

SUMMARY *of* RECOMMENDATIONS

AFFORDABILITY

01 CONTINUE WITH LOW-COST BULK TRANSPORTATION AS THE CORE FOCUS OF FREIGHT RAIL POLICY.

This approach seems to be working well relative to competitors. Care should be taken not to imperil affordability in pursuit of other interests.

02 ELIMINATE LEVEL CROSSINGS WHERE POSSIBLE THROUGH GRADE SEPARATION PROJECTS OR SYSTEM REDESIGN.

There is a strong case for both provincial and federal investment here, given the role of rail in Canada's export success. Investment would enhance safety and efficiency.

03 EXAMINE HOW BEST TO REPLACE THE AGING GOVERNMENT HOPPER CAR FLEET OWNED BY ALBERTA, SASKATCHEWAN AND CANADA.

The cost to replace the Alberta portion of hopper cars is estimated at \$68 million to \$86 million, and it takes about three years to take delivery once an order is placed. The governments of Canada, Alberta and Saskatchewan should discuss action on government-owned grain cars under the new mandate of the federal ministers of Agriculture and Transportation. Industry is reluctant to act until the government position on hopper car replacement is decided.

04 SUPPORT MUNICIPALITIES FINANCIALLY AND POLITICALLY TO ADDRESS CONCERNS ABOUT TRADE INFRASTRUCTURE.

While the private sector can and does invest directly in trade infrastructure, there are municipal safety and efficiency needs, as well. Municipalities need resources to make such investments, which can yield benefits that extend well beyond their boundaries.

RESPONSIVENESS

05 ELIMINATE THE MAXIMUM REVENUE ENTITLEMENT (MRE) FOR GRAIN SHIPPED BY CONTAINER.

Removing containerized grain from the MRE would provide an incentive for railways to promote the use of containers for specialty grains, increase shipping options for farmers and add efficiency to the supply chain. It also creates the potential for revenue from containers that might otherwise return to the port empty. Grain is heavy, however, and cannot be moved cost-effectively in the common containers used for moving consumer goods. Grain is usually moved in 20-foot equivalent (20 TEU) containers.

06 EXPLORE THE OPPORTUNITIES FOR INNOVATION AND THE CONSEQUENCES OF ALLOWING PRODUCERS AND GRAIN COMPANIES TO OPT OUT OF THE MRE.

In the same way that changes in the Crow Rate and allowing farmers to opt out of the wheat board led to innovations by farmers and investment by grain companies, the use of commercial arrangements to co-ordinate volumes and provide incentives and penalties may help spur innovation in the grain handling and transportation systems.

07 ACCELERATE INTEGRATION AND AVAILABILITY OF INFORMATION IN THE LOGISTICS SYSTEM TO IMPROVE FORECASTING AND SYSTEM-WIDE LOGISTICS CO-ORDINATION. Data collection and sharing depends upon its purpose, whether it is day-to-day decision-making, system monitoring or long-term planning. Consider, for example, the requirement for grain sellers to report weekly export sales as inputs to a logistics demand forecast. This can also act as a warning system of potential holdups for the entire grain handling transportation system.

08 IMPROVE AWARENESS OF GRAIN MERCHANDISING TOOLS FOR PRODUCERS AND GOVERNMENT AGRICULTURE AGENTS. This will help them balance the implications of futures pricing, storage costs and cash flow. Making contracts to deliver product later in the production cycle may reduce pressure on the logistics system at peak harvest time. Delivery later in the season, however, may aggravate cash flow challenges for farmers.

09 ENSURE PROTOCOLS FOR INCREASING OPERATING HOURS AT GRAIN ELEVATORS AND PORT TERMINALS ARE IN PLACE BEFORE PEAK OR CRISIS PERIODS OCCUR. Setting up protocols requires negotiation over triggers, union issues, 24/7 operating schedules, allocation of costs and benefits. These protocols should be established well in advance of critical moments and should be agreed to by all supply chain partners.

RELIABILITY

10 MAINTAIN FOCUS ON WINTER PREPAREDNESS. Through ongoing public and private investments, railways are making incremental gains to improve performance during extreme winter weather periods.

11 IMPLEMENT MORE OPEN AND INTEGRATED INFORMATION-SHARING. As recommended under responsiveness, this will also reduce delays and their impact on the system.

12 INVESTIGATE BARRIERS TO MORE FLEXIBLE LABOUR ARRANGEMENTS THROUGHOUT THE SYSTEM, ESPECIALLY DURING PEAK AND SURGE PERIODS. Improved labour relations at both the railways and terminals is fundamental to achieving greater flexibility and avoiding potential strikes that disrupt supply chain operations.

CAPACITY

13 PROVIDE SUPPLY CHAIN FORECASTING. Planning exercises like those run by Port of Vancouver and the provinces of B.C., Alberta and Saskatchewan for the New West Partnership Transportation Summit provide long-term supply chain forecasts indicating industry growth and future demand on supply chain capacity. To be accepted and used by all supply chain partners, forecast providers need to be independent, third-party actors, who can provide forecasts without direct financial interest. The Pacific Gateway Alliance has taken on some of this task and increasingly reflects a pan-western perspective.

14 PRIORITIZE STRATEGIC INFRASTRUCTURE REQUIREMENTS. Supply chain, stakeholder and community alignment are required to set the priorities for infrastructure investments. Leadership from the western provinces needs to step up the pace. Prioritizing strategic infrastructure projects that support export competitiveness for federal/provincial funding is critical. The western premiers should provide these priorities quickly as the federal government makes infrastructure funding decisions.

15 PROVIDE POLITICAL LEADERSHIP TO ADDRESS COMMUNITY SUPPORT FOR TRADE INFRASTRUCTURE. Lack of support at a critical chokepoint (e.g. Port of Vancouver) can restrict total system capacity.

16 RECOGNIZE THE IMPACT OF GOVERNMENT ACTION ON INCENTIVES FOR PRIVATE INVESTMENT. Political actors should avoid hiding behind regulators. Risk-adjusted rates of return need to consider not just direct system risks (e.g., future volumes) but also political risks associated with changes to the regulation, especially in the grain transportation system and infrastructure project approvals. Actions that reduce political risk will reduce the total cost of capacity improvements. Significant investments will be needed to meet the growth in exports that are anticipated by the Saskatchewan Plan for Growth, the Port of Vancouver Port 2050 scenarios and the Pacific Gateway Alliance, among others. Investors at every point in the supply chain need assurances that the dollars they put at risk will be rewarded.

FAIRNESS

17 RECOGNIZE THE INHERENT DIFFERENCES AMONG SHIPPERS. Reasonable service levels can be negotiated under commercial arrangements. Where parties cannot agree, third-party intervention (mediation or arbitration) that recognizes the inherent differences among shippers and their products may be required. This leaves the problem of the definition of reasonableness under the common carrier obligations of railways. Common carrier obligations, should represent the minimum obligations required, not aspirational levels of service.

18 REDUCE UNCERTAINTY IN HOW THE GRAIN HANDLING SYSTEM IS REGULATED. Ongoing reviews and a history of successful lobbying creates uncertainty for all parties by raising the spectre of regulatory change. Higher uncertainty leads to higher risk adjustments and higher costs. Shifting the focus to improving supply chain operations could improve results and build trust among the partners.

19 SUPPORT COMMERCIAL ARRANGEMENTS, WHENEVER POSSIBLE. In non-regulated sectors challenged by low commodity prices, the railways have responded by negotiating lower rates to maintain volumes that enable the system to operate efficiently overall. Shippers have also responded by investing in cars and storage to reduce their reliance on the railways' capacity and mitigate service deficiencies.

20 GIVE THE SERVICE AGREEMENT AND COMMERCIAL DISPUTE RESOLUTION PROCESS THAT CAME OUT OF THE DINNING FACILITATION A CHANCE TO OPERATE. The system of incentives and penalties generally works for most shippers. Although there was disagreement on how reciprocal financial penalties in the service level agreements (SLA) should work, the results of the facilitation provided a starting point for further discussion. Effort should be made to improve the dispute resolution and arbitration process so that it serves all shippers and is easy to use, timely and cheap.

21 SUPPORT INFORMATION SHARING EFFORTS AMONG ALL SYSTEM PARTICIPANTS TO PROVIDE INFORMATION THAT WILL INCREASE TRANSPARENCY AND SUPPORT BETTER SERVICE. All players would benefit from better information integration and transparency, including those with commercial arrangements. Trust would increase if railways would open and integrate their information systems with the rest of the supply chain. The railways, on the other hand, would be more inclined to trust other stakeholders with information if they could see value in it beyond its use in ongoing disputes heard at the Canadian Transportation Agency (CTA).

Data collection from supply partners involves three levels of useful information:

- a) **Day-to-day** – Micro-data collected from all supply chain partners can be used to adjust operations in real time to improve service by all partners.
- b) **Monitoring** – Data is used to identify problems and work with partners to achieve solutions. The data collected to monitor the Grain Handling and Transportation System

(GHTS) does not provide a complete view of the supply chain and some supply chain partners do not agree on the methodology of some of the measures. Data from other sectors is limited and does not drive solutions to supply chain issues.

- c) **Long-term capacity** – This is data that drives decisions about long-term capacity planning and investment.

SAFETY & ENVIRONMENT

22 INVEST IN SAFETY AND EFFICIENCY IMPROVEMENTS.

The province should identify high-risk/high-traffic grade separation projects and develop a long-term infrastructure investment plan to improve the safety at rail crossings. The province could also look at cost-sharing mechanisms to assist municipalities in undertaking these infrastructure investments.

- ### **23 SUPPORT INNOVATION.**
- The province could support technology innovation to improve rail safety by allowing pilot projects to be tested in the province.

- ### **24 RAISE PUBLIC AWARENESS.**
- Alberta might consider launching its own rail safety campaign, with online ads and infographics shared on social media. Alberta Education could ensure teachers are aware of resources for students available through Operation Lifesaver, especially in districts with higher incidents of crossing accidents.

- ### **25 VEHICLE STORAGE DISTANCE AT GRADE CROSSINGS.**
- Some rail crossings in Alberta have insufficient vehicle storage to meet the new federal Grade Crossings Regulations minimum standards. (The minimum storage distance is the amount of space required between a provincial highway/road and the nearest rail track to adequately store queued vehicles safely.) Although some crossings can be grandfathered, adjustments will be needed once there is a change in road traffic, rail operation at the crossing or developments in the area. Modifying the storage distance to meet minimum standards will improve safety.