

National Office
2717 Wentz Ave.
Saskatoon, Sask.
S7K 4B6
Tel (306) 652-9465
Fax (306) 664-6226



national farmers union
In Union Is Strength

FOR IMMEDIATE RELEASE

MAY 10, 2010

**RAIL FREIGHT SERVICE REVIEW MUST MOVE TO
PROPERLY REGULATE RAILWAYS AND RATES**

SASKATOON, Sask.—For many grain farmers, railway freight charges are their biggest single expense. Canada’s two major railways, CN and CP, collect approximately \$1 billion in freight charges from farmers each year. Railway regulation and rate-setting are critical issues. Thus, farmers should keep a close eye on the Federal Government’s Rail Freight Service Review now underway. See <http://www.tc.gc.ca/eng/policy/acg-rfs-review-examen-sfm-wlcm-eng-445.htm>

Late last week, the NFU submitted a report to the Rail Freight Service Review outlining farmers’ interests and calling for effective regulation of railways so that farmers will receive good service and fair, cost-based rates.

President Terry Boehm wrote the NFU submission and told the Review Panel that “effective regulation and statutory level-of-service obligations remain crucial. The Panel must not be taken in by a railway push to further deregulate the system and move to a fee-for-service framework. In light of overwhelming railway power, a fee-for-service system would lead to high fees and poor service. Moreover, railways would be free to use their power to further restructure the system, charging higher fees and giving poorer service to smaller delivery points, shortlines, and producer car loading sites.”

Boehm also told the Panel that any system of railway rewards and penalties must be effective. “It is important that penalties not be passed on to farmers through recalculations of railway inflationary costs or costs-of-capital. If railways can pass on costs via an increase in the revenue cap amount, then farmers end up once again ultimately paying for the performance penalties of the railways. Again, the importance of carefully considered regulatory measures is illustrated,” said the NFU submission to the Panel.

Finally, the NFU reminded the Panel: “Farmers ultimately pay all costs, either directly (through freight deductions on grain receipts) or indirectly (through increased basis levels, for example). Further, farmers have been forced to shoulder considerable additional costs that have been externalized to them by railways and grain companies. For example, the reduced numbers of shipping points, reduced amount of railway trackage, and reduced

commercial storage capacity has resulted in farmers having to pay additional amounts to truck their grain, to invest in large trucks themselves, to put up large amounts of on-farm storage, to pay increased taxes for road maintenance, and/or to invest in shortline railways and loading facilities. When all these expenses are taken into account, it is clear that farmers are shouldering the largest costs, have made the largest investments, and have the largest stake in the grain transport and handling system.”

In addition to its Rail Freight Service Review submission, the NFU has also intervened in a Canadian Transportation Agency Level-of-Service complaint that seeks to stop railways from terminating service to producer car loading sites. And the NFU continues to work with other organizations to push governments to resume quadrennial costing reviews that would better match freight rates to railways’ actual costs and better share the benefits of efficiency gains created by all system participants.

—30—

For more information, please contact:

Terry Boehm, National Farmers Union President: (306) 255-2880

Darrin Qualman, NFU Director of Research: (306) 652-9465