BC Agriculture Council

Submission to:

Canada Transportation Act

Review Committee

Introduction:
Established in 1997, the BC Agriculture Council is a producer association representing the collective interests of the majority of B.C. agriculture producers.
This submission is being made on behalf of those BCAC members with an interest in the efficient transportation of feed grain from the prairies to British Columbia, namely the poultry and livestock sectors. These sectors account for approximately $1 billion annually in farm gate value alone and are responsible for thousands of local jobs.

Background to Transportation Concerns:

Actran Consultants[1] recently demonstrated the major extent to which the BC livestock and feed industries are impacted by the cost of moving feed grains by rail. 85 percent of feed grain movement into BC (which totals 630,000 tonnes per year) is destined for the Fraser Valley and Vancouver Island, the furthest points from the prairies, and by far the majority of this grain is transported by rail (Figure 1).

All of the livestock and poultry sectors operate in an extremely competitive environment vis-a-vis other provinces, so we require a mechanism to provide protection from high feed grain transportation rates.

The rail routes that are used for feed grain shipments to specifically meet the B.C. poultry and livestock sector's needs were examined in 1995 by Actran Consultants[2], leading the report to conclude that the limited competition for primary feed grain markets in B.C. results in transportation costs that are considerably higher than would be expected in a competitive environment.

Since that time, considerable focus has been put on protecting freight rates for grain destined for export, but rates for domestic destined grain have been afforded no legislative protection. The transportation rates for feed grains destined for export markets through west coast ports were capped through provision of the Canada Transportation Act, but rates for feed grains utilized domestically have not been.

The result was an estimated differential between export and domestic grain of $10.00 per tonne. The differential could in no way be justified by actual transportation costs incurred by the railways, a fact that has been supported by both Actran Consultants and by a study conducted by the Research and Traffic Group[3] in 1996.

Recent Canada Transportation Act Amendments:
When the Canada Transportation Act was changed last year, the discriminatory nature the former rate cap was extended to the new revenue cap – despite objections from BC.

The new revenue cap is intended to provide for an annual $178 million reduction in railway revenues, representing a 18 percent reduction in grain freight rates. If the provisions of the Bill are in fact successful, it is clear that the new policy will have significant repercussions with respect to freight rates.

The revenue cap, however, creates a disincentive for the railways to reduce feed grain rates into British Columbia. Because the cap imposes a net reduction on freight rates of the regulated grains, it is clear that any priority for reduction will go to those regulated rates. Reduction of rates outside the regulated system does not help the railway achieve the regulatory requirement, so the differential between export and domestic rates may in fact grow even wider under the new regulatory framework.

The revenue cap runs contrary to stated federal government policy in two other ways:

1. Because the net effect of this Government policy is to mandate more favourable terms for export shipments, the policy creates an export subsidy.
2. Providing a legislative mechanism to prevent high freight rates for all grain moving east, but only for export grain moving west, runs contrary to one of the key principles of the Agreement on Internal Trade. The revenue cap in effect imposes a levy on domestic grain moving to BC, thereby restricting the inter-provincial trade of feed grains for use in the province.

Further CTA Changes Required for BC Feed Grain Users:
It is the position of BC's livestock and feed sectors that a mechanism similar to the revenue cap for export grain must be implemented for feed grains used in BC, as is the case for all grain moving to Thunder Bay.

Specifically, Section 147 of the Act states the following:

> movement, in respect of grain, means the carriage of grain by a prescribed railway company over a railway line from a point on any line west of Thunder Bay or Armstrong, Ontario, to
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> (a) Thunder Bay or Armstrong, Ontario, or,

(b) Churchill, Manitoba, or a port in British Columbia for export, but does not include the carriage of grain to a port in British Columbia for export to the United States for consumption in that country."

The words "for export" (underlined) should be removed from this section of the Act so that the revenue cap can apply to domestic as well as export destined grain.

The above solution is the only acceptable means of addressing the freight rate concerns of BC feed grain users. This will ensure equity for BC users of prairie feed grains, and put an end to the longstanding discrimination against value added agri-food production in the province of British Columbia.

Thank you for the opportunity to raise concerns with respect to the Canada Transportation Act.

Respectfully Submitted,

The BC Agriculture Council

Notes:

[1] Actran Consultants. Grain Transportation Reforms and their Implications for Agriculture and Other Interests in British Columbia. March, 2000.

[2]. Actran Consultants. *Offsetting the Loss of Feed Freight Assistance*. November, 1995.

[3]. Charles Schwier, Gordon English, Richard Lake, Ross Jacobs and David Hackson. *Estimates of the Costs of Moving Barley by Rail from Alberta Origins to Vancouver and the Fraser Valley*. March, 1996.

Fig. 1: 94/95 Feed Grain Shipments