

**Presentation to the Canada Transportation Act Review Panel
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Good afternoon honored panel members. I wish to thank you for the opportunity to appear before you and present my views on the very important subjects you are considering.

First of all, I'd like to give you a bit of background on myself. My name is Paul Beingessner. I live on a third generation family farm near Truax, Saskatchewan, a small farm community 50 miles south of Regina. My wife and I run a diversified grain and livestock farm. We grow spring wheat, durum, and oats. We have a cow/calf herd, and we are planning to purchase a flock of sheep this fall to add to our fold.

I have a university degree in psychology, and worked for some time as a social worker, before returning to the farm nearly 20 years ago. In 1991, I took a job as general manager of Southern Rails Co-operative, the first short line railway to be formed in Saskatchewan in the wake of the National Transportation Act of 1987. When I took the leap into this job, I began a many year education process in the murky waters of grain transportation and transportation policy in Canada.

Nor is this my first kick at the can of federal transportation legislation. On behalf of Southern Rails Co-operative, I made a presentation to the National Transportation Act Review Commission. This Commission began the process that led to the Canada Transportation Act in 1996.

In late 1996, I left Southern Rails to take a position with the department of Highways and Transportation in the government of Saskatchewan, in its Short Line Advisory Unit. I left that position in 1999 to begin a private consulting practice, specializing in the areas of transportation and agriculture policy.

In this capacity, I have worked on such diverse projects as short line feasibility studies, assisting groups involved in the Estey and Kroeger processes, designing communications strategies for private and public organizations, etc.

I have also written extensively about agriculture and transportation issues for 10 years, appearing as a regular columnist in Grainews, the second largest farm paper in western Canada, and in a variety of weekly newspapers in the three prairie provinces.

Having endured the foregoing list of my activities, you may think I've appeared before you largely to blow my own horn. I wish to tell you that I've related my qualifications to you in an attempt to establish my credentials, because I am in the presence of people who have impressive

credentials themselves and who place some importance on this. While I am not an expert in your fields of politics or law or commerce, I am an expert in my field of agriculture and grain transportation in western Canada.

As I said earlier, I made a presentation in my capacity with Southern Rails Co-operative to the NTA Review Commission, somewhere around 1994. I remember clearly another incident from that review, an incident that shaped my understanding of competition, the major railways and their relationship with short lines.

As part of the Review, Transport Canada undertook a survey of short line railways in Canada to ascertain their views on the issue of open access. This was being raised then, as it is now, by the Western Shippers Coalition and other groups. When the survey got around to Southern Rails, the considered opinion of the Board of Directors, all farmers, was that open access was crucial to the creation of competition. Combined with the environment in the National Transportation Act that required the regulated sale to a willing buyer of any branch line the railways wanted to abandon, open access would create an environment that would allow short lines to become truly an instrument for creating a low cost, efficient, competitive rail system.

The gentlemen who did the survey reported back to the Review Committee that all of the short lines, except for one, were *not* in favor of the inclusion of running rights in the revised Transportation Act.

Shortly after this, I ran into the president of the largest short line conglomerate in North America. I asked him about his opposition to open access. His response was that if running rights were available to short line operators, CN and CP would cease to sell lines to short line companies, because of the fear these short lines would create competition. Given that this man's business was to create new short lines and thus expand his business, his big concern was not with the welfare of shippers, but rather with maintaining a good relationship with the major railways.

This was no surprise to me because if you looked at it logically, a short line railway could only come to one conclusion. If the Review panel had to ask the question, without realizing in advance what the answer would be, then it merely indicated a lack of understanding of economics and competition. Southern Rails was the only railway that took a position in favor of competition because it was the only short line that was owned by shippers, the only short line that didn't have a vested interest in playing the railway's game.

Over the last decade, I've spoken to the Standing Committee on Transportation on several occasions. I've had numerous face to face meetings with politicians of every stripe, including the present Transport Minister. I've observed and spoken to every conceivable body that has looked into grain transportation issues. I've presented to hearings and I have sat in discussion with Canada Transportation Agency members and staff.

And when I look into your earnest and indeed into your somewhat weary faces, you will forgive me for making the following observation. I suspect that, for the most part, you know very little about the issues facing agriculture, very little about the complex issues around grain

transportation, and even less about the crisis in agriculture and the role transportation plays in that.

I don't say this to insult you. I say it out of a profound despair that comes from long experience with politicians and bureaucrats. Long experience trying to convince them of truths so evident to the farming community that they would need no explaining to even the dullest farmhand. I have seen blank looks before, the patronizing smiles that arise from the belief that the only way to see clearly is to look from the tops of tall buildings in Ottawa or Toronto. I realize that I stand the risk of being dismissed as one more stubble jumper who cannot see the big picture. I realize that you may believe that your large eyes see much more clearly than my small ones.

I am willing to take that risk because I believe that this is our last chance. If the Act is not amended to give farmers access to rail service, if the act does not change the railways' ability to shape the system to suit their needs only, then it is all over for many new initiatives in western Canada.

Let me relate a little story to you. It's a story about a wise man who was given the task of divining the truth about the grain handling and transportation system in western Canada. That wise man, though he had no experience whatsoever in the issue, was given the job because his former exalted positions indicated a person of great intellect and ability. He was given the task of understanding how the current system functions or fails to function, and, from that understanding, devising a plan to modernize the system – to bring it into the 21st Century.

After this wise man had been working diligently at his mandate for some 9 months, I had the opportunity to meet with him, with a group of farmers from southern and western Saskatchewan. This group of farmers wanted to share with the wise man their vision for the grain handling and transportation system. It was a bold vision that talked about new paradigms of grain handling, and that linked this to transportation. They drew a picture that would in their opinion lead to a lower cost system that would benefit farmers. It was a complex vision, supported by suggestions about changes to the CTA, changes that would allow them at least to try out their vision.

The farmers spoke eagerly to the wise man. He listened with a puzzled look, then broke into the conversation. "Just what", he asked, "is a rail siding?" I vividly remember the three farmers who rose to their feet and leaned earnestly over the wise man as they tried to explain to him what a rail siding was. Finally a light came on. "I remember," he said. "Don't they have one at every elevator?"

It was as if a balloon had been punctured. Deflated, the farmers sat down. The conversation devolved to a very simple discussion about very simple issues.

You see the wise man made a mistake. He assumed that because he was wise he could learn the complexities of the grain handling and transportation system in a matter of months. He believed he could solve problems that had vexed farmers and other wise men for generations.

I am not going to present complex visions to you today. Frankly, and at risk of offending you, I do not believe that this would be a wise use of my time or yours. I do not believe you will

recommend significant changes to the Canada Transportation Act. The Minister has made it clear that he believes the Act is working, that he believes the most important aspect of rail transportation policy is to have major railways that earn record profits for their shareholders. His department officials have scoffed at the concerns of farmers who feel held hostage to a transportation and handling system they did not design, cannot control, and which they firmly believe is draining their pockets. I do not believe that your lofty view of the situation will allow you to climb down to my level and see with my eyes.

So I am going to make only a few simple recommendations. I sincerely believe that if the farm community can get these changes, and get them very quickly, we will still have the opportunity to explore some exciting options. We will still have the opportunity to achieve a lower cost system that returns benefits to the party in this game that is suffering the worst – the farmer.

1. The first change required is the need to protect sidings from abandonment. If the railways want to remove a siding, they should be required to put it through the same abandonment process as a rail line. If this was done, the railway would not have to carry any capital costs associated with the siding ownership. The only cost would be that associated with stopping. The railway could charge the amount required to cover the cost of stopping, and if the shipper considered that excessive, he could take it to FOA.
2. This alone would not prevent the railways from using other means to discourage shippers. Currently, CN is asking producers who want to lease sidings to pay huge lease rates – far above the industry standards. The cost of leases, and other conditions of service, should be considered in the same light as freight rates. They should be subject to FOA.
3. Agreements between short lines and main lines should not be allowed to contain clauses that are anticompetitive. Just as price can be settled by the CTA in cases where a government wishes to purchase a line up for abandonment, so the other terms and conditions between the short line and the main line should be subject to Agency oversight.
4. Last, what is the requirement for service? Currently, the Agency seems to be accepting the railways' definition of reasonable service. The act does not concern itself with the additional cost to the shipper. If the railways' costs are reduced but farmers' costs are increased, is this efficiency? Does this lower system costs? I urgently ask you to consider this. You are looking at the provisions of a national transportation act, not a national railway act. If a shipper is willing to purchase a siding at a fair cost, and is willing to organize his traffic in reasonable size blocks, so as to generate an efficient movement, why should he not have access to service? Some definition should be built into the concept of "reasonable service" that takes into account the increased cost to the shipper. Simply put, if the railway does not want to provide service at a certain siding, because it has a lower cost to pick up the traffic at an alternate siding, but if the cost for the shipper to move his product to the alternate siding is greater than the railway's savings, the railway should be required to serve the original siding in a reasonable fashion. The lowest overall cost should be promoted, not just the lowest cost to the railway.

These are my recommendations. Thank you for bearing with me and for your attention.