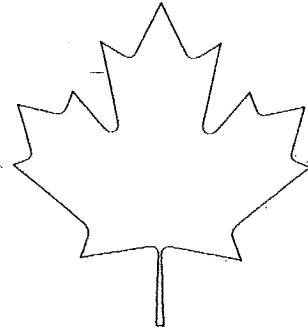


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Final Report

EMERGENCY GRAIN MOVEMENT TASK FORCE

October 30, 1979

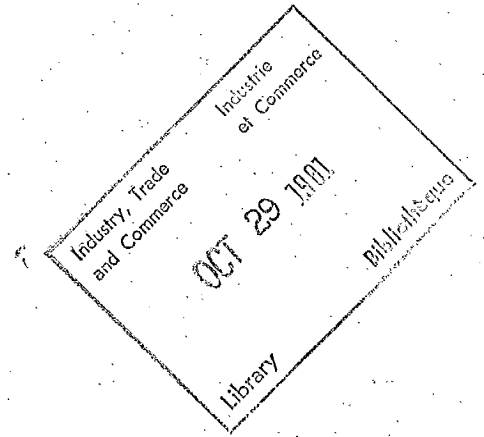


Government
of Canada

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and Commerce

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et Commerce



FINAL REPORT

Conf.

EMERGENCY GRAIN MOVEMENT TASK FORCE

October 30, 1979

J. Murta, M.P.
Wm. McKnight, M.P.
S. Schellenberger, M.P.

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I Recommendations

1. a major effort to rail grain to Eastern ports for export is required this winter
2. car allocation formula must encourage addition of private cars to the grain fleet
3. improved tax provisions for railway power and rolling stock
4. pursue sales for bin run feed grain
5. control the intake of tough and damp grain
6. relax the restrictions on producer cars
7. interchange of cars between CN and CP for Churchill and Prince Rupert
8. continue extended work week
9. continue one directional country loadings of poolable grains
10. concentrate efforts to remove grain from snow lines before winter
11. reduce segregations of grain at terminals
12. pursue pooling of oilseeds
13. maximize use of interior facilities to clean grain for export
14. employ supplementary quotas to attract grain to interior cleaning facilities
15. relax cleaning standards on high grade wheat as a temporary measure
16. pursue ways of providing more incentives for performance

II Background

Canada is losing its share of the world grain trade. During the course of the 1970's Canadian grain exports remained constant while trade increased by 60 per cent.

Canada did not keep pace with the growth in world trade because its handling and transportation capability was limited. If the handling and transportation systems could be geared up, market and production projections indicate that exports could be increased by 50 per cent to 30 million tonnes by 1985.

Thirty million tonnes appears to be a realistic target but it requires major capital investments and improved industry co-ordination.

The Hall and Snively reports provide the analyses for the rail network and costs for service respectively. The recently completed study, "Grain Transportation and Handling in Western Canada", estimated that in order to move 30 million tonnes by 1985 the investment required in railways and ports would range between 1.3 and 2.0 billion dollars. The report also points out considerable room to improve efficiency in planning and control procedures, elevator operations, car

cycle times, and institution changes relating to incentives for efficient performance.

Currently a number of rail branch lines are being considered by Doug Neil, M.P., for retention to the year 2000. Rail cars are being added to the fleet and others are being rehabilitated. Terminal elevator capacity is expanding at Vancouver and planned for Prince Rupert. A Grain Transportation Co-ordinator was recently appointed. The terms of reference for the Co-ordinator were developed and submitted as an interim report by the Emergency Grain Movement Task Force. This report from the Emergency Grain Movement Task Force contains recommendations for emergency grain movement to supplement other measures that are being taken until their full impact can be realized.

III TERMS OF REFERENCE: EMERGENCY GRAIN MOVEMENT TASK FORCE

Overall Objectives

The Task Force will assess the application of innovative techniques designed to significantly increase grain handling and transportation capability within the 1979-80 crop year and beyond. In working towards this objective, the Task Force will use as a basis the findings and proposals of relevant studies, including The Grain Transportation

Operations Analysis contained in the report entitled "Grain Transportation and Handling in Western Canada" and the response thereto from related interests. It will consult with and, where appropriate, work in conjunction with the Canadian Wheat Board, the Grains Group, the railways and other agencies and groups representing or pertinent to grain handling and producer interests. As an integral part of its responsibility for establishing implementation priorities and a program for action, the Task Force will submit an interim report to the Minister Responsible for the Canadian Wheat Board not later than August 25, 1979, with a final report to be completed not later than November 30, 1979. It is understood that for the purposes of consistency and clarity, any public announcements shall be subject to the guidance and approval of the Minister Responsible for the Canadian Wheat Board, who shall have overall responsibility for the activities of the Task Force.

Specific Objectives

In conducting a detailed examination of various studies, including the Grain Transportation Operations Analysis, the Task Force shall, as appropriate, seek inputs on operational, economic and institutional matters from individuals and groups representing the grain and transportation industries and related agencies and organizations in order to develop a series of feasible initiatives that may be presented to the Minister.

In developing priorities for action, the Task Force shall clarify potential initiatives in terms of their

- suitability for early implementation by mutual agreement;
- implementation following negotiation;
- legislative requirements and federal funding implications.

In analyzing responsibility centres and administrative structures, the Task Force shall focus particularly upon the Grain Transportation Co-ordinator function, together with its mandate, goals and staffing requirements. The lifespan and location of new institutions or mechanisms shall be recommended.

The Task Force will include, in its final report, a schedule of potential legislative and Government actions necessary to achieve identified objectives. The report shall also identify essential supplementary activities required to resolve outstanding problems.

In undertaking its work, the Task Force will respect the confidential nature of certain information of a business nature supplied by the various participants in the grain sector.

IV Guiding Principles

The Task Force employed a set of basic principles

to carry out its mandate. *The Task Force believes that improved grain handling and transportation can be achieved more readily in a competitive, flexible environment rather than a highly regulated one.* If the 1985 objective of a 50 per cent increase in grain exports is going to be achieved all sectors of the industry must have more room to use their energies and test their ideas. Incentives for positive contributions to grain handling and transportation efficiency and capacity are essential.

The Task Force is also of the view that consultation and co-operation among all the participants are essential to effective performance by the industry. People will not give 100 per cent to the task when faced with confrontation.

The Task Force recognized the importance of ensuring that everyone received fair treatment in the drive to increase exports, however equity cannot be pursued without regard to efficient use of resources or without regard to the total volume of grain moved.

V Contacts

The Emergency Grain Movement Task Force held discussions with many groups, organizations, and individuals

beginning the last days of July and carrying through to mid-October (a list of those contacted is appended).

It became clear to the Task Force as it contacted each of the various groups that communications within the industry are inadequate. Sectors that must work closely together in order to move grain efficiently do not appear to have a clear understanding of, or appreciation for, each other's functions or problems. In this respect a Grain Transportation Co-ordinator would fill a useful catalytic role for the industry.

Notwithstanding the poor communication, the Task Force found that without exception everyone stated that they were willing to co-operate and to meet the challenge of exporting more grain. Contacts with the industry confirmed the Committee's principles that co-operation rather than confrontation, and communication rather than regulation are the most effective means to achieve the grain handling and transportation goals.

VI Discussions with the Industry

The Emergency Grain Movement Task Force was concerned by the level of frustration expressed by almost everyone but

impressed by the consensus that action is required now.

Many in the industry told the Task Force that they were subject to too much arbitrary and inflexible use of power, particularly from the Canadian Wheat Board.

There was general agreement within the industry that investment was crucial if the export targets for 1979-80 and 1985 were going to be reached. As well, there was agreement that existing facilities and equipment could be used more effectively if everyone's efforts were co-ordinated.

The point was made by industry with the Task Force that a Co-ordinator should help to improve efficiency and help to provide an environment more conducive to investment.

Most in the industry expressed the view that the Co-ordinator should, among other responsibilities, act as a neutral arbitrator who could help to resolve problems that are now often left to linger. A focal point for decisions appears to be missing. Also in line with this view many thought that it was essential for the Co-ordinator to acquire all the information he needed to determine what in fact was a problem and then inform the industry so that

intelligent open decisions could be made by everyone.

There were a number of specific items raised by a large number of those contacted. For example many raised the issue of labour-management difficulties which have hindered export performance. Also, almost everyone encouraged the Task Force to find methods to provide incentives for performance and penalties for non-performance.

VII Overview of the Current Grain Movement Limitations

In discussions with the Canadian Wheat Board, they presented figures to the Task Force showing that export capacity for 1979-80 given the present grain car fleet and cycle times could not be projected above 22 million tonnes.

Therefore additional export capacity must be obtained through better co-ordination of the existing rail car fleet (thereby reducing the car cycle time), by adding cars to the fleet or by a combination of the two. For example, a reduction in the cycle time of one day for the cars presently in the fleet would provide an extra unload capacity of nearly 2 million tonnes. Similarly, addition of 1,300 cars to the fleet with a cycle time of 18 days maintained for one year would also provide 2 million tonnes

additional unload capacity.

Recent announcements on the purchase and lease of additional rail cars and the rehabilitation of others will have a major impact on export capability. The major impact of the placement of these cars will not however be realized until the 1980-81 crop year. Replacement of old cars and additions will continue to be necessary until the fleet is capable of moving 30 million tonnes to export. Available cars will also have to be used more efficiently through better co-ordination of the efforts of the industry.

VIII Guidelines Regarding Objectives, Organization and Authority
the Office of the Grain Transportation Co-ordinator

The Emergency Grain Movement Task Force after discussions with the industry developed the terms of reference for the Grain Transportation Co-ordinator. The terms of reference released on September 13, 1979 were submitted to the Minister in an interim report. Based on the terms of reference and on subsequent consultation with the industry the Task Force developed the following guidelines.

The objectives of the Federal Government can be achieved if the Co-ordinator is aggressive. Therefore the industry must be prepared

to respond to an aggressive approach to the limitations of the system. The Co-ordinator will rely principally on negotiation and co-operation in dealing with the industry, however if this approach does not succeed the Co-ordinator can request additional powers from the Minister.

A. Federal Government Objectives

1. To increase the capacity of Western Canada's grain handling and transportation system to the point where the target of a 20 per cent increase in exports for 1980, and a 50 per cent increase for 1985 can be achieved.
2. To ensure that Prairie grain moves to domestic consumption and export positions in a prompt, efficient and orderly manner by conducting the required planning and implementing the changes necessary to make the forwarding system operate more effectively and efficiently in both the short and long term future.

3. To ensure that both the Canadian Wheat Board and non-Board merchandizers are treated fairly in the allocation of available transportation capacity.
4. To secure the co-operation and participation of the industry sectors concerned in providing the required transportation and handling services and facilities.
5. To ensure that all vested parties and the public are informed about system performance and shortcomings.

B. Office of the Grain Transportation Co-ordinator

1. The Co-ordinator

Consistent with the Federal Government's objectives the general responsibilities of the Co-ordinator will be:

- To co-ordinate and monitor grain transportation operations;
- To do forward planning and to implement changes;
- Liaison with all segments of the grain industry;
- Liaison with the Federal and Provincial Governments;
- Liaison with the public and media.

2. Deputy Co-ordinator

The Deputy Co-ordinator will provide the technical expertise to handle day-to-day operations and to co-ordinate application of computers to car control, inventory and information management for the industry.

3. Line Managers

Technical professionals will report to the Deputy Co-ordinator providing expertise in areas such as:

1. Legal counsel
2. Country operations
3. Railway Operations
4. Terminal and Port Operations
5. Systems planning
6. Board and non-Board merchandising

4. The Office

The Head Office of the Co-ordinator will be located in Winnipeg, in order to facilitate essential day-to-day communications.

5. The Mandate

The Office of the Co-ordinator will function for a period not to exceed four years. Within two years'

time, the Minister will initiate a comprehensive review of future requirements concerning grain handling and transportation co-ordination, including the possibility of extending the life of the Office of the Co-ordinator.

6. Reporting Relationships and Liaison

The Co-ordinator shall report directly to the Minister of Transport who is responsible for the Canadian Wheat Board.

7. Term of Appointment

The Co-ordinator shall be appointed for a period not to exceed four years.

Authority of the Co-ordinator

Essential Powers and Duties

The Office of the Grain Transportation Co-ordinator will:

1. Define and allocate the rail car fleet including the CN-CP grain-dedicated fleet, the Canadian Government cars, the Canadian Wheat Board cars, and the industry-owned railway cars.
2. Determine the industry's transportation needs and seek to ensure that the required multi-modal fleet is

available.

3. Allocate available railway equipment
 - a). between the Board and non-Board sectors,
 - b) between the various parties in the non-Board sector,
 - c) between ports according to whatever car allocation policy or formulae are deemed necessary to carry out the mandate.
4. Chair the Senior Transportation Committee and the Grain Transportation Technical Committee, attend the bi-weekly Industry Operating Committee meetings and chair the weekly planning meeting with the railways.
5. It is expected that the grain industry and government agencies shall fully co-operate in providing the Co-ordinator with any information necessary to a proper allocation of grain cars. This would include all sales information, which shall be treated in strict confidence.
6. If and when deemed necessary, the Co-ordinator will approach the Minister to secure the appropriate additional powers required to properly fulfill his mandate.

Consistent with the above and in co-operation with the Office of the Co-ordinator, the Canadian Wheat Board will continue to:

1. Allocate quotas, and
2. Operate the block shipping system.

Detailed Operating Duties

The Office of the Co-ordinator will assume the following duties:

1. Establish joint forward planning on short and medium term basis with shippers and carriers;
2. Develop management information systems and computerized communication between the various parties involved in grain movement;
3. Develop operational simulation models for management decision-making and contingency planning;
4. Maintain a close working relationship with the Chief Commissioner (or, with the Minister's concurrence, a designated Commissioner) of the Canadian Wheat Board. Similar senior level contacts shall be established with relevant organizations in the industry;
5. Integrate (with the co-operation of the CTC) the

activities of the Grain Co-ordinators located in Thunder Bay and Vancouver with the activities of the Office of the Grain Transportation Co-ordinator;

6. Participate in the branch line rehabilitation program to ensure that the sequence for rehabilitation is consistent with efficient grain movement, and that such things as sidings and car spot capability are in tune with future needs for efficient grain movement;
7. Assume the responsibility for informing those affected in a clear and timely manner of any changes to procedures or new procedures;
8. Issue at such intervals as the Co-ordinator and/or the Minister shall require reports outlining the performance of the grain handling and transportation system including an annual report for submission to the Minister, and thence to the public at large;
9. Develop a comprehensive and readily intelligible information system to increase industry and public awareness of system performance.

IX Measures to Increase Grain Handling and Transportation Capability

The Task Force solicited the views of the industry on measures that might be employed to expand export capability.

The Task Force found that measures for improved performance fall into three categories.

1. Changes that should be referred to the Minister for

action by the appropriate agencies, the Co-ordinator and the Government;

2. Immediate action within the industry;
3. Formation of industry ad hoc committees to supplement the work of the Task Force.

The Task Force is pleased that the Minister accepted the terms of reference for the Grain Transportation Co-ordinator. The industry has made some changes to move grain more efficiently and the Task Force has instructed the ad hoc industry committees whose work is not finished to contact the Grain Transportation Co-ordinator to report their results and seek guidance on action as a result of their work.

The announced acquisition by the Federal Government of 2,000 hopper cars and rehabilitation of 2,000 boxcars is a major step toward the target of 30 million tonnes in export capability by 1985.

Referred for Minister's Action

The Grain Movement Task Force recommends that the Minister contact the appropriate agencies to ensure action is taken by them on the following recommendations.

1. As an emergency measure a major effort should be undertaken to rail grain from Thunder Bay to Eastern ports for export during the winter months when the seaway is frozen over. Domestic movement must be co-ordinated with this program so that the domestic requirements are met and export potential is maximized. This is essential to achieve a +20 per cent export target in the current crop year.
2. The car allocation formula should encourage private purchase or leasing of cars by the industry by ensuring that functional use (not actual physical use of a specific car) is guaranteed to the company or individual adding cars to the fleet. In this area, the Minister should direct the Co-ordinator to be as flexible as possible consistent with greater volumes of exports and irrespective of traditional market shares.
3. In order that the private sector is encouraged to invest in the necessary power and rolling stock consideration should be given to improved tax provisions. Even after the current capacity has been expanded to meet 1985 targets there will be

a considerable ongoing replacement capital need.

4. Sales for bin run feed grain should be pursued as an emergency measure to increase throughput until such time as cleaning and transportation capability is more in balance with demand for Canadian grain.
5. The intake of tough and damp grain should be controlled to levels where it does not reduce system handling capability.
6. Restrictions on producer cars should be relaxed and removed as the car fleet is expanded. The current restriction which limits the use of a car to a single producer should be removed immediately.
7. An interchange agreement between CN and CP is required for the movement of grain to Prince Rupert and Churchill to reduce the distance that grain is currently drawn from to serve those ports.

Immediate Industry Action

8. Saturday loading in the country is being implemented on a selected basis with the purpose of making better use of rail car capacity. In these selected cases two train runs per week are programmed, one during

the week and one for Saturday loading.

9. Blocks are programmed for directional movement (i.e. Thunder Bay or Vancouver only) in order to allow for maximum utilization of solid trains of poolable grain. Such programming reduces switching of trains at port areas and aids railway operations. In order to accommodate movement of off-Boards and non-Boards from various blocks, the directional movement is not applied every third week.
10. CN has identified lines which usually are problem lines due to heavy snow and/or soft track conditions. The objective is to program additional runs on such lines so that as much grain as possible can be pulled from these lines prior to the closure due to winter conditions. CP on the other hand will attempt to keep all lines open through the winter.
11. The number of grade and protein segregations for wheat at the West Coast was cited as a problem that reduced the efficiency of terminal elevators. An agreement was reached between the Canadian Wheat Board, the Canadian Grain Commission and the terminal elevator operators to suspend some protein segregations as an

emergency move.

Referred to Industry Ad Hoc Committees

12. Problem - Oilseed Pooling

Action - A Committee was formed to deal with the issue of oilseed pooling at terminals. Physical and paper pooling potentially offers more efficient rail, terminal and shipping performance. Particularly Vancouver which has limited storage capacity and a large volume of oilseeds, pooling offers major throughput advantages. An interim report was submitted to the Task Force and a copy has been forwarded to the Co-ordinator so that he might follow up with an implementation phase. The interim report dealt with the pooling of uncleaned rapeseed.

13. Problem - Interior Facilities Not Used to Capacity

Action - A committee was formed to identify interior facilities that could clean to export standards and load sufficient numbers of cars so that port capacity could be supplemented with cleaned grain. The committee was specifically asked for analysis of how best to use the Government interior terminals and to

identify other facilities with similar unused export capabilities. Again an interim report has been presented to the Task Force and forwarded to the Co-ordinator. The report initially identifies facilities where 200 additional cars of wheat could be cleaned per week to supplement the Canadian Wheat Board's export program for Prince Rupert. These extra cars could be unloaded at Prince Rupert by adding a night shift.

14. The Task Force recommends that supplementary quotas be employed as an emergency measure to attract grain to any facility capable of cleaning to export standards. Where sufficient car spots are available, this should also extend to farmer-owned facilities capable of cleaning to export standards.
15. In conversations with terminal operators the Task Force was informed that as an emergency measure relaxation of the tolerance of small seeds in the higher grades of export wheat from 0.15 to 0.20 would result in a 20 to 30 per cent increase in cleaning capacity at Vancouver. A precedent for 0.20 exists in that that was the standard during the 1977-78 crop year. The Task Force

has requested that representations for the change be made at the Western Grade Standards Committee meeting in early November.

X Outstanding Problem

The terms of reference directed the Task Force to identify essential supplementary activity required to resolve outstanding problems. The Task Force was greatly concerned about the level of frustration experienced by almost everyone in the grain industry. Inflexible vested interest is a strong negative force in the industry which prevents effective, productive movement of grain.

Though the Task Force has not given detailed consideration to a plan for incentives to reward performance it strongly recommends that incentives be made available to all sectors of the industry to reward efficient, innovative action. *Expansion and efficient grain handling and transportation will require flexibility, incentives and less regulation for everyone in the system.*

XI Conclusion

It is the conclusion of the Emergency Grain Movement Task Force that the export targets that have been set out

for 1979-80 (20% increase) and 1985 (50% increase) can be achieved if:

1. The emergency measures contained in this report are implemented;
2. The industry can be brought together in a constructive environment which recognizes the need for co-operation and adequate incentives.

The Grain Transportation Co-ordinator will play a major positive role in achieving the export targets.

LIST OF CONTACTS MADE BY THE EMERGENCY GRAIN MOVEMENT TASK FORCE

1. Alberta Grain Commission
2. Alberta Wheat Pool
3. Canada Grains Council
4. Canadian Grain Commission
5. CLC Grain Committee
6. CN
7. CP
8. Canadian Transport Commission (western, port co-ordinators)
9. Canadian Wheat Board
10. Governments of: Manitoba
Saskatchewan
Alberta
British Columbia
11. Grains Group
12. Manitoba Pool Elevators
13. National Farmers Union
14. Commodity Groups - Palliser Wheat Growers
- Winter Wheat Growers
- Flax Growers
- Saskatchewan Rapeseed Association
- Western Stockgrowers Association
- Western Hog Growers Association
- Alberta Rapeseed Association
- Western Barley Growers Association
- Alberta Cattlefeeders Association
- Alberta Cattle Commission
15. Pioneer Grain
16. Prairie Trucking Associations
17. Saskatchewan Association of Rural Municipalities
18. Saskatchewan Wheat Pool
19. Unifarm
20. United Grain Growers
21. Vancouver Terminal Operators
22. Winnipeg Commodity Exchange

The Task Force met with many individuals including Emmett Hall, Q.C., in addition to the organizations listed here

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