

## NEWS RELEASE

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# Railways making excessive revenue at farmers' expense

**(WINNIPEG)** – The big railway companies are making over \$100 million a year in unreasonably excessive returns at the expense of Canadian farmers. That is one of the key findings of an independent study commissioned by the Canadian Wheat Board, released today by Canadian farm organizations at a grain elevator near Winnipeg. Farmers are asking that the federal government now conduct a full rail costing review – something that has not been done since 1992.

“We’re not against the railways making a profit. Everyone – farmers and rail businesses – needs to make profits to be sustainable. But one’s profit should not come at the other’s very large expense,” said Bob Friesen, President of the Canadian Federation of Agriculture. “At a time when the soaring cost of production is still interfering with the ability of farmers to profit from high commodity prices, \$100 million in revenue lost on a runaway train is a big problem.”

The Canadian Federation of Agriculture (CFA), the National Farmers Union (NFU), Keystone Agricultural Producers (KAP), the Agricultural Producers Association of Saskatchewan (APAS), Wild Rose Agricultural Producers (WRAP) and the Canadian Wheat Board (CWB) today held a joint press conference to call for a review and release the results of the report conducted by respected rail analyst John Edsforth.

The study estimates that the railways in 2006-07 made \$175 million (or \$6.25 a tonne) more than what was considered fair and reasonable compensation for moving grain under the previous Western Grain Transportation Act, also known as the “Crow Rate” (repealed in 1996). This year, the Canadian Transportation Agency (CTA) found the railways had been allowed to earn revenue that was triple their actual costs for rail car maintenance and reduced the revenue cap for grain by about \$72 million per year. A gap of at least \$100 million remains, while the railways appeal aspects of the CTA ruling.

“This study is setting off all the alarm bells for farmers. These results clearly show that something is not right with the revenue cap and the freight rates farmers are paying,” said Ian Wishart, KAP President. “Mechanisms like the revenue cap were meant to protect farmers. We need the government to step in, run the numbers and see if those mechanisms are serving farmers or if they need fixing.”

CWB elected director Ian McCreary called the study results “shocking”.

"It shows the railways earn far above what they would in a competitive rail market. As shippers, we need timely rail service, but we also require that the cost for that service is reasonable since we face greater distances to port than all the other grain exporters in the world."

To ship their grain, most western Canadian farmers are forced to use either a CN or CP rail line, creating a virtual monopoly over western rail transportation. Since 1992, the federal government has not conducted a full review of what it actually costs those railway companies to transport grains. As a result, railway costs used to calculate the revenue caps for grain freight are significantly out of date, failing to account for major reductions in grain elevators, rail track mileage, rail service and car supply over the past 17 years. Canadian farmers are calling on the government to conduct a full cost review in conjunction with an upcoming railway service review, in order to get an accurate and up-to-date picture of the true cost of shipping grains to determine freight rates for farmers more fairly.

"The railways continue to charge farmers based on a cost picture that was taken 17 years ago," said Glen Blakley, APAS President. "Railway profits have gone up while the level of service to farmers has gone down. It's time to bring railway costs back to reality and rebalance the equation for farmers."

"It seems clear that railway earnings from grain transport are excessive particularly when farmers have been burdened with additional storage and trucking costs in effect paying twice for the railways efficiency gains. The railways have externalized costs to farmers and reaped the profits," said Terry Boehm, NFU Vice President.

Over the past year, the federal government has taken a couple of steps to address the transportation issue facing farmers. The freight revenue cap was adjusted to take into account actual maintenance costs for the hopper car fleet. The government also passed Bill C-8, addressing service issues in rail transportation.

"I want to thank the government for the steps it has taken so far to help restore fairness to western grain transportation, and particularly Agriculture and Agri-Food Minister Gerry Ritz who met with national and western farm leaders earlier this year and offered his support for conducting a cost review," said Lynn Jacobson, 1st Vice President of WRAP. "Farmers now need this government to take the next step and implement a full review of railway grain transportation costs."

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