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October 14, 2020

Canadian Transportation Agency
15 rue Eddy
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Submitted by email: ferroviaire-rail@otc-cta.gc.ca

**RE: Fertilizer Canada's Feedback to the Canadian Transportation Agency on Proposed Changes to Rate-Setting and Billing**

Fertilizer Canada represents Canadian manufacturers, wholesalers and distributors of nitrogen, phosphate, and potash fertilizer. We are the backbone of the agriculture industry and are responsible for 50 per cent of global food production. Our industry spans the supply chains of petrochemical manufacturing, mining, transportation, and retail stores, and through our farmer consumers we play an important role in Canada's food security. In addition, we contribute approximately $24 billion annually to Canada's economic activity.

Fertilizer Canada welcomes the opportunity to comment on the Canadian Transportation Agency's (CTA) *Discussion Paper on the Proposed Changes to Rate-Setting and Billing*. Fertilizer is one of the highest volume commodities shipped by Canada's Class I railways and any changes to the interswitching rates will have impacts across our supply chains. Fair rates are essential to ensuring adequate levels of rail service, which in turn is essential to the success of our industry and Canada's economy.

***Issue #1: Changing to a single zone and rate for interswitching***

Fertilizer Canada and its members support maintaining the current four zone system for interswitching and their assigned distances. While we can appreciate the simplicity that moving to a single zone and rate for interswitching would provide, we believe that there may be unintended consequences. For instance, shippers may see little to no benefit from this as each shipper may have through rates agreed upon in their individual contracts. We would also worry that by moving to a single rate it may mean higher efficiency zone 3 and 4 switches face rising costs, whereas the rate for lower efficiency zone 1 and 2 switches may be too low in other areas to incentivize the railroads to perform. This change must also be viewed in the context of an environment where maintaining and incentivizing acceptable railroad service is already challenging. Upsetting the current structure of rates could have an unintended impact on service.

At this time, we do not find the four-zone system to be overly onerous or burdensome and believe changing it would not produce the intended impact. If the shipper community is not asking for this change, as stated in the discussion paper, we do not believe the CTA should pursue it.

***Issue #2: Adding a new block car category for 60-99 cars and 100 or more cars***

In principle, Fertilizer Canada would support the creation of a new category of car blocks starting at 100+ cars. As noted, the new category would ensure that shippers are paying the fairest rate to railroads, and that railroads are receiving compensation equivalent to the cost of moving our goods.

Currently, shippers with long car blocks effectively subsidize shippers with shorter blocks because they are charged the same rate, while the railway benefits from the economies of scale that come from moving larger blocks. However, the efficiency of moving long car blocks should be passed on to shippers. If this proposal advances, the CTA must ensure that the objective of setting fair rates based on the number of cars being moved is achieved, and that smaller car block rates do not change; long car blocks should produce discounts but short car blocks should not see an equivalent rise in price.

***Issue #3: Modifying the definition of car***

Fertilizer Canada has no opinion on the new proposed definition of car.

***Issue #4: Showing interswitching rates on the waybill***

As discussed in our previous submission on setting interswitching rates, Fertilizer Canada and its members support a new invoice requirement that would provide additional transparency in interswitching rates between shippers and carriers. We believe it would be beneficial if interswitching rates are shown separately from the charged long-haul rate. The current system means that shippers have little opportunity to know the interswitching rates that are being charged, and whether any calculation errors have occurred. We continue to believe that this would present minimal increased reporting burden to the railways.

However, we emphasize that if the CTA does proceed with this change railroads must be required to indicate the interswitching rate separately from line items on the invoice and be required to modify their rates, which currently include the charge. If this is not mandated railroads could list their current rate, in addition to the newly separated interswitching rate, allowing railroads to effectively double charge shippers for interswitching. This must be carefully worded to ensure that railroads are separating the interswitching rate and are not charging it twice.

**Concluding Remarks**

Fertilizer Canada and its members appreciate the opportunity to provide feedback and recommendations to this important matter. We welcome the opportunity to meet with you and your colleagues to discuss our industry and our recommendations for the approach to setting interswitching rates by the CTA.

Sincerely,

Daniel Kelter

Daniel Kelter
Government Relations Manager