



**Presentation of the
Canadian Wheat Board
to the
Transport Canada *Railway Safety Act* Review Advisory Panel
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The Canadian Wheat Board (CWB) would like to thank the Advisory Panel for the opportunity to present our views on the review of the *Railway Safety Act*.

The CWB is the single desk selling agent for western Canadian wheat and barley farmers. Our job is to maximize farmer returns. The CWB sells grain to both domestic and foreign buyers and returns all of the sales proceeds, less its administrative expenses, to grain producers themselves. Each year we market approximately 18 to 22 million tonnes of grain - worth about \$4 billion - on farmers' behalf. The CWB is overseen by a board of directors, the majority of whom (10 out of 15) are elected by western Canadian farmers to represent their interests. Four of the remaining directors are appointed by the federal government. The fifth, the president and chief executive officer, is appointed by the federal government in consultation with, and with the approval of the board of directors.

The vast majority of the grain that the CWB sells on farmers' behalf is moved by rail, either to processors throughout North America or to port where the grain is loaded into ships and sold to some 70 countries around the world. Because of the great distances involved in getting grain from the Prairies to many of these markets, and because of the complexities of coordinating transportation and customer needs, the CWB plays a significant role in arranging logistics for the movement of grain. It works closely with farmers, the railways and grain companies to move wheat and barley efficiently to meet sales commitments to customers. With freight costs representing significant portion of the total marketing costs that farmers face, the CWB seeks to ensure that the grain transportation system is performing as well as it possibly can. Maximizing farmer returns means keeping a close eye on costs as well as getting the best possible price for farmers' grain.

The captive nature of our business to rail shipping leads the CWB to have a keen focus on railway policy and transportation. Under the current legislative environment, Canadian shippers like the CWB have little commercial leverage in influencing the conduct of the class one railways due to a fundamental lack of competition in the Canadian rail industry. The 1996 *Canada Transportation Act* affords scant protection and few avenues for appeal for Canadian shippers who may be detrimentally affected by inadequate railway service and excessive charges.

Since the current *Railway Safety Act* came into being in 1989, the CWB has observed with great interest the federally regulated railways' management of safety concerns in Western Canada. The CWB has 230,000 railcars-worth of grain moving from the country elevators to vessels at port or mills across North America on an annual basis, making it the largest grain shipper in Canada.

As well, the CWB owns 3,500 covered grain hoppers, which we lease back to the railways for use in grain transportation. Protection of these assets for western Canadian farmers is one of our prime concerns.

In regards to rail safety, the CWB has three key issues that we would like to address today: the monitoring and inspection of equipment and tracks; labour related service disruptions; and investment in new and renewed track and equipment.

Monitoring and inspection of rail equipment

One of our major concerns pertaining to railway safety is the monitoring and inspection of railway equipment, particularly as it relates to the covered grain hopper fleet used by the CWB and other grain shippers. As previously noted, the CWB owns a fleet of approximately 3,500 covered grain hoppers, half of which are under lease contract to Canadian National Railway Company (CN), and the other half under lease to Canadian Pacific Railway (CPR). Under the terms and conditions of the leases, the railways are required to:

“perform maintenance, repairs and servicing of the cars in accordance with the standards set under the Railway Freight Car Inspection and Safety Rules of the Railway Safety Act and all applicable A.A.R.[Association of American Railroads] Rules. The standard of maintenance, repairs, and servicing shall not be less than that applied to other similar equipment owned and operated by” the railway.¹

It is important to note that the railways are very well compensated for repairs to the Canadian grain hopper car fleet, under the Revenue Cap allowance of \$4,300 to \$4,500 per railcar per annum. Research released by the Farmers Rail Car Coalition in 2006 indicates the actual maintenance costs should be rated closer to \$1,500 per car per annum.

In the first six months of the 2006-07 grain shipping year (August 1 to January 31), 24 of the CWB’s hopper cars were destroyed, 18 of them by one railway. We have noted a marked increase in the number of cars lost in derailments and accidents in the past year, an increase of 166 per cent from 2005-06.

In addition to the destroyed cars, we have an issue with the overall condition of the fleet. A particular problem is leakage of product out the bottom gates of the cars while in transit or waiting at port for unload. Anecdotal evidence from one terminal in Vancouver suggests that each week, approximately one tonne of grain is lost through spillage on their sidings from cars unloaded there. This same terminal has provided a “bad order gates” report to the CWB for the last several months. This report, which details the car numbers that have unload gates requiring attention or repair, is also sent to the railway serving the terminal. We have noted that there are several railcars on this report that are “repeat offenders”, that is, the same cars have been reported for bad order gates on consecutive shipments. This leads us to believe that either the railways are not attending to the gates when notified of a problem or that there are repeated problems with the gates because the cars are in such a poorly maintained state. In addition, environmentalists and animal rights activists have expressed concerns regarding the recurring grain leakage, as it attracts wildlife to feed on the rail tracks, endangering the animals themselves and rail operations.

Over the course of the 2005-06 and 2006-07 grain shipping year to date, the CWB has recorded the loss of 6 100 tonnes of leaked grain worth \$1.55 million. Therefore, we were pleased to learn of arrangements between Transport Canada and CPR for an upgrade and maintenance program to address some of these issues.

The CWB and its export partners have also been faced with issues arising from the securement of the loads via the top hatch covers. A number of loads have been rejected by commercial customers this year because of potential contamination. The threat of contamination is due to

¹ CN hopper car lease agreement, June 20, 2006

the upper hatch covers being breached. Consumers have never been more concerned with food safety. If the Canadian railways cannot or will not guarantee a safe and secure system for food grain transportation, foreign customers will lose confidence that Canadian grain producers can supply a safe, high-quality product.

Track Monitoring and Inspection

As Transport Canada is aware, both railways have faced a number of major derailments in recent months. Several have occurred in the British Columbia interior, causing the railways to close down tracks there for several days. Reports on the incidents and their causes would suggest that the railways are not doing all that they can to prevent, or at least reduce the severity of, these occurrences.

In the 2005-06 and 2006-07 shipping years, 7 600 tonnes of wheat and barley worth \$2.4 million were lost in derailments. An even greater cost to the CWB and farmers comes from the product delivery delays caused by these derailments. Those costs included vessel demurrage when boats were left waiting at port for product and lost consumer confidence in the CWB's ability to deliver on sales.

Over the last several years, the railways have tightened up their capacities and downsized their crews and equipment to such an extent that there is no "slack" available to recover from service disruptions resulting from any derailments or accidents. A December 2006 CN derailment caused CN directional running lines in B.C. to shut down for more than five days. Since CN has an agreement with CPR for directional movement on these lines, the closure resulted in a 60 per cent loss of capacity for CN and a 40 per cent of capacity loss for CPR as the railways coordinated movement of traffic over the remaining CPR line. This loss of capacity delayed movement of CWB grain trains already in the system. These delays were reflected in unloaded cars at port, and consequent delays in returning the empty cars back to the country for loading. The resulting backlog affected everyone: elevators became congested as they could not load railcars, and farmers could not deliver as the elevators were full.

Labour Related Service Disruptions

On the issue of labour relations and rail safety, western Canadian farmers were greatly affected, as were all Canadian rail shippers, by the recent strikes at both CN and CPR. For example, at the beginning of the CN strike, only mainline 100-car grain loaders between Saskatoon and Edmonton received rail service for loads going to port at Prince Rupert. Service was not provided on the smaller grain-dependent branch lines until the back-to-work legislation, Bill C-46, was brought into effect. It is our understanding that the unions raised the issue of safety and railway staff reductions, as key issues triggering these labour disruptions. Their employers' apparent lack of response to these concerns has led to increased labour action. Service delays caused by strikes cause western Canadian farmers serious financial losses and threaten their ability to be a consistent, reliable supplier of quality grain.

Of particular interest is the recent posting by the Teamsters Canada Maintenance of Way Employees Division president, William Brehl, on the TC-MWED website, in which he quotes the Transportation Safety Board's (TSB) investigation of the December 4, 2002 derailment (Safety Issues Investigation Report SII R05-01 3.0 findings). Two points caught the CWB's attention:

3.3. Although railways recognize the accelerated rate of track degradation associated with bulk unit train tonnage on secondary main lines, the occurrence record indicates that an appropriate balance between increased track degradation and timely infrastructure maintenance and/or renewal has not been achieved.

3.4. Although railways are responsible for putting measures in place to keep the track safe and in compliance with the Railway Track Safety Rules (TSR), the TSR may be insufficient to ensure safety because they do not consider the adverse effects of overall increased traffic and specifically bulk unit train tonnage on secondary or feeder track systems over the long term.

Note that the emphasis on specific areas of these points is the CWB's.

The Transport Canada report on the 2002 derailment indicates that the tracks are not receiving the attention they require. Maintenance and train service employees on both railways have indicated their concerns with the deteriorating safety of the rail lines caused by longer and heavier trains, fewer staff doing maintenance and inspection, and longer service hours for remaining staff. On behalf of western Canadian farmers, the CWB is monitoring these communications and reports with a great deal of interest. Not only are we concerned with the possible loss of productivity that accidents and derailments cause, but also with the long-term environmental implications to the farmers we serve.

Investment for the future

Lastly, we wish to address concerns regarding new and renewed track and equipment.

Both railways made announcements on capital expenditure programs for the 2007 fiscal year including investment in upgrading existing track and equipment, and new investments. Investment in the rail sector is always welcome if it results in better service and increased capacity. What is not evident in these announcements, however, is a commitment to maintain and upgrade existing branch lines in rural Western Canada. The bulk of the funds is slated for core mainline services. In CN's case, the lion's share of its planned investment is directed towards intermodal traffic. This leaves western Canadian bulk shippers of grain, forest products, petroleum and chemicals wondering about the level of commitment to customers who helped the railways build their empires.

Recent experiences with the sale, then repurchase, of the Savage Alberta Railway by CN is a good illustration of the lack of investment in grain branchlines. Instead of investing in maintenance and upkeep of the rail lines in northern Alberta, CN had sold the lines to Savage Companies of Alberta, essentially passing the responsibility on to a new railway not under federal jurisdiction. Recently, CN repurchased the lines. Due to the lack of maintenance, the line has deteriorated so badly that trains can only travel at 10 mph in some areas. Other portions of the line are closed completely until repairs can be made. Shippers in the area, including farmers and elevator staff, have expressed concerns that CN will abandon the lines, leaving the area without any rail service.

Summary

We would like to once again thank the Advisory Panel for the opportunity to present the CWB's views on rail safety. We believe, for the safety and economic security of western Canadian farmers now and in the future, that the *Railway Safety Act* must be strengthened, and the

railways made more accountable for the operation of their lines. We believe that the monitoring and inspection of equipment and tracks must be improved over recent levels, and that due consideration must be given to attending to such invaluable work. We believe that a renewed commitment must be made, financially and physically, to the upkeep of the western Canada rail network, to the benefit of all shippers in the region.

Thank you.

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