The Impact of Rail Access on Saskatchewan's Export Potential

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Methodology

- Interviews with informed observers including shippers, carriers, and producers

- Thorough review of relevant literature

- Data from sources including Statistics Canada, the grain transport monitor Quorum Inc., CN and CP annual reports, and shipper reports

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Investigating the full impacts of the Maximum Revenue Entitlement (MRE).

The MRE is a limit on the average revenue per tonne that railways can earn on the shipment of regulated grains from Western Canada to the Port of Thunder Bay or to ports in British Columbia. As 15 years have passed since the MRE was implemented, a full and public review is warranted.

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Reducing the cost of shipping by rail to and from the province.

Railways pay nearly $40 million in fuel taxes annually to the Saskatchewan government as a result of a particularly high provincial fuel tax per litre (15 cents per litre). Given the dependence on railways to get products to market, it makes sense to at least bring fuel taxes in line with other provinces.

Encouraging greater and timelier communication across the logistics supply chain.

Better and timelier sharing of information can help shippers and railways prepare for disruptions. For example, faster real-time information from the railways to shippers when they become aware that delays will occur will help shippers avoid labour overtime costs.

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Increasing coordination with governments and infrastructure providers outside of the province.

Saskatchewan and its economy has as direct an interest in investments and efficiencies at Port Metro Vancouver, Prince Rupert and Thunder Bay as it does in investments in freight infrastructure within the province. As a result, the Government of Saskatchewan has as much interest in being involved in supporting those investments either directly or indirectly.

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Increasing supply chain options and redundancy.

For Saskatchewan – a province that is more landlocked than any other – any increased redundancy in terms of routing options to export markets is valuable. Whether this means helping to fund ice-breaking capacity on the Great Lakes and St. Lawrence Seaway or more indirect methods of enabling redundancy, it is a factor that should be considered if export growth continues to be a provincial priority.

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Considering the full effects of legislative solutions while focussing efforts on long-term rather than short-term solutions.

Policies such as the Order-in-Council, which specified the minimum amount of grain to be moved may have unintended consequences. The possibility of such unintended consequences undermining supply chain efficiency should be considered and monitored.

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Determining the current capacity and the "right size" of on-farm storage.

The extent of on farm grain storage is currently unknown, but the need for storage was painfully evident during the 2013-14 crop year. Policymakers should investigate the barriers, financial or otherwise, to investing in more on farm storage in order to determine the value in some solutions.

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Determining the impact of pipeline expansion opportunities.

The growing role played by rail in transporting crude oil is largely a result of current pipeline access becoming increasingly constrained. Governments need to make a concentrated effort to work through the political intricacies that have bottlenecked pipeline expansions and determine the impact, if any, on rail service for other commodities.

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Examining alternative hopper car purchasing arrangements.

The grain hopper car fleet in Canada is aging and in need of replacement. Newer cars are both shorter and lighter and as a result contribute to an increase in the carrying capacity of approximately 25 per cent per train. The federal and provincial governments should identify and remove the barriers to new hopper car purchasing, as it relates to potential ownership by railways, shippers, or third-parties.

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Impact of no change

- Failure to reach targets outlined in the Plan for Growth
- Negative GDP impact
- Limitations on future export growth
- Increased demand for rail transport as oil prices increase
- Deferral or permanent loss of sale for shippers
- Increase in operating costs and decrease in profitability for shippers

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Thank you.

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