

Rail Service Issues in Canada

The transportation of export commodities by rail to and from communities is crucial to the economy of the Western provinces and is equally important for transportation of commodities throughout Canada. From potash in Saskatchewan, to pulse crops and oil in Alberta, nickel in Ontario, or mining and natural gas products in B.C., the movement of Canada's many resources is dependent on reliable, adequate rail service. The competitiveness of industry and business in Canada is compromised by the current policies of government and the business or operational models of Canada's rail companies.

Canada's rail system as a regulated monopoly is defined as a common carrier and operates under the Canada Transportation Act (CTA), which states: "A rate or condition of service established under this division must be fair and reasonable to all parties," and under section 113, the following applies for level of service from railways:

- Furnish, at the point of origin, at the point of junction of the railway with another railway, and at all points of stopping established for that purpose, adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage on the railway;
- Furnish adequate and suitable accommodation for the carriage, unloading and delivering of the traffic;
- Without delay, and with due care and diligence, receive, carry and deliver the traffic;
- Furnish and use all proper appliances, accommodation and means necessary for receiving, loading, carrying, unloading and delivering the traffic; and
- Furnish any other service incidental to transportation that is customary or usual in connection with the business of a railway company.

In Western Canada, emphasis of rail freight is on the movement of commodities and shippers are spread over a wide geographic area. When shippers face challenges in getting these commodities to market, Canada's international reputation as a reliable supplier of goods is impacted. For many shippers, particularly those in northern regions, rail freight service presents significant challenges; consequences of those challenges includes the loss of productivity (inefficient use of labour and equipment), loss of sales (inability to respond to customer requirements, timeliness, and reliability), challenges in attracting investment, and increased operational costs.

Recommendations made by the Federal Rail Review Panel¹ in 2011 have resulted in some positive changes in rail freight service; however, there is much more work to be done. Many shippers/receivers continue to face barriers that include reliability, accountability/transparency and customer service. There is a need for stronger leadership from the federal government and meaningful change by rail service providers to resolve these issues and ensure our rail system meets and adapts to the needs of Canadian shippers.

Last fall in Alberta, a provincial Rail Transportation Task Team conducted public consultation to hear the concerns of shippers in the province. These issues were compiled into a report for a submission² to the CTA Review Panel. Shippers called for a number of changes to improve reliability and accountability from rail service providers to address service issues. One of the recommendations was the need for enhanced performance monitoring and reporting within the rail system. Little factual information on the rail freight system is available to shippers, which makes it very difficult for them to access the data they require to measure the service they receive. A more open and transparent system will make for a more effective process not only in resolving rail service issues, but will support collaborative discussions and planning among all supply chain participants. Shippers are also limited by the expensive and time-consuming process to deliberate a level of service complaint. The report suggests that the Canada Transportation Agency could provide leadership with a voluntary mediation service for railways and shippers to resolve disputes before those disputes become formal complaints.

¹ The Final Report can be found at: <https://www.tc.gc.ca/eng/policy/acg-rfs-review-examen-sfm-rvw-eng-2616.htm>

² Canada Transportation Act Review – Government of Alberta Submission for Consideration by the CTA Review Panel, <http://www.transportation.alberta.ca/Content/docType56/Production/CTAReviewSubmission.pdf>

In the Prairies, 2013 was a record harvest for grain that is shipped around the world. Grain farmers, however, were not able to access adequate rail service to get their crops to market. In a recent submission to the CTA³, the Saskatchewan Wheat Development Commission, Sask Pulse, the Saskatchewan Barley Development Commission and the Agricultural Producers Association of Saskatchewan (APAS), called for a rail transportation system that is prepared for “surges” and that can manage annual fluctuations not only for grain but for all market participants. The report also called upon changes in rail freight service to address a number of issues producers continue to face including challenges around lack of transparency within the system; the cost of filing formal service complaints; and loss of business with foreign buyers who switched from Canadian suppliers to competing suppliers because product could not get to market due to scarcity of cars on specific corridors.

In Fort Nelson, located in northern British Columbia, over the past two years the rail company has dropped service levels from three trains per week to two per week from Fort St John, and in town services decreased from five days to two, serviced only when trains come in. That is a decrease of three staff to zero. Fort Nelson companies were advised June 3, 2015 that service levels would drop to one switch per week on Sundays beginning June 7, 2015. There was no community consultation prior to the decision being made; in addition, four days is not adequate notice for companies to be able to effectively adjust their staffing or arrange other means of transporting goods. Without rail staff to move rail cars when the train is not in the community, the biggest single issue is full cars sitting on railway property, resulting in businesses being unable to access their own product. As well, there is no certainty over delivery schedules, as the railway frequently bumps shipments and changes the delivery date. Uncertainty in a company’s ability to receive product by rail results in a significant increase in road traffic, a decrease in road conditions and the associated environmental impacts.

Rail companies are regulated to consult when discontinuing a line or closing a yard; however, they are not required to do so when making any other changes to services, including decreasing schedules or removing all staff from a yard and reducing hours when receivers can get product. The current mediation process is a complicated and expensive process that is difficult to navigate through and without access to transportation lawyers and sufficient funding it is virtually impossible for a SME to participate. Similar to other entities such as utilities, common carriers, & telecommunications, rail should be required to consult with the communities affected in the decision making process and communities should have the ability to act as interveners through a regulated process that provides everyone with equal access to dispute resolution.

In Section 114, the Transportation Act goes on to require:

A railway company shall, according to its powers, afford to all persons and other companies all adequate and suitable accommodation for receiving, carrying and delivering traffic on and from its railway, for the transfer of traffic between its railway and other railways and for the return of rolling stock.

1. For the purposes of subsection (1), adequate and suitable accommodation includes reasonable facilities for the receiving, carriage and delivery by the company:
 - at the request of any other company, of through traffic and, in the case of goods shipped by carload, of the car with the goods shipped in it, to and from the railway of the other company, at a through rate;
 - at the request of any person interested in through traffic, of such traffic at through rates.
2. Every railway company that has or operates a railway forming part of a continuous line of railway with, or that intersects any other railway, or that has any terminus, station or wharf near to any terminus, station or wharf of another railway, shall afford all reasonable facilities for delivering to that other railway, or for receiving from or carrying by its railway, all the traffic arriving by that other railway without any unreasonable delay, so that:
 - no obstruction is offered to the public desirous of using those railways as a continuous line of communication.
 - all reasonable accommodation, by means of the railways of those companies, is at all times afforded to the public for that purpose.

³ <http://www.saskwheatcommission.com/newspost/submission-to-the-cta-review-panel/>

Beyond our agricultural and mineral resources that find their way to ports from across the country, the anticipated increase in LNG production in British Columbia also requires reliable and accountable rail service. Unreliable rail system performance has increased operating costs and directly impacts a community's ability to attract new industry or diversify economies. This is the experience of the Northern Rockies Regional Municipality in British Columbia, which states: "The investment inquiries ... over the past months have been from two main sources: the forestry sector and proponents interested in Gas-to-Liquid [GTL] conversion. The projects being investigated range in value from 10s of millions to 100s of millions, and would be significant contributors to the creation of employment, our tax base, and the regional and provincial economies. Among these, we are dealing actively with half a dozen on an on-going basis as they work toward investment decisions, and as many others who are in the earlier stages of investment decisions. All of these proponents have asked very specific questions about CN's service. Indeed, as the discussions, which have gone beyond the preliminary stage have progressed, that topic has transformed into a concern for potential investors, and has climbed in the list of priority considerations as they go through the exercise of evaluating the NRRMs potential vis-a-vis other possibilities. For at least one potentially major investor, it is the sole issue around which there is uncertainty." In addition, reliable rail service is critical to remote and end of line communities that not only rely on the rail themselves, but also serve as a continuing point for moving essential products such as fuel and gas industry requirements further north and/or into other more isolated areas.

While the railways are public entities of strategic national importance and operate to maximize profit for their shareholders, they must also serve the national interest by providing reliable cost-effective service to shippers. Increased throughput and reliability of service will improve the capacity of businesses throughout Canada in a cost-effective, environmentally-friendly manner. Shippers, facing intense global competitive pressures, need reliable services that allow them to maintain a competitive market position.

Recommendations

That the federal government work to require railways to ensure and demonstrate consultation with the business community when railway actions result in service disruptions, reductions, closures or abandonments, and notification of Service Changes.