canadian Transportation Agency produce a confidential waybill sample, as is done in the United States would provide agricultural shippers, and potentially those in all sectors, an important tool with which to better understand the marketplace and base their commercial negotiations such as when they enter into final offer arbitration.

A recent study of this issue, commissioned by CCGA examined the informational gaps in the current Canadian grain freight regulatory environment.<sup>2</sup> **The Review is encouraged to consider the role that publically available aggregated commercial data can play in business relations and decision making.** Informational gaps, to improve commercial and policy decision making, may be closed through publication of elements such as, but not limited to:

- Waybill data sample
- Summaries of confidential contracts for grain
- Railway costs to provide service (addressed further below)
- Car fleet information

**Secondly, asymmetry of information has a negative influence on public policy making.** An instructive example of this is the issue of the Maximum Revenue Entitlement (MRE) and affected parties' positions on it. Grain sector stakeholders have an understanding of the average MRE grain rates, proportion of revenue and earnings for the railways that the transport of grain provides, etc., but no information regarding the actual cost to the railways of providing the service. The railways are calling for repeal of the policy, characterizing it as an outdated form of intrusive market interference by government and a functional disincentive to hopper car replacement and infrastructure investment. Only the two railways and the Canadian Transportation Agency know the actual costs of providing service to the grain sector. Paying a higher rate only means that the commodity is making a larger contribution to railways' fixed, or constant costs. It has no bearing on provision of service or grain-specific investment. It is a one-sided argument and a glaring example of unbalanced public policy dialogue.

The assertion that the MRE inhibits railway investment and the returns from grain inhibit profitability, and by extension investment, is questionable. **If the MRE is truly a drag on railway profitability, to prove this, railway costing data related to Canadian grain transport needs to be made fully public to ascertain the validity of this claim. Currently only the railways and the Agency have this information.**

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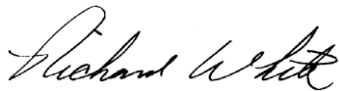
<sup>1</sup> See: "The Disclosure of Rail Carrier Costing Information". R. Gallagher and E. J. Tougas, as published in the 48<sup>th</sup> Annual Proceedings of the Canadian Transportation Research Foundation (June 2013).  
[http://www.mcmillan.ca/Files/173126\\_154967\\_CTRF%20Paper%202013%20Gallagher%20and%20Tougas\\_%20-%20Website%20version.pdf](http://www.mcmillan.ca/Files/173126_154967_CTRF%20Paper%202013%20Gallagher%20and%20Tougas_%20-%20Website%20version.pdf).

<sup>2</sup> "Comparison of Canadian and US Data". SJT Solutions and LMS (March 2015).

In summary, transparent and symmetrical data will support competition and shipper protection without the need for over-regulation. The outcome of should be a more competitive economy, better business decisions and improved public policy making which will all work to the benefit of Canadian farmers, business and the economy.

Thank you for the opportunity to provide further perspective to the Review and we forward to the final recommendations once published in early in 2016.

Sincerely,



Rick White  
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Canadian Canola Growers Association