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Canada Passes Comprehensive Transportation Law Update

Report Categories:
Agriculture in the News
Agricultural Situation
Grain and Feed

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Report Highlights:
On May 23, 2018, Canada enacted a sweeping legislative update intended to improve Canadian grain shippers' access to rail services and mitigate uncertainty caused by the expiration of regulations in late 2017. The new law will expand a provision designed to ensure shipping rate competitiveness.

Keywords: Canada, CA18031, Transportation, Rail, Grain, Interswitching

On May 22, 2018, Canada's Parliament finalized Bill C-49, a comprehensive update of Canada's federal transportation legislation, after debating a series of amendments that delayed final approval and consequentially altered the final content of the legislation. Bill C-49 represents the Trudeau Government's effort to, among other things, balance grain shippers' demands for access to rail transportation against economic incentives for the Canadian National Railway (CN) and the Canadian Pacific Railway (CP), Canada's two Class I rail carriers, to invest in rail infrastructure. Implementation of the Bill should help ameliorate the rail service disruptions described in GAIN CA18020.

Bill C-49 should improve Canadian farmers' access to reliable transportation in order to move their more than 70 million metric tons (MMT) of field crops to export markets. Notably, Bill C-49 will create a new Long-Haul Interswitching (LHI) mechanism, will impose new weekly price data and performance metric reporting requirements on CN and CP, and will allow grain shippers to seek reciprocal financial penalties for rail carriers' failure to provide service. In addition, soybeans, which virtually were not grown in prairie provinces 30 years ago, are now eligible for the Maximum Revenue Entitlement, which limits overall revenue earned by CP and CN for transporting certain commodities.[1]

The new LHI tool would revive the Extended Interswitching mechanism that expired in August 2017, increasing the eligible distance from 160 km up to 1,200 km, or up to 50 percent of the length of the entire haul. Grain shippers would be charged the regulated interswitching rate for the first 30 km of the haul, and thereafter a rate determined by the Canada Transportation Agency (CTA), which is to be regulated on a case-by-case basis based on pricing for similar hauls. Bill C-49 also opens up LHI to parts of northern Quebec, British Columbia, and Alberta previously excluded from the provision, which could benefit other primary industries, including forestry and mining.

The LHI provision may allow BNSF Railway, the only U.S.-based carrier with interchanges in the prairie provinces (see map below), to reach a greater number of grain elevators serviced by CN and CP. Under the previous Extended Interswitching regime, BNSF had limited access to Canadian shippers due to the 160 km eligibility limitation.

Critics argue that the LHI provision of Bill C-49 would not, as written, encourage more competitive rates or improve competition for captive shippers (shippers with only one rail line available to them). Industry sources are eager to better understand how CTA will determine LHI shipping rates and how reciprocal penalties will be determined and contractually enforced.

BNSF 2018 Route Map

[1] Additional resources on the MRE are available from the Quorum Corporation, a private entity that reports to the Ministers for Agriculture and Agri-Food as well as Transportation on the Grain Monitoring Program in Canada. The Grain Monitoring Program allows for independent monitoring and reporting on the performance of the Western grain handling system.


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SYSTEM MAP
BNSF
RAILWAY
LEGEND
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UP/SP Trackage Rights
Haulage Agreement
Handling Carrier
Miles
Kilometers
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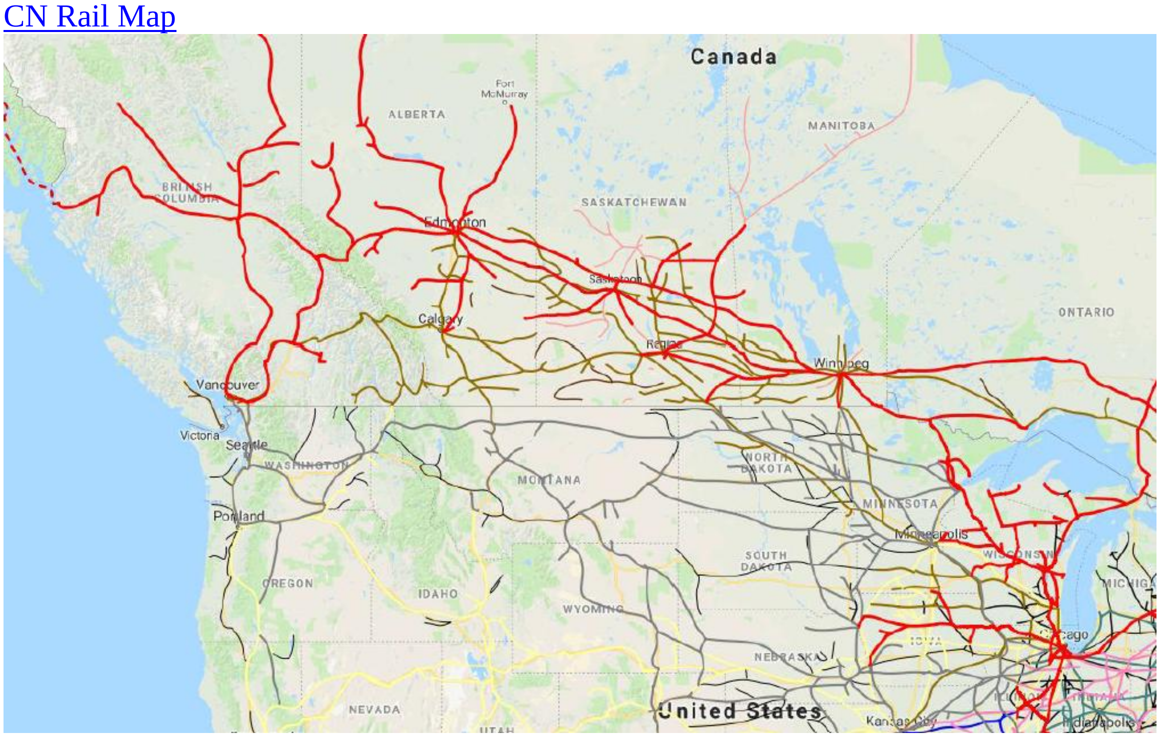
[CN Rail Map]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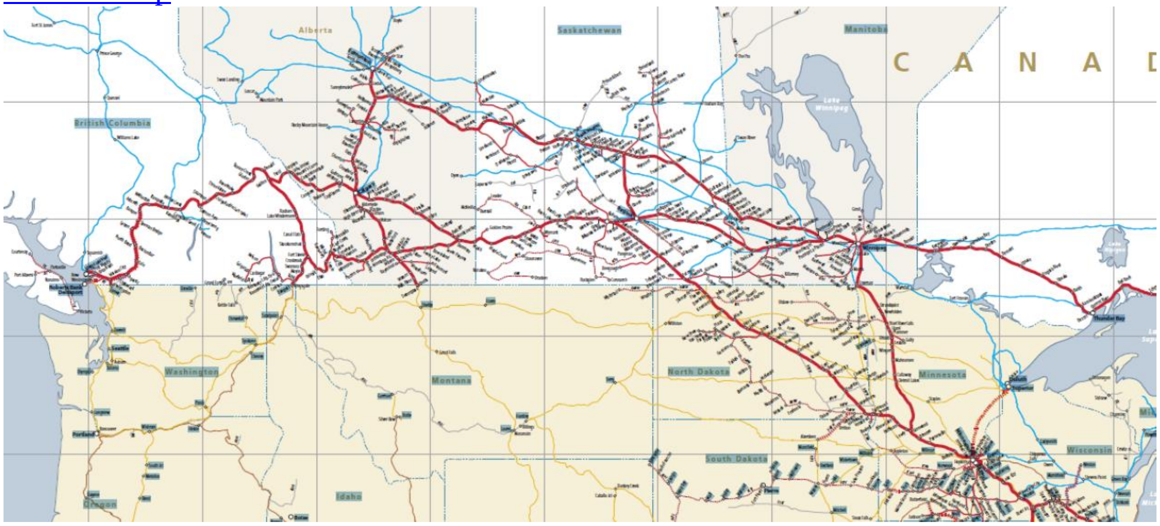
CP Rail Map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