



APAS requests expanded interswitching for captive grain shippers

February 24, 2023 (Regina, SK) – The Agricultural Producers Association of Saskatchewan (APAS) is calling on Transport Canada to implement the National Supply-Chain Task Force’s recommendation to expand railway interswitching zones in May 2023.

The request was made in a letter to the Federal Transport Minister last week expressing support for the National Supply-Chain Task Force’s Final Report that was released in October 2021.

"The National Supply-Chain Task Force identified railroad interswitching as key policy that could be introduced quickly to encourage more competition in the rail transportation system," noted APAS President Ian Boxall. "Currently, shippers must be within 30 kms of an interchange. Of the 203 licensed grain handling facilities in Saskatchewan, 200 are captive to a single service provider, and only 23 are located within that 30 km radius." Boxall highlighted.

"From 2014 to 2017 there was a 160 km radius for interswitching so we know it is a competitive tool that is effective at giving shippers more options which improves service and rates," Boxall added. "This leads to more accountability between shippers and railways that translates into better service for producers."

"Interswitching as a competitive tool for captive grain shippers and shortline operators is practically non-existent in a province that produces over half of Canada’s grain exports."

APAS also supports the Task Force recommendations strengthening the Canadian Transportation Agency (CTA) authority, providing the CTA with more funding to help fulfill its mandate, and additional supports for shortline railways.

"Saskatchewan’s contributions to global food security are critically important given the uncertainty in major grain markets," noted Boxall. "Yet we remain dependent on a rail system that requires greater accountability and transparency to help ensure Saskatchewan farmers are competitive and major disruptions minimized. Making the system more competitive and efficient is in the best interests of all farmers going forward and we should not be distracted by the fact there haven’t been any major system-wide services issues so far this year."

"We are only two and half months away from the targeted date for expanded interswitching. With federal pre-budget consultations also underway, we wanted to ensure elected officials and other decision-makers are aware that our members are looking for policy changes and investments that help Saskatchewan farmers get their products to market in a timely and cost-efficient manner."



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About APAS – Founded in 2000 by farmers, APAS is Saskatchewan’s democratic, non-partisan agricultural policy and advocacy organization. APAS tackles agriculture’s most important problems and offers practical solutions to provincial and national decision makers.



The Honourable Omar Alhabra, P.C., M.P.
Minister of Transport
330 Sparks Street
Ottawa, Ontario K1A 0N5

Sent via email: TC.MinisterofTransport-MinistredesTransports.TC@tc.gc.ca

February 16, 2023

Dear Minister Alhabra:

The Agricultural Producers Association of Saskatchewan (APAS) is writing to express our support for the National Supply-Chain Task Force recommendations. We are particularly interested in the Report's recommendation concerning expanded interswitching and are requesting Transport Canada implement this measure by the Report's recommended timeframe of May 2023.

APAS welcomed the release of the Task Force's recommendations in October 2022. Rail transportation continues to be a major policy focus for our organization and we support Transport Canada's development of a National Supply-Chain Strategy to improve the efficiency and reliability of Canada's transportation systems.

Saskatchewan has the most export-oriented agricultural sector in the country. Approximately 80% of our annual production is shipped by rail for export markets. However, the lack of consistent and reliable rail service for grain shippers continues to pose a major business risk for Saskatchewan farmers who ultimately bear significant costs when there are disruptions in the system.

There have been repeated instances over the past 10 years when rail service delays have resulted in lost marketing opportunities, reduced cash-flow for farm businesses, and significant contract penalties for vessel loading delays. It is estimated that grain shippers typically pay between \$30 and \$40 million in demurrage penalties every year due to delayed shipments of rail cars to port terminal elevators. These costs are eventually borne by farmers in the prices they receive for their grain.

Lack of competition among rail service providers is a longstanding challenge that affects supply-chain performance and reliability in the grain transportation system. Of the 203 licensed grain handling facilities in Saskatchewan, only 3 are jointly served by both Class 1 carriers. The remaining 200 facilities are captive to single service providers and require legislative protections to ensure they can access adequate service and competitive rates in a monopolistic market.

Regulated interswitching is one policy measure that has proven effective at providing captive shippers with more competitive rates and service terms. Interswitching introduces competition into the system by giving shippers alternative service options that otherwise would not exist. This level of competition provides captive shippers greater leverage in their



commercial negotiations and creates a market incentive for railways to provide adequate service at reasonable costs, thus improving overall accountability and resiliency in the supply-chain.

The current regulations require shippers to be located within 30 km of an interchange in order to access interswitching provisions. This 30 km range is extremely limiting for Saskatchewan grain shippers. Only 23 out of the 200 grain facilities that rely on single service rail providers are located within 30 km of a regulated interchange. It is also important to note that all of these facilities are either located on mainline track or near major service centres that generally receive better service levels than shipping points located on more grain-dependent branchlines. For these reasons, interswitching as a competitive tool for captive grain shippers is practically nonexistent in a province that produces more than half of Canada's total grain exports.

APAS sees expanded interswitching as a Task Force recommendation that can be implemented quickly with clear benefits for supply-chain performance and accountability. We also support other Task Force recommendations, including enhanced authority for the Canadian Transportation Agency (CTA), additional funding to help the CTA fulfill its mandate, and increased data collection to improve transparency in the system.

Shortline rail also plays an important role in Saskatchewan's agricultural industry by restoring service on abandoned rail lines, reducing truck traffic on our overburdened roads, and helping to establish new markets for agricultural products. In addition to other Task Force recommendations, APAS would also like to see policy changes to provide shortlines access to interswitching provisions beyond the zones set out in the regulations to provide them with better market access and more cost-effective freight rates.

Thank you for the opportunity to provide input on the National Supply-Chain Strategy. Saskatchewan farmers have demonstrated their ability to increase production to meet the growing demand for agri-food products. Grain shippers are also ready to meet the challenge of handling and shipping more volumes for export. However, frequent service disruptions in the rail transportation system for grain demonstrate an ongoing need for policy measures to improve fluidity, reliability, transparency, and accountability in Canada's supply-chain.

We look forward to continuing to work with Transport Canada through the implementation of the Supply-Chain Task Force recommendations.

Sincerely,

Ian Boxall, President

Cc:

- Hon. Marie-Claude Bibeau, Minister of Agriculture and Agri-Food Canada
- Peter Shiefke, Chair of the Standing Committee on Transport, Infrastructure and Communities
- Kody Blois, Chair of the Standing Committee on Agriculture and Agri-Food
- Peter Fonseca, Chair of the Standing Committee on Finance
- John Barlow, Opposition Critic for Agriculture, Agri-Food and Food Security
- Mark Strahl, Opposition Critic for Transport
- Alistair MacGregor, NDP Critic for Agriculture and Food
- Taylor Bachrach, NDP Critic for Transport