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**CANADA GRAIN ACT
CANADA TRANSPORTATION ACT
Bill to Amend—Second Reading of Bill C-30**

Speech by:

The Honourable Claudette Tardif

Tuesday, May 13, 2014

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[*Translation*]

CANADA GRAIN ACT CANADA TRANSPORTATION ACT

BILL TO AMEND—SECOND READING

Hon. Claudette Tardif: Honourable senators, I rise to speak to Bill C-30, which deals with an issue that is particularly important to my province of Alberta. I am well aware of the difficulties that farmers in my province, as well as those in Manitoba and Saskatchewan, are facing in getting their grain to market.

• (1520)

For a number of months, farmers have been increasingly frustrated with the lack of rail capacity to move the grain they harvested last summer. This backlog has had serious repercussions on their income. Farmers have seen the quality and value of their crops decline. Many farmers with willing buyers have no way to deliver their product. Many sales have been postponed while others have fallen through. The congestion on the railways has resulted in millions of dollars in demurrage penalties for grain companies, because they are unable to load ships in a timely fashion.

Canada is known around the world for its high-quality grain products. But our international reputation as a reliable grain supplier has been tarnished because of these transportation problems. I recently read that at a world grain summit held in Singapore in March, speakers from at least 10 countries raised doubts as to Canada's ability to ship grain. We are even hearing that customers are losing confidence or simply turning to other suppliers.

Under the circumstances, the government must intervene to deal with this grain backlog, something it should have done a long time ago. Last February, Verlyn Olson, Alberta's Minister of Agriculture, said the following:

[*English*]

Unlike producers and grain companies, railways are not assessed immediate penalties when they fail to meet their grain-delivery obligations. That needs to change. The consequences of poor service need to be shared by all to ensure our products move to port as quickly and efficiently as possible.

[*Translation*]

I support the intent of this bill, and I hope that it will be sent to committee for study so that we can hear the views of farmers and other stakeholders. But before that, I would like to briefly raise a few points. My colleague, the Honourable Senator Mercer, raised several others.

Bill C-30 amends the Canada Transportation Act to set out a minimum volume of grain that the two major railways, CN and CP, are required to transport. This provision puts into legislation an order-in-council issued on March 7 that ordered the railways

to transport one million metric tonnes of grains on a weekly basis, with the threat of \$100,000 daily fines for non-compliance.

Not surprisingly, the railway companies have expressed disappointment with this provision. They state that the backlog is largely the result of last year's large harvest and the harsh winter conditions that have bogged down shipments. They also ask us to be mindful that the supply chain is complex. It requires the cooperation and coordination of multiple moving parts to move the grain from the bin, to the elevator, to the railcar, to the port, and finally to markets.

The railways have stated that grain terminals, elevators and ports may not be able to cope with the number of rail cars needed to meet this target. I do believe that we should be mindful of the pressure this is putting on the railways and also of the needs of other commodities, because we are not actually expanding rail capacity with this bill. There are only so many rails and so many cars. I note that Minister of Agriculture Gerry Ritz has stated that this requirement will not hamper the movement of other commodities that the railways are responsible for moving.

From what I have read in news reports, railways have already ramped up the volume of grain traffic to meet the minimum target ordered by the order-in-council. So far, as I understand, the railways and the overall supply chain have been able to cope with this surge in grain transportation. I also note that many stakeholders, including the Minister of Agriculture of Saskatchewan, the Honourable Lyle Stewart, have stated that we could and in fact should demand more from the railways. They would like to see stiffer fines and higher minimum targets for grain cars.

Determining a balanced volume requirement is a technical question, and I look forward to hearing what witnesses have to say about this once the bill goes to the Agriculture Committee. Still, I believe that the general policy choice to require railways to transport more grain at this time is justified and overdue because the massive grain backlog is the most pressing problem facing the rail network.

Beyond the question of determining the appropriate volume requirement, we should also be mindful that the target is an aggregate number. It remains unclear how the railways will distribute grain traffic in specific corridors. The supply chain will not work more effectively if the railways simply concentrate on low-hanging fruit to meet the target.

[*English*]

Honourable senators, getting the railways to move more grain will help resolve the problem in the short term, but we should also be mindful that Bill C-30 is not a permanent solution that will keep this problem from happening again. All of the provisions contained in this bill will sunset in 2016. More fundamentally, the inability to move the amount of grain that farmers produce in a timely fashion is not an entirely new situation, and the system will likely face similar pressure in the years to come as a result of the expected yield growth. We need to determine how to ensure that the supply chain has sufficient capacity and is well coordinated in the long term.

Commodity shippers have long complained about inconsistent and inadequate rail service and the unfair market advantage the railways have over them. In many cases, grain elevators have access to only one of the two major railways, resulting in a de facto monopoly. They have no choice but to deal with the service provider, so it obviously becomes very difficult to demand better services.

Provisions in Bill C-30 are intended to strengthen service-level agreements that the railways are required to offer to companies shipping goods by rail. As Senator Mercer has mentioned, this very issue was debated in this chamber last year in consideration of Bill C-52. The purpose of that bill was to encourage railways and shippers to work together. However, many witnesses testifying before the Transport and Communications Committee, including the Coalition of Rail Shippers, one of the main stakeholder groups for which this legislation was enacted, stated that Bill C-52 would not be effective because it did not have enough teeth to create a more balanced situation in this market.

The penalties were not considered severe enough and did not adequately define what service the railways must provide, as my honourable colleague Senator Mercer has already pointed out. In any case, the result is that this legislation has not been of any help.

I urge senators to keep in mind the lessons we can learn from our consideration of Bill C-52 to determine how this tool can be useful in the context of the rail transport market.

Another issue is the lack of coordination in the transportation of grain to port. I think it is important to highlight that there is an ongoing debate regarding the loss of the Canadian Wheat Board's single-desk status and this backlog that we are facing today. Particularly, farmers and supporters of the Canadian Wheat Board assert that the board played important coordinating and oversight functions in the transport of grain. They say the absence of a single agency coordinating grain transportation has amplified the backlog. The railways also point to the same problem.

In a March 31 news release, CN Rail's CEO, Claude Mongeau, stated:

One of the biggest root causes of the challenge we face is a lack of coordination across the supply chain and growing pains from new grain marketing strategies following the change in role of the Canadian Wheat Board.

The Canadian Wheat Board was an institution controlled by farmers that held the railways accountable for service levels and helped provide coordination in the interest of primary producers. The issue is not that of single-desk selling but of the collateral damage of eliminating the Wheat Board's single-desk status and the question of whether these coordinating functions should be performed by a new body.

• (1530)

According to the supporters of the Wheat Board, the current chaos in the transportation of grain is related to the price farmers receive for their grain and ultimately is depriving farmers of revenues to the benefit of grain companies. The long distances to ports have always stopped farmers from receiving the full world market price for their grain. However, this year producers are seeing a larger gap between the farm gate price and the international price paid at the port, which means a larger share of the money being transferred to grain companies. Some farmers are saying that this is the result of a market overhang because nobody is directing traffic anymore.

Honourable senators, the grain backlog requires immediate action. As the three Prairie provinces have requested, I believe it is justified that we request that railways increase the volume of grain they transport. But we also need a long-term solution and a comprehensive vision for agriculture in this country to ensure that similar problems do not resurface.

We need to think about what rules and institutions are needed to ensure that our producers can compete successfully in the world market and that logistical problems are solved in the interests of our producers and the Canadian economy. I look forward to examining these issues in further detail in committee and with the benefit of stakeholders' perspectives.
