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• (0830)

[English]

The Chair (Mr. Kody Blois (Kings—Hants, Lib.)): Good morning, colleagues. We'll call this meeting to order.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, October 24, 2024, the committee is commencing its study on issues and opportunities related to railways and agriculture.

As you know, colleagues, we have five different witnesses. We've decided to collapse them all into one panel. We'll be going for about an hour and a half today, and we'll get right to it.

First, from the Ontario Federation of Agriculture, we have here in the room Drew Spoelstra, president, and Jason Bent, director of policy research. Gentlemen, thank you so much for your work, and welcome to the committee.

From Pulse Canada, we have Terry Youzwa, who is the chair. It's great to see you in the room as well.

[Translation]

From the Union des producteurs agricoles, we have Stéphanie Levasseur, second general vice-president, in person, and David Tougas, coordinator, economics and trade, by video conference.

Welcome to you both.

[English]

Last but not least, from the Western Grain Elevator Association, we have Wade Sobkowich, executive director, joining us by video conference.

Colleagues, you know the drill: We're going to start with five-minute opening remarks from each witness, and then we'll get into questions. I expect we should be able to do about two full rounds, with three rounds for the Conservatives, three for the Liberals and two for the NDP and the Bloc.

I'd also like to recognize Ms. Sidhu, who is joining the committee. It's great to have you here.

[Translation]

Welcome to Mr. Boulerice, filling in for Mr. Cannings.

Finally, I'd like to welcome Mr. Epp, who's replacing Mr. Lehoux.

[English]

Okay. Let's move forward. We're going to start with the Ontario Federation of Agriculture.

Mr. Spoelstra, you have up to five minutes. It's over to you.

Mr. Drew Spoelstra (President, Ontario Federation of Agriculture): Thank you very much.

Good morning, Mr. Chairman and members of the Standing Committee on Agriculture and Agri-Food. Thank you for the opportunity to address the committee as part of your study into the issues and opportunities related to railways.

My name is Drew Spoelstra and I'm the president of the Ontario Federation of Agriculture. I farm near Hamilton with my family. With me today is Jason Bent, OFA's director of policy research. We represent over 38,000 farm families across Ontario and are committed to advocating for the interests of our members and the broader agri-food industry.

Ontario farmers face significant challenges as railways look to off-load costs onto them. These challenges centre on two main focus areas. The first is the costs related to safety upgrades for private railway crossings, and the second is the issue of drainage infrastructure.

Many Ontario farmers depend on private railway crossings to access their fields. These crossings are vital for transporting equipment, supplies and produce, ensuring that landowners can reach their own property, which was once divided by the railways.

Safety is critical to both railway users and those needing to cross the railway tracks. However, new safety regulations under the grade crossings regulations, which railways must comply with by the 28th of this month, will put an enormous financial burden on some farmers. Upgrade costs vary greatly depending on what's needed for each crossing.

Some of our members with private railway crossings have recently received letters from CN Rail informing them that unless an exemption to the regulatory requirements is granted, their crossings will need to undergo mandated upgrades, which will include the installation of an automated warning system with gates. In the letter, CN Rail provides an estimate that notes the necessary upgrades will cost each private railway crossing owner between \$600,000 and \$2 million, depending on the cost of installation for each automated gate system, in addition to an annual maintenance cost of \$9,685 for the equipment.

The excessive costs of these required regulatory upgrades will result in the closure of some private crossings. Without alternatives, some property owners will have no choice but to lose access to the landlocked portions of their properties.

We understand that CN Rail is currently pursuing options with the regulator to seek a regulatory exemption for some specific crossings where CN Rail believes that cost-effective alternative measures could be implemented that would provide the same level of safety. While we support CN Rail's efforts to seek lower-cost safety alternatives for these crossings, the question remains as to who pays for the upgrades.

Depending on the crossing, some railways are pushing farmers to bear the upgrade costs by imposing new agreements. These unilateral agreements not only shift costs onto farmers, but also threaten to destabilize long-standing arrangements. In some cases, farmers are even receiving 30-day notices to close crossings or, worse, finding their crossings removed without notice.

OFA believes an immediate moratorium on the unilateral closing of private railway crossings is urgently needed. Additionally, railways must continue to honour their past long-standing obligations to manage maintenance and upgrades at their own expense. We support the efforts of railways like CN to seek reasonable safety alternatives for crossings.

Looking now at drainage, the shift in cost responsibilities is not limited to railway crossings. Railways are now backing out of their obligations under Ontario's Drainage Act, which distributes drainage costs based on the area of land drained. Proper drainage is critical for farmland, ensuring that soils remain productive by preventing waterlogging and flooding. Historically, railways have paid municipal drain assessments, but they now refuse to do so, citing their federal regulation status as grounds for exemption. This refusal means that millions of dollars in drainage costs could fall on farmers and rural municipalities instead.

Our position is that railways should remain responsible for these drainage costs, consistent with their historical obligations under Ontario's Drainage Act. In support of this, OFA has applied for intervenor status in a legal challenge between the Municipality of Chatham-Kent and the Canadian Pacific Railway. We are also requesting federal amendments to the Canada Transportation Act to clarify that railways must honour such provincial legislation.

In conclusion, these sudden and unilateral cost shifts are simply unacceptable. Farmers are already under intense financial strain from rising input costs, climate challenges and market instability. Imposing unexpected financial burdens undermines the stability of

agreements that farmers rely on, impacting their mental health, their productivity and, ultimately, their livelihoods.

OFA urges the federal government to act swiftly on the following points:

Impose an immediate moratorium on the closure of private railway crossings.

Reinforce railway responsibility to bear the cost of necessary upgrades and maintenance for private railway crossings, as they have done in the past.

Prevent unilateral agreements imposing new contracts that shift maintenance costs and upgrades to landowners.

Secure government funding. Fully fund the rail safety improvement program to support farmers with compliance costs for safety upgrades. The deadline is fast approaching, and immediate action is critical for preventing these costs from falling on farmers.

Legislate amendments to the Canada Transportation Act to prevent railways from shifting costs historically covered by the railways.

Ontario's farmers provide essential services that support our economy and feed Canadians. We urge this committee to support policies that ensure fair and stable terms for farmers, enabling them to continue to produce food while safeguarding their financial and mental well-being.

Thank you for your attention to these urgent issues. We look forward to working together to secure a viable solution for Ontario's farmers and rural communities.

• (0835)

The Chair: Thank you very much, Mr. Spoelstra.

We'll now turn to Pulse Canada.

Mr. Youzwa, it's over to you for up to five minutes.

Mr. Terry Youzwa (Chair, Pulse Canada): Thank you, Mr. Chair.

I want to thank the committee for its invitation to appear this morning.

I'm Terry Youzwa. I am the chair of Pulse Canada. Pulse Canada is a national association representing over 26,000 pulse growers, as well as the processors and exporters of Canadian pulse crops, including peas, lentils, chickpeas, dry beans and faba bean. I'm a farmer from Nipawin, Saskatchewan, where I, along with my son, grow canola, wheat, oats, peas, faba beans and canary seed.

Canada is the world's largest exporter of pulse crops. Every year, we send billions of dollars' worth of pulses to over 120 markets around the world. To do this economically, Canada's pulse industry—and the entirety of Canadian agriculture—relies on a well-functioning supply chain. For crops like mine to make it to ports and onto dinner plates in markets around the world, they first rely on timely, predictable rail service. The lack of competition available results in unreliable and unpredictable service for shippers.

For a farmer in Saskatchewan, there is only one rail carrier that serves the region, effectively creating a monopoly. In fact, 94% of grain elevators are beholden to one single carrier. That is why Pulse Canada advocates for measures that not only make our system more efficient but also increase competition. Key among these measures is extended, regulated interswitching. Pulse Canada has long been an advocate for this policy, dating back a decade. It has been positive to see parties of all stripes recognize the pro-competitive value of extended interswitching and the positive economic benefits that competition delivers.

Farmers like me bear the cost of a supply chain that isn't performing, and you can see it in our yard: higher levels of inventory, increased storage costs, additional interest charges, wider bases and lower prices. That's what an under-performing supply chain means to me.

However, there's more to it than the cost of storing more grain for longer periods of time. For pulse growers, a good deal of the product moves by container. When the supply chain that moves product from Saskatchewan to transloaders in Vancouver is failing, it has an even bigger impact on our bottom line. Poor railcar order fulfillment and unpredictable service through to Vancouver create delays. Delays often result in demurrage charges and container detention fees. If cars and containers aren't getting unloaded and loaded at port on time, we're missing the vessel we booked to ship our pulses to the customer overseas. Missed shipment windows lead to price penalties that are built into the standard contracts.

Because it's all too common for our industry to experience these kinds of problems, companies often have to switch to more expensive transportation modes or widen shipping windows to mitigate risks, which only further reduces profitability and increases costs. These added costs can't be passed on to the customer because we're competing against the Aussies and new producers throughout the Black Sea region. Most of these costs have to be passed down to growers. We see these costs in the form of reduced prices and higher risk premiums.

The bottom line for me as a grower is that we need a system that offers more cars, better rates and better service. To get there, we need competition. The pilot that ran from 2014 to 2017 and the one running currently both show that extended interswitching works. Even when traffic isn't switched over to another carrier, I understand that extended interswitching is encouraging the originating

carrier to do what it can to win the business. They offer the cars and match the rates. That's competition. We should expect nothing less every day in our rail freight system.

Competition will put the right cars in the right place at the right time and at the right price. When that's happening, we'll reduce the need to absorb penalties and pay for costly workarounds, such as changing transportation modes and extending shipping windows. Those benefits accrue back to the Canadian supply chain, which creates better outcomes for farmers like me.

It's time to take the 160-kilometre extended interswitching pilot and make it permanent. In fact, in order to include all growers in the Prairies, a range of 500 kilometres should be considered so they can take full advantage of increased competition. There's no reason to study it further. Let's do it and get on with the business of growing our economy.

Thank you, and I look forward to your questions.

● (0840)

The Chair: Thank you very much, Mr. Youzwa.

[*Translation*]

I now give the floor to Ms. Levasseur from the Union des producteurs agricoles, who has five minutes.

Ms. Stéphanie Levasseur (Second General Vice-President, Union des producteurs agricoles): Thank you, Mr. Chair.

Members of the committee, thank you for having us here today.

My name is Stéphanie Levasseur. I am pleased to be here as an apple producer in Frelighsburg, in southern Quebec, and as the second general vice-president of the Union des producteurs agricoles.

The UPA represents more than 42,000 farmers, who operate nearly 29,000 businesses throughout Quebec. It represents all sectors of agricultural production, and its members are active in local, national and international markets.

As you know, the economic contribution of agriculture and forestry is undeniable. In 2023, agricultural businesses generated total revenues of \$13 billion, making agriculture the largest primary sector activity in Quebec. In addition, according to a study produced by our economists in 2022, the growth potential of the agricultural sector is estimated at 23% by 2030, 4% higher than the Quebec economy as a whole. These few figures clearly show the importance to be placed on agriculture and the consequences that certain decisions can have on this key sector of our economy.

The first topic I want to talk to you about is grade crossing upgrades. As my colleague Mr. Spoelstra said, on November 28, less than three weeks from now, all crossings under federal jurisdiction will have to comply with the grade crossing regulations.

CN has identified a limited number of private crossings that still require significant upgrade investments to meet these regulations.

In accordance with the current regulations, the costs will have to be borne by the producers who use the crossings. As previously mentioned, the estimated costs are \$600,000 to \$2 million for each of these crossings. Added to that is an annual cost of up to \$10,000 to maintain the equipment.

You will understand that these amounts greatly exceed the financial capacity of the farmers concerned. In the absence of viable solutions, the only option may be to close the crossings, making some of the landowners' agricultural and forestry lands completely inaccessible. That would be unacceptable and would cause considerable harm to the affected producers.

CN informs us that, with the help of experts in the field, it has found replacement measures with equivalent safety benefits and at significantly lower costs for a number of agricultural level crossings. In light of this information, the UPA, along with the Ontario Federation of Agriculture and, more broadly, the Canadian Federation of Agriculture, supports CN's initiative to obtain regulatory exemptions for these grade crossings.

The exemptions are all the more critical given that the rail safety improvement program, or RSIP, has not been accepting new proposals since 2022 for projects aimed at improving rail safety at grade crossings and along railway tracks. While we strongly encourage the Government of Canada to recapitalize the OSAP to cover the costs of upgrading, maintaining and modifying private grade crossings, we are well aware that any new funding will not be available in time to meet the end-of-the-month deadline, as stipulated in the regulations. Hence the importance of granting regulatory exemptions.

I also wanted to draw your attention to the crucial importance of maintaining efficient and fluid rail services for the transportation of agri-food products, including inputs to agricultural production such as seeds, fertilizers and equipment. Rail disruptions are a strategic issue for the agriculture and agri-food sector. Delays in the delivery of our agricultural products have serious consequences for farm businesses and, by extension, the entire agri-food industry, not to mention the direct impact on consumers.

The farm propane crisis, which occurred in November 2019, is a prime example. At the time, rail transportation in Quebec and elsewhere in Canada was interrupted by a strike. As a result, the supply

of propane, which is essential for a number of agricultural uses, including grain drying during harvest, was severely affected. The propane shortage particularly affected Quebec farmers. The crisis revealed the significant dependence of Quebec agriculture on rail transportation for the supply of propane, among other items, and raised questions about supply chain resilience.

During the pandemic, we saw how much our resilience depends on a stable and reliable supply chain. The agricultural sector, already facing financial and climate challenges, cannot afford to have its access to rail transportation compromised. The current situation calls for urgent action to ensure that the transportation of essential goods, particularly those related to agriculture, is protected and prioritized.

In conclusion, we applaud the fact that the members of this committee have taken the initiative to focus on this issue. We hope that the committee's recommendations will help adapt existing regulations and programs to the reality of Canadian society today.

Thank you.

• (0845)

The Chair: Thank you, Ms. Levasseur.

Mr. Sobkowich, you have the floor for five minutes.

[English]

Mr. Wade Sobkowich (Executive Director, Western Grain Elevator Association): Good morning. Thanks for having the Western Grain Elevator Association appear on this very important subject.

The WGEA is a national association of grain companies that handle over 95% of Canada's bulk grain exports. Grain shipments account for roughly 20% of railway revenue, meaning that Canada's major carriers make one dollar out of every five dollars they earn from the grain sector. Our members represent an even larger portion of total cargo volume in Canada's largest ports, including in Vancouver, Thunder Bay, Hamilton and Montreal.

Having cost-effective and efficient rail service is fundamental to the success of Canada's grain supply chain. Alongside many of our farmer and grain processor partners, the WGEA has for decades advocated for improvements in rail-related legislation. I personally have been employed by the WGEA for 27 years, and we've been working on rail legislation improvements that entire time.

There are a number of items we are advocating for and have been trying to get into the Canada Transportation Act. One is to see the railways pay reciprocal penalties when they fail to deliver shipments on time. Right now they charge grain companies for failing to load trains within a 24-hour period or some similar period, but there is no discipline on the railways for failure to bring a train or deliver a train when they say they're going to. We think reciprocity is required in that area.

The second area of advocacy is to retain the maximum revenue entitlement to prevent railway rates from falling on the shoulders of farms, essentially. The third is to turn the grain and winter plans into useful tools of accountability. I could expand on that later, if required. The fourth one is to end the practice of so-called contracting out, which is where the railways get shippers to sign away their rights under the Canada Transportation Act. That happens today. The fifth one is to improve on the cumbersome and ineffectual remedies through the Canadian Transportation Agency, among other policy ideas.

These are all very important concepts that deserve to be considered, but the sixth one, the one I'll talk about for the remainder of my time, is extended interswitching. Terry explained this. It's an ideal example of low-hanging fruit. It provides meaningful competition on rail rates and service for shippers that are captive to one of the two primary rail networks.

Extended interswitching is one of the only policy tools that actually caused Canada's two rail monopolies—we call them “dual monopolies” as opposed to “duopolies”, because if you're positioned on a rail line, you don't have a choice between one or the other—to compete with one another for shipper business. Not only does it offer an alternative service provider; it also encourages the originating carrier to offer better service or pricing than they otherwise would.

Canada had extended interswitching in place from 2014 to 2017, which was prompted by catastrophic railway failures in 2013. At that time, Canada's railways voiced strenuous objections to extended interswitching on the grounds that it would cause major operational challenges and economic hardships on their companies. Time would reveal that class I railway profitability in that four-year period, based on their operating ratios, was the best it had been over the previous decade. We know that the railways are very active right now in advocating against extending or renewing extended interswitching.

More recently, the pilot trial to increase the regulated interswitching limit in the Prairies was once again adopted under budget 2023. It's been in place since September 2023, but it was only granted a very short timeline of 18 months, which, for a variety of reasons that I can expand on, has made it very difficult to use.

At its core, extended interswitching gives shippers on a single line the option to call in another railway to get product to market within the extended distance, which is 160 kilometres under the pilot. Poor rail service is often the result of underinvestment by the railway companies. In order to compete with one another, though, they would have to deploy more resources, which means hiring more people. The fact is that extended interswitching will create more jobs in Canada.

The threat of loss of business causes the railways to sharpen their pencils on freight rates, which is factored into the cost of goods to Canadians and affects our competitiveness globally. The Canadian Transportation Agency ensures that railways are fully compensated for their actual costs plus a margin of profit under regulated interswitching. It also provides for other options. One of these options is to find quicker and more direct routes for the movement of goods. This reduces costs for shippers and therefore consumers. It also frees up rail capacity to help get product to customers in a timely way.

Extended interswitching essentially turns a monopoly market into a duopoly situation, which isn't fantastic, but at least it's not a monopoly. Even if an interswitch does not physically happen, the presence of another option changes railway behaviour. In fact, that's the real value of extended interswitching. It brings the primary carrier to the table.

The intent of extended interswitching is to give all captive shippers at least one competitive option. For that to happen in the grain sector, as Terry mentioned, the extended interswitching distance would need to be 500 kilometres to allow for the Peace River and Carrot River growing regions to participate.

● (0850)

It's a vital tool for Canadian shippers that has proven to increase competition while lowering costs to shippers and consumers. It should be a permanent right for all Canadian shippers.

Thank you.

● (0855)

The Chair: Thank you very much to the witnesses.

We will now start with questions.

Mr. Barlow is going to lead us off for up to six minutes.

Mr. John Barlow (Foothills, CPC): Thanks, Chair.

Before I start my questions, I want to put on notice a motion that I hope we can discuss on Tuesday. The motion reads:

That, given:

a) the Minister of Agriculture confirmed he didn't know the capital gains tax hike was in Budget 2024;

b) no consultation was completed by the Minister of Agriculture with the agriculture sector; and

c) the concerning and heartbreaking testimony the committee has heard on the impact the capital gains tax hike will have on farm families;

the committee hold at least four additional meetings on its study of the intergenerational transfer of farms and new entrants.

I hope we can discuss that on Tuesday. As a result of the testimony we've had thus far on this issue, I think it warrants additional study.

To get to the study at hand, Mr. Spoelstra, thanks very much for your testimony, as well as yours, Mr. Youzwa, on these crossings.

When Transport Canada made the change to the grade crossings regulations in 2022, basically there was no difference between a private crossing and a public crossing. Was there any consultation from the government department with OFA or Pulse Canada?

Mr. Drew Spoelstra: To my knowledge, no, there was no consultation with our organization, but we have since been following up with Transport Canada on the concerns that our members around the province are facing with private-level crossings to ensure they have the support they need to go forward and maintain those crossings, with the cost being associated to the railways.

Mr. Terry Youzwa: I think you want to talk to Stéphanie about this.

We didn't speak to private crossings, but they're certainly important for a farmer to access his own land in a reasonable manner. We haven't looked at that.

Ms. Stéphanie Levasseur: To my knowledge, no, we weren't consulted. At the time, though, the program was still in effect. There was still money in the program for safety upgrades, but the money ran out and hasn't been renewed since, so everybody who could get up to standard in that year did, but everybody else fell at the end of the bridge.

Mr. John Barlow: I want to make sure that folks understand what we're talking about when we're talking about rail crossings on farms. These are not rail crossings at public roadways, highways, or anything along that line. In most cases, these are remote rail crossings where you would be moving farm equipment maybe once or twice a year from one parcel to another. More than likely, the only people using this crossing would be the landowner or the farmer. Am I right on that?

Going back to the 1800s, when the railway was built, have any concerns been raised about safety to the public on these railway crossings? Was there an outcry to Transport Canada that these crossings needed to be upgraded?

[Translation]

Ms. Stéphanie Levasseur: I'm not aware of any.

Yes, the crossings are on private land. They are used only by producers who own the land or their employees, who cross them to work in the fields or woodlots on the other side.

In the 1800s, the lands were probably forested and were not being used. There were a lot fewer problems at the time, but since then, the land has been cultivated and now the grade crossings are only used by producers to access their fields on the other side.

I have not heard of any issues related to accidents or incidents involving landowners or anyone else.

[English]

Mr. John Barlow: Thank you.

I'll turn to you, Mr. Spoelstra.

Mr. Drew Spoelstra: We're certainly not aware of many, if any, challenges from around Ontario or the rest of the country that we've seen with farm equipment crossing the railway tracks, but safety is of utmost concern to all of our members and to the railways. We want to make sure that our crossings are safe and that farmers have reasonable access to those things, as you mentioned, a minimal number of times a year.

There have been changes, obviously, to the speed and frequency of trains, and also to the size of farm equipment. As time passes, I'm sure there will be more focus on the ways crossings are changing and evolving, but as you mentioned, these agreements go back to the late 1800s, when the railways cut these farms in half. We want to see these agreements honoured going forward in the future.

● (0900)

Mr. John Barlow: Thank you.

I want to switch gears now and go to Mr. Youzwa or to Wade.

I know the ask is for the interswitching pilot that ends later this spring to be extended by 30 months.

Wade, as you mentioned, we had the Fair Rail for Grain Farmers Act from 2014 to 2017. It clearly showed that extended interswitching works. It solved a problem that you termed catastrophic. That was a move by the previous Conservative government.

I'm curious about why the ask is to extend the pilot for another 30 months when I think it's been proven that this works. Why not just ask for this to be made permanent?

The Chair: Unfortunately, we're at time. I'll try to manage you a little better moving forward, John. It's a tough job.

You can have 20 or 30 seconds, Mr. Sobkowich.

Mr. Wade Sobkowich: It should be made permanent. The ask for 30 months is simply about reading the tea leaves of what's within the art of the possible, but permanency is the goal.

It should be an as-of-right provision. Access to competition, with at least one other competitive alternative, should be a permanent as-of-right provision.

The Chair: Thank you very much.

Mr. Drouin, you have six minutes.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

Thanks to the witnesses for being here.

I'll start with the OFA. Mr. Spoelstra, thanks for coming before us.

For private crossings, consultations started way back in 2014. The delay of implementation of regulations was in question after.

Your members have received letters from CN and CP. When did they receive those letters? Did they receive those letters a year ago, or are we talking just months ago?

Mr. Drew Spoelstra: The letters that I'm aware of they received this past July. July 2 I think is the date. Those letters were regarding upcoming requirements for the crossings. They basically issued an ultimatum that either they're upgraded at the farmers' costs or they're removed.

Mr. Francis Drouin: I know CN is trying to get an exemption, and I think Jason has been in touch with Transport Canada.

I understand that at public crossings, there may be 100 cars per minute, but on the farm, there might be five or 10 crossings per year. Obviously, the level of safety doesn't need to be the same. Blowing a whistle might suffice to know that there's a train coming.

Obviously, \$600,000 to \$2 million is completely unacceptable to be farmed out to the farmer, so thanks for coming here. We're trying to find a reasonable solution, because, again, the invoice doesn't work.

With regard to interswitching, the only way we can change inter-switching is through a legislative change. For six weeks now, nothing has moved in the House. My plea to you is to call your local members. I don't want to make this partisan, but you can say that we've heard all the MPs who spoke on SDTC and that we've heard them loud and clear. We have to get back to the business of the House, because if we don't have enough time to legislate inter-switching, there will be a gap after March. I'm trying to reduce that gap. If we don't get it through the fall economic statement, then we're stuck. The Minister of Transport will have to go to the House leader and present a bill. That requires time, and time is extremely sacred in the House. My plea to you is to send letters.

My second plea to you is also on interswitching. I haven't heard from you guys about whether interswitching works well, but that's good news. I only hear when it doesn't work well. I would urge you and your organizations to send a letter to the Minister of Transport to say why interswitching has worked well for you, because you can be sure that the other side is definitely sending letters as to why they shouldn't extend interswitching. That's my advice to you.

Mr. Youzwa, you mentioned in your opening remarks that inter-switching has worked well. Can you explain to this committee why? You're talking to shippers. You're talking to farmers. Ever since this has been implemented, you have seen a better service from rail service. Is that right?

Mr. Terry Youzwa: We're price-takers in a global market. We're far from port. Every time there's a disruption, it comes out of our bottom line. If we don't find ways to be innovative, we're faced with diminished returns, which eventually lead to losses. Data collected during that period showed that \$5.3 million was saved by grain companies that used the extended interswitching regulations.

For example, for a routing from Lethbridge to Stockton, California, using a CP routing, we pay by ton-mile. Through Vancouver would require a routing distance of approximately 2,790 kilometres. A BNSF routing would be approximately 2,145 kilometres, a reduction of 23% in route miles. It's not rocket science. It's there, and it's real. That's a 23% gain. That's just one example.

Even when something doesn't move by another carrier, the threat of it moving by another carrier lowers the price. We have to find ways to be innovative in order to remain competitive.

Mr. Francis Drouin: Absolutely. I agree 100%.

[Translation]

Ms. Levasseur, approximately how many of your members will have to bear the costs of upgrading grade crossings in Quebec? Have you done the analysis?

Ms. Stéphanie Levasseur: Over the past 18 months, we have received a number of requests. We've managed to settle a number of cases amicably, but there are still about five major cases of Quebec producers who will have to invest amounts similar to the ones mentioned earlier.

• (0905)

Mr. Francis Drouin: Is the situation the same as for my colleagues in Ontario? Did your members receive a letter in July telling them that they were going to be billed \$600,000 or \$2 million?

Ms. Stéphanie Levasseur: Yes, they received a letter this summer proposing new agreements that would make them responsible for insurance, the cost of the work, and so on.

Mr. Francis Drouin: Would it be possible to get copies of those letters? I obviously respect farmers' privacy. You can delete the names.

I think it would be helpful for the committee to get copies of those letters.

[English]

Mr. Spoelstra, I would ask you the same. Maybe we can get copies of those letters. I don't want to see the names—just to respect privacy—but I'd love to make sure that we give those to the minister.

Thank you so much.

[Translation]

The Chair: We now go to Mr. Perron for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): Thank you, Mr. Chair.

I'd like to thank the witnesses for being here, both online and in person.

Ms. Levasseur, in your opening remarks, you talked about the upgrade program that is finished.

Can you give us some details about the program? How much money was involved? Is it a program that was put in place when the regulations changed? Is it a long-standing program?

I would like everything to be clear.

Ms. Stéphanie Levasseur: If I may, I will ask my colleague Mr. Tougas to answer that question. He's probably more familiar with the intricacies of it.

Mr. David Tougas (Coordinator, Business Economics, Union des producteurs agricoles): It's a long-standing program, but I can't say for how long. The program has mainly been used by municipalities, but private landowners can still use it for upgrading level crossings, for example.

As Ms. Levasseur mentioned in her remarks, there have been no funds available for several months. There is no longer any way to access those amounts. When companies need to do upgrading work that has to be done on farmers' land, farmers have to foot the entire bill.

Mr. Yves Perron: Correct me if I'm wrong. From what I understand, there was a long-standing program for upgrading grade crossings, but when the regulations changed and requirements increased, the program came to an end.

You had access to the program when you didn't need it, and now that you do need it, it no longer exists. This is what we call government consistency.

I don't know if you have a comment on that.

Ms. Stéphanie Levasseur: You said it.

Mr. Yves Perron: That's one of your recommendations.

What justification are you being given for the fact that, as of November 28, there will be new requirements for you to be able to cross a railway on your isolated land with your tractor?

I'd like to understand.

Ms. Stéphanie Levasseur: I think this is a perfect example of blind regulation. No one has taken the time to distinguish between the risk on a public road and the risk on private land, where there is little to no traffic and certainly no public traffic since it is used solely by the owner.

I think the regulations were made to apply everywhere without taking the time to find ways to adapt them to places where the risk is lower.

Mr. Yves Perron: Reviewing it intelligently and adjusting the requirements might also be a recommendation.

Ms. Stéphanie Levasseur: That is what we asked for when we were talking about finding alternatives to address the safety upgrades, such as using a whistle. Before starting the meeting today,

we wondered how we can manage to track planes in the sky everywhere in the world but not be able to use our telephones to find out when a train is coming.

There are ways to find solutions, with modern technology, or to improve visibility. For example, more plant growth can be removed from a wider area near level crossings. There are all sorts of ways to do things that would improve safety without necessarily using barriers or traffic lights and delivering electricity two miles from the road to the middle of a field.

Mr. Yves Perron: Right.

To your knowledge, are there a lot of accidents at level crossings on agricultural land? Is there some justification for this excessive regulation?

• (0910)

Ms. Stéphanie Levasseur: My colleague, Mr. Tougas, will be able to add to my answer, if he likes, but to my knowledge there have been no accidents involving a train and an agricultural producer in recent years.

Mr. Yves Perron: Historically, the owner of the railway is the one responsible for maintaining its own network and enabling agricultural producers to cross it. That was mentioned by several witnesses earlier.

I understand this has to be qualified based on whether or not a property is split in two. I have two sub-questions on that.

Does this distinction, whether or not the land is split in two, still exist? As well, why is it that they are suddenly able to charge agricultural producers for the cost?

Ms. Stéphanie Levasseur: I am not sure I understood your first question properly, but charging the costs to agricultural producers is nothing new. The agreements that were made in the 19th century, when the railway came through, were to that effect.

However, the requirements were not the same and it didn't work the same way. It has really never been altered over the years, as is also the case for a number of old laws or regulations that are never updated because they are no longer useful. The result today is that we have a problem.

Regarding the first question, you would have to explain what you mean by the distinction between—

Mr. Yves Perron: In the committee's briefing note, it says that if the level crossing splits the land in two, the railway company's costs, if it is not splitting the land in two—

Ms. Stéphanie Levasseur: We have to understand that it is not necessarily entirely on the agricultural producer's land.

The Chair: Well done, Mr. Perron. You kept to your speaking time. You spoke for an extra five seconds. Thank you.

Mr. Boulерice, the floor is yours for six minutes.

Mr. Alexandre Boulерice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chair.

Thanks to the witnesses for being with us today for this important study.

I want to start by admitting that I am an MP from Montreal. I represent Rosemont—La-Petite-Patrie. Level crossings, for me, are something I need to ensure the safety of the people I represent near the Rosemont metro station. That is an entirely different situation.

I find the committee's study fascinating because I am learning a lot. Upgrading level crossings on agricultural land and the resulting financial responsibility rest on the shoulders of the people you represent, all because of some old agreements and old regulations that date from the 19th century and have never been updated. The power of the railway companies in Canada is somewhat staggering.

Ms. Levasseur, you spoke about five unresolved cases in Quebec where the costs could range from \$600,000 to \$2 million every time. What does that represent for your members? What repercussions does it have on the very survival of some farms or on the agricultural production of members you represent?

Ms. Stéphanie Levasseur: I don't know the names of each of those producers, but more than half of our members in Quebec have incomes of \$100,000 or less per year. Given those circumstances, a bill of \$600,000 to \$2 million for upgrading a bit of railway track that is not even as wide as the committee room and is used five or ten or 15 times a year is somewhat exorbitant.

That can mean abandoning or completely losing access to the parcel of land on the other side of the track because the producer does not have the resources to pay for the work. They have neither the resources nor the capacity to repay a loan to have that kind of work done. The lots on the other side of the track might be large or might be small.

Mr. Alexandre Boulerice: As you said, the regulations are blind and do not take into account the real agricultural situation of the people you represent.

I found it interesting when you questioned how we don't have the technology to see whether a train is coming. In urban areas, the situation is completely different, with a crowd of people. As well, as you said, there have been no accidents or incidents.

Mr. Spoelstra, for the people you represent, what is your estimate of the cost of upgrading the level crossings? How many cases are there?

• (0915)

[English]

Mr. Drew Spoelstra: The costs are the same as those in Quebec, especially for private railway crossings. We're seeing costs, though, that are exorbitant for drainage, with the railways trying to abdicate their responsibility to cover the costs to drain the railways. It's not only about the drainage of our farm properties. The drainage around the railway tracks and the system underneath them also need the drainage system to work well.

This is an opportunity for railways, municipalities and farmers to come together. That's how the Ontario Drainage Act works. The people who are using the system pay for the costs. That includes the railways, so we want to make sure that the agreements from the early 20th century are all met and continue into the future.

[Translation]

Mr. Alexandre Boulerice: Mr. Sobkowich, you referred to a dual monopoly.

What is your opinion about the attitude of the two big Canadian railway companies, Canadian National and Canadian Pacific, in general?

Mr. Spoelstra, you can begin.

[English]

Mr. Wade Sobkowich: If you're an elevator planted in the middle of Saskatchewan and have CN or CPKC running past you, you're beholden to a monopoly. You're shipping on the terms that are dictated by the railway.

What we're looking for are legislative measures that try to rebalance that relationship and make it into a more commercial relationship—the type of relationship you would find if there were a competitive environment. It's about supply chains, and supply chains are about the economy. It's now more important than ever that we do everything in our power to get product to our customers in a timely way. We suffer reputational damage and costs. We're not taking advantage of opportunities, and we're not able to return as many foreign dollars to the Canadian economy for the product we grow and export. That relationship is very imbalanced right now.

Extended interswitching would provide one tool, but we need more tools than extended interswitching. We need reciprocal penalties. We need other measures in the Canada Transportation Act to help rebalance that relationship so there's more equal bargaining power. When the railway and grain elevator sit down to discuss and agree on terms of service, they should do so as equal partners in a commercial relationship, not the railway dictating terms of service, essentially, to the grain company.

I hope that answers your question.

The Chair: Thank you, Mr. Sobkowich and Mr. Boulerice. We're at time.

We'll now go to Mr. Epp for up to five minutes.

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

As a past processing tomato grower, I've had the chance to go to California many times. There's an expression that comes from that state: Whiskey is for drinking and water is for fighting over. The province of Ontario has been around for a long time and addresses that, albeit from the opposite perspective—not access to water, as in California, but rather drainage of water. The Ontario Drainage Act is the oldest act in the province of Ontario. For a hundred years, both railways respected that act.

I'd like to begin with the OFA.

Mr. Spoelstra, why do you believe that over the last five years, both railways seem to be challenging an act they respected for over a hundred years? My municipality of Chatham-Kent has the most bridges, largely over drains. In the municipality of Perth East, CN is being sued. My municipality is suing CPKC. Why is that?

Mr. Drew Spoelstra: Thanks for the question. I think Jason may have some comments on this as well.

Largely, everyone is seeing increased costs in their operations thanks to inflation and other challenges, and farmers are certainly bearing the brunt of a lot of the inflationary pressures on our industries. Crop inputs are higher, and all the other things we have to deal with are higher. I'm sure the railways are no different. They're looking for ways to spread out those costs.

There are historical agreements in place. We want to make sure they're honoured. We want to make sure farmers are supported in these efforts. When it comes to the Ontario Drainage Act, these costs have to be covered by the people using them. As I mentioned, municipalities are covering a portion of those costs. The railways should cover their portion of the costs, and the farmers should do their best to cover their portion of the costs as well.

Do you have anything to add, Jason?

• (0920)

Mr. Jason Bent (Director, Policy Research, Ontario Federation of Agriculture): The railways are hanging their hat on the fact that they are federally regulated. In their minds, that means they don't have to comply with or adhere to the law of the land where drainage work is situated—or crossing, in this case.

Mr. Dave Epp: I've done some digging, because this doesn't just affect my municipality at home. I guess it was in 1996 that the Railway Act was repealed and replaced by provisions split into both the Canada Transportation Act and the Railway Safety Act.

Is it your understanding that the government of the time intended to change the policy around drainage and the opportunity for railways? I find it a bit odd that it was changed back in the late nineties, and then all of a sudden, about five years later, both of our national railways appeared to challenge it. Comment on that, please.

Mr. Jason Bent: Thanks for pointing out that the Railway Act was repealed and replaced.

There were provisions in the Railway Act that contained a clause requiring railways to abide by provincial drainage legislation, with some conditions. That's why our request is that we amend the Canada Transportation Act to include those types of provisions and direct the Canadian Transportation Agency to consider provincial

drainage legislation and their past rulings when a matter is brought forward to them.

Mr. Dave Epp: I have had a chance to meet with the railways on this exact issue. Their claim is that after 100 years, all of a sudden, they are taking care of their own water. I find that, as a farmer and someone who's been involved with the Drainage Act many times over the years, a bit incredulous because last time I checked, water still flows downhill and has to go somewhere.

What is the effect if they are successful in avoiding paying costs into the drainage schemes? Can you explain again—I think Mr. Spoelstra began—how the costs for cleaning a drain, putting up a bridge or replacing a bridge work for all those affected?

Mr. Drew Spoelstra: If the railways are deemed not responsible for the costs of their drainage, those costs are going to be shifted onto farmers and municipalities. We know that farmers are already facing exorbitant costs from some of the other challenges. Municipalities are having their own set of challenges with affording some of these costs and passing them on to taxpayers. Ultimately, taxpayers across municipalities are going to be responsible for a bigger portion of the cost.

Mr. Dave Epp: Thank you.

I normally take all of my time, but I'll cede a few seconds.

The Chair: You'll get on my Christmas card list this year, then, Mr. Epp.

We'll go to Mr. Louis for up to five minutes.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Chair.

I want to thank all the witnesses here.

We're talking about railway as infrastructure, and in general, infrastructure is very important in Kitchener—Conestoga, specifically roads and bridges.

We mentioned infrastructure that's not used much. Railway crossings are not used much. Roads and bridges are not used often. That's important because I have a Mennonite community using horses and buggies. When we're talking about a bridge or road that needs to be closed and people have to drive a few minutes down the road, our Mennonite community has extra challenges doing that.

I appreciate this conversation. We're trying to balance safety with practicality. I want to point out that we're talking about private railway crossings, not public crossings, and that these crossings are used by the farmers themselves and not that often.

I'll direct my questions to Mr. Spoelstra from OFA.

You mentioned the costs that could be passed down to farmers—\$600,000 to \$2 million per farm—if we don't find cost-effective measures to do this. Farmers can't afford a bill like that. That's going to cost them money or, if they have to go around, would cost them time, which is also money. In my region, Waterloo, there are 15 private and farm crossings on the CN line and 12 on the CP line, and we even have nine on a smaller Elmira line, so this absolutely affects us in the Waterloo region.

Can you explain how we can make the railways pay for these changes or how we can change the process of how a train passes through private lands? What kind of mechanisms can we enforce?

• (0925)

Mr. Drew Spoelstra: To the second part, I'm not sure there's any way to really change the process of how trains pass through, other than looking at alternatives for safety. There may be ways to track the trains. I think we've chatted about that already. There may be opportunities to blow the horn more frequently when they're coming up to some of these private crossings.

The private crossings themselves, as you mentioned, are absolutely critical for farmers and for other parts of the community. These crossings are in place because once upon a time, the railway cut farms in half. For the good of the rest of the country, putting the railways in place also meant access to these crossings for the farmers who needed them.

We outlined a few things that we think are possible for the government to move forward with. Imposing an immediate moratorium on the closure of railway crossings is important for us. We can reinforce that the upgrades to these crossings and the drainage issues are the responsibility of the railway. We can prevent unilateral agreements that shift the maintenance and cost upgrades to landowners. Funding the rail safety improvement program is important so that municipalities and farmers have access to funding to make improvements. Then there's working on legislative amendments to the Canada Transportation Act to prevent railways from shifting costs that are historically covered by the railways.

Mr. Tim Louis: I appreciate that and your being here to have this discussion.

Perhaps we can talk about the Drainage Act again. I know you've said this before, but it helps to get it on record again. You mentioned that the people using the system pay the cost, and the railways are using the system. Can you expand on why they need to pay their share?

Mr. Drew Spoelstra: Absolutely. That's the way the system works. The users of the system pay the cost. For a number of years, it's worked very successfully.

The railways are not immune to drainage issues. Even though they might be up on a raised platform, there still needs to be drainage around them. The water still needs to get away. The water still needs to flow underneath railways so that they don't erode and cause issues with the infrastructure underneath them.

Railways are as big a user of the drainage system as any of us farmers or municipalities across Ontario.

Mr. Tim Louis: I will switch, for the minute I have left, to Mr. Sobkowich from the Western Grain Elevator Association.

We're going to hear from the railways in the next week or so. The railways are probably going to say that extended interswitching makes supply chains less efficient or possibly directs more grain to the U.S. Can you help address those issues, because we're about to hear that from them?

Mr. Wade Sobkowich: Barely any grain gets interswitched. In terms of operational impact, it's minimal. When the pilot ran from 2014 to 2017, less than 1% of all traffic was interswitched, and less than 0.6% of that was grain.

It really has a negligible to non-existent operational impact. The railways will play that up. They don't want it because it creates some measure of competition, which is distasteful to them. That is just a non-thing.

It's very useful to us, because if the railway is not providing you with a train or with competitive rates, today, you as an elevator and as a shipper would wait for a train. You don't really have any leverage. I shouldn't say "today", because under extended interswitching, you do have some leverage to say that if they're not going to provide you with that service, you're going to avail yourself of your right to connect to the competing carrier. What happens after is that the primary carrier comes back and says that everybody should just back away from the ledge and that they think they can get you a train next week.

The effectiveness of extended interswitching isn't in the actual interswitch. It's in the leverage you get in presenting the competitive alternative and introducing that into the discussion. That's really a non-issue.

In terms of employment and trains to the U.S., we have to remember that both major primary carriers in Canada exist on both sides of the border. They have employees on both sides of the border, and they have vast networks on both sides of the border. They move product across the border all the time.

We export a lot of grain to the U.S., but the vast majority of our grain moves east-west. It moves to one of Canada's ports for a destination overseas. We don't move grain to or through the U.S. unless it's destined for the U.S. In that case, it crosses the border, and it can go a certain distance before the railway needs to change from a Canadian crew to a U.S. crew. Then it moves on. It really doesn't have an impact on Canadian jobs either, other than that the railways—

• (0930)

The Chair: Mr. Sobkowich, I apologize.

Mr. Louis, you had two extra minutes there. You'll have to send me a Christmas card. I like good scotch, so you can send that in the mail too.

[Translation]

Mr. Perron, the floor is yours for two and a half minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

Ms. Levasseur, I would like to hear your comments on the subject of interswitching.

From what I understand, this is a major problem in the west. In Quebec, is the 160-kilometre distance used?

Ms. Stéphanie Levasseur: No, we don't have this problem in Quebec because we have direct road access to the ports, I believe. So this is not a problem for the province of Quebec.

Mr. Yves Perron: I am going to ask the other witnesses. I don't know who will want to speak on the subject of interswitching.

The act provides for a distance of 30 kilometres, and the pilot project is now extending that distance to 160 kilometres. Everyone says that this works well and should be made permanent.

Some are now calling for the distance to now be 500 kilometres. I am not opposed to raising it from 160 to 500 kilometres, but I would like to understand the reason for asking to make it so far. Is this 500-kilometre distance needed everywhere? Could the 160 kilometres be made permanent, and exceptions provided to enable certain producers to have the 500 kilometres?

I would like to hear your opinion on that.

[English]

Mr. Drew Spoelstra: As in Quebec, interswitching isn't a big issue for our members across Ontario. We have very good access to ports, like the port of Hamilton, the port of Thunder Bay and others around the province. We have a good ability to move our products, but we certainly support some of the challenges that our western friends are facing when it comes to interswitching, and we support extending the project to up to 500 kilometres.

[Translation]

Mr. Yves Perron: What do you think, Mr. Sobkowich?

I will ask Mr. Youzwa to answer after that.

[English]

Mr. Wade Sobkowich: Today, extended interswitching applies in Alberta, Saskatchewan and Manitoba. It's still 30 kilometres for the rest of the country.

The reason we're saying 500 kilometres is that there are some elevators and farmers in those areas who won't have access to an elevator that has a competitive alternative. Right now, 92% of elevators have access under 160 kilometres. That doesn't take into account the grain-growing regions in B.C, so those elevators are at a competitive disadvantage. The Carrot River region in Saskatchewan is also at a competitive disadvantage. In order to capture them, 500 kilometres would be needed.

[Translation]

The Chair: Thank you.

Mr. Boulerice, you now have the floor for two and a half minutes.

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

I would like to come back to the cost of the renovations, the updates to level crossings.

If I understand correctly, the financial assistance program ran dry several months ago. So we are looking at three possibilities: the government could put money into the program; a regulatory exemption could be created—you would not be required to do it; or the cost could be covered by the railway company.

Which of those three options do you prefer? Do you want all three?

Ms. Stéphanie Levasseur: I imagine that the option you prefer is for the railway company to pay.

Mr. Alexandre Boulerice: You said it.

Ms. Stéphanie Levasseur: In fact, the program is not solely for the benefit of agricultural producers; it is also for the benefit of municipalities and society as a whole. It is an important program. I think there will always be upgrading or work to be done on these level crossings, whether they are public or private. It is therefore important that there be a support program, which is why we are asking that it be restored.

It is probably too late for this to be done by the end of the month, to meet the November 28 deadline. That is why we are also asking for regulatory exemptions, so something can be done quickly and at lower cost for producers, in order to meet this requirement before the end of the month. The regulatory exemptions are also important.

In my opinion, we have to evaluate or analyze the difference in risk between level crossings in urban situations, in municipalities or on public roads, and level crossings in private areas where there is very little or no access to the public, which are seldom used.

I think it is possible to balance it all and arrange it so that the regulatory provision is not the same everywhere, since the risk is not the same everywhere.

• (0935)

Mr. Alexandre Boulerice: Mr. Spoelstra, do you want to add a comment?

[English]

Mr. Drew Spoelstra: The first thing is that we want to make sure these crossings aren't closed and pulled out of such that farmers are unable to use them. That, I think, is a quick fix. Maybe before the end of this month we can issue that directive.

Following up on that, we want to make sure that the railways' responsibility is enforced. We want to make sure that these long-standing agreements are honoured. Maybe we can look at legislative amendments to prevent the shifting of these costs from the railways to farmers and others.

The Chair: Thank you very much.

Colleagues, we're now going into the third round. There will be five minutes for the Conservatives and five minutes for the Liberals. Then we will still have about 15 minutes. I'll do a quick little round of two or three minutes for each party, just to try to round us up to 10. I have a few questions as well. I always get jealous; you guys get to engage.

It looks like Mr. Steinley is ready to rock and roll.

It's over to you for five minutes.

Mr. Warren Steinley (Regina—Lewvan, CPC): Thank you, Mr. Chair.

Mr. Youzwa, is there any way to get your product to market other than using railways?

Mr. Terry Youzwa: That's the challenge. We don't have a Mississippi River like the one running through the U.S., which the army pays to dredge. That is absolutely a very valid question. I don't think we're going to build new railways across the country. We need to find innovative ways to introduce competition.

We also have to remember who the customer is. Usually the party who pays the bill is the customer. We often feel it's the other way around with the way we're being treated.

Mr. Warren Steinley: I know that our beautiful province is vast, but for some of the other members on the committee, could you tell us how far your commodities have to travel to get to port? I don't think some of my colleagues on the committee realize how vast the distance is in Saskatchewan.

Carrot River is a beautiful place with good fishing—I saw that you caught a beautiful walleye there—but how far do your commodities have to travel?

Mr. Terry Youzwa: Thanks. I'm only about 20 miles from Carrot River, where we're farming. I do enjoy walleye fishing.

We're talking about 4,000 kilometres. Let's also remember the vastness of the production size. Typical farmers in the west export 80% to 90% of what we produce. I think those numbers are substantially smaller in Ontario and Quebec, where so much more of it finds a domestic home. That is a big thing. For us it's 4,000 kilometres to get to Vancouver. It's a very real cost for us.

Mr. Warren Steinley: When you put it into perspective—500 kilometres compared with 4,000 kilometres—it makes it seem a lot more reasonable...maybe some people would realize how big those distances are.

Are you aware of the APAS report that came out, probably about five months ago, on how much Saskatchewan producers are paying the railways in carbon tax? I recently heard my Liberal colleague talk about how big of a hit \$600,000 would be to farmers. Do you know how much farmers paid just to the railways in carbon tax last year and how much they're expected to pay this year?

Mr. Terry Youzwa: I can't give you that number off the top of my head. You probably know the answer.

Mr. Warren Steinley: Yes, I can give it to you, Terry. Last year, the carbon tax charge for Saskatchewan farmers was \$36 million. This year, it's expected to be \$57 million. That's a \$21-million increase. The interesting part is that this fee isn't hidden. This fee is a surcharge that the railways pay and have on their bill to the farmers.

If they would get this money back in their pockets, how much could farmers use the extra \$57 million being taken just because of the NDP-Liberal carbon tax?

Mr. Terry Youzwa: All of these taxes are just increases to our cost of production. They lead to diminished returns. Eventually,

we're not viable. We have the most sustainable crops out there. It's very challenging.

Paying a carbon tax is certainly not a way to effectively improve the environment. It's just not working. Some other country will fill the gap when we're talking about energy reduction. It's just raising our costs. It's not improving our bottom lines, and it's not preparing us for the future. We have other places to spend our capital.

• (0940)

Mr. Warren Steinley: I assume that you're trying to be as fuel efficient as possible on your farm. How much do you guys farm right now?

Mr. Terry Youzwa: Our farm is 3,500 acres. We moved to direct seeding and GPS precision planting. We have to find ways to be more productive, and we have. We've contributed.

Agriculture and forests are a sink. They're sequestering carbon, and we're not getting paid for it. It's very frustrating dealing with this environment when your contributions are not being adequately recognized.

Mr. Warren Steinley: That was my final question. You kind of led me there.

How much have you gotten back in carbon rebates over the last couple of years? There seems to be some confusion. Some say people are getting more back in rebates than they're paying. Could you lay out where we are with a 3,500-acre family farm? How much have you gotten back in rebates?

Mr. Terry Youzwa: The farm doesn't get carbon rebates. The individual gets carbon rebates. Those costs are in the price you pay for the product, and they're not factored into those rebates. That's another very frustrating file.

I'm obviously not a fan of the carbon tax. It just increases costs and doesn't improve the environment.

Mr. Warren Steinley: Thank you very much. I appreciate it.

The Chair: There is one thing I want to say. Mr. Youzwa, did you say Nipawin is where you are? That's the home of the Hawks; is that right?

Mr. Terry Youzwa: Yes. The home of the Hawks is not having a good year.

The Chair: No? Okay.

Ms. Murray, it's over to you for up to five minutes.

Hon. Joyce Murray (Vancouver Quadra, Lib.): Thank you. I appreciate the opportunity to ask questions.

Having a price on carbon is an important way to reduce Canada's greenhouse gas emissions. It has to be designed effectively, and I believe there is ongoing work on that. So far, Canada's price on pollution has had the result of reducing greenhouse gas emissions here in Canada below what they would otherwise have been and below what they used to be. We have to do that, but we always appreciate input from industry and from others on how to do it as skilfully as possible so that it does not put an unnecessary burden on any one entity. We have to have a price on carbon. We welcome your input on how.

The railways have been saying that if there were extended inter-switching distances, it would lead to delays, and that would cost the shippers and farmers. It would undermine the cost-effectiveness of shipping.

My question is for each of the witnesses. Have you factored that in? Do you agree with that? How might that work?

I'm just looking at where we have that information. They're saying that it would risk slowing the supply chain down and that would be negative for the producers. What's your response to that?

Mr. Wade Sobkowich: I can speak to that, if you'd like.

Mr. Terry Youzwa: The existing program has not slowed down or caused problems. If you were a monopoly, would you work to preserve your monopoly?

The Chair: Mr. Sobkowich, I thought you were going to say something.

Mr. Wade Sobkowich: I was just going to add to that.

It's been a common practice since the early 1900s. The railways are experts at managing the complexity of rail operations and working collaboratively to inter-switch efficiently. They do it all the time. In Vancouver, CN switches from the north shore to the south shore and CP switches to the north shore. Canada should have full confidence that railways will be incentivized enough through competitive forces to apply creativity to resolve any operational challenges that may arise. As I said before, less than 1% of the traffic is inter-switched. Whether it's at 160 kilometres or 500 kilometres, you're still only talking about one inter-switch that rarely gets used.

Hon. Joyce Murray: I would like to hear your thoughts about whether the extension to 500 kilometres would change the responses. There's been a pilot project on inter-switching for 150 kilometres, I believe. Do you see a risk of slowing down supply chains with a 500-kilometre inter-switching maximum? Do you think there should be a pilot project on that larger amount?

To anyone who has information about that, I'm interested in your answer.

● (0945)

Mr. Wade Sobkowich: As I mentioned, 92% of the elevators right now have access to an interchange at 160 kilometres. We're talking about adding 8% of the elevators in western Canada, with an extension to 500 kilometres.

As I mentioned, it's rarely used, so there isn't going to be an operational impact. It will be non-existent at 500 kilometres. There's no need for a pilot project on that. It should be made permanent at 500 kilometres.

Hon. Joyce Murray: I'm all for the Peace River farmers having access to inter-switching as well.

Those are my questions.

Thank you, Mr. Chair.

The Chair: Thank you, Ms. Murray.

Colleagues, we have a bit of time. I'm going to do two and a half minutes for each party, and I might take a minute at the end to ask a few questions.

Ms. Rood, you have two and a half minutes.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Chair.

We know that in Ontario, there are more than 45,000 kilometres of drainage services and two million hectares of cropland, and it's necessary to maintain drainage and remove excess water to prevent nutrient loss and soil degradation. I have municipalities in my riding experiencing significant issues with drainage maintenance.

We know the railways are obliged to make the payments to assist in those efforts. I'm wondering why railways like CN are not following the law and complying with payments. We heard from you earlier what the cost estimate burden is on our municipalities and farmers and what can be done to make them comply and prevent them from passing these costs on to consumers. We've heard most of those answers.

I'm just curious. If the carbon tax was scrapped, would the railways have the money to pay for the drainage issues in Ontario?

Mr. Drew Spoelstra: I think you might have to ask the railway companies their opinion on whether, if their costs were lowered, they'd be able to cover those costs. My expectation is that they'd still be looking to shift a lot of these costs for drainage and private crossings to others, whether they're municipalities or the people who use them.

As I said, these are long-standing agreements. We want to make sure they're honoured. We would like to see legislative amendments to make sure they are.

I think we've covered off most of the issues, but these are exorbitant costs potentially being passed on to farmers and municipalities. The railways run every day. We want to make sure they're adequately maintaining the railways. We want to make sure that safety is upheld and agreed upon, but those costs need to be covered by the railway system itself.

The Chair: Thank you Ms. Rood.

Ms. Taylor Roy, you have two and a half minutes.

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you very much, Mr. Chair.

Thank you to all of our witnesses for being here.

It seems like the real issue here is the imbalance of power between the railways, which in some cases have a monopoly, and the farmers.

I have a couple of specific questions based on testimony so far.

Mr. Youzwa, you stated that the price on pollution program has had no impact. Are you an expert in this field? What research have you done or what do you base that on?

Mr. Terry Youzwa: I believe you need a carrot rather than a stick to incentivize and prepare for the future. The other reality, as it was worded today, is that Canada may have lowered...but a more polluting—

Ms. Leah Taylor Roy: I understand your opinions on this. I'm sorry. You're here as an expert witness, and I'm trying to understand your expertise in gauging the impact of climate policies on the environment. I know there are a lot of rumours or shared beliefs about this, but I just want to ascertain that you have not done research or that you do not have any basis, other than your beliefs, to believe that this doesn't work. We have seen emissions go down by 8%, and 300 experts in climate science and economics have shown that this is one of the most effective ways to reduce pollution.

On another front, I'm wondering about the price on pollution, which we're talking about. Ninety-three per cent of farm fuels are exempt from the carbon levy. Do you know how much of your fuels are taxed and what your carbon tax would be compared to your overall expenses?

● (0950)

Mr. Terry Youzwa: I thought we were here to talk about opportunities to improve the railway system.

Ms. Leah Taylor Roy: I'm sorry. You brought up carbon pricing earlier, so I was just following up on that line of questioning. That's fine, then.

Perhaps, then, you could talk a bit about the railways themselves. They have been incredibly profitable. We see that CN had a profit of \$5.43 billion last year, and CP had a profit of \$3.54 billion. They have the resources needed. The question is whether they're using them to do what needs to be done to support farmers and support the initiatives that impact climate change.

Do you feel that the railways could be doing more to help the situation for farmers when it comes to crossings, drainage and other things, or do you think they don't because they don't have enough money and the price on pollution is making it very difficult for them?

The Chair: We are at time. I'd ask for a brief response.

I apologize; I didn't see who the question was for. However, whoever wants to—

Ms. Leah Taylor Roy: It's for Mr. Sobkowich.

The Chair: Just answer quickly if you could, Mr. Sobkowich.

Mr. Wade Sobkowich: You're right that the railways are incredibly profitable, but that doesn't stop them from trying to pass on as many costs as possible to the shippers and farmers. I think that's a bit of what's happening here, and that's what we need to keep in mind. That's why we need to do what we can to make amendments to the Canada Transportation Act to rebalance the relationship between railways and users by whatever means we can. Extended interswitching is one of them, but there are other ways to do that and it takes some exploration.

Ms. Leah Taylor Roy: Thank you very much.

Then government regulation is necessary to help the free-market system work for farmers.

The Chair: Thank you.

[Translation]

Mr. Perron, the floor is yours for two and a half minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

Mr. Sobkowich, I would like to clarify the question you raised regarding extending the interswitching distance to 500 kilometres. You say that this would seldom be used, that it would be used by about 8% of producers.

How could we formulate it so that it would be more readily acceptable to the government? The interswitching distance would not necessarily be extended everywhere. Could that be done? The current distance, 160 kilometres, could be made permanent, and a determination could be made as to the regions where it should be extended to 500 kilometres.

That way, it would be more likely that the government would agree to this proposal. What do you think?

[English]

Mr. Wade Sobkowich: There could be something in there that carves out, with GPS coordinates or something, the B.C. area, the grain-growing regions of B.C. and the Carrot River region—any place where an elevator within 160 kilometres doesn't have access to an interchange. That's for grain. However, we know there are other sectors and that this doesn't just apply to grain. Other sectors, like mining and forest products, have the same struggles we have with the railways. Five hundred kilometres would do them good as well.

Speaking for the grain industry, I think maybe there's a solution there, but it's also important to consider the question in the context of other sectors.

[Translation]

Mr. Yves Perron: Thank you, Mr. Sobkowich.

Mr. Youzwa, I will ask you the same question.

[English]

Mr. Terry Youzwa: I concur with what Wade said. We just need to find innovative ways to increase competition and allow it to occur.

[Translation]

Mr. Yves Perron: This is for both of you again.

Earlier, the discussion went off track and onto the carbon tax. Bill C-234 is now dormant in Parliament; it proposes to provide an exemption for grain drying.

If we were to hold a vote on that bill in the House of Commons tomorrow morning, what message would you have for the MPs from the various parties who are present here, and more specifically for the ones from the parties that are preventing the work from moving forward? We could vote on Bill C-234 and give you that exemption now.

[English]

Mr. Terry Youzwa: We don't dry grain because we want to dry grain. We dry grain because we have to dry grain to ensure its quality. Paying tax on the fuel we burn to improve the quality of the grain so that it has a sellable home and isn't destroyed because it's inadequate doesn't make a lot of sense.

• (0955)

The Chair: Thank you, Monsieur Perron.

[Translation]

Mr. Boulerice, the floor is yours for two minutes.

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

I have two minutes and there are four of you.

I am going to get away from the question of the day a bit and look at the news.

The American president-elect has told us that his government would be imposing tariffs on everything. What do you think this will look like for your industry? What repercussions do you anticipate? What do you want the Canadian government to do in these circumstances?

[English]

Mr. Drew Spoelstra: There's no doubt there are potential challenges ahead with some of the trade issues we see across agriculture, but we want to make sure that our entire agriculture sector is ultimately supported and that we can continue the trading relationship we have with the United States. Obviously, some of that is out of our hands, but we'd like to see our negotiators and the folks within government move forward with a balanced trade position that supports all sectors of agriculture so that our entire sector can continue to grow and be prosperous and our farmers can continue to move forward.

Mr. Terry Youzwa: CUSMA is a very successful trading relationship and the supply chains are deeply interwoven, so I encourage the government employees who have been working on this to fully do everything they can to keep it functioning in the interests of all three countries.

[Translation]

Ms. Stéphanie Levasseur: I think my colleagues have said it well: The supply chain between the two countries is definitely interconnected and interdependent. Ensuring that the trade agreements work well is to the advantage of the Americans as much as it is for Canadians.

We expect the Government of Canada will honour its commitments to the agricultural sector and make sure it protects our gains properly and does its utmost to ensure that we have access to the markets on the other side of the border.

[English]

The Chair: Thank you very much, colleagues.

I'll just take a quick stab at this.

First of all, to the OFA, do you have an estimate on what the railroads would normally contribute to the drainage system? Obviously, what I'm hearing from you, Mr. Spoelstra and Mr. Bent, is they've been pulling out over the last number of years and trying not to contribute. You mentioned lawsuits. Does the OFA have a broad estimate of what we're talking about in terms of the railroads' contribution to that system?

Mr. Jason Bent: We don't have an estimate, but it is precedent-setting. With the way the Drainage Act works, if drainage work has to occur through a municipal drain, there is an assessment based on the area drained by each parcel, and that's the cost. It's when that work is being undertaken that there may be an assessment and the railway chooses to play the federal card.

The Chair: Just quickly, because I don't want to push my colleagues' time too far, do you have a sense of what the apportionment normally is? I guess it would depend on the project, but is it 30%, 50% or 70%? How is that generally evaluated to determine what the railway's contribution to an overall project on a percentage basis would be?

Mr. Jason Bent: It would be based on how much land it's draining into. The other issue is if, for instance, the work involved a culvert under the railway, which is a matter separate from costs.

The Chair: One of the points you're making is about essentially enshrining in federal legislation something that, as I understand from your testimony, used to exist under the Railway Safety Act and no longer exists in the Canada Transportation Act. Obviously, as you mentioned and as it has been testified to, Ontario has a long history on this.

ChatGPT quickly tells me that there are similar types of drainage acts in other jurisdictions. When you talk about provincial legislation, are you asking for something specific to Ontario or is this broader? Is OFA's position that we need to protect the existing relationship in Ontario? I ask this because we haven't heard about many other instances elsewhere in the country.

Mr. Jason Bent: It would be related to provincial drainage legislation, so it's not specific to Ontario. A possible amendment would basically give the Canadian Transportation Agency direction to consider provincial drainage legislation when they make decisions.

• (1000)

The Chair: Lastly, Mr. Steinley talked about carbon pricing. We may share a slightly different view. I've submitted in the House that if we are serious about reducing emissions, there is no free lunch. To do it, you're going to regulate the activity, which means sometimes compliance costs are passed off to consumers, or you have a pricing mechanism. I sometimes tease my Tory colleagues that this is inherently the most Conservative way to do it in the market. You can also subsidize the activity, but it's going to come out of taxpayers' dollars one way or the other.

There are different ways to look at this, but one conversation that I think is fair to have is how the railroads are able to pass costs off to shippers.

Mr. Sobkowich, Mr. Steinley gave us numbers on what that cost represents to farmers and shippers. The premise of a carbon price is to incentivize a change in behaviour. If the entirety of that cost is being passed on, with no provision for there to be a true cost to the railroads to try to get them to incentivize a change in behaviour to reduce emissions.... I agree with Ms. Murray that it's having a beneficial impact in the country, with a reduction in emissions, but then there's the equity of how it's applied. I was surprised that I didn't hear you talk about this.

Would the Western Grain Elevator Association like to see some type of a limit on the amount of the carbon price that can be passed off to your shippers? Mr. Steinley makes the assertion that it's 100%. I've heard from APAS, and they suggest it's the same. What do you say?

Mr. Wade Sobkowich: We support those comments, for sure. We don't have a precise recommendation because, of course, it comes to us in freight rates, and we put those freight rates into the cost we offer to the farmer. It's a bit of a flow-through for us in most cases, although some of it gets absorbed by grain companies.

I think the main point is that we're price-takers on the global stage. It's not as though you can go ahead and charge your customer for this extra cost. It goes into your ability to compete internationally, and if you can't compete, you can't extract as many foreign dollars.

The Chair: I understand all that, Mr. Sobkowich; I understand that comment. What I'm trying to understand is this: Is your assertion to this committee that 100% of what CN may pay in carbon pricing is passed off to your membership?

Mr. Wade Sobkowich: Yes.

The Chair: Okay. Then you would support some type of legislative scheme that would limit the ability for that to happen. Maybe it should only be 50%, because the railroads should bear some of this responsibility.

If we as parliamentarians were to do something like that, would the railroads be able to shift in other fashions the costs they may be accumulating, or would you be protected in that sense if it were legislated?

Mr. Wade Sobkowich: That's a good question, and I don't fully know the answer.

For the grain industry, we have something called the maximum revenue entitlement, which governs the amount railways can charge for regulated grain, so there may be a better ability to police that for grain than there would be for other sectors.

The railways are very creative in finding ways to extract their pound of flesh when you put in place rules and regulations regarding pricing, so I think they would probably figure out a way to get that back. However, we are definitely supportive of our industry colleagues' positions on that subject.

The Chair: I think the committee would benefit from a formal position, if you have one in the days ahead, on whether that's a recommendation we could pass off to the Minister of Transport.

Colleagues, thank you for the indulgence.

Mr. Dave Epp: I have a point of order, Mr. Chair.

The Chair: Go ahead, Mr. Epp.

Mr. Dave Epp: In response to your question of the witnesses and for the benefit of the committee, I'll note that a letter was sent in April 2023 to the then minister of transport that outlined the costs that municipalities are bearing, with a response from the railways. It was from the Township of Perth East, in response to an Association of Municipalities of Ontario survey to which 60 municipalities responded, 48% of which had drains across their lands with railways. Unpaid maintenance—this was in the spring of 2023—was \$500,000. Unpaid capital construction was approximately \$1 million, and about \$2.7 million in projects and upgrades was being delayed because of the position of the railways.

That's now a year and a half ago, so those figures would be low. I can table this with the committee.

The Chair: Yes. I think that would be helpful. I think it's important. Obviously, as has been mentioned, there's a legal case going on in relation to that, but some certainty between provincial or federal legislation would be important.

Thank you so much to our witnesses. On behalf of all my colleagues, thank you for your work in the agriculture sector and for helping to contribute to this study.

Colleagues, when we're back, we have representatives coming from the two major railroads and the Railway Association of Canada. It will be important to engage with them as well.

I need to ask parties to provide witnesses in relation to the study we'll be undertaking on the protection of agricultural land. If your party has not contributed witnesses to the clerk, please do so as quickly as possible so we can be in a good position.

I hope you all enjoy your break week with your constituents.

The meeting is adjourned. We'll see you in a couple of weeks.

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