

**OFIA Submission to the Review Panel  
Statutory Review of the Canada Transportation Act  
December 24, 2014**

The Ontario Forest Industries Association (OFIA) is the provincial trade association that for 72 years has represented forestry companies ranging from large multinational corporations to family owned businesses that operate across the province. Ontario's forest products sector supports over 55,000 hardworking Ontarians in over 260 communities.

We welcome this opportunity to provide input into the Canada Transportation Act (CTA) Review. OFIA welcomes the Review objective "to provide an independent assessment of how federal policies and programs can ensure that the transportation system strengthens integration among regions while providing competitive international linkages." A competitive transportation service is required to access the international marketplace and ensure a viable forest products industry as transportation alone represents about one-third of the production costs of any forest products firm.

The transportation system has been under stress in recent years. This is the result of the economic recovery taking hold and the increasing shipments from a number of industries putting pressure on the capacity of the entire transportation system, especially rail. More difficulties are expected to arise in years to come as the outlook for our sector and many others has improved markedly given the decline in energy prices, improved exchange rates and the solid US recovery now taking hold.

Transportation is a key driver of our industry's competitiveness. Effective competitive access is a matter of ongoing and significant concern for OFIA members. We look forward to working to improve its efficiency and ability to support a competitive industry that best supports Ontario's future growth and prosperity.

OFIA's goals for this Review are to achieve outcomes that will help to create a more competitive freight transportation system that includes:

- Increased access to the rail system;
- More reliable service throughout the supply chain; and,
- More competitive rates and a more competitive supply chain.

OFIA agrees that the primary goal for transportation policy is an efficient transportation system and that this is most likely to emerge if guided by commercial decisions in competitive markets. We also appreciate that the Panel's deliberations and recommendations need to strike a delicate balance between reliance on market competition and on regulation. There are some markets where competitive forces are limited or non-existent, requiring a role for regulation or other government action.

To access markets, forest products companies require competitive transportation service. However, considering the lack of rail competition in Canada, forest companies need economic regulation to provide some measure of protection against the significant market power of the railways. In the absence of a more stringent regulatory framework, the forest sector's ability to compete in export markets will be lost.

The economic viability of Ontario's forestry sector and the communities it supports is vanishing while rail carriers thrive. As outlined in the Review's discussion paper, "complicating matters further, the most profitable and efficient transportation business may at times be at odds with the competitive success of other companies, sectors and regions, which can give rise to pressures for government intervention." This imbalance of power is damaging the overall Canadian economy putting the government's trade and prosperity agenda at risk, and has led to both excessive freight rates and inadequate service. Whatever the

government does going forward, it needs to act in a manner that does not further reduce the already constrained capacity of the rail freight system in Canada.

Further changes in government policy are required to increase pro-competitive measures within the CTA and to help provide some balance to the relationship between shippers and railways. This would significantly improve the competitiveness of Canada's resource-based industries and allow them to secure their rightful role as resource superpowers in global supply chains.

Accordingly, **OFIA recommendations are:**

1. To strengthen the Level of Service provisions within the Act i.e. under the heading of "Adequate and suitable accommodation" – "For the purposes of sections 113 and 114, a railway company shall fulfill its service obligations in a manner that meets the rail transportation requirements of the shipper."

The transportation authorities must strengthen the legislative and regulatory means by which the industry can improve its negotiating position with the railways. Many factors make the forest products industry less attractive to the railways, thus putting the sector at a serious disadvantage given railway market power. The Forest Products Association of Canada (FPAC) has surveyed its member companies and all of them have reported significant rail service issues resulting in significant costs, including: loss of production, transportation, unforeseen offsite inventories, administrative, lost business, bonding, and taxation. FPAC estimates that the failure to provide adequate service costs the forest industry an extra half a billion dollar per year.

While differential pricing may make sense from an economic efficiency standpoint, this is happening at the expense of the Canadian industry and the communities dependent on that industry for their survival. And this is precisely where the legislation fails the public interest test.

The CTA requires substantive additional provisions to enhance competition in the railway sector and to fulfill the objectives of the National Transportation Policy.

Accordingly, **OFIA recommendations are:**

2. To strengthen the key tools within the Act to make the system more competitive by:
  - Extending inter-switching, including out to 900 kilometres across Canada.
  - Making public railway costing inputs and Canadian Transportation Agency manuals.
  - Deleting all references to "network" in the Act.
  - Making the multi-party Final Offer Arbitration process more accessible.
  - Deleting the requirement in the Act to have regard to effective, competitive alternatives.
  - Strengthen Rail Line Discontinuance requirements.
  - Providing shippers with the right to secure and use private equipment to ensure adequate service.

The forest products industry is an intensive user of the full transportation system. As such, OFIA wishes to submit non rail-related changes that would seek to improve the fluidity and functioning of the overall transportation system.

Accordingly, **OFIA recommendations are:**

### 3. Overall Changes to the Canada Transportation Act

- Ports/Terminals – Implement extended hours of operation (e.g. Montreal and Vancouver) to maximize efficiency and reduce congestion.
- Re-establish the “public interest” test within the Act.
- Strengthen the investigative powers of the Canadian Transportation Agency, to independently investigate, and resolve as may be necessary, anti-competitive or abusive behaviour.

OFIA is asking for amendments to the CTA that will support job creation and economic growth.

For questions, please contact:

Christine Leduc

Director of Policy and Communications

Ontario Forest Industries Association

[cleduc@ofia.com](mailto:cleduc@ofia.com)

416-368-3827