CANADIAN CANOLA GROWERS ASSOCIATION

Helping Farmers Succeed

November 15, 2022

National Supply Chain Task Force
Transport Canada

Via e-mail: TCSummit-SommetTC@tc.gc.ca

Re: National Supply Chain Task Force – Final Report

The Canadian Canola Growers Association (CCGA) appreciates the opportunity to respond to the final report of the Task Force. CCGA represents 43,000 canola farmers from Ontario to British Columbia on national and international issues, policies and programs that impact their farm's success.

Developed in Canada, canola is a hallmark of Canadian science and innovation and a foundational crop on most Western Canadian grain farms. Today it is Canada's most widely seeded crop and is the largest farm cash receipt of any agricultural commodity, earning Canadian farmers $12 billion in 2021. Annually the canola sector provides $29.9 billion to the Canadian economy and provides for 207,000 full time Canadian jobs. Exports drive canola's success – more than 90% of all canola grown in Canada is exported as seed, oil, or meal. Exports of canola were valued at $13.7 billion in 2021.

Timely, predictable and efficient transportation of our products, at every point though the complex Canadian grain supply chain is absolutely fundamental to sustaining and further growing this success and prosperity.

This has been, and will continue to be, a goal that we as an association and sector strive to achieve. As a commodity that is currently heavily reliant on exports into a competitive global market, what we can control for the domestic portion of the supply chain (e.g. from farm to port), must be as efficient as possible as this effects the ability for *all* parties to maximize value, capture market share and remain globally competitive – ultimately benefiting the Canadian economy.

There are a number of key recommendations contained in the report of interest to CCGA and the functioning of the Canadian grain sector:

Interswitching

Expand the 30 km interswitch distance across Canada to give shippers more rail options and to address shipper—railway power balance issues. The switch zone rates should be mileage-based and set annually by the Canadian Transportation Agency (CTA). The CTA should also monitor and review the effectiveness of this change.

This is the only operational recommendation in the report that could have a quantifiable and immediate impact for the sector. It is one of the only tangible means to inject competitive forces into current railway- shipper relationship under Canadian law. Under Bill C-30 (*The Fair Rail for Farmers Act* - 2014), the time-bound

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'extended interswitching' provision (set to a 160 km limit) was supported and used by grain shippers, specifically those with destinations in the United States. This was viewed favourably by Canadian grain shippers as for those who fell within the radius, could potentially use a new competitive measure to negotiate on service from another railway. Although the report does not indicate or recommend a specific radial distance, this is something an Agency consultation with industry could determine. Bill C-49 (*The Transportation Modernization Act* – 2018) established and outlined the parameters to access the new provision of 'long-haul interswitching' (which in essence was a re-stylization of the existing 'competitive line rate'). Since becoming law in May 2018, CCGA is unaware of any grain shipper, or any other shipper regardless of commodity, that has successfully made use of this provision. Bill C-49 also amended the way in which the Canadian Transportation Agency determines interswitching rates, moving from a schedule to an annual determination ensuring that railways are fairly compensated for performing interswitching functions within the prescribed zones.

Canadian Transportation Agency

Revise the Canadian Transportation Agency's mandate and provide it the independence, authority and commensurate funding needed to deliver on that mandate.

The revised structure should:

Enhance the investigative and dispute resolution authority of the CTA (like the U.S. Surface Transportation Board and the CRTC)

Remove the requirement for Ministerial approval to be secured for the CTA to initiate an investigation.

Improve the ability to address systemic issues in the Canadian transportation supply chain by amending the CTA's own-motion capabilities to allow for investigations longer than 90 days to provide for the collection and analysis of transportation supply chain data.

Support a more robust and proactive use of own-motion investigations to address systemic issues in the Canadian transportation supply chain (many of them highly commodity-specific).

This suite of governance-related recommendations outlined in the report are important. Under Bill C-49, the Canadian Transportation Agency was given new authority, specifically to conduct 'own motion' investigations, but to do so requires the Minister of Transport to authorize such an undertaking. Currently any investigation needs to be completed within 90 days. There has been one instance of the Agency using this newly acquired power, the 'Vancouver Freight Rail Investigation' in the period of January to April of 2019. Grain sector representatives appeared in this inquiry and used Ag Transport Coalition (ATC) data to empirically illustrate the issue of service failures to their shippers in the period under consideration. With rounds of appeals, this first investigation finally came to its conclusion in April 2022. This is an important oversight authority the Agency, as a quasi-judicial body, can use when events occur (either acute or chronic) that warrant the launch of this formal process.

Requiring Class 1 railways to strengthen interchange points to handle all traffic, including unit trains and manifest trains.

Related to the lengthening of regulated interswitching distances, this is an operational recommendation that resonates with the grain sector following it experience with extended interswitching as noted above. For instance, when the radial distance increased under Bill C-30, the existence of a physical interchange point within the prescribed distance did not mean that industry could necessarily avail itself of its use. The industry, in conjunction with the railways have generally moved to longer trains (especially in Western Canada), and infrastructure from 50 years ago was designed to handle smaller blocks of cars. This is one example of a recommendation that would have the potential to benefit the sector as a whole and support export options to the United States (especially in the case of canola oil and meal).

Determine whether the CTA or the Competition Bureau is best placed to address the consequences of reduced competition resulting from ocean shipping line alliances. Following this determination, direct the appropriate agency to promote the development of Canadian exports through a competitive and reliable ocean transportation supply chain, and provide the means necessary to achieve this.

The total volume and share of Canadian grain products being transported via container still remains relatively small (when compared to bulk), but it is increasing. In 2000, approximately 4% of Canadian grain was exported in container, rising to approximately 11% in 2019-20 (over 6 million tonnes). In the last serval years, approaches to business and operations by the owners of the containers, major shipping carriers, have constrained availability for Canadian crops to avail themselves of this latent capacity, as they typically fill the 'back haul' as the containers are repositioned globally. The United States has launched an investigation to provide greater transparency into practices related to the carriage of US exports. As a trading nation, it is both logical and necessary that Canada conduct a similar investigation to ensure our transportation system is performing at a level that meets the needs of its users.

Supply Chain Labour Issues

Develop a transportation supply chain labour strategy

This is an opportunity to build on the momentum of the report and begin working with all stakeholders in the supply chain to help reduce the impact of labour disruptions. With over 10 Collective Bargaining Agreements expiring in 2022 for CN and CP, there is increased risk to our global reputation as a trading partner and, ultimately, our ability to address global food insecurity at a time when it is needed most. The creation of a new Industry-Government Labour Council, that has an agricultural industry representative, will help ensure that industry has the information it needs to make critical business decisions and maintain positive working relationships with customers and consumers. This recommendation aligns with that of the agricultural industry's 'Canada's Ready' campaign of August 2022. This council could:

- Be comprised of key industry stakeholders – including from the agriculture sector- that rely predominantly on rail, rail lines, union leaders, and senior government officials
- Track the progress of CBA negotiations
- Be a single window for government to provide information and updates to industry stakeholders

- Develop an early warning mechanism to notify industry of a potential work stoppage
- Be a forum for industry to raise concerns with employers, unions, and government about the impact of any potential work stoppage
- Provide ongoing advice to government on policy and reforms related to federal labour law, regulations, and policies, including changes to the Canada Labour Code

CCGA looks forward to the government's response to this report, as will be articulated in the forthcoming 'National Supply Chain Strategy' and looks forward to interacting with Transport Canada on this matter in the future.

Sincerely,

[Original Signed By]

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