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The Honourable David L. Emerson, P.C.
Chair, Canada Transportation Act Review Secretariat
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Dear Mr. Emerson:

The Saskatchewan Mining Association (SMA) welcomes the opportunity to provide input into the Canada Transportation Act (CTA) Review through the Canadian Act Review Secretariat.

The SMA is an industry-funded Association that represents the voice of the mining industry in Saskatchewan - including potash, uranium, coal/industrial, metallic and exploration sectors. The SMA and has the role of liaison and consultant with governments and public to ensure the safe, profitable and orderly development of the mineral resources of the province. We collaboratively engage with our national partners, such as the Mining Association of Canada (MAC) and the Canadian Fertilizer Institute (CFI) on national-level issues. As such, most of the transportation-related consultation and interaction between federal agencies and the mining industry at the national level occurs through the representation of the Mining Association of Canada (MAC) and the Canadian Fertilizer Institute (CFI). The SMA supports their respective submissions to the CTA Review. However, as the Saskatchewan economy is export driven and reliant on an efficient transportation systems, particularly for bulk commodities moved by rail, we felt it important to provide a separate submission to the CTA Review that speaks specifically about the relationship of the Saskatchewan mineral industry and the transportation sector. Some of the information contained in this submission is from a Saskatchewan Chamber of Commerce study currently underway that is examining the impact of rail access on Saskatchewan's Export Potential. This report is partly funded by the SMA and its member companies. It is currently being prepared and should be available to the Secretariat by the Saskatchewan Chamber of Commerce upon its completion in early 2015. MAC discussions and briefings on the rail transportation file have also been important in forming content of this submission.

Introduction:

In a country as large and geographically diverse as Canada, the transportation system is a major factor in the overall wellbeing of the economy. The mining industry is one of the largest users of Canada's transportation sector and is the single largest industrial customer group of Canadian railways. In 2013, the mineral industry accounted for 52% of the total rail freight revenue in Canada and 46% of volume carried. In Saskatchewan, the transportation system plays a critical role in getting products to ports and export markets, by bringing in materials to process ores and in getting materials and people to work.

Potash is the dominant mineral commodity in Saskatchewan transported by rail. In 2012, potash had more tonnes transported by rail (12.5 Mt – estimated at $5.4 B) than any other commodity. While very little uranium is transported by rail, in large part because of relatively high-value, but low volume tonnages, rail transport has provided a beneficial additional option for transport of this commodity. Moreover, the uranium sector is anticipating the importance of rail and port accessibility to rise in the years ahead. The CTA Review is of significance to the Saskatchewan mineral industry and the potash and uranium sectors in particular. Issues which will be addressed in this submission are:

1. Rail Transportation
    a) Capacity and Service
    b) Common Carrier Obligation
2. Port Access
3. Road and Air Infrastructure

1. Rail Transportation

a) Capacity and Service

For the majority of mine operations in Canada, rail is the only vehicle to transport freight both to and from their operations due to a variety of factors, including location of their operations, the relatively low per unit value of their products, and the sheer volume of products shipped. As such, miners are greatly invested in government measures that impact rail service.

Canada's rail freight system operates primarily as a dual monopoly, shared by CN and CP—Canada's only Class I railways. Mining operations are frequently captive to only one railway due to their location.

Railways are "supply-chain enablers" and do not produce the goods for export that allow trade to grow, our economy to expand, and employment to increase. In this light, the railways are a significant and essential domestic component of "market access" for all of Canada's exports, as well as its domestic deliveries. Without a healthy and reliable railway network for all shipping sectors, Canada's reputation and success as a trading nation are seriously hampered.

A large obstacle for rail customers and public policy makers is the inability to adequately assess the nature of rail service and capacity challenges due to a lack of transparency and availability of railway performance data.

In the Discussion Paper that was drafted by your Secretariat, the importance of undertaking the CTA Review in the context of recognizing global market trends was identified as was the importance of having a Transportation Policy that complements and supports other Government Policies including Export/Trade Policies. An efficient transportation sector is imperative for Canada to be able to capitalize on these global market trends, not as an end to itself, but as a means to improve Canadian prosperity and quality of life. This is particularly true in Saskatchewan, a land-locked province whose economy is export-dominated and which leads the world in exporting a variety of commodities – both mineral and agricultural. On the minerals front, Saskatchewan is a world leading producer of both potash (30%) and uranium (15%).

While roughly 50% of current potash exports are exported to the US, future market growth is anticipated to come from the Asia-Pacific countries as well as Brazil where increasing middle-class populations and poor soil quality are driving increased potash demand. Russia is the primary competitor with our companies for the Asian market, and they have a shorter distance to transport their product from port to market than Saskatchewan producers. If we aren't able to get our products to our customers in an efficient, cost-effective and reliable manner, or if we can't get material in to our sites to process the ores, our reputation will suffer, markets will be lost thus affecting our economy and quality of life.

The Discussion Paper acknowledges that there were significant disruptions to service in 2013/14 – partly attributed to poor weather conditions and bumper crops. It also made the observation that the volume of product that the rail lines were unable to move may not be an anomaly, but be part of a permanent shift related to improved agricultural technology and innovation that would require increasing capacity. While this is likely the new reality for the agricultural sector, it is also true for the potash industry in Saskatchewan, which over the last 5 years, has invested over $14 B in expansions to existing (brownfield) mine operations and with more than $7B invested in new mine projects (greenfield). With positive market conditions, these investments will potentially more than double the operating and production capacity of potash mines in Saskatchewan. This increased potash production will require additional rail capacity. Significant disruptions in potash shipments could increase inventories to the point of forcing plant shut downs and additional layoffs.

Table 1: Saskatchewan Potash Mine Expansion (Brownfield and Greenfield)

COMPANY	MINE	2008 Production (MMT KCl)	Production Capacity post constructn (MMT KCl)	Expansion Capital Costs (announced)	Expansion (MMT KCl)	Estimated Constructn Completion date
Agrium	Vanscoy	1.76	2.8	$1.5 B	1.0	2014
Mosaic	Esterhazy K2 K3	4.10	7.1 1.0	$1.73 B $1.5 B	2.9 1.0	2011 2017
	Colonsay	1.4	3.0	$0.50 B	1.1	2013
	Belle Plaine	2.2	4.8	$2.3 B	2.6	2021
PotashCorp	Lanigan	2.14	3.6	$0.44 B	1.5	2008
	Rocanville	2.7	5.7	$2.8 B	2.7	2014
	Allan	1.09	2.7	$1.03 B	1.4	2013
	Cory	0.42	2.7	$1.65 B	2.2	2013
	Patience	0.28	0.4	$0.11 B	.36	2009
K+S Potash	Legacy	0	2.86	$4.1 B	2.86	2016
BHP Billiton	Jansen	0	8	$12 B	8	2020
Western Potash	Milestone	0	2.8	$3.3 B	2.8	2016
Total approved (n/i BHP or Western Potash)		16.09	36.66	$17.66	19.62	122% increase
Total advanced (incl BHP and Western Potash)		16.09	47.46	$32.96	30.42	189% increase

The effectiveness of secondary links in the transportation supply chain (e.g. locomotive and railcar capacity, port terminals, vessels, other facilities) are heavily contingent on the ability of the rail carrier to consistently handle the volumes miners produce and deliver them on time. Through their own companies, and via Canpotex for off-shore markets, the existing potash producers (PotashCorp, Mosaic and Agrium) have taken steps to reduce transportation supply chain risks by directly managing as much of the supply chain as possible. This includes investments in rail car capacity (over $370 M in upgrading its rail car fleet since 1999), a new rail car maintenance facility at Lanigan ($60 M) as well as hundreds of millions in port infrastructure and shipping vessel procurements.

The potash sector remains reliant on railways for locomotive and crew capacity and this is an area of risk for increasing potash exports. Media reports have indicated that both CN and CP have recently sold locomotive capacity to US rail operations, limiting their ability to increase locomotive capacity in the short term. This will be further compounded as only one of two freight locomotives manufacturers in North America is currently producing new locomotives. In a June 2014 presentation to MAC, CN President and CEO Claude Mongeau indicated that CN had just put in the final order available for 2 more locomotives and nothing else would be available to be ordered (let alone delivered) in the next few years.

Rail capacity challenges for the mineral sector will be compounded by increasing production and utilization of rail facilities by agricultural, petroleum and manufacturing sectors in Saskatchewan.

Recommendation: Rail Capacity and Service

While initiatives such as the voluntary Commodity Supply Chain Table are positive, additional steps are required to address the current power imbalance between carriers and shippers that is affecting Canada's export capacity. The federal government should collect and publish railway data, as is permitted under sections 50 and 51 of the *Canada Transportation Act*, and is already done to some degree for the agriculture sector. Data transparency would provide the government a clear understanding of how the logistics supply chain is performing, where challenges exist, and what policies are needed to properly address them to the benefit of shippers and the Canadian economy as a whole.

Clarity around the terms of "adequate and suitable accommodation" and "service obligations" would also make for more meaningful and effective service level agreements between carriers and shippers.

b. Common Carrier Obligations

The Canadian government has a responsibility to ensure the free movement of legally produced goods in Canada. The "common carrier obligation" requires that railways accept these materials for transport including those classified as Hazardous Goods, including nuclear/uranium products (Class 7 material).

Nuclear materials have been safely transported for over 50 years without any health and/or environmental impacts. The perceived risk of uranium and nuclear products should not restrict the movement of these good by rail, road or port. While rail cars are in the custody of shippers, it is reasonable and appropriate that the shippers are required to undertake appropriate loading and labelling procedures of material, so that when a railway carrier takes custody of the loaded rail cars, the cargoes are safe for transit. However, rail carriers have been increasingly reticent to comply with the common carrier obligation. They either do not accept to transport uranium material, or propose contracts that would transfer the liability for clean-up costs related to an accident from the carrier to the shipper, regardless of the cause of the accident. This utilization of regulatory loopholes by carriers that results in off-loading of their responsibility, essentially transforms the shipper into the insurer of the carrier's rail operations and is not acceptable. Shippers cannot be expected to manage the risk of a railway's operations when they have no control over how the carrier operates. Rail companies must be held accountable for their actions, including ensuring their rail lines are safe to operate on.

Recommendation: Common Carrier Obligation
Strengthen the common carrier obligation to ensure Canada's continued competiveness by allowing all goods, including dangerous goods like uranium, to be freely transported on its rail lines. Transport Canada should amend the Canadian Transportation Act to close the existing loophole that permits railways to impose unreasonable terms and conditions on shippers for the movement of their goods.

2. Port Access

As previously noted, Saskatchewan mineral products are largely exported, relying on access to rail transport and port facilities. For the Saskatchewan uranium sector, it is imperative that the nuclear energy sector be able to transport products by Canada's rail and port system.

Western port facilities are becoming increasingly restrictive on what they will handle and there is potential for additional restrictions on transportation of nuclear material at eastern ports which currently handle the majority of uranium shipments Segments of communities are also becoming more vocal and activist in opposing shipments of particular commodities of interest, whether it be coal or nuclear products today, or potentially GMO agricultural products tomorrow.

Recommendation: Port Access
The Canadian Transportation Act provide regulatory support to the nuclear energy sector (and other shippers) to transport uranium and nuclear products via Canada's port system (comparable to a strengthened common carrier obligation).

3. Road and Air Transportation Corridors

The majority of resource development in Canada is occurring in rural, remote and northern regions of the country. These areas tend to be grossly underserved in all forms of infrastructure, including transportation. Although responsibility for building and maintaining basic public infrastructure rightfully belongs with government, it commonly falls on industry to invest in

installing the capital foundation within these regions if it wishes to gain public support to access the commodities located there. These investments go far beyond the footprint of the mine site, with benefits that extend to the entire region and its residents.

In northern Saskatchewan, the mining sector has made considerable investments to build and/or maintain hundreds of kilometres of roads (along with power lines, cell towers, fibre optic cable, etc.) to facilitate operations within the region. Northern communities, who are primarily of First Nation or Metis heritage, have benefited from these investments and are increasingly looking to industry, rather than governments, to fund regional infrastructure projects such as roads and municipal infrastructure.

Ongoing discussions between governments have not resolved the infrastructure funding issue. While the jurisdictional debate continues, northern communities remain caught in the middle feeling that their overall needs are being ignored. An increasingly common reaction of Aboriginal communities is to voice objection to resource development. It is becoming critical that the federal and provincial governments find a solution to their jurisdictional differences and move to address community expectations for public infrastructure rather than offloading the responsibility and expectations to industry.

Additional investments in northern air strips would likewise be a welcome addition, particularly to isolated communities that don't have all-weather road access. These airports constitute another vital link in the region's transportation network, especially given the fly-in/fly-out rotations at northern resource operations.

The safe transport of people and products along Canada's highways and road network system is a fundamental requirement for growing Canada and Saskatchewan's resource –based economy. Strategic federal-provincial investments in developing key commodity transportation corridors would enhance a safer and more efficient flow of public and export-related traffic. Road infrastructure that supports mineral developments, such as twinning Highway 16 and the extension of Highway 914 from Key Lake to Cigar Lake, are examples of key commodity transportation corridors that would enhance mineral resource productivity.

Recommendation: Road and Air Transportation Corridors
The Federal Government support the development of Road and Air Infrastructure Corridors that support the safe and efficient transportation of public and industry-related traffic and enhance the sector's productivity.

Conclusion:

The CTA Review has the opportunity to shape a transportation policy for the future; one that is recognizes global trends and patterns related to resource consumption and is aligned with Canada's Trade Policy; one that supports and enables developing opportunities in Canada., a policy that will transport products to market in a safe, reliable, cost-effective and fair manner.

Thank you for considering the recommendations in this submission in your review of the Canadian Transportation Act. We feel that these improvements to the Canadian transportation system will support maximizing Canadian productivity and competitiveness as a trading nation, and thereby also support a high quality of life for Canadians.

If you have any questions related to this submission, please do not hesitate to contact me.

Yours sincerely,

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cc. SMA Executive