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In Union Is Strength

FOR IMMEDIATE RELEASE

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RAILWAYS BENEFIT FROM FEDERAL HOPPER CAR AGREEMENT, SAYS NFU

The Harper Government's new operating agreement with the two major railways on the federally-owned grain hopper car fleet raises more questions than it answers, says Terry Boehm, Vice-President of the National Farmers Union (NFU).

The agreement with CP Rail became effective July 1, 2007 and the deal with CN Rail was implemented August 1, 2007, but neither were announced until October 12. Discussions between the railways and the government have been ongoing since the Harper Government cancelled a deal in 2006 that would have transferred ownership of the cars to the farmer-owned Farmer Rail Car Coalition (FRCC).

Boehm said a key question in the new agreement is the cost of maintenance for the hopper cars. In the course of mapping out its business plan, the FRCC discovered the railways were overcharging farmers approximately \$66 million annually in maintenance fees. A subsequent "costing exercise" by the Canadian Transportation Agency in 2006 confirmed that the railways have overcharged farmers approximately \$1 billion in maintenance fees for the cars since the early 1990s. Under the previous agreement, farmers paid \$4,329 annually per car for maintenance, but the railways were only spending \$1,686 per year in actual maintenance.

The NFU Vice-President added that because farmers experienced a "long period of excess maintenance charges without maintenance being done, we will be looking carefully to make sure the monitoring of the maintenance happens in the future. There needs to be full disclosure and auditing of the expenditures the railways have made – either by the CTA or the Auditor General."

Jim Robbins, NFU representative on the Farmer Rail Car Coalition, said it appears a major objective of this new agreement is to "close the door" to any future purchase of the hopper cars by farmers, and to ensure farmers are excluded from gaining additional leverage in the grain transportation sector. "This agreement is structured in such a way that control over the cars will stay in the hands of the railways," he said. The FRCC had a solid business proposal that included concrete timelines for upgrading and replacing hopper cars, so that in the end the fleet would be owned by the farmers who paid the costs. Now farmers will pay the cost of upgrading and replacement of the cars through higher freight rates (estimated to be approximately \$4.50 per tonne), but they will not own the cars.

Boehm stated the government also appears to have surrendered whatever leverage it may have had in determining the allocation of hopper cars for grain movement. “They’re guaranteeing the railways access to the cars in a long-term agreement, which means they have no leverage to exercise over the railways for non-performance,” he said. “The railways pressed for rationalization of the system in the name of efficiency. But one of the best measures of efficiency is car-cycle times – and the current car-cycle time is as bad as it has ever been in history.”

The NFU Vice-President called on the Harper Government to make the full text of the agreements with the railways public so that western farmers can judge for themselves the benefits and drawbacks of the deal.

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