



Western Canadian Shippers' Coalition

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Sent by email: ferroviaire-rail@otc-cta.gc.ca

Canadian Transportation Agency
15 Eddy St
Gatineau, Québec
J8X 4B3
Attention: Consultations

Dear Sir/Madam:

Re: Regulated Interswitching – Proposed Changes to Rate Setting and Billing

I respectfully submit this letter jointly on behalf of Western Canadian Shippers' Coalition (WCSC) and our strategic partner, Pulse Canada. WCSC is an association of rail shippers based in Western Canada from multiple resource-based commodity sectors, including aggregate, asphalt, cement, concrete, fly ash, coal, energy, forestry, potash and sulphur. Our membership, as detailed in the attached, includes some of the largest Canadian and North American shippers in these sectors. Pulse Canada is a national industry association that represents over 35,000 growers and 109 processor/exporters of peas, lentils, beans and chickpeas. Canada is the world's largest producer and exporter of peas and lentils, accounting for over 1/3rd of all global pulse trade.

A central point of commonality for WCSC members and our strategic partnership, is their dependence on market-dominant providers of rail freight transportation.

We are interested in the present consultation because it will directly affect several of our members who rely on regulated interswitching ("RIS") as a pro-competitive mechanism or simply as a means to reach destinations that their local carrier does not serve directly.

WCSC has have reviewed the Agency's consultation paper and are pleased to make the following submissions:

Proposal 1: One Zone and Rate

To the extent that Proposal 1 simply allocates the costs associated with RIS movements more equitably among shippers, WCSC recognizes that there are valid reasons for moving toward a single-zone/single-rate structure.

At the same time, there may be equally valid reasons for retaining the current rate structure. If, for example, one rail carrier handles a disproportionate share of movements in a zone where Proposal 1 would result in a reduction of RIS revenue while another carrier handles a disproportionate share of movements where the proposal would increase RIS revenue, a single zone and rate may result in unfairness between railways and give rise to further allegations that RIS rates are not sufficiently compensatory.

While Proposal 1 offers simplicity and ease of administration, there is no evidence that shippers are finding the current structure confusing.

In the absence of additional publicly available data, WCSC is unable to fully assess the potential implications of Proposal 1.

Proposal 2: New Block Car Category

To the extent that there are meaningful differences in the variable costs associated with handling very long trains as distinct from shorter “car blocks” in RIS, WCSC supports the creation of a new block car category with rates reflecting the relative efficiencies.

At the same time, we are unable to assess whether the proposed 100-car length is the most appropriate threshold between two car block categories or whether differences in variable costs across the full range of traffic in the current car block category are sufficiently significant to justify more than two block categories.

As train lengths are subject to change over time, WCSC believes it is important to ensure that the applicable thresholds remain relevant going forward. We accordingly urge the Agency to fully disclose the basis on which it establishes a threshold between different car block categories.

Proposal 3: A Clear, Accurate Definition of “Car”

WCSC understands that the proposal to define “car” to include “platform” is aimed at providing greater clarity for a relatively small segment of RIS traffic, and obviating the need for case by case adjudication in relation to intermodal traffic.

WCSC does not have a position regarding the application of interswitching to intermodal platforms. We do, however, support the following additional clarification:

First, given the increased reliance on private car fleets, there is a need for greater clarity regarding the application of RIS to private car movements. In particular, we are concerned with situations where the local carrier moves an empty private car between a siding and an interchange, but where that empty movement is not immediately preceded or followed by a loaded interswitching movement. This situation arises, for example, where the local carrier delivers a loaded car to the shipper’s siding as part of a line-haul movement on the local carrier’s network, the shipper unloads the car and then then requires the local carrier to transfer the empty car to a connecting carrier at a nearby interchange. While the local carrier essentially handles the private car as freight moving on its own wheels, the charge imposed on the shipper in these circumstances is typically a multiple of the relevant RIS rate.

We see no principled reason why a private car moving as freight on its own wheels should be treated differently for RIS purposes than a private loaded car. WCSC requests that the Agency amend the regulations to clarify that these types of movements are subject to RIS.

Secondly, WCSC supports additional clarification of the definition of “car block”. As is the case with the application of RIS to intermodal platforms, the Agency has in the past adjudicated disputes over the application of the definition of “car block” on a case by case basis. In one such case, the Agency held that entitlement to the car block rate is not lost where a car block has to be broken into sub-blocks, as long as the siding at origin or destination has “sufficient capacity to interswitch car blocks in a reasonable number of sub-blocks” and handling of the cars at the interchange does not require marshalling or classification.¹

¹ Letter Decision No. CONF-6-2017.

In Determination No. R-2019-230, the Agency described car block movements as follows:

Block movements involve a "hook and haul" operation where blocks of cars are hooked on at the interchange and delivered directly to the customer. On the return trip, cars are hooked and delivered directly to the customer. However, additional handling either at the interchange or at the shipper siding may be required. If, for example, the siding or the interchange is not long enough to handle the block, the railway must perform one or multiple cuts to the block in order to complete the movement. Where additional handling is identified during site visits, the costs are reflected in the final interswitching rate.

Since the potential requirement for multiple cuts is already reflected in the block rates set by the Agency, we question the need for case by case adjudication in circumstances where no marshalling or classification is required. An amendment to the definition of "car block" that clearly includes cars that are moved, as a block, between a siding and an interchange, without requiring marshalling or classification, would provide the necessary clarification.

Proposal 4: More Transparent Billing

WCSC believes that amendments giving shippers the option of requesting that the RIS rate be shown on invoices are preferable to an across-the-board mandate.

To ensure an appropriate level of transparency, shippers should have the option not only of requiring the connecting carrier to show the RIS on invoices but also of making the payment directly to the carrier providing the RIS service.

WCSC appreciates the opportunity to provide comments on the proposed changes to the *Railway Interswitching Regulations*.

Sincerely,

Western Canadian Shippers' Coalition

A handwritten signature in black ink, appearing to read 'David Montpetit', with a long horizontal stroke extending to the right.

David Montpetit,
President & CEO

Member Profiles

Alberta Newsprint (ANC) | Forestry | Annette Cartwright

ANC supplies companies throughout North America with high quality, cost effective and socially responsible paper products. The Company is a joint venture of The Stern Group (Whitecourt Newsprint Company Limited Partnership) and West Fraser Timber Co. Ltd.

Alberta-Pacific Forest Industries Inc. | Forestry | Pat Black

Alberta-Pacific operates Canada's newest and North America's largest, single-line bleached kraft pulp mill. Alberta-Pacific is a private company owned by HOKUETSU Corporation (100%).

AltaGas Utilities Inc. | Energy | Ali Sanjari

AltaGas is a leading North American energy infrastructure company that connects NGLs and natural gas to domestic and global markets. AltaGas creates value by growing and optimizing its energy infrastructure, including a focus on clean energy sources. For more information visit: www.altagas.ca

Bighorn Mining Ltd. | Coal | Don Swartz

Vista Energy Resources subsidiary Bighorn Mining has successfully developed an ultra-low sulfur, low ash, world-class thermal seaborne coal project. Servicing Asia-Pacific market(s), the project has moved from development into a highly scalable, productive, low-cost asset – currently exporting 6Mt per annum.

Conuma Coal Resources Ltd. | Coal | Ryan Staschuk

Founded in mid-2016, Conuma Coal Resources is a stand-alone, metallurgical coal producer based in Northeast British Columbia, Canada. Conuma's surface mine operations at Brule and Wolverine produce more than 4 million tonnes annually, and provide more than 850 jobs and security for families in the Peace River Regional District.

Federated Co-operatives Ltd. | Energy | Craig Kezama

Federated Co-operatives Limited (FCL) is a co-operative that works in partnership with 180 independent, locally owned and operated member owned co-operatives across Western Canada. FCL serves its member-owners, which in turn serve their 1.9 million individual members and many more non-member customers. FCL's business operations include wholesaling across all primary good lines, administrative support and marketing programs. FCL also owns and operates the Co-op Refinery Complex (CRC) – which manufactures and supplies petroleum products across the Co-op Retailing System (CRS).

Gibson Energy ULC | Energy | Ryan Connell

Gibsons has been providing essential midstream services to the North American energy industry for over 60 years. Headquartered in Calgary, Alberta, Gibsons is engaged in the transportation, storage, blending, processing, marketing and distribution of crude oil, condensate, NGLs and refined products. The Company also provides emulsion treating, water disposal and oilfield waste management services and is the second largest retail propane distribution company in Canada. Gibsons is traded on the TSX under the symbol GEI.

Husky Energy | Energy | Gawiya Haymour, Gordon Mackinnon

Husky has two core businesses. Its Integrated Corridor operates in Western Canada and the United States, where thermal production is integrated with the Downstream business and supported by Western Canada operations. Offshore the Company is focused in the Asia Pacific and Atlantic regions. The Company's business strategy is to focus on returns from investment in a deep portfolio of opportunities that can generate increased funds from operations and free cash flow.

Husky's focus on safety helps to protect the public, its employees and contractors, the environment and its assets while providing for efficient and productive operations. Along with rigorous occupational safety programs, Husky is driving continuous improvement in process safety.

Inter Pipeline Ltd. | Energy | Chantal Renaud

Inter Pipeline is a major petroleum transportation, storage and natural gas liquids processing business based in Calgary, Alberta. Inter Pipeline owns and operates four business segments operating in Western Canada and Europe.

Keyera Corp. | Energy | Rod Pertman

Keyera Corp. (TSX:KEY) operates one of the largest midstream energy companies in Canada, providing essential services to oil and gas producers in the Western Canada Sedimentary Basin. Its business consists of natural gas gathering and processing, natural gas liquids processing, transportation, storage, marketing, iso-octane production and sales, and a condensate system. Keyera is committed to conducting its business ethically, safely and in an environmentally and financially responsible manner.

K+S Potash Canada | Potash | Tyler McDougall, Suzanne Pleice

KSPC is a K+S Group company with headquarters in Saskatoon, Saskatchewan; a solution potash mine and production facility located near Moose Jaw, Saskatchewan; and a world-class potash handling and storage facility operated in partnership with Pacific Coast Terminals in Port Moody, British Columbia. Bethune mine, formerly known as the Legacy Project, is the first new potash mine in Saskatchewan in nearly fifty years (a \$4.1B capital investment in Canada) and the largest investment by a German company in Canada. The Bethune mine has created new job opportunities for Canadian workers, new business opportunities for Canadian companies supplying goods and services to this major economic development, and long-term capacity for community investments.

Lehigh Cement | Concrete | Aggregates | Fly Ash | Devin Clarke

Lehigh Cement produces cement, aggregates (crushed rock, sand and gravel), ready mixed concrete, asphalt, and a range of other building materials including precast concrete products, pressure and gravity pipes, roof tiles and clay bricks. Lehigh is an affiliate of Lehigh Hanson Canada, part of the HeidelbergCement Group, one of the largest building materials manufacturers worldwide. The HeidelbergCement shares are listed on various German stock exchanges.

MEG Energy | Energy | Chris Zahn

MEG Energy is a pure play Canadian oil sands producer engaged in exploration in northern Alberta. Headquartered in Calgary, Alberta, MEG is focused on sustainable in situ oil sands development and production in the southern Athabasca oil sands region of Alberta. MEG Energy also has a 50% ownership stake in Access Pipeline. MEG is traded on the TSX under the symbol "MEG".

Millar Western Forest Products Ltd. | Forestry | Greg Simpson, Janet Hehr

Millar Western is a worldwide supplier of softwood dimension lumber, specialty wood products, and hardwood and softwood bleached chemi-thermo-mechanical pulp. The Company operates sawmills in Whitecourt and Fox Creek, Alberta, a pulp mill in Whitecourt, Alberta, and a value added manufacturing wood products facility in Acheson, Alberta. Its head office is located in Edmonton, Alberta.

Montem Resources Corp. | Coal | Bob Bell

Montem Resources is a metallurgical coal explorer, developer and future producer. The company is committed to achieving success through the pairing of world-class assets with an exceptional management and operational team. Montem owns six strategically located and high quality metallurgical coal properties in Alberta.

Plains Midstream Canada | Energy | Adam Martineau

Plains Midstream Canada owns, operates, and develops a diversified portfolio of complementary midstream energy assets. The Company's extensive network of pipelines, terminals, storage and gathering assets are located in key crude oil and NGL producing basins, transportation corridors, and at major market hubs in Canada and the United States.

Standard General | Aggregate | Asphalt | Andrey Niklevich | Curtis Martin

Standard General Inc. is a major civil construction contractor that has been serving the Greater Edmonton Region for over 45 years. We build major public roadways, private developments and industrial construction projects. We also produce various aggregate materials that are shipped by rail to our customers. Standard General is part of the Colas Group of Companies, a worldwide leader in the construction and maintenance of transport infrastructure.

Sultran Ltd. | Sulphur | Nancy Read, Kevin Graf, Blair Hoffmann

Sultran Ltd., a private company owned by major oil and gas producers, manages the logistics of moving around three million tonnes of sulphur annually via rail from origins in western Canada to two terminals on the Canadian west coast, for unloading, storage and loading to vessels. Sultran owns Pacific Coast Terminals, a state-of-the-art, marine bulk terminal on Burrard Inlet in Port Moody, British Columbia that provides handling and storage services to the sulphur, potash, glycol and canola oil industries.

Suncor Energy Inc. | Energy | Mark Hagey

Suncor Energy is Canada's leading integrated energy company. Suncor's operations include oil sands development and upgrading, conventional and offshore oil and gas production, petroleum refining, and product marketing under the Petro-Canada brand. A member of Dow Jones Sustainability indexes, FTSE4Good and CDP, Suncor is working to responsibly develop petroleum resources while also growing a renewable energy portfolio. Suncor is listed on the UN Global Compact 100 stock index and the Corporate Knights' Global 100.

West Fraser | Forestry | Laurie Kravski

West Fraser is a leading North American integrated wood products company producing lumber, wood chips, laminated veneer lumber, medium density fiberboard, plywood, pulp and newsprint. The Company has operations in western Canada and the southern United States.

Associate Members

Arrow Transportation Systems | Randy Zulinick

Started in 1919, Arrow is a privately owned, diversified transportation company. Based in British Columbia, Arrow currently employs more than 1,000 employees across North America and focuses on trucking, rail transloads, logistics, manufacturing, environmental services, marine and technology development.

Cando Rail Services | Steve Bromley

Cando Rail Services provides specialized rail support service at more than 40 locations across North America, handling 1.14 million railcars a year and moving \$29 billion of product for its customers. Cando is the crucial linchpin between its industrial customers and the Class 1 railways, facilitating the safe, efficient movement of products across the entire supply chain. Working with customers to develop customized, on-site solutions for complex jobs, Cando has the ability to design, build, operate and finance rail terminals and transload facilities.

GATX Rail Canada | Jennifer Radbourne

GATX Corporation, founded in 1898, is the leading global railcar lessor. GATX own railcar fleets in North America, Europe, and Asia. GATX jointly own one of the largest aircraft spare engine lease portfolios in the world. GATX operate through three business segments: Rail North America, Rail International, and Portfolio Management. In the North American rail market, GATX has a fleet of more than 118,000 railcars, and also owns a fleet of 601 four-axle and 28 six-axle locomotives.

Mountain View Group | Mark Thomson

The Mountain View Group is an industrial transloading company with locations in BC, WA, TX, and MT. It is a privately owned company that has been in business for over 30 years. Mountain View's clients include numerous forestry and steel customers across North America. Services include rail, trucking, and export container shipping and transloading.

Strategic Partnership

WCSC and Pulse Canada | Greg Northey

In December 2015 WCSC and Pulse Canada developed a strategic partnership to collaborate on transportation issues of mutual interest. Pulse Canada is a national industry association that represents over 35,000 growers and 109 processor/exporters of peas, lentils, beans and chickpeas. Canada is the world's largest producer and exporter of peas and lentils, accounting for over 1/3rd of all global pulse trade.