

# CTA Review: Recommendations from the Agriculture CTA Review Coalition

2015 Farmers' Forum on  
Grain Transportation

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Pulse Canada



# Agriculture CTA Review Coalition

*The Canada Transportation Act Review 2014  
Recommendations from the CTA Review Coalition*

**Members of the Coalition**

*Canadian Oilseed Processors Association*

*Manitoba Pulse Growers Association*

*Western Grain Elevators Association*

*Canadian Special Crops Association*

*Keystone Agricultural Producers*

*Inland Terminal Association of Canada*

*Animal Nutrition Association of Canada*

*Pulse Canada*

*Agricultural Producers Association of Saskatchewan*

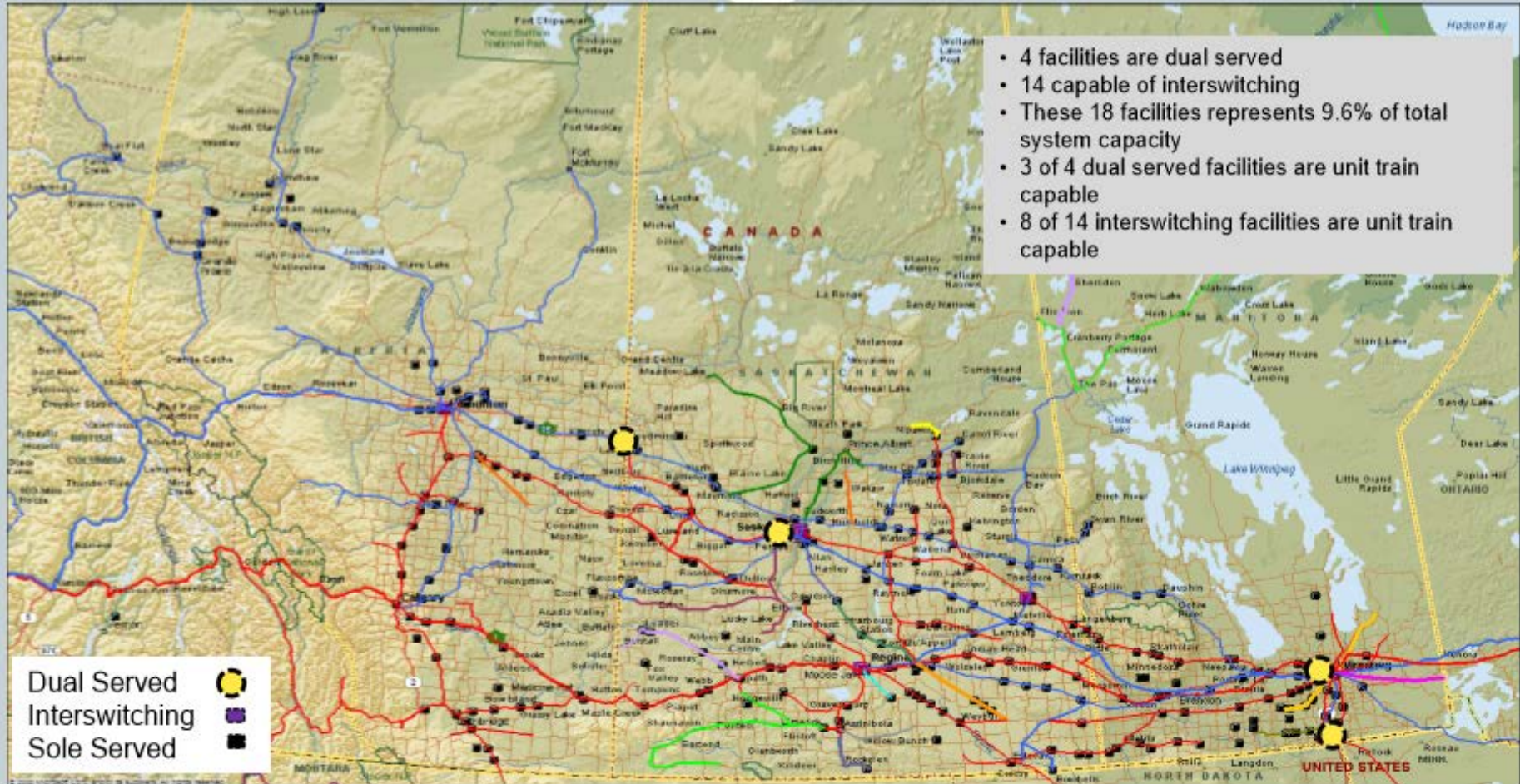
*Canadian Federation of Agriculture*

*British Columbia Agriculture Council*

*Alberta Federation of Agriculture*

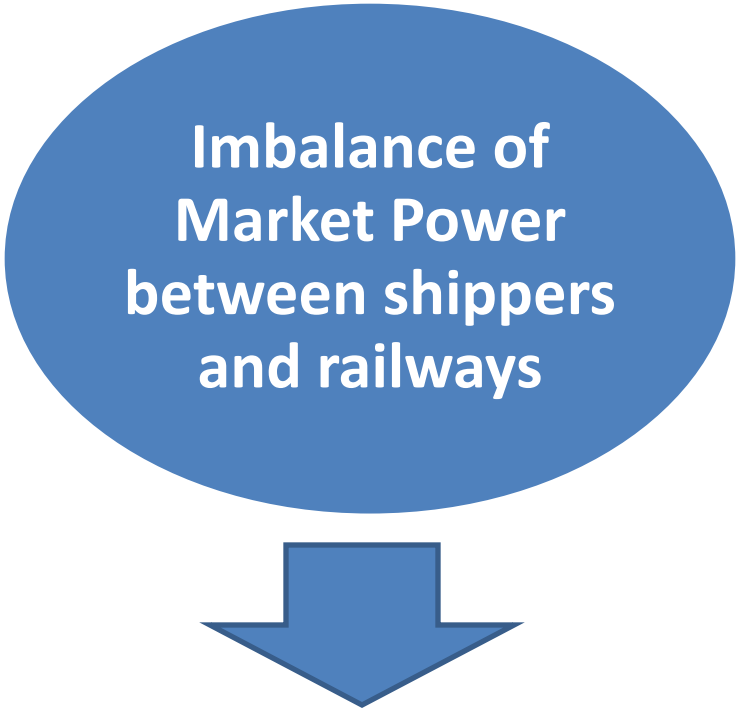
February 2015

# Railway Market Power



# Railway Market Power

- “We simply cannot accept outcomes where those two big companies would dictate to the market just what they think is satisfactory ... that is not going to serve the wider interests of grain farmers or the Canadian economy”.
- Prime Minister Harper, March 12, 2015, SARM annual conference



**Imbalance of  
Market Power  
between shippers  
and railways**

**A lack of railway capacity due to underinvestment**

**Poor performance due to a lack of competitive pressure**




**Inadequate shipper protection measures in the Canada  
Transportation Act.**

Imbalance of  
Market Power  
between shippers  
and railways



A lack of railway capacity due to underinvestment

From 2000 to 2012:

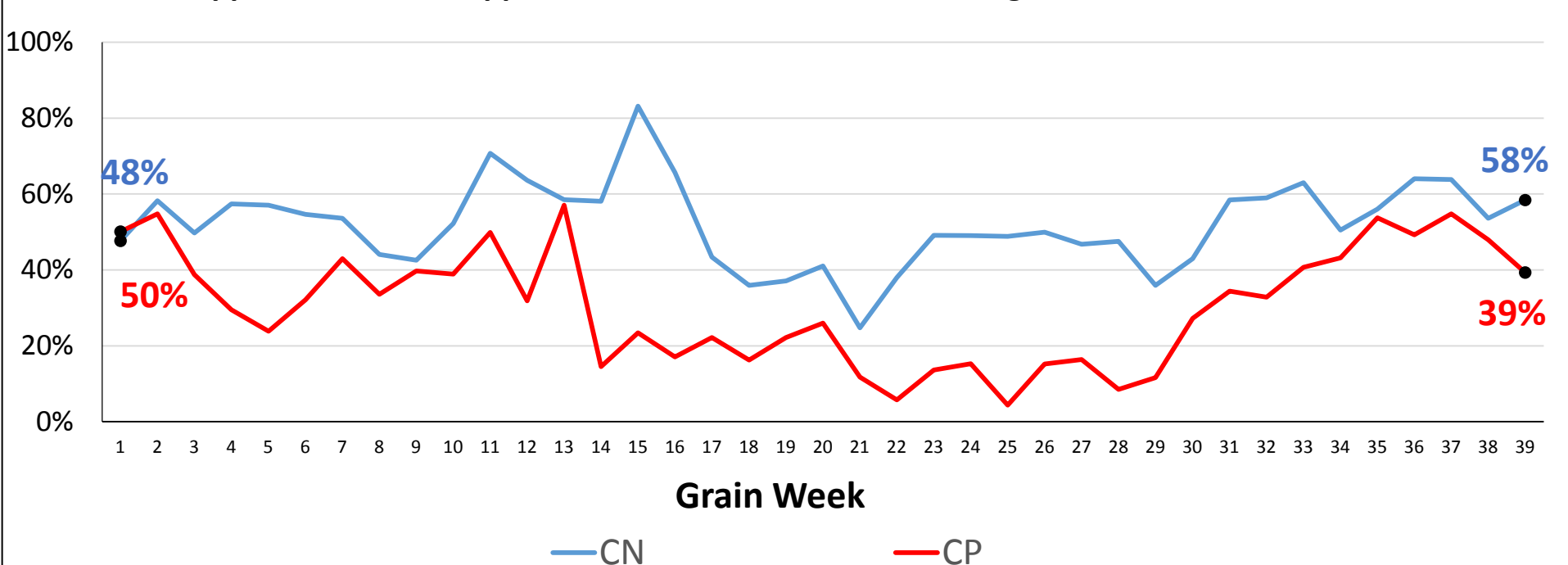
- Railway workload  34%.
- Railway operating income  46% to \$4.25 billion
- Railway net investment  for 10 of the 12 years of the period


Imbalance of Market Power between shippers and railways



Poor performance due to a lack of competitive pressure

Hopper Car Orders Supplied Within the Want Week Through Grain Week 39 - CY 2014





Imbalance of  
Market Power  
between shippers  
and railways

## Inadequate shipper protection measures in the Canada Transportation Act.

- Economic dominance/Market Power by one player means that normal market forces do not work.
  - **Requires regulatory tools to simulate market forces.**
- Current shipper protection measures in the Act do not always work effectively to rebalance the commercial relationship between shippers and railways
- Imbalance of information – Railways have it all.



**Coalition  
legislative  
goal**

**Capacity &  
Service that  
meets the needs  
of the ag industry**

- Enhanced competitiveness in global markets
- Increased economic growth and prosperity

**Outcomes  
from  
Current  
Legislation**

**Railway efficiency  
as measured by  
rail operating  
ratios and income**

- Capacity provided meets railway self interest – limits shippers growth opportunity
- Railway profitability



**Capacity &  
Service that  
meets the needs  
of the ag industry**

**1. Re-shape Transport Canada Mandate**

**2. Off-set railway power**

- **Improve the competitive environment**
- **Ensure that railways respond to their customers' needs in ways that simulate the operation of a market driven system.**

# Summary of proposals

- Increase the power and improve the effectiveness of the Agency
- Clarify railway service obligations
- Improve shipper protection measures
- Improve existing pro-competitive measures
- Keep the railway grain MRE

# Key Recommendations

## Customer focused legislation

- Ensure the level of service provisions of the Act make the needs of the users of the system paramount.
- Provide for financial consequences if the railways fail to perform according to their obligations.

# Key Recommendations

## Performance Measurement

Producers, shippers, regulators and policy makers will benefit from a more timely and independent performance measurement system.

## Increase Powers and effectiveness of the Agency

- An agency with increased access to information and ability to act on its own motion will providing a stronger regulatory backstop for shippers and, when necessary, a deterrent for railways to abuse their market power.

# Next Steps

Election  
2015

CTA Review  
Consultation  
Period Ends

Release of  
CTA Review  
Report

Introduction  
of Legislative  
or  
Regulatory  
change

Passing of  
Legislation  
or  
Regulation

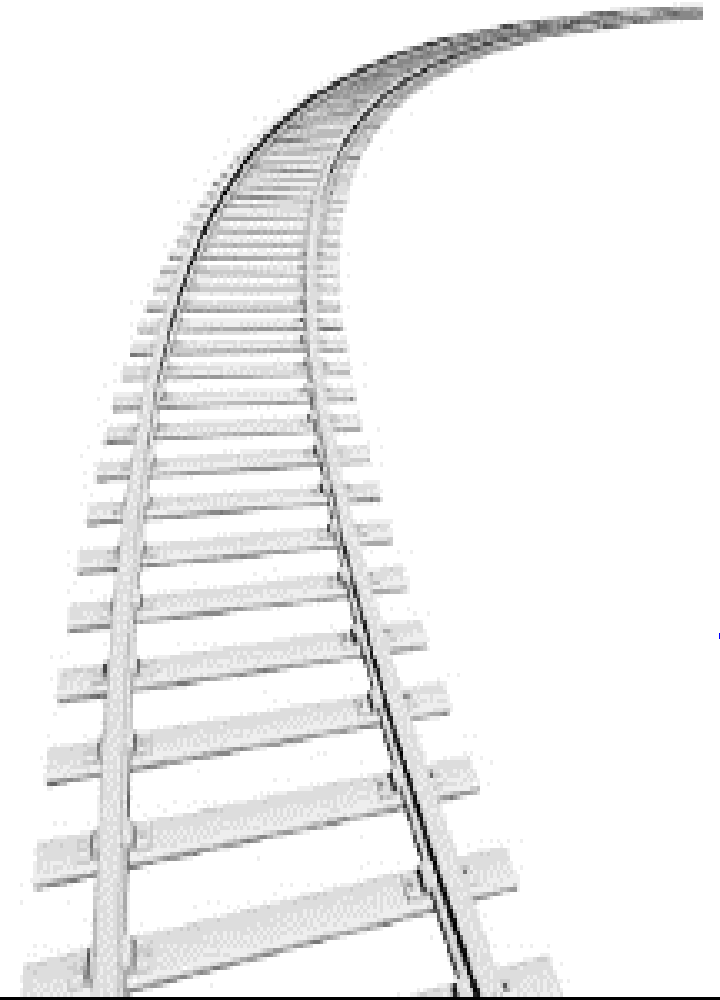
Summer  
2015

Fall  
2015

Winter  
2015

2016/2017

2018



**Thank You**

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# Issues identified

- Railway capacity
- Railway performance
- Current shipper protection measures



# Railway capacity

- Capacity limited by railway commercial self-interest and not by the needs of the users of the railway system.
- Insufficient investment in capacity to handle normal seasonal variability in demand and winter weather
- Allocation of capacity during shortages discriminates against the grain industry

# Railway performance

- Railways do not exhibit the market-responsive behaviour found in normal competitive markets
- Lack of railway predictability and responsiveness to shipper commercial requirements
- Shipper obligations not balanced by railway obligations to meet performance standards

# Shipper protection measures

- Common carrier obligations ('adequate and suitable') have not provided rail services that meet shippers' commercial needs
- Current protection measures such as FOA, service level arbitration and service level complaints seen as too costly and lengthy for most shippers
- Shippers are reluctant to pursue service level arbitration, final offer arbitration and service level complaints due to *fear of retribution* from railways

# Root cause of problems

- An imbalance of market power between shippers and railways
- Therefore solutions are designed to offset railway power
  - ensure that railways behave in ways that simulate the operation of a market driven system.
  - the system should serve the needs of users and enable competitiveness and economic growth.