FIELDS ON WHEELS CONFERENCE

NOVEMBER 22, 2005

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Transport Institute

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10 YEARS BACK AND
10 YEARS FORWARD

THE GRAIN SUPPLY CHAIN:

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Western Economic Diversification Canada
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The Railway Association of Canada
Canadian Wheat Board
Port of Montreal
Canadian Grain Commission
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Good Morning everyone and welcome to the 10th Annual Fields on Wheels Conference. We are delighted that you all joined us. I am Paul Larson, Director of the Transport Institute as of July this year. We have an action packed agenda for you leading off with Mr. Gordon Braun from the United Kingdom. Before we begin, I want to thank some of our sponsors. The continental breakfast that we have all just enjoyed was sponsored by the Port of Montreal; the morning coffee break to come is put on by Aikins, MacAulay & Thorvaldson. Our lunch sponsor is Agricore United and our afternoon coffee break sponsor is the Railway Association of Canada. We also have a number of general conference sponsors, the Manitoba Department of Transportation and Government Services, the Manitoba Rural Adaptation Council or MRAC, the Canadian Wheat Board, Western Economic Diversification Canada and the Canadian Grain Commission. Finally we have some sponsors in kind including the Canadian Wheat Board, the Vancouver Port Authority, the Hotel Fort Garry where we are at and Westac. It is now my pleasure to introduce to you Mr. Gordon Braun.
Session 1

World Marine Shipping and Trends in European Transport

Mr. Gordon Braun
UK Director, Ferryways

Thank you very much Paul. I would also like to thank the organizers of the Conference for inviting me to speak here. I have been away for many, many years and it is a real privilege to come back here.

I think when I joined the shipping industry in 1971 coming from Manitoba and ending up in the biggest port in the world was a bit of a shock. I told everybody there that the biggest thing I had seen was a canoe. However, it was quite appropriate at the time because I spent 30 years in the container side of the deep-sea business and CP ships at the time had just ordered new container vessels. These container vessels were quite large at 700 TEU’s. Last week AP Miller, the Danish company, announced that they were contemplating building 15,000 TEU ships. In terms of a ship’s size, perhaps you could cope with it. I think the challenges come when you start talking about the entire infrastructure which needs to be established and built to cater to these kinds of vessels. They are extremely large. You have to ensure that the ports have the necessary draft to deal with the ships and then you simply have to think about what happens when a ship actually dumps 15,000 containers onto the quay. What happens to your inland infrastructure? It is a real challenge.

Part 1: The Evolution of Worldwide Sea Born Dry Bulk Trades and the Demand Drivers for Dry Bulk Vessels.
The theme that is going to be developed in this presentation is really the importance of managing the entire logistics chain. Coming from the container business and door to door transportation created a considerable amount of enthusiasm with me to look at this particular topic. This is because the transportation of wheat in Canada is a very split up logistics chain because of its
geographic position. However, dry bulk vessels are one of the vessel types that carry your grain to worldwide markets.

Now I thought it was appropriate to start with this little article which I found in The Economist which says:
“If trade is the lifeblood of the world economy, then ships that perform the mundane task of transporting goods and raw materials from where they are produced to where they are wanted are the red corpuscles. “

Quite an appropriate statement, because I think for many people what happens out in the ocean is not all that important. It is not highlighted in most cases and it is not very topical. The article goes on and highlights a number of rather interesting things. In 2004 the world’s fleets carried 90% of total goods, world goods worth about 8.9 trillion dollars. That is an unbelievable amount.

In the next point, China has been highlighted because one of the things that I was privileged to do in preparing this presentation was to talk to one of the major ship brokers in the world, Clarkson’s in London. I raised a number of queries on the transport of grain internationally, and the changes and the demand for vessels, the effective prices and the underlying reasons behind that and to everything, he answered China. China, China, China. And so I thought it would be appropriate to just highlight it here because it comes up in quite a few of the points that are in the presentation.

Now this fast growing world trade is driven really by China, because the North Atlantic is a fairly mundane trade, doesn’t do a great deal. A lot of the trades are not all that great in terms of growth, but China’s growth has been huge, and that has driven the demand for ships, that has driven up prices, and that has resulted in shipping companies in 2004 earning profits of around 80 billion dollars. That is quite a lot of money. However, it is a very segmented, very, very split up trade. It has got something like 1,300 firms around the world that are involved with it, but it has resulted really in the high returns prompting a ship building boom.

I have tried to bring it then into the context of the modes of transport to competitive factors, because they are quite different. If you look at what happens to your logistics chain matrix here in Canada, you have fields to silo, to local elevators by truck, with local competitive conditions. Local elevator to port is primarily by train. There are two railway companies in Canada. Port to final
destination of course is by ship. I have already mentioned there are 1,300 different shipping companies world-wide. Ownership of this fleet is concentrated in Greece with 20.3%, and Japan with 14.2%.

Figure 1.1

<table>
<thead>
<tr>
<th>Activity</th>
<th>Mode of transport</th>
<th>Market competitive factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field to silo or local elevator</td>
<td>Truck</td>
<td>Local conditions</td>
</tr>
<tr>
<td>Local elevator to port</td>
<td>Train</td>
<td>2 railway companies</td>
</tr>
<tr>
<td>Port to final destination</td>
<td>Ship</td>
<td>See next slide</td>
</tr>
</tbody>
</table>

Another element which you never have to deal with, is the open registry of ships in various countries. I am sure you have heard of course of the Panama register which is by far the largest with 44.4% and then Liberia with 19.5%. Then you have the classification societies. There are nine of them scattered around the world. These are the ones that actually provide the proof of a ship; they classify that ship, and say that ship is alright to put out to sea. Appropriate to this conference of course is what has happened in the grain trade. There are basically a few very, very large grain trading firms in the form of Cargill, Bungie, Louis Dreyfus and ADM. I think you will note I will be coming back to that at various times because some of these firms have started to trade in the actual transport of product. Through forward freight agreements, they buy space on ships. In fact, Louis Dreyfus and Cargill both are ship owners in there own right.

The above slide gives you the total distribution of the control of the world fleet. It compares 1994 to 2003 and you can see the growing importance certainly of the big countries, like Greece and Japan, who increased their share. A little bit of a surprise here Germany, at 6.3%, however, that share is primarily container ships.
The Germans have become extremely big in the ownership of container ships. That is because for many, many years the German government has had an extremely attractive tax regime to attract investments. In essence, in Germany, it is called the doctors’ and dentists’ ship empire. And you probably know why. You will see that the development of tonnage actually is kind of parallel to increases in worldwide sea born trade, although the trade itself has expanded a little more considerably than the world fleet.

Figure 1.2

World Marine Scene – in 2003 Canada generated 3.3% of world trade in value terms and has 0.8% share of the world fleet in terms of dwt

- There are approximately 1300 shipping companies worldwide.
- Ownership of this fleet is concentrated in Greece 20.3%, Japan 14.2%, Norway 6.7% and Germany 6.3%
- 94.2% of world tonnage is registered in open registry countries with Panama 44.4%, Liberia 19.5%, Bahamas 11.2% and Malta 9.3%
- Major Grain Traders: Cargill, Bunge, Louis Dreyfus and ADM

Now this will bring it back into the dry bulk commodity section and here you have the five major bulk commodities which are traded internationally and the sixth category which I put into here is “What Has Happened to the Demand and Import of Iron Ore into China?” It is the red line.
Figure 1.3

<table>
<thead>
<tr>
<th>Country of domicile*</th>
<th>million dwt 1994</th>
<th>million dwt 2003</th>
<th>% share 1994</th>
<th>% share 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>118.4</td>
<td>157.3</td>
<td>17.9</td>
<td>20.3</td>
</tr>
<tr>
<td>Japan</td>
<td>85.6</td>
<td>110.1</td>
<td>12.9</td>
<td>14.2</td>
</tr>
<tr>
<td>Norway</td>
<td>50.1</td>
<td>51.8</td>
<td>7.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Germany</td>
<td>16.2</td>
<td>49.0</td>
<td>2.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Mainland China</td>
<td>34.3</td>
<td>47.4</td>
<td>5.2</td>
<td>6.1</td>
</tr>
<tr>
<td>US</td>
<td>52.4</td>
<td>45.8</td>
<td>7.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>29.6</td>
<td>30.9</td>
<td>4.5</td>
<td>4.0</td>
</tr>
<tr>
<td>South Korea</td>
<td>19.5</td>
<td>25.2</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>10.2</td>
<td>23.3</td>
<td>1.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>13.0</td>
<td>22.9</td>
<td>2.0</td>
<td>2.9</td>
</tr>
<tr>
<td>UK</td>
<td>21.5</td>
<td>19.6</td>
<td>3.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>20.4</td>
<td>16.8</td>
<td>3.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>11.7</td>
<td>16.3</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Others</td>
<td>178.7</td>
<td>160.3</td>
<td>27.0</td>
<td>20.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>661.7</strong></td>
<td><strong>776.7</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Ships over 1,000 gt, excluding the US Reserve Fleet and US and Canadian Great Lakes fleets
Source: UNCTAD Review of Maritime Transport 2004

You have seen grains have gone up by 26% in this time period, 1995-2005, that period is very appropriate to this conference which says 10 years back – 10 years forward. This 10 years back, 10 years forward is a little more difficult, but you see the growth of iron ore into China is up 351% in this period. That is a massive increase. In the 80’s and 90’s the dry bulk carrier demand was driven by demand. That has of course switched to China in the thereafter. The last point here is you will see the Chinese imports have iron ore alone are projected to reach 248.6 billion tones in 2005. That is a lot of business, a lot of business.

Now if you come back to ships again, you can see why you had the $10.00 a tonne transportation back in the 80’s. There was huge surplus of ships. Something like a 17% surplus in ships back in 1986 that has decreased to about 2%, or a little less than 2% in 2003.
Of course, because of the decrease in the oversupply in ships and the huge improvements in the freight rates there has been a real boom in new ship orders. They have increased quite rapidly over the past couple of years.

**Figure 1.5**

**Evolution of drybulk ship demand**

- During the 80s and 90s seaborne drybulk trade increased by slightly more than 2% annually
- From 1999 to 2004 the rate of increase was 25%
- Dry bulk carrier demand was driven by Japanese industrial production during the 1990s
- **China** has been the driving force behind recent increases in seaborne drybulk trades and the demand for drybulk carriers
- **Chinese** imports of iron ore alone projected to reach 248.6 million tons in 2005
Now in many respects you can simply relate that back to what everybody involved in the export of dry bulk products has had to pay in freight rates which we will come to in a minute. But I thought I would just give you an overview of the types of ships involved in the dry bulk trades. There are in essence four, two of which are actually the most frequently used in the grain trade, the Handimax, and the PanaMax.

**Figure 1.6**

![Graph showing surplus tonnage as % of world merchant fleet](image)

The Handimax and the PanaMax have quite a large order book for construction. However, the Cape sizes which are the ones greater than 80,000 tonnes, have a larger order book.

You will see in this next slide, how the earnings per day have influenced the prices of newly built HandyMax and PanaMax ships, which are used for the carriage of grain. There is very much a parallel. You will see the increases from 2000-01, a bit of a drop, 2002. Prices are indexed to the year 2000. I just wanted to show to you the movement of the earnings per day and compare that to the prices, the price development in the ship yards, of new built ships. You can see the decreases in the freight rates, and that the earnings per day are actually falling. The prices, new built prices, are falling a little less. This of course is also influenced by the ship building for other types of ships - one of which is booming, is the container, the new built container ships.
You will see here the prices in the rate fluctuations for dry bulk vessels. They are primarily split into three categories – there is a spot market, a one year contract time charter agreement and a three year time charter agreement. I have compared 1999, 2004 and August, 2005. You will see the rates are coming down and you will also see that there is starting to be a bigger difference between the spot, the three-year and the one-year time charters. That gets related a little later in this presentation to the whole issue of these forward freight agreements which I mentioned earlier.
The next slide shows the size and the age profile the vessels in the dry bulk carrier fleet. The ship that used to be used most frequently in the grain trade was the Handy size. This slide shows that 60% of the handy size vessels are 20 years old or older. They are old ships. In this slide you can see the move to larger and larger and larger vessels. The big order book is the Cape size vessels, the 80,000 tonnes plus vessels. Their order book will pretty much double the fleet.

**Figure 1.8**

Clarkson’s has done something quite interesting, they have attempted to create an index which would, I presume, give people a kind of a measuring stick on what they can anticipate would happen with freight rates. They have done it by bringing it back into ship equivalency, using a ship equivalent of 55,000 tonnes. Using this equation they have indicated that in 2004, there was a deficit of 85 ship equivalents.
Now that deficit of 85 ship equivalents, of course is responsible for driving up the prices that people have had to pay for ships. For 2005, the projections are that it is going to drop and there will be a surplus of 23 ship equivalents. Now we will see whether that turns out. Certainly prices have gone down. This slide is the Baltic index of freight rates for the period 1985 to 2005. You can see it is fairly erratic, it goes up and down a fair bit, but it has absolutely soared in late 2002, 2003 and 2004, and it is starting to come down now.
Figure 1.10

- **Capesize Market - Spot, 1 and 3 year time charters**
- **Panamax Market - Spot, 1 and 3 year time charters**
- **Handymax - Spot, 1 and 3 year time charters**
- **Handysize - 6 month, 1 and 3 year time charters**

Figure 1.11

**Clarkson Shipping Market Index**

**Drybulk Trade**

- Trade growth 2004 - 122 million mt
- Trade growth projected 2005 - 90 million mt
- Drybulk fleet 2004 328.2 million dwt
- Drybulk fleet 2005 374.4 million dwt
- In 2004 there was a deficit of 85 ship equivalents
- In 2005 projections indicate a surplus of 23 ship equivalents

You can see in this slide that between 1998 and 2002 for grain from the U.S. to Rotterdam the rate ran between the $10.00 and $15.00 a tonne range. That has
gone now in certain areas to rates of $40.00. So the growth and demand for dry
bulk vessels has been largely driven by developments in China. Developments in
China, of course, as you will also realize in terms of the sale of grain products to
China, are quite unpredictable. They buy huge quantities one year and next year
they may well drop away completely. However, there is so much pressure in the
market that what has happened is that the scrapping of vessels has decreased
considerably. And of course one of the things driving demand for ships is the
fact that there is so much trade. There are so many ships in the ports in China,
that the congestion has resulted in huge delays, which has driven up demand
even further.

The next slide will give you an overview of what has actually happened to the
rates for ships on the grain routes in three particular trades. The first one is U.S.
to Japan. You can see it has risen to in excess of $70.00 a tonne, in 2004. Then you
have got the U.S. Gulf to the Continent and the North Pacific to Japan route.
They all more or less moved in parallel, but the point of this and the point
throughout is really to outline the fact that the ocean portion of your delivered
grain price is becoming increasingly more significant.

Despite this, one of the things that is very, very stable is the total amount of grain
that is traded internationally. There doesn’t appear to be a great deal of
fluctuation in that area. However, one of the things which I have discovered in
my research for this particular paper is that where Canada’s share of total
worldwide grain trade was 13.3% back in 1997-98, that has dropped to 9.3% in
2005. There were some queries on that from some of the people in the lecture I
gave at the University yesterday and the query was, did I include soybeans, and
my answer has to be, I do not really know. I think I did but I am not sure. I will
check it though.

Here you will see actually how this movement has come about. The line
represents the export price of grain and the yellow line represents what has
happened in terms of the share that freight rates played in the delivered price of
grain.
The supply/demand equation continued

- The growth in demand for dry bulk cargoes is dependent primarily on economic developments in China – this has always proven difficult to predict.
- The supply side of the ocean freight market has however been driven by the rapid rise in freight rates resulting in a reduction in vessel scrapping and the increase in the order books for new vessels.
- Prior to the rapid rise in freight rates annual additions to the drybulk fleet totalled about 13m dwt or a net yoy increase of 4%.
- The significant rise in freight rates added >20m dwt tonnes to capacity in 2002 and a further 27m dwt in 2003 or increases >10% (Source: HGCA Ocean Freight Update Aug 22, 2005).

In all cases you can see it has gone up significantly. From the U.S. Gulf to Europe, it has gone from eight percent to 18%. The highest increase has been from the Gulf of Bangladesh where the rate has gone from 13% to 30% of the grain price. You can see how much more important the whole issue of ocean transport has become in the delivered price of grains.

Now the next slide shows what I was referring to a little bit earlier. You can see that the world grain trade, over the period ‘97 to ’05-’06 is relatively static.
There is not a great deal happening. However, one of the things which probably is happening is a shift in the geographic distribution. I have looked at the major grain exporting countries, where in the time frame of 1997-98 to current, there has been really no change in Argentinean exports of grains, although South American imports have gone up by 6.3%. Australian exports, however, have gone up by 19.5% and I presume a lot of that has gone to Asian importing countries, which have risen by 3.2%. The huge increase in grain exports has actually come from the European Union. You know in Europe they talk about mountains of everything, and grain is one of the mountains they have. They have wine lakes, they have Butter Mountains, and they have a lot of everything, driven largely by generous subsidy issues. However, grains have gone up quite considerably. A lot of that has gone to the former Soviet Union states, the Middle East, and Africa. There certainly appears that geography has played quite a considerable role. The U.S. is up 13.8%, South American imports are up by 6.3% and Central American by 34.3%. So very, very, significant increases have occurred in those areas. Canadian exports are down by 20.2% in this period of time. If it is soybeans, then I do apologize.

**Figure 1.14**
I have taken an interesting example of a calculation that was done by a South African group on the relative import parity prices of a ton of U.S. grain, or a ton of grain from various locations to South Africa.

Figure 1.15

You can see that the international F.O.B. prices, vary considerably, from a low in Argentina of $129.00 a tonne to Canadian grains, which I believe is your high quality grain, at $201.00 a tonne. With the addition of freight rates, cost of freight and insurance, the delivered price for a Canadian tonne of grain would then be $241.00, against Argentina at $166.00 and the United States at $214.00. I know some of this is related to the ability of Canada to get a premium price on their grains because of the higher quality of the product, but when you look at it this is what the customer will pay. If you import 30,000 tonnes of wheat, they would pay quite a bit more if that wheat were to come from Canada.

In summary, ocean freight rates have increased four fold during the 2003 and 2004 period. I think the issue here is that the increase is being driven by things that are happening in China where huge imports are driving up the price of dry bulk ocean shipping. That has, over the last couple of years, had a significant impact on the delivered price of grain.

I am going to be introducing something now, that I think will be of considerable interest. It starts to appear in this last point, where I mentioned the possibility of
changing trade patterns. For the big trading houses, the margins to be made are actually in the freight and not in the price of the commodity itself. There has been a huge increase in the Forwarding Freight Agreements.

Forward Freight Agreements, in essence, are if you want to purchase the transport from Montreal to China, let us say next March, you can buy that journey from a ship owner. You can do that now. But then equally, that journey becomes a tradable product. If you bought that ship for $30,000 a day, and somebody comes along who needs a 30,000 tonne ship next March and offers you $40,000.00 as opposed to $30,000.00, you can see where this agreement actually becomes a tradable product. However, what it does do, is it gives the benefit to the trader of determining what his delivered price will be. He says I bought the transport, I have got a contract next March, and I have sold that for that particular time.

The next graph has actually been produced by Cargill.

Figure 1.16

You can see that the volume by tonnes that are traded in forward freight agreements has risen tremendously between 2000 and 2004 with a slight drop in 2005. This more or less parallels the increase in freight rates which we have seen earlier. Once again, the grain trade is fairly stable. Demand for dry bulk vessels driven by China, and the availability of vessel supply is increasingly important together with the proximity of vessels to source of supply and the growing role of forward freight agreements.
Now the next point is quite an interesting one and it came up in a query yesterday. That was, what happens when the ship is in one part of the world and it is required in another part. The famous backhaul principle. What is happening with some of the big grain traders is that they are also getting involved in forward freight agreements for other types of products. If they can control vessel supply to ports of requirement, ports of demand on both the laden leg for which they sold a forward grain agreement, and if they get involved in other bulk commodities which would have the ability to position that ship to where they require them, you can see how the freight element, the ocean element of the delivered price of product becomes a much more important thing. That is where you can make the money. Therefore, delivered price, ready availability of supply product and ships are likely to play an increasingly important role in purchase decisions.

The conclusion, I think for me, is certainly quite evident and increasingly the grain trade appears to be moving to the famous one stop shopping, where the grain traders certainly are playing an increasingly important role because they have one of the important bits of control and that is the ability to get the product across the oceans. That is basically the challenge for the Canadian grain trade today.

**Figure 1.17**

*Modal split of freight transport in EU-25 (tonne-kilometres)*

- **Source:** PRIMES model, presented in: European Commission (DG for Energy and Transport), *European Energy and Transport Trends to 2030*
- **Note:** Pipelines and sea transport are lacking in the PRIMES model
I have managed to stay within my time and I have a few minutes for anybody who has questions.

**Question from Audience**

Question is inaudible.

**Mr. Gordon Braun**

I think one of the things I should have perhaps mentioned is that the three major exporting ports for Canadian grain are the Lakehead, Montreal and Vancouver. Prince Rupert is utilized as required. Churchill plays a minor role in the summer months. One of the influencing factors certainly for Canadian grains, is that all of these ports with the exception of Prince Rupert, have a restriction in terms of the size of ships that can be utilized. Montreal has a draft restriction of 27 feet, so you cannot really put the very big ships into Montreal. The Lakehead, of course, has its own difficulties and that is why lakers are used to transport grain to the main port. Prince Rupert is probably the only port that does not really have a problem in terms of draft. In terms of imbalances, I think the trend is likely going to be that ship supply will be an easier situation for the American grain trade simply because of the imports and the positioning of ships. The Americans have a much bigger role in grain and they also have a huge role in imports. A ship owner who has a ship available on the Pacific coast will not be interested in a load in Montreal because the deadheading is going to cost him 14 or 16 days. He will try and find a load as close as possible to the location where his ship becomes available.

**Question from audience**

A couple of comments and then a question.

One is that, looking at your numbers, I do not think they did include oil seeds and for Canada the oil seeds exports I believe would amount to three to three and half million tonnes on average. The reason the grain export has gone down is wheat has not been a very lucrative crop in the last eight, nine years and farmers have shifted to the production of other crops to such an extent that wheat production has dropped from, I don’t know, 30 million tonnes to about 25. That has cut into the export of wheat which peaked in 1991 at 25 million tones. We are down to 17 now. In the case of the other grain that we shipped, historically barley, there has been increased domestic consumption of barley on
the prairies and less and less availability for exports. That is what happened there.

I had a question about the forward freight agreement. I think you have shown that they have grown from the 250,000 tonnes to about 1.16 million tones. In the context of world grain trade, both wheat and course grains amount to 210 million tones. That is still fairly small so there is lots of potential I would imagine for growth in the use of FFAs, especially if you consider the backhaul.

**Mr. Gordon Braun**

That is correct. I think I may have something which would be of interest to you and that is a paper that was given to me by Clarkson on the whole issue of forward freight agreements. It is going through a process of ratification in terms of settlement and it appears to be fairly imminent that the Norwegians actually will also start to have an office like the Baltic exchange where forward freight agreements can be negotiated and can be exchanged and can be settled, because that is the big issue, the settling of the agreements. But yes, I think you will see a continuing growth because I do not believe that freight rates, despite the fact that there has been substantive new order book activity, back to the levels they were in the early 1990’s. That is driven by several factors: first the price of ships has gone up considerably; and secondly, bunker fuel prices, which are one of the biggest operating costs, have gone up as well.

**Question from Audience**

Question is inaudible.

**Mr. Gordon Braun**

If you are ordering a ship now, you will probably not be able to take the delivery until I would suspect 2008 at the earliest because the shipyards are completely full. An interesting thing perhaps is that you have a complete movement of shipbuilding activity. Back 20 or 30 years ago, shipbuilding was a very big thing in Europe. It transferred to Japan because of price. It transferred from Japan to South Korea because of price. It is now going from South Korea to China because of price and the latest country to become involved in shipbuilding is Vietnam. The result of course of all of that has been to keep that really high increase in the cost of new ships down. Ship prices have not gone up all that much.

What is driving things now, is the increased price of steel. The first price that I got for a particular ship back in 2002 was a price of 8.5 million Euros. That has gone up to 15.5 million Euros last year. The major driver has been the increased
cost of steel driven by the huge imports of iron ore and the huge requirement for steel in China. It is all interrelated. In terms of ship markets, I think you will have certainly noted that they work extremely well. There is nothing controlling them. You do not have a government controlling anything in the shipping area. It is pure supply and demand and it is very, very sensitive. It changes considerably, but it has driven a business which has not really had a great deal of control in terms of what happens to prices and is dictated by market and that is it.

Any other questions?

Then, thank you very much for your attention.
Session 2:

Bulk Handling – Atlantic and Pacific Corridors

Dr. Barry E. Prentice, Professor
Department of Supply Chain Management

Thank you very much Paul and if I can have my panelists to please come forward at this time, I will move to the Session 2. Gordon Braun has set the stage for an examination of our trade corridors and dealing with the world markets. As you can see there have been dynamic changes out there and I think his words that everything is interrelated is not lost on our panel here.

Our next speakers will examine the Atlantic and Pacific corridors. There have been some tremendous changes over the past ten years in the grain industry. Starting with the end of the WGTA subsidies. You simply cannot remove that 700 million dollars from the industry and not have changes. We have seen dramatic changes in the consolidation of grain handling. Of course a new revenue cap was introduced for freight transportation, a new governance system for the Canadian Wheat Board, as well as the introduction of a tendering system. Many changes over a short span of time, but we have now had, ten years in which to adjust to all this, so presumably the adjustments are now made and we are setting the stage for the next ten years. We are interested to hear what the panelists might say about the next ten years.

Mr. Dan Stirling
Director, Grain
Canadian Pacific Railway

I am very glad to be here today. I think you have chosen a very interesting topic and I think we are going to get some unusual perspectives on the past and hopefully some interesting thoughts on where the future will take us. I think it is almost an axiom in the Western Canadian Grain Business that change is painfully slow. As I prepared this presentation and I looked back ten years, I realized that there has been a lot more change than perhaps we give ourselves
credit for when we discuss what is happening on a day to day basis. I think the real challenge is – are we changing fast enough? Perhaps our competitors are changing faster than we are, and we need to do some things at a quicker rate or at least change at a quicker rate. Now I do not propose to answer those questions today, but it perhaps is a topic that the Transport Institute might want to explore at another conference. What I plan to do today, is to look back ten years. I want to give you some perspective of what is happening today at Canadian Pacific Railway because we are going through a very challenging and very interesting phase in our history; and then I want to look out to the future.

First, looking back, the regulatory environment has played a significant role in grain transportation. I know our perspective is looking back ten years, but really to get a good perspective you not only have to look back ten years you have to go back not to last century but to the century before that; to 1897 when grain regulations were first put in place by the Federal Government. Now, do not get worried that I am not going to start in 1897 and drag you to 2005, but certainly regulation has played a very significant role in what happens in grain transportation in Western Canada and the Federal Government has played a very dominant role in that regulation.

Up until 30 years ago the role of the Federal Government more was regulatory, but in the early 1970s the role became more economic. They got involved in branch line rehabilitation programs, subsidies, the acquisition of the government freight cars and ultimately in the payment of the Crow benefit when the Western Grain Transportation Act was enacted in 1984. Looking back ten years in the 1990’s, the Federal Government decided to change that role. Over time removed themselves both from their economic role and to a certain extent their regulatory role in grain transportation. What we saw was the discontinuance of the Crow benefit in 1995, the privatization of CN in 1996, the sale of the Churchill grain terminal and now the possible disposal of the government grain cars. This is just to name a few of the areas which the Federal Government stepped back. We also saw the regulated rates in the name of the WGTA replaced in the mid-90s by the maximum rate scale. We went through a process of the Estey & Kruger reviews that were focused more on bringing commercial principles into play in grain transportation. That resulted in changes to the legislation in 2000 and saw the maximum rate scale replaced by the current revenue cap.

Over this period, with the disappearance of the Crow benefit, we saw increased value added activities and some decrease in exports associated that changed in the Crow benefit. We have also seen changes in our rail markets. One of the anomalies of the WGTA was that if grain wanted to move via rail to the U.S., the
railcar first had to go to Thunder Bay to be loaded, come back to Winnipeg as a load and then move to the U.S. Looking back, we scratch our heads on how we ever ended up with a system that allowed us to do that but that was a significant movement at that time.

With the disappearance of the WGTA we have seen shifting of Wheat Board markets to the U.S. There was an upturn from the railways perspective following the discontinuance of the Crow benefit. There was a downturn when the U.S. instituted trade action, in terms of durham wheat. We have seen an upturn and hopefully the Wheat Board will see another upturn as they finally win the battle on wheat. But we have also seen shifts in things like oats, which used to move rail to Thunder Bay and water to the U.S. and now moves rail direct.

We have seen a continuation in shipping from Thunder Bay to the west coast and seen the emergence of an all rail market to Mexico. This has been impacted to some degree by the freight rate spreads that were referred to in the previous presentation. From a rail perspective a downward blip resulted from the Crow benefit. Rail volumes in the latter half of the eighties were relatively flat. We took a difficult downturn in 2000 with a drought in southern Alberta, a more widespread drought in 2001, and then the devastating drought in 2002. The markets have come back over the last couple of years and we are almost back to the more traditional shipment levels. However, we have had some weather related crop quality issues that has impacted the seasonality of movement within each of those crop years and made the planning from the perspective of the industry participants, perhaps a bit more challenging.

Over this period we have also seen a significant and unprecedented recapitalization of the country elevator infrastructure. We estimate that somewhere between one to one and a half billion dollars has been spent on new elevators in the country. Concurrently there has been a significant reduction in the number of elevators. During this period there was an increase in the number of producer owned terminals, significant upgrading of the terminal elevators in Vancouver and a reduction perhaps of one elevator in Thunder Bay. This represents a lot of change both in the country and at the ports.

We have also seen a lot of restructuring from the grain company’s perspective. Initially we saw Manitoba Pool and Alberta Wheat Pool merge to form Agricore and shortly thereafter, UGG merged with Agricore to form Agricore United, the largest grain company in Canada. We have seen new players emerge in the name of Louis Dreyfus and ConAgra Canada. ConAgra Canada built four
elevators and after a period of time decided that that these did not play into their long term strategy. Those elevators have now been acquired by James Richardson International. JRI over that period also acquired ConAgra Foods. We have seen Cargill acquire Continental Grain and while that has had more impacts in the U.S., I think my understanding is that Continental Grain has virtually disappeared from the Canadian scene. We have also seen some of the smaller players like Patterson Global Food and Parish and Heimbacker expand their role and increase their presence in the grain handling and transportation environment. Also, from a processor perspective we have seen CFP Foods morph into Can America Foods and ultimately become a Bunge candidate through a succession of acquisitions. We also saw ConAgra who had come into Canada in a big way in the flour milling business, exit that business in Canada.

We have also seen some rail line restructuring. There is a lot of work that Canadian Pacific has been doing jointly with Canadian National. We have established what we call the directional running zone between Kamloops and Vancouver whereby CP and CN run westbound on the CN Line and eastbound on the CP Line. We now have direct service from our respective yards in Vancouver to both grain terminals on the north shore and the south shore. Previously, we would interchange traffic at the Sapperton Interchange which was much more cumbersome and inefficient. We still interchange some grain traffic, but the majority of the grain traffic goes directly from a CP or CN yard to the destination facilities. We have also seen CP and CN negotiate direct access for both railways to all grain terminals in Thunder Bay and more recently CN has begun running over CPR in Northern Ontario. So a significant amount of change from a historical perspective has happened in a very short period of time.

We have also seen the emergence of, I would say, a limited number of short lines. The two largest ones are the Hudson’s Bay Railway to Churchill and Great Western Railway in southwestern Saskatchewan. There are about eight other smaller short lines in Western Canada. There has also been a limited discontinuance of rail lines in the period 1994 to 2002. On average, CPR discontinued about 100 miles a year and transferred about 50 miles a year. So not a lot of discontinuance in that time.

Railway services have also changed in this time frame. First, the railways assumed responsibility for train run programming from the Wheat Board. This is the process of planning the train movements each week into the country. We saw the Car Allocation Policy Group (CAPG) in the mid 1990s replace the Grain Transportation Agency. The CAPG, as it was known, was effectively an
allocation committee comprised of the Wheat Board, the grain companies and the railways. The CAPG made decisions on car allocation between Board and non-Board grains. Then in 2000, with the changes in the legislation, railway capacity planning and new products replaced CAPG as the means of allocating equipment. Over that period of time, concurrent with the reinvestment in the country and the institution of the increased multi-car block rates, we have seen a significant increase in the number of multi-car blocks. Multi-car blocks is anything that moves in excess a block of 25 cars. We have gone from 15% of the movement in the mid 1990s in what we refer to MCBs to over 80% in more recent times.

This graph illustrates the changes in elevators and multi car blocks over time. You can see that from 1970 to 1990, the number of elevators in western Canada went from about 5,000 to 1,500. Since 1990, the number has dropped to around 300 to 400. Also, in the bottom of the graph, we can see what has happened since the 1999-00 crop year to the most recent crop year in terms of the multi-car block facilities. I think the important point is the decrease in 25 car blocks from 170 down to about 90. The 50 car blocks have basically stayed the same and the movement has been in the 100 plus car blocks going from 50 to 63. These are combined numbers for Western Canada, all railways.

From an overall perspective, significant changes in the grain handling and transportation system are illustrated by the number of elevators and rail lines that have disappeared, the significant increase in the average trucking distance, and the abolition of port pooling. Port pooling was set up whereby grain that was being presented in the port could be unloaded at any terminal and the handlings would be balanced back to where they originated by grain company on a periodic basis. The significant increase in multi-car blocks, and the increased competitive environment for all players, decreased exports, increased domestic processing has resulted in high throughput elevators competing with the processors for grain. Concurrent with the increase in the average trucking distances, the elevator draw areas have increased significantly and we believe that market share mobility has increased not only for railways, but for grain companies as well. The market share is more volatile than it was in the past. More recently, we are seeing emerging technologies providing increased options for farmers, such as ethanol and bio-diesel. We are seeing much more of an impact on our U.S. grain franchise where government incentives have changed the landscape, in some places dramatically, with the increase in ethanol production and now with the growing focus on bio-diesel.
From a CPR perspective, we have also gone through significant change. In 1995 we moved our head office from Montreal to Calgary and became a western Canadian company, albeit with a North American focus. At that time we went through a major downsizing and reorganization. In 2001, the Canadian Pacific Limited which was our parent, broke itself into five separate companies and as a result CPR is now a stand alone pure railway and we face the challenge of acquiring financing in the markets on our own. That has become a big focus in the last couple of years as I will talk about in a couple of minutes.

We have also had some new challenges. Railways were viewed as a mature industry with not a lot of growth, but beginning in 2004, the world changed. You could say Asia Pacific was the reason behind that. China in driving a lot of this growth and we expect this growth is going to continue. Demand will continue to outstrip supply in the North American railway industry as we have seen in other modes of transportation. We have spent a lot of time analyzing this and this year we took action. We have invested in incremental 160 million dollars in what we call Westcap. This is incremental to our ongoing investments in rail infrastructure and equipment. This program will increase our capacity to move into the Vancouver corridor between roughly Moose Jaw and Vancouver.

I want to talk about other changes that we are facing, largely focused on growth. In order to do this, I want to give you some perspective, some going beyond the 10 year horizon, but I think you will find the perspective interesting. In the past, CPRs infrastructure was built for passenger and freight trains. Initially, we moved almost fifty-fifty of each going into the early 1900s. In the past 20 years we have seen a significant rail restructuring. I will explain what that entails. What we have seen is carrying capacity innovation ahead of network modernization. What I mean by network modernization, is the actual increase in track infrastructure, the physical infrastructure to move trains. Presently we have changed our view of the railway being a mature industry with nowhere to go into something that is becoming increasingly relevant and growing. This has necessitated an increase in rail capacity, not only for Canadian Pacific but for the other major railways in North America. We have a new paradigm that rail is required to adjust to this unprecedented growth and that there is a government policy adjustment required to deal with this emerging renewal of rail.
What we are seeing is an interesting phenomenon. What I am showing with this slide is that over time the carrying capacity per train has increased significantly, but the network capacity, and that is the actual track infrastructure, has actually decreased over time. This is the capacity to handle trains. What I want to show with this diagram is how that has changed over time. On the left scale is capacity and utilization, on the bottom we have time. There are bars that show passenger trains and bars that show freight trains. If we go to the bar on the extreme left and the timeline is 1915, we can see as I indicated previously, that there is about a fifty/fifty balance between freight trains and passenger trains. At that time we were doing a lot of double tracking. We were putting in place parallel routes, and there was intensive single track network. The next bar takes us to 1955. We see the passenger business shrinking, as the Trans-Canada Highway system is beginning to be developed and some shrinking of freight trains as well. We go through a period of removing double track, of abandoning parallel routes, fewer and longer sidings and introducing technology such as central tracking control that increased our train carrying capacity. By 1955, passenger trains have decreased significantly. Now we have become virtually, a freight railway. We do move some passenger trains, but mainly as commuter trains. In 2004, demand
has virtually matched the downsized infrastructure supply. As we look out to 2007, if we do not invest, we are going to have a capacity shortfall.

Figure 2.2

We have also been spending a lot of money. This graph goes back to 1991 and shows what we have been spending in capital on road, on equipment and on I.T. And you can see in the mid-90s, there was a significant reinvestment in locomotives and you can see the continue reinvestment over time. I mentioned the Westcap expansion in the Vancouver corridor and we have also done some rifle shot investments in yard and mainline corridor capacity as well. We are a changing company. We are transitioning employees for growth, we have done our first major capacity investment in 25 years and we are getting into some new technology innovation such as improvement in how we manage our yards. Triex which will revolutionize aspects of our intermodal business and we are focusing on fluidity of moving forward. At CPR, grain is extremely important at 15 to 20% of our revenue. That is the highest percentage of any railway in North America. Success in grain is extremely important to CP moving forward.
Now, looking out ten years is the crystal ball. From a regulatory environment perspective we see little support for radical change, but we believe there is going to be a trend to more commercial approaches that will be negotiated amongst the key stakeholders in the grain handling and transportation system. We believe that the outcome of the current round of WTO talks is uncertain. It is going to be a large mountain to climb to overcome the subsidies of the Americans and the Europeans in the export grain business. From a country infrastructure perspective, we think there is going to be a continuing focus on maximizing train size and consolidation of elevator capacity. We see some rationalization of elevators, some swapping of high throughput elevators and perhaps a handful of new builds.

From a rail market perspective, grain exports will show small increases associated with increases in yield. Some of that may be eaten up in additional value-added. The West Coast will continue to be the prime focus. Thunder Bay volumes will continue to slowly decline, although they may show some spikes. Direct rail to eastern Canada may increase as lake capacity declines. U.S. volumes will increase particularly in wheat, and possibly canola, Mexico will become an established rail market to certain destinations and possibly we will see some U.S. crops moving through Canadian ports. The Vancouver corridor volumes will continue to increase for commodities such as coal, potash, sulphur and containers.

In terms of rail capacity, we are going to have continual challenge. As I said, one of our challenges is obtaining the financing to expand the infrastructure. We believe that in total we are going to need something like a half a billion dollars to meet the growth prospects that we are currently looking at. The $160 million was the first piece that has been committed. We have not committed beyond that. There is going to be ongoing pressure to increase the capacity of the grain handling transportation system, particularly during the peak demand periods. We need to resolve the issue of the responsibility of supplying cars in the short and long term, the issue with the Farmer Rail Car Coalition. A word of caution that additional players in the grain handling transportation system do not necessarily bring increased efficiency to the movement of grain.

Overall I think that the last point is a very important point, we have a world class grain handling and transportation infrastructure, it is virtually brand new. As I indicated the grain companies have spent perhaps a billion and half dollars, CP has invested five billion dollars in the last seven years, albeit not all in grain, but a lot of that investment is there for the transportation in grain. We have got it
sitting there. We have to learn how to use it better. I think our biggest challenge is in improved logistics and planning and stakeholder cooperation. That is what is going to get us the ability to be competitive in the world markets. Thank you.

Mr. Adrian Measner
President & CEO
Canadian Wheat Board

It is a pleasure to be here today to talk about grain transportation. I think it is very timely because we do continue to have some challenges, and I think it is very important that we work to resolve those challenges. The next ten years can be pretty exciting, but there probably needs to be additional changes.

I am going to briefly look back at the last ten years and then talk about where we are today. I think that is the most important part, where the industry is today and then what we need to do to move forward over the next ten years to be successful. Transportation is very important to the farmers that we represent. It is one of their higher input costs, at $750 million to $1 billion.

Basically, if you can not deliver a product competitively, in a very cost effective manner, you are not going to be competitive. An earlier speaker talked about the fact that Canada is not as competitive on the ocean freight side. When you add the domestic side, it makes it very difficult. We are responsible for the coordination and transport of a lot of grain from the farm through to export position. It is at a time where fuel prices are escalating, fertilizer costs are escalating and certainly transportation costs are also going up.

We have some pretty unique challenges on the Canadian side. Our average distance to tide water is about 2,200 kilometers, for our competitors in Australia it is 266 kilometers. We do not have options. In the U.S. system, they have the Mississippi River system which gives them an option in terms of overall movement. The Canadian side is strictly rail movement. The economics of truck movement just will not make it viable to move grain by truck to port position. That presents some pretty unique challenges on the Canadian side. Rail is the only viable mode to move grain to port and it is a network industry that effectively controls access into that network. That gives it a fair amount of market power. It is one thing that I think we need to look at as we look forward in the next ten years. Dan talked about the fact that the Western Grain Transportation
Act was repealed ten years ago and I guess as we look to the last ten years, we think there has been a dramatic shift in terms of market power. I am speaking from a shipper perspective and Dan is speaking from a railway perspective. I think we have seen a shift moving from shippers over to the railway side I think we need to look at that balance and the changes that are needed to bring balance back as we go forward over the next ten years.

Ten years ago farmers were concerned about grain movement, about railcar allocation, and they were concerned about relative market power, when they looked at themselves versus the railway. We did launch a level service complaint following the 1994-95 movement years. We felt strongly about the need for better response and conditions and did take a leveling service complaint forward. At that point in time we were allocating cars to grain companies on the basis of fifty-two previous weeks of receipt so we were really looking back. There have been a lot of changes over this period to change that to a much more forward looking perspective. A new car allocation policy group was established with the repeal of the Western Grain Transportation Act. That had farmers, grain companies, CWB and railways all at the same table. They were really charged with the split of cars amongst different players in the industry and a sales-based allocation system.

This was, I think, a positive group that created a balance of power. All parties were at the table, and all parties had a say in terms of how things were done. It forced information sharing which is not happening today to the same extent that it was happening over the last five to ten years. It provided a form of benchmarking to ensure that the system was performing as it needed to. However, with the rates and freedom that came with Bill C-34 in 2000, the railways ended CAPG, as Dan highlighted earlier, and moved to their own products to utilizing their own products to allocate cars. It did provide some additional power in the hands of the railways and they moved quickly to take advantage of that, which is not necessarily always good news on the shipper’s side of the equation.

There was also discussion about who was a shipper. We engaged in those discussions in a number of cases and I think we have got that resolved for the time being. A lot of the issues that we talked about ten years ago are still in front of us today and I think if we are going to have a successful next ten years, we need to continue to address those. Freight rates are increasing and certainly higher than they were ten years ago. Services are still an issue from a shipper perspective, and Dan can certainly reflect a different perspective on this. From a
shipper perspective we see a lot of market power in the hands of the railways and a very friendly Railway Transportation Act. New products that were introduced by the railways do offer the ability to advance book, but it is really on a small percentage of the car supply. As we look at marketing a crop, we need assurances on the total car supply, not on just a percentage of the car supply. Most of the advance booking is for multiple car shipments, so it certainly does have an impact on producer car shippers in the industry. We think the railways, and the products that have been introduced certainly do service the railway needs. We think there needs to be more balance in them. If we are going to be successful from a marketing side and from a shipper’s side, when we come to the spotting of cars, there is no assurance that there will be cars available at that point in time. There is assurance that the advance products will be there, but not that the spot products will be there. We need to devise marketing program, on the total car supply, not a subset of that car supply.

One of the changes that did happen, were changes in terms of the method, used is to award cars to the grain companies. As I mentioned before the previous system was looking back over the last fifty-two weeks. Currently that has changed to have 20% allocated on tendering, 20% with advance car awards and the balance of the cars allocated on the past eighteen weeks of deliveries and also outstanding contracts on the farmers side. Those changes were made to provide more balance in the system. We think it provides a balance between service for farmers and the need to be looking forward to allow some commercial practices in terms of obtaining that car supply. Dan highlighted this and I am just going to run through a series of slides just to show the changes that have happened over the last ten years.
This is very similar to the chart that Dan showed you. Certainly over the last 10 years out of 20, there was a 75% decline primarily in elevator numbers and railway shipping points.

We have seen freight rates increase so we have been on a steady road upwards in terms of the cost on that side. We have seen the amount of unloads required decline.
This is highlighted in the first presenter’s summary noting, that there is less grain moving on the export side in Canada. The decrease has been the result of a combination of things, I think as Brian highlighted in his comments there has been a shift away from wheat and to some other grains that are lower yielding, so there is less volume on that side. There has also been a higher amount of grain fed on the prairies. There have been a lot of changes on that side. We have seen volume drop off. We have seen rates increase. We have seen a dramatic decrease in the amount of points that have to be serviced and a big increase in terms of multiple car shipments. With that, we expect to see gains on the efficiency side, and gains on the service side.

I guess at this point in time we have not seen those gains and we think that there needs to be some additional changes to ensure those gains do happen in the system. If we look at cars loaded within the load week, which is the cars that need to be spotted within the week that they are designed to be, we see that we are on a declining trail.
I am not trying to pick on CP. On both railways sides, we see a declining amount of cars spotted in the actual load week they are intended to be.

We have not seen a reduction in cycle times and I guess if you take all of the factors into account here you would think there would be a tremendous reduction in terms of car cycle times.
I guess what we see is the efficiencies that have been created are not being translated into grain movement, and we think that is something that needs to be addressed as we go forward. We have seen cycle times rise on the grain side, we see other commodities coming on stream, coal, potash and so forth that appear to be taking a larger role in overall movement, crowding out the grain. Our volumes are certainly down, but at the same time, cycle times remain fairly constant on the grain side. I guess we are going to be asking Dan and asking the railways to really deliver on these promises of efficiency in terms of service improvement that the changes were designed to allow. I think the changes have happened; we just need that efficiency side to also happen. We think there needs to be a broader overall system agreement looked at and not one that only looks at part of the car supply. A much broader system that has performance guarantees and penalties on both sides is needed and I think this is driven by the demands in the export market. It is possible to not provide good service and stay competitive. We need to see 100% of those cars up front. We need to see the proper penalties in place if there is non performance and penalties that are balanced, in that they go both ways. If there is non performance on the shipper’s side, they would be penalized. If there is not performance on the railway side they would be penalized.

We feel very strongly that railway switching is hindering the maximum utilization of ports and I know Dan referred to the need for additional capacity at Vancouver. Certainly, we understand that, there are a lot of different products moving to Vancouver, but there are also a couple of ports that need a much more seamless process. We need to have the flexibility to move CP grain fluidly to
Prince Rupert, CP grain to Churchill and so forth. There is additional capacity in the system and with improvement on that side we can certainly increase the capacity across the prairies. Maybe we do not have to invest so quickly in the infrastructure side if we can make some of other changes. One of the areas that we feel would accomplish that is to introduce some sort of reverse-onus running rights that would ensure competition in rates and service. It would ensure that it would not matter which railway moves grain to Prince Rupert. You could have the same rate in place and the same level of service in place. I think there is additional capacity there and with a few changes we can take advantage of that capacity.

I want to talk a little bit about future trends. The reason I am highlighting these issues is that, if we are going to meet the future trends we feel there has to be some changes and some restructuring to ensure that we can be successful and achieve the exports that are going to be there. With the continued growth on the export side, transportation is going to be key to farmer’s success in achieving those exports. There are going to be some additional market and regulatory changes that are going to make things a little more complex, and make things a little more difficult and I am going to touch on a few of those in a minute. We see stronger farm involvement and we see that as positive. Producer cars are growing in numbers. If you go over the last couple of years, there have been in the order of 8,000 to 10,000 producer cars a year. This year we are already close to 6,000 cars and I would expect that number to exceed 10,000 cars by the end of the year. Producers are getting more involved in the overall transportation environment. We see farmer ownership of rail cars. We have been very supportive of that and hopefully that is near completion. I know there are representatives at the back of the room here so I am sure they will fill us in later today. We see a number of farmers going into short line operations. I visited one last week in Saskatchewan. These are viable operations that are working fairly effectively at this point in time.
As we look at the next ten years we see growth on the export side. The numbers on this side were done recently and I would have to say, I cannot say with 100% certainty that we have taken $60.00 oil into full account on this because at the time we put the numbers together it was not quite there. Certainly we have taken into account, the growth in ethanol, and the growth in bio-diesel. Looking over the next ten years, we see bulk exports going to the east and west coast exports rising from about 19.4 million tonnes in the base period, to 22.3 million by 2008-2009 and to about 24 million in 2013-2014. There is some growth on that side that certainly needs to respond to. Asia is going to be the primary focus of a lot of that growth. I think China will be one of the key markets. They have utilized all of the surplus stocks and are going to be more dependent on the export market to ensure that they have sufficient grain to feed their large population.

One other trend highlighted by an earlier presenter is increased oil production. I think it is important to understand the implications of the growth on the Asian side, with the increased coal movement, iron ore movement, and grain movement that is happening into the southeast Asian area, and in particular into China. It has had a major impact on freight rates. We see OPEC talking about the increased production of about 1.2 million barrels per day and again that is going to put pressure on those overall ocean freight levels. I tend to agree with the previous presenter that while we may not go back to the rates we had before, we are probably not going to have these peak rates as a norm as we look forward. We are going to be dealing with higher freight rates than we have been used to previously. Given our distance from our markets, that does work against Canada and that does work against our competitive position. The offsetting part,
and this was also highlighted by the previous speaker, is the fact that there is a lot of new ship builds coming on stream. The important part of those new builds is that most of them are in larger vessels, Panamax size vessels, Cape size vessels. We are going to have to ensure we have logistics working very effectively to ensure that we have the product at port when those vessels come in. The demurage costs are going to be very expensive and proper coordination, and proper delivery is going to be extremely important to keeping costs in line.

Finally, I just wanted to highlight three other things that I think are important to keep on our minds as we look at this future system and at the changes that are needed. The first one is containerization. It is the exception certainly at the present time. We do see increased demand on that side as you look forward. On the food safety side, just the extra demands by consumers are likely going to have an impact on the handling system. We are going to have to ensure that the product is handled safely and documented right through the movement chain. The final one is overall quality assurance. There has been some discussion on kernel visual distinguishability, but certainly I think the general feeling in the industry is that there needs to be a change on that side. There may not be agreement on exactly how that change happens.

An agreement that there needs to be change and that may require additional identity preservation which again is not the most efficient move, requires some additional time and effort. These things have to be taken into account as we move forward in the system because they will have an impact on overall efficiencies in the system. As we look forward, we are looking for a more balanced Transportation Act with more balance between shipper and railway provisions. We need to have a more accountable system because there is going to be increased demands on the system and to meet those demands we have to ensure that accountability is there. I thank you very much for your time this morning and certainly look forward to any questions or comments you may have.
Dr. Barry E. Prentice, Professor
We have had two excellent presentations and certainly I must admit that I do not think looking back over ten years I had quite the sense of that much change.

Question from Dr. Barry Prentice
We have heard a lot about oil prices going up and certainly the railway is a big consumer of fuel, how does that affect the economics of moving grain forward in the future? – If you can answer that Dan.

Mr. Dan Stirling
If you can tell me what is going to happen to the price of oil in the future I could probably answer that, but it is a significant cost to the railways. I think people are aware that on most of our freight rates, we have a fuel surcharge. We are in the process of reviewing that fuel surcharge with respect to the changes that are coming. One of the things we are finding is that it is difficult to get a public number that really reflects what is happening to our fuel costs. We can use things like West Texas Intermediate, or in some of our rates in the U.S. we use highway diesel, which is commonly used by the railways in the U.S. What that does not include is what is happening to the cracking prices. There have been significant increases in our fuel costs because of the increased cracking costs, some related to refinery capacity that has been withdrawn. We have problems in Canada, and to a certain degree in the U.S., but our costs have gone up with that and we are trying to get our thinking round just how much and to what degree we can reflect those in a way that people perceive as fair and reasonable.

Dr. Barry E. Prentice
I would imagine of course that will also affect ocean shipping so that some of those prices that we see may not come back down to where they were.

Sinclair Harrison, President
Farmer Rail Car Coalition

A comment and a question.

The comment is to the first speaker Dan. I guess suggesting that farmer ownership may confuse the transportation issue. That has never been our intention. It is not in our best interest to confuse the transportation system; we have to make money, just like the railroads and we have stated for the last ten years that we want to work with the railroads. Certainly it is our intention to
take over the maintenance. We as farmers have been paying $3,000.00 per car, per year, for a lot of years, and that is in our best interest. And naturally if somebody was going to take $30 million dollars out of my pocket I would resist also, but that is something that has to be done. We are going to take over the maintenance, and we are going to provide a better car and we think that is in the best interest of railroads and the farmers.

The question relates to a study that was done just recently in Alberta and I believe CP Rail was involved in a study that was entitled Rail Capacity. I think Mark Sealand was involved in the study and Jack Haydon was the consultant. It is a very detailed study but the conclusion that the consultant has made and stated last week at the Alberta Association of Municipal Districts and Counties is that we are going to have to consider double tracking right across Canada and from your slides certainly that was something that was anticipated many years ago. We took out a lot of double tracking, but I guess I would like comments from both speakers as to, is this possible? Is it the way of the future? When you look at expanding the prairie markets, potash, wheat, and a new product coming out of Saskatchewan called Kaylon, which is for the concrete industry. If we are maxed out right now, how are we going to take on the future? Thank you.

Mr. Dan Stirling
First, let me respond to your initial comments, and I think you were referring to my comment that I said a change in the ownership of the government cars may not necessarily result in efficiencies. I did not say, it would not result in efficiencies. That is something that as you know we are both in the process of negotiating and I do not think it is fair for me as part of the CPR negotiating committee to comment further publicly on the negotiations other than to say our principles are that any deal that we would negotiate with the FRCC should be done on commercial principles and I think you agree with that. That is one of the things that we have agreed on in our negotiations.

Secondly, I have not seen the Alberta study. Is double tracking possibly purely a question of finance and demand? One of our challenges is to raise sufficient capital in order to spend those monies. Running a railway is a very expensive business. About 25% of our revenue is put back each year into the capital just to keep the railway running. It is the highest utilization of capital of any industry in the world. When I indicated that we will spend $160 million this year on incremental capital, that took our total capital bill to about $925 million dollars. Part of what we were doing this year was some double tracking in specific areas
or the provision of additional siding. We are a one line railway with sidings and some double capacity. I think with Pierre Trudeau, who had a vision for double tracking across Canada, that is just so hugely expensive. You would only do it where you need the capacity to do it.

**Mr. Adrian Measner**

Yes, I guess I would say without knowing the full railway demand and I think certainly Dan is in a better position on that side in terms of all the container movement and other things that are happening, it is hard to sort of make a judgement where the double tracking is the right solution. The only thing I would say is that these things are always very expensive. I think we should explore all other options before we move to major changes I guess I would like to see a short term focus, given we have a modest growth on the grain side, and try and work on efficiencies. I think there needs to be some improvement on that side and that we maximize the corridors that we already have in place. We could have some increased growth at the west coast with Prince Rupert today if we wanted to. We need a better seamless system on that side, so I guess from a cost perspective I would like to focus on those capacities that are there because I know it is going to be very tough. Somebody has to pay for this and I know the difficult time farmers are in. Let us focus on the extra capacity that we have right now. From a longer term perspective, if we need double tracking, I guess that is ultimately where Canada is going to have to go.

**Ruth Sol**
**WESTAC**

Both of our speakers talked about the change in cycle times, but there has not been a decrease in cycle times. You talked about the increase in the number of multi-car blocks the rationalization of the elevator system and railway investment all of which should all be decreasing cycle time. To me those changes logically would translate to a big improvement in cycle times. Is the growth much greater than we really imagine?

**Mr. Dan Stirling**

I think yes, the growth is much greater than we imagine. I think to a certain degree, cycle times are perhaps the wrong metric system to use and to a certain degree we are moving away from cycle times and supplementing cycle times
with other information that we generate such as miles per car day. One of the problems with cycle times, is that you are trying to do something about it, by the time you get the cycle time information, the data is so old you cannot do anything about it whereas miles per car day tells you what is actually going on. Another metric that we are using much more frequently is the loads on wheel to unload ratio, particularly to going to Thunder Bay and Vancouver. We may not see the cycle times dropping because those cycle times are dictated by the flow of traffic in the system and how fast all traffic moves in the system. If you can get the loads on wheels to unload ratio down, it is a measure of the fluidity of the system. We find that some of these new metrics are helping us manage the day to day flow of the railway in a much better manner than just looking at strict cycle times, which of course we have to look at in terms of sizing the fleet and that type of thing.

Mr. Adrian Measner
And Ruth I just might add to that. I think that we have asked the grain monitor to try and get some additional information on that side because we have reached the same conclusion. I think Dan has commented that there are some other things that need to be looked at and I tend to agree with that. We have asked to try and get information in terms of when the car was supposed to be spotted, to when it arrives at port position. You will start breaking that cycle time down into some better component so that we can have a better understanding of why it hasn’t dropped and where the cars are, and why the cars are not sort of turned around in ten days instead of 18 days given the efficiencies there. I think there is some work to be done and we are looking for some additional information on that.

Dr. Barry E. Prentice
Thank you very much. At this point I would like to pull the session to a close and please join me in thanking our speakers.
I would like to introduce Ms Frances Humphreys from the Canadian Logistics Skills Committee with the Laurier School of Business and Economics and Frances is going to speak to us very briefly about the strategic human resources study that is being undertaken on supply chain management.
Ms. Frances Humphreys  
Canadian Logistics Skills Committee

Thank you Barry. Thank you for the opportunity to have me speak very briefly this morning, more as an awareness of what is happening for the supply chain sector. We are really pleased to be finished our study of HR portion of the supply chain sector and are looking forward to having more and more people become aware of it and become involved. It has been an in depth national study of human resources and skill development for the supply chain sector. It’s been a long process over the last three years. We have worked through identifying the key areas to gain further insight. This was initiated through the lineal logistics technology road map which some of you may be aware of and is funded by the Government of Canada Sector Council Program. There have been about 30 people involved in the Canadian logistics skills study. The committee members represent government, private sector, academics and also industry. These representatives are from across Canada and have been working towards the development of a full sector council. The Steering Committee has been supported by the associations and each of the associations was represented on the Committee. We had Apex, we had the Association of Canadian Community Colleges, CEFA, CITT, PEMAC and SCL Canada. Basically we worked with Deloitte, who was key in doing the research, and the report writing. We ventured on an extensive literature review and secondary analysis of data. This data was pulled together from around the world to be sure that we left no stone unturned. It was very representative of the sector. We then had the information pulled together and industry round tables were hosted in Montreal, Toronto and Calgary as well as focus groups. The final report is now complete and we are looking forward to putting the action plan together.

There are some key research findings that we came up with. This is a very short list. In your packages you will find that there is a full list of 26 key recommendations and findings. As well in the package, there is the contact information with respect to how to get involved. It is important that we have representation from across Canada. We have been doing a launch of these results in Moncton, Montreal, Toronto, here in Winnipeg as well as in Calgary. We look forward to having announcements across Canada. What I would really like to bring your attention to is the piece of paper that is in your folder and seek out the full study and think of the opportunity to get involved so that industry, academia and all interested parties are represented as we move together with a full sector council. We are just in the process of putting together a Board of Directors and assigning an Executive Director so that the key initiatives will go
forward for a full sector council and supply chain. Thank you very much for the opportunity.

**Dr. Barry E. Prentice**
I would like to remind everyone that if you have a position opening in the area of supply chain management, we will have some graduates coming from the Asper School of Business in December and of course next spring as our program is gearing up. I roughly 86 students in my classes, so a lot of those will be graduating with a Supply Chain Management major.

At this point I would like to ask Paul Earl to come forward as our moderator for Session 3.
Session 3:

Containerized Shipping – Atlantic and Pacific Corridors

Dr. Paul Earl
Assistant Professor
Department of Supply Chain Management
Moderator

Thank you Barry. The next session as you are aware by looking at your program, is on containerized shipping through the Atlantic and Pacific corridors. We have two speakers who are going to enlighten us on this very fascinating subject. The first speaker is Mr. Stephen Paul who is the Export Coordinator with Delmar International.

Mr. Stephen Paul
Export Coordinator
Delmar International

Good Morning ladies and gentlemen. Let me first begin by thanking the organizers of the 10th Annual Fields on Wheels Conference with providing me with this opportunity to speak to you this morning, and to share my opinion and analysis on containerized shipping. I must apologize in advance for the lack of a PowerPoint presentation. I hope you will follow along during the presentation.

For those of you who are not familiar, I am currently the Export Coordinator for Delmar International located here in Winnipeg. With our head office based in Montreal, Delmar International Inc. has been involved in international trade for the past forty years. Delmar International, a Canadian owned and operated company, has been involved in all areas of international trade including freight boarding, trade consulting, warehousing and distribution, as well as U.S. and Canadian Customs Brokerage. In particular, our office in Winnipeg has been specializing in the movement of containerized grain since our opening five years ago and that is why I have been asked to speak to you today.
During my presentation I will discuss the current advantages of containerization, in particular how it relates to the movement of grain, growing trends facing containerization, and on the possible impact of the future. I will probably spend the most time on these topics, as they seem to be the most pressing issues and solutions for the future. Where will we be in ten years and what steps can be taken now to ensure the future growth of containerization in grain.

By definition a container is a load unit that can be used by several transportation modes such as marine, railway, and road, making the foremost expression on intermodal transportation. I just want to take a moment to highlight a few of the advantages associated with containerization. First, it is a standard transportation product. One of the keys, perhaps the greatest advantage to containerization is that international standard organization referred to as the ISO clearly established base dimensions for the container 20 feet by 8 feet by 8 feet on a 20 foot container and 40 feet by 8 feet by 8 feet on a 40 foot container thus allowing all elements of the transportation chain to handle it with relative use. For grain shippers in particular this allows the containers to be loaded at the farm or a consolidation facility (a grain elevator or transloading facility at the ports). Grain can then be trucked to double stacked train terminals and moved to the ports for loading or trucked directly to the marine ports for loading onto the vessel. Grain then moves in containers with other containerized cargo to a foreign buyer or destination. As a result containerized grain faces only the marginalized costs of intermodal transportation, therefore enhancing the economic performance of the transportation chain by using the most productive manner.

The second advantage I want to highlight today is the flexibility of usage. A key advantage is that containers can transport a wide variety of goods, ranging from raw materials such as grain to manufactured goods, automobiles and even frozen products in specialized containers. In a world filled with choices, containerization also provides the seller and buyer with a variety of options. With respect to transportation and the sales management, you can choose from bagged products or bulk products, 100 containers or one container, slow transit, cheaper price or do you pay a premium and go with the quick transit. These are just a few of the many options available in our modern era of choice. Perhaps the buyer wants the goods to arrive at a particular point in time. Perhaps the buyer wants the goods to arrive in this particular schedule. Perhaps the buyer wants different varieties to load into the same container. Containerization makes this possible.
Dr. Barry Prentice of the University of Manitoba Transportation Institute said in his 1998 paper entitled Reenergizing Grain Logistics, a differentiated distribution strategy may be applied to products, sales volumes or customers. Some customers are willing to pay more for premium service. Others are just interested in the lowest price. A standard level of service dissatisfies a quality sensitive customer and has attributes for which the price sensitive customer will not pay. Similarly, some products have high margins and are very popular, while others may be offered more as a service than a profit center, providing the same level of logistics in most cases is not warranted.

The last thing I want to highlight today is speed. Another key advantage in the movement of containerization is trend shipment operations. The modern container ship has monthly capacity of three to six times more than that of the conventional cargo ship. This notable attribute to grain in trend shipment time as a crane can handle 30 movements, loading and unloading per hour, port turn around times average between 10 and 20 hours to unload 1,000 containers compared to between 70 and 100 hours for a similar quantity of bulk freight to be unloaded. A regular freighter can spend between half and two-thirds of its entire useful life sitting in a seaport. With less time in ports, container ships can spend more time at sea, thus becoming more profitable to the operators. Furthermore, container ships are on average 35% faster than regular freighter ships, thus reducing transit times.

These three advantages as discussed are just a few of the many to containerization of grain products. There are others of course which can include, reduction in handling and warehousing, lower costs, a reduction in spoilage and losses just to name a few.

Now the point that I wanted to go over the most today is growing trends facing containerization today. Today’s transportation environment is complex, more regulated and more frustrating than ever before. Each and every day shippers and suppliers are faced with new situations, new problems, new legislation and in essence new headaches. As the movement of containerized goods continues to expand worldwide at a record setting pace, some of the following trends will become more vital.

The first one I want to cover is customs requirements. In 2003-2004 the U.S. Food and Drug administration included the requirement for prior notice on all food products transitting into or transitting through the U.S. This means that any cargo whether it be by rail cargo, by container, even by air, the U.S. government
must give approval for it to either go into that country or to even go through its air space or through its oceans. In 2004, Canada customs revised their policies and put new legislation on customs reporting to Canada customs. In one instance it was cited that this was more related to the airline industry. Air Canada failed to provide export declarations for three months and when they finally filed those reporting’s, it adjusted our GDP by 2%. In the current environment as it stands now, we must give forty-eight hours prior notice to our own government for our goods to leave the country, and in essence when this turns around to the carriers and to the steamship lines. In order for them to process the documentation even quicker, they require another twenty-four to forty hours in advance of that. So it makes reporting of cargo very difficult. In some cases you have to report your cargo before it may be physically loaded for return back to the dock.

Another requirement that has been ongoing for a few years now is referred to as FROB in the shipping industry. It is known as freight remaining on board. This is similar to the FDA prior notice and basically this means any cargo transitting through U.S. waters, the U.S. government must give approval before that loads onto the vessel. If they do not have the approval and they do not have sufficient documentation, they cannot load that on to their vessel and you may miss the contract.

The second part I want to highlight today, is infrastructure efficiencies. International trade is growing faster than infrastructure can handle and ports around the world are feeling the capacity. Many ports are making attempts to expand their terminals but in the effort to expand, the container ships are building faster than they can expand and trade is expanding faster than they can build.

Another issue is congestion. Many countries cannot afford to keep up with many of the third world countries and continue to expand. A lot of our grain that we ship around the world goes to a lot of third world countries. These countries do not have the physical means to keep up with the rest of the world. This means that while we may be able to send our cargo out of Canada with efficiency, it is getting congested in these ports because they can not transship, even on smaller vessels to the final destination.

The last thing on infrastructure deficiencies is railways are maximized in their capacity, both in terms of their line space and in terms of terminals across Canada. Just recently, CN announced that they would have to reduce the
amount of empty containers available in western Canada locations, due to merely the size factor. Land is valuable and containers cannot afford to sit. Instead of storing empty containers at facilities across western Canada, companies are now being forced to look elsewhere to store these units.

The third thing I want to cover is logistics deficiencies. Quite frequently we are seeing overbooked and overweight vessels. I was once told that the average container is approximated at about fourteen metric tons or 14,000 kilograms. Now, most of the product moved in 20 foot containers these days well exceeds that amount anywhere from 21 \(\frac{1}{2}\) metric tonnes, upwards to 28 metric tonnes. Vessels weighing out before they are actually full is causing huge problems because as soon as that vessel is overweight, cargo that gets pushed off first is traditionally the heavy cargo and this can cause extreme havoc with shippers and sellers. When you are trying to explain that I had it loaded on time, I had it to the port but they did not load it and if you have contracts or if you have LCs, it can cause further problems as well. Another issue in logistics deficiencies is a lack of available hopper cars to move containers from inland destinations to port. We are hearing as a freight boarder, we work with many different companies, we hear quite frequently that they are having difficulties with the railways to get their product from western Canada to the port of Vancouver. They are sometimes waiting two, three, or four weeks beyond their normal time just to move their product to the port. On the other flip side, there is also a lack of containers available in western Canada. There are a few lines that have done this with extreme efficiency and have made this process work but for the majority of the lines they are unable to move their equipment to western Canada. So we are faced with a dilemma. We cannot get our cargo to the ports and we cannot get the container to the cargo.

Another issue with logistic deficiency is equipment management. Many of the containers located in Canada that we need are located in primary import destinations. Containers are located in big centers such as Toronto, Montreal, Vancouver, but most of the exports this country does in 20 foot containers, in particular, comes from western Canada which is not huge import destinations. So, you have an imbalance. You have to try and find a way to get the containers here. Vessel delays are also big logistic deficiency. Whether it is congestion at the terminal, loading or unloading the vessel. It can be weather; it could be congestion at a previous port. These factors must be considered. If you are working on a strict contract date and you miss it by one or two days, vessel delays are becoming the norm, not the exception.
The fourth issue I want to discuss is weight. High stress versus low stress containers, as they are referred to in our industry, has become more vital over the past four or five years. For those of you who are familiar, a high stress container as it is phrased can load upwards of 28 metric tonnes or 62,000 pounds cargo. Low stress containers on the other hand can hold about 48,000 pounds or 21 ½ metric tonnes. Now, when making a sale it is very difficult for the seller to plan ahead when he is not sure what kind of container he is going to get. If you base your sale on an average of 25 metric tonnes per container and you get 21 ½ tonnes, there is a big gap in your pricing. Now, some new restrictions imposed by the marine carriers and the railways have kind of closed that gap in recent years. In particular, out of the port of Montreal, a lot of the lines now have gone to either a fifty-five thousand pound max weight restrictions or a fifty thousand pound weight restrictions. Citing some of the dangers in the way containers are currently being loaded. Also in recent months CN has imposed a fifty thousand pound weight restriction on 20 foot containers being loaded out of western Canada with a premium of approximately $275.00 U.S. if you want to load up to 55,000 pounds. These effects of heavy cargo weight are also being seen on oversea vessels. While many of our vessels that leaving North American ports can handle the heavy weights we are loading many of the feeder vessels that are going to these final destinations can not and this touched base, basically which what I was referring to earlier which is the congestion going into the Indian continent via Singapore and Columbo. As the carriers have had to go to the extreme and basically suspend or cancel their services until this backlog has completed, you have to come to the realization that in these cases for certain ports it may take upwards of 60 to 90 days to reach destination, while in essence it should only take about thirty to thirty-five.

The last issue I want to discuss is world-wide trends. We had a presentation just earlier discussing the growth of China and its effect on export business. Since China opened up to the world trade organization four years ago, it has been growing steadily every year and it does present a variety of options for grain to move there. On the flip side, China has now become one of the largest exporters of cargo to North America and for every single box that comes into North America from China creates new problems. We have seen in recent years the effects that China has had as it is reducing carriers will to move cargo to some of the smaller ports. If you can move a container to China and have that container come back almost as a guarantee they would much rather move that cargo, then moving it to a country such as India or Pakistan where the odds of cargo coming back to Canada from that country are very slim. Just to give you an estimate. You can send a 20 foot container from Vancouver to a port in China for
anywhere from $500.00 to $600.00 U.S. The ocean freight on that usually turns out to be $50.00. The rest of that is fuel and terminal charges. On the flip side, it would cost you almost $2,000.00 to bring that same container back from China to Vancouver and in most cases those containers are ending up, as mentioned before, in large import markets such as Toronto, Montreal and Vancouver.

The other world-wide trend we are seeing is fuel costs. This is a concern for everybody and its effect on the bottom line. It is very hard for people these days to make a sale and not know what the fuel is going to be. Associations such as the CSCA, the Canadian Special Crops Association, are pushing for more notice. While they understand that you can not eliminate fuel surcharges, if we can get more notice on these types of things at least you can plan. One of the worst things that we find when we hear from our customers is they make a sale based on the price today and when their cargo actually sales six weeks from now the price has changed because the fuel has gone up.

The other issue is seasonal congestion and its effects on equipment availability. From certain times of year depending on whether it is peak import seasons, certain things that are going around the world, containers can fluctuate in demand. Quite often you will find that in the early spring, early to late spring you can easily get cheap rates to certain destinations, simply because they want to move their containers there. On the flip side, there are certain times when those countries you can not get anything, because they simply just do not want to move containers there. In summary, these are just the majority of the pressing issues and growing trends that continue to play extreme havoc with our ability to move containers in an on-time and cost efficient manner. Ask any current exporter of containerized foods for horror stories about shipments gone wrong and I am sure they will be more than happy to vent their frustration. While the transportation industry continues to grow, policies and procedures continue to change and new situations emerge, the need to be prepared for the future becomes increasingly important for the movement of containerized grain.

So what steps need to be taken? First, is the increased awareness at the federal level. Most recently, exporters of containerized goods were hit extremely hard by the B.C. truckers strike in Vancouver. Government’s inability to take action and let that fester for more than thirty days, cost not only the shippers of containerized goods money, but it also cost them valuable reputation which they are trying to gain with competitive markets. As we continue to have labour interruptions across Canada, Canada’s reputation as being an efficient and reliable shipper of untimed cargo becomes in jeopardy.
The second issue is an increased awareness with the marine carriers. While some of them are very in tune to what we are doing, there are some that are not. We need to explain to them how our industry works. What makes our industry special and what they can do to help? I talked briefly about that before. Certain associations are trying to go to them and explain that if we need to put through increases, just give us more time.

The third thing is commitment and dedication to transportation and logistics within an office or an organization. The need to have full-time staff dedicated to this is an increasingly important aspect of trade which can quite often make the difference between a good and bad sale. No longer can you assign someone to handle the logistics. The need for trained professionals in this field is growing everyday.

The fourth and last thing is information. Gather as much information from as many different sources as possible. Whether it is with respect to the country of destination, current logistics factors that may affect your shipment, recent changes in regulations, or availability of equipment prior to booking, decisions cannot be made purely on price. Too often when a decision is made purely on price without informed decisions, disaster is waiting around the corner.

In closing, containerization, despite its current deficiencies, will continue to grow and flourish for the next ten years and many years to come. The advantages this mode of transfer has to offer, flexibility, speed and a standard unit of trade among others far outweighs any alternative that is currently available in today’s transportation environment. The key to the future, as mentioned a few short moments ago, is to stay informed, stay committed and continue pressing forward as an industry. If we continue to do this, continued success as an industry will follow. Thank you.

Dr. Paul Earl
Thank you Stephen. That was a most interesting presentation. I will just say now for those of you who might have questions and you have probably seen this routine earlier in the day, but make a note of your questions and you can either pose them from the microphone up front or you can write them down. I am sure there will be questions for you.

Our next speaker is Mr. Don Krusel. Now I did not give a very complete introduction to Stephen Paul, not because I was discriminating against him but
he did not provide us the bio in advance. I asked if he was a man with no history and he said yes, that was the case, but Mr. Krusel does have a history. He is President and Chief Executive Officer of the Prince Rupert Port Authority, holds a Masters Degree in Business Administration and has been Past Director of various prestigious organizations such as the British Columbia Trade Development Corporation and the Western Transportation Advisory Council and was former Chair of the Canadian delegation of ports for the American Association Port Authorities. That is not everything that he says about himself but that is I think a sufficient introduction to give us a sense of his qualification. So Mr. Krusel, if you would come up and give your presentation, we would appreciate hearing from you...

Mr. Don Krusel  
President and Chief Executive Officer  
Prince Rupert Port Authority

Well, thank you and Good Morning. I have heard a lot this morning about infrastructure deficit, congestion and the like and I guess I am here to talk about the solutions and the solution that we are developing at the Port of Prince Rupert. Actually not so much to solve some of these issues, because Prince Rupert has always been an option that provided solutions. Stephen mentioned the fact that an average vessel will spend twenty to thirty percent of its life sitting at port. Those vessels obviously were not in Prince Rupert, because they would not be sitting that long in Prince Rupert.

I am going to talk a bit about an exciting development that is happening in Prince Rupert and is addressing a lot of the concerns expressed so far and I think will have profound implications on grain transportation. I am going to cover a little bit about the Port of Prince Rupert just for those individuals who may not be fully aware of what we have there and then talk about the new Pacific Container Gateway that we are developing in Prince Rupert and some of the implications that we believe that that has for grain transportation.

Just a little bit of a review of the facilities that we have in Prince Rupert. First off, one of the facilities is Fairview Terminal and this is what it looked like six months ago.

We have already started the evolution of Fairview Terminal to a container facility and those buildings no longer exist. I will come back to this, but the buildings
and all the infrastructure on that terminal no longer exist today because we have started decommissioning and preparing for the containerization development. Prince Rupert Grain, which the grain industry should be well aware of, is the largest grain handling facility in Canada, and the second largest in North America. I would just like to say that we have never been able to test the capacity of this facility in Prince Rupert just because we have not been able to sustain grain flows to the Port of Prince Rupert to be really able to find out what this beautiful piece of infrastructure can do. It is believed that seven to nine million tonnes of grain could flow through Prince Rupert if we were able to sustain that flow. I guess back to what Adrian talked about earlier, the need to find solutions. There is no infrastructure deficit when it comes to grain flow in this country, if this facility could be utilized to its maximum.

We also have one of the most modern coal handling facilities that could handle anywhere up to seventeen million tonnes of coal a year. Its best year has been six. The resurgence of coal in the industry is once again going to revitalize this facility and we hope that within the coming years that we will be able to at least approach its capability.

Recently we got into the cruise business and opened up this facility, the Atlan, what we call the pocket cruise ship facility, handling pocket cruise ships of passengers up to 125 passengers and we went from four vessels in the first year of operation to fifty vessels and that gave us the confidence to move forward two years ago with the opening of the new Northland Cruise Facility. Many people, many skeptics said that we would have a struggle in attracting cruise ships. We have exceeded our business plan two years in a row and we will be exceeding it again next year. Last year we had nearly 100,000 cruise passengers come into Prince Rupert. Every time a cruise ship comes into Prince Rupert, it increases the population of Prince Rupert by 13%, so you can imagine what that does to the community.

Prince Rupert is the closest port to Asia and Asia is a growing economy. We are approximately one day sailing time closer to Asia than Vancouver and two days sailing time closer than L.A., Long Beach. Anybody that knows anything about the shipping industry and its economics can translate this into some very significant savings. The harbour in Prince Rupert besides being very beautiful, is the deepest natural harbour in all of North America. The third deepest in the world and that of course translates into some very significant opportunities and advantages.
Clearly, as we get into containerization, one of the striking challenges that the container shipping world has in the world is to find ports that can handle these 15,000 TEU vessels that we just heard about this morning and they are already starting to talk about even larger vessels. Those vessels are drawing a deeper and deeper draft and one thing that we in Prince Rupert certainly do not have to worry ourselves about, is ever running out of draft. The harbour has a limiting depth of 36 meters, so we have just over a hundred feet of depth. I certainly will not see the day when that will be a problem with trying to bring vessels into Prince Rupert. It is also the safest harbour on the west coast. We know this empirically by the fact that back when Alaska crude first started coming on stream Environment Canada and a couple of other organizations went and tested the marine risk of various harbours and ports right up and down the west coast and Prince Rupert came up with the lowest marine risk of any facility on the west coast. One of the reasons why the marine risk is so low in Prince Rupert is that despite the fact that we are protected by an archipelago of islands that keep the wave action down considerably, we are direct access to the open shipping lanes. If you can go out onto the berth at Prince Rupert grain or the berth at Ridley Island or Ridley Terminals coal facility and stand on your tiptoes you basically can see Japan if you kind of stretch your neck far enough.

One of our greatest advantages is our link to the rest of North America by one of the best operated, often in fact if you listen to the analysts, the best operated rail system in North America and that would be CN Rail. We have a top grade rail line that connects us to the rest of North America. Listening to speaker after speaker talk about congestion and infrastructure deficit, this is where advantage really plays out in favour of Prince Rupert. We have this tremendous rail asset that is highly underutilized. Anybody in the rail business can tell you that it is difficult to measure capacity because it depends on the length of your system and velocity and such. By any measurement, the rail line into Prince Rupert is probably at about 10% or less of its capacity right now. And that in a time when everybody else is talking about the need for double tracking and the need for improving rail infrastructure. This is a tremendous advantage that we want to take advantage of and I know CN Rail wants to take advantage of the development in Prince Rupert with the container facility. In fact, last week Hunter Harrison was in New York and the 10th anniversary of CN going public and mentioned one third of their growth in revenues is expected to come from the Port of Prince Rupert and the exciting development that is taking place there with containerization.
The other great advantage that this rail system has is that it is the flattest, straightest rail system through the Rocky Mountains to the Pacific Ocean. This is just one of the four passes that get you to the Pacific Ocean through British Columbia. The elevation change with the Yellow Head pass, which the CN Rail system follows to Prince Rupert, has the lowest elevation and that as a result requires the least amount of locomotive pulling power to get unit trains to and from Prince Rupert compared to any other rail system to the west coast and that includes U.S. rail systems. This is the flattest and straightest route and at one time was considered a disadvantage. Today, it goes through the most sparsely populated region of any rail system. Trains leave Prince Rupert as fast as the peddle can be put to the metal. They can stay flat out and can move at high speeds as quickly as possible for the length of the journey. That places Prince Rupert in a unique advantage in that we are as I said earlier connected to the railways of North America by a very superior rail system. That is what we are focusing on more and more as we move forward.

We are not the Port of Prince Rupert but we are the Port of the Midwest. We are focusing on connecting the mid-west with the Asian marketplaces. The rail running times that CN is projecting for a unit train are 107 hours from Prince Rupert to Chicago, 108 hours to Toronto, 115 hours to Montreal, and 135 hours down to Memphis.

**Figure 3.1**

![Fastest Total Transit Times](image)

This is the comparison of transit times from Asian origins to Chicago; Singapore, Hong Kong, Kaohsiung, Shanghai, Kobe, Busan. The number of hours, the total
transportation movement to any of those destinations is going to be reduced through the Port of Prince Rupert. This does not take into consideration any of the ongoing delays that are created by growing congestion problems, in some of the other gateway. These are issues that we do not believe we are going to face as we build this container facility. We will not have for many years, truckers in Prince Rupert. This gets back to the fact that we are developing a very unique business model for containerization in Prince Rupert, unlike any other container port in North America really, because we are going to be a “pure” intermodal container facility. 100% of the containers are going to be moved from rail to vessel, and from vessel to rail. Prince Rupert, I smile when I say that, Prince Rupert is not the destination or the origin. The Port of Prince Rupert is simply the gateway to the mid-west or the gateway to Asia. All of the traffic is just going to be moving as seamlessly as possible through there so we are not going to have a lot of congestion issues.

Figure 3.2

This is the heart of what is taking place in Fairview Terminal. This is what it is going to look like by the time it is finished in 2007. This is an artist’s rendering and we are going to in 2007 have a facility with the capacity of moving approximately 500,000 TEU’s annually. You can see at the back of the facility, a very large intermodal track area. Nearly one-third of the facility will be for rail
track and the movement of trains. We are moving, extending the earth face out another sixty meters. When we were a break bulk wall facility, we had bragging rights about how deep the berth was, 45 feet at low tide. That was by far well in excess of what was needed for break bulks. We now recognize that we have to get a little bit deeper berth at low tide. One nice thing about Prince Rupert is you just move the dock out a few feet and it gets to a deeper location. We are doing, we are moving the dock sixty meters out and we are getting to 55 feet of depth at low.

We are going to continue to grow the facility beyond phase I. We are going to extend the facility by 2009 to 160 acres and will have a capacity of 2,000,000 TEU’S by 2009-2010. To put that in perspective, all the terminals in Greater Vancouver last year shipped just approximately 1.8 to 1.9 million TEU’s. By 2009, the Port of Prince Rupert will have the capacity of what Vancouver has today. One terminal will have that capacity by 2009.

**Figure 3.3**

![Fairview Terminal Phase 2](image)

This is what the new facility will look like: The demolition faze has been completed, and wharf construction will be starting in this next month, finishing in April, 2007. Crane delivery is scheduled for May and June of 2007 and a phase two construction will start in 2008, with completion 2009-2010.

Anybody paying any attention to the media will recognize that the B.C. Government and now recently the Federal Government have talked about the
Canadian Pacific gateway strategy on the West Coast. The strategy was started by the British Columbia government and they set some very aggressive objectives of being able to move 8.8 million teu’s through the west coast by 2020. In 2003 it was 1.8 million teu’s. You can see the significant growth that is going to be attempted. Prince Rupert will certainly be contributing that with our Fairview Phase 1 and Fairview Phase 2.

What does all this have to with grain? I always remind everyone back at the office that the grain fields of the prairies and Chicago are our skylines. Prince Rupert is a small community with a population of 13,000 to 16,000 depending on when you measure it. What is happening in the community is not the marketplace. We just happen to be sitting on a very strategic corridor, a transportation corridor and the Port of Prince Rupert is not focused on Prince Rupert’s skyline. The Port of Prince Rupert is focused on the skyline here and the Prairies and the skyline in the mid-west of North America. What does that mean for shippers? Well, what we are doing is creating a new freeway for containers moving from Asia to the mid-west. Just picture it. Think back to those numbers. By 2007 there is going to be 500,000 teu’s moving through Prince Rupert, to eastern Canada, into the United States into the mid-west. Moving through the Prairie Provinces, this means that 500,000 TUS have to move back. This is where we see the big advantage, that we are going to create the economies of scale, or the velocity, the level of traffic that will create the right environment for backhaul traffic.

We really do see an opportunity with all of those containers, mainly 100% fully laden coming from Asia filled with Nike running shoes and Gap clothes and Sony television sets. We do not have those same kinds of high value goods going back to Asia. That is where the great opportunity is for grain and other products to be filled into those containers on the way back. On the west coast, believe it or not, raw logs, whole logs are being stuffed into 40 foot containers to be sent back to Asia. They are still being loaded on the decks of vessels today because of the shipping economics of so many empty containers going back with the economics that that creates. Raw logs are being stuffed into containers, and I know there are a lot of challenges that have to be overcome to fill those containers with grain. The size of container, the potential weight of containers, who owns those containers and those are all pieces of the puzzle that have to be solved. With 500,000 new teu’s moving through the prairies in 2007 and possibly 2,000,000 teu’s moving back to the west coast through the prairies by 2008-2009, surely the industry will be able to capitalize on those economics and be able to solve some
of those intricacies that are required to fill those containers with grain products to get to the marketplace.

In closing, the vision that we have for the Port of Prince Rupert is to be a leading trade corridor gateway between North America and Asian markets. I always point out that the word, Port, is totally void from our vision statement because we really do see ourselves as a trade corridor and we just happen to be one element on that trade corridor. By focusing on the entire transportation trade corridor, that is where we are going to succeed and where our real strength is. Our strength is not in being a port or having the infrastructure. Our strength is being on the shortest land-sea link between Asia and the mid-west North America. That is why grain backhaul containers moving from Chicago and Montreal and Toronto are so important to us, not moving containers to and from Prince Rupert.

So thank you very much for your attention and I look forward to any questions.

**Dr. Paul Earl**
Well thanks very much Don. We do have some time for questions after two such excellent presentations, I am sure you must have some, so if you could either write them down or as I say come to the microphone, we would certainly welcome them.

**Dr. Paul Earl**
Don how long did it take to get those pictures of Prince Rupert without any rain in.

**Mr. Don Krusel**
One of the fallacies about Prince Rupert is the rains. We are just trying to keep the population down so we do not have congestion.

**Dr. Paul Earl**
It is like Winnipeg, we do not tell anyone how great it is to live here. On a more serious note, Stephen, a question for you, you said that the container ships load at a much greater speed, a much greater rate than bulk ships. Did I understand that correctly and I just wonder what you attribute that to. Sort of intuitively, one could dump an awful lot of commodity into a hold of a vessel a lot quicker than you can lift it in chunk by chunk, so I just wonder how you measure it and what you would attribute that to.
Mr. Stephen Paul
I think one of the factors to take into consideration, is whether, especially in the Port of Vancouver, if it is raining, it is very difficult to load into bulk vessels. You have weather delays. Containers, have no weather delays. Unless there are extreme circumstances, the ships are on time schedules, they are going to come in, they are going to load, they are going to offload, and off they go.

Dr. Paul Earl
I would have the same question about speed, that container ships are faster. What accounts for the faster speed?

Mr. Stephen Paul
Most of the accounting for faster speed is just the technology that goes into container ships. Most of the container ships are newer, they are producing them to be more cost efficient, to get to the destination.

Question from the Audience
Yes, a very simple question. In this post September 11th world, how significant will this terrorism factor be in terms of regulations and movement through ports and just how big a factor has that been in terms of the things we do not see, in terms of behind the scenes regulation inspection and everything else.

Mr. Stephen Paul
There are different programs in place right now for importers and exporters. On the import side, there are customs of the CPAC program that is mainly in the U.S. where you can pre-register as an importer. You give all your details, do a screening, and if you are registered with them, and you are importing goods you are kind of on a priority list. If you are not registered, there are certain things, things that I mentioned right now, there is ACI, advance customs information, for anything being imported into Canada, and there is also a similar thing that comes for anything going into the U.S. What this basically details is that Canada and the U.S. must give permission for cargo to load on a vessel at the origin, whether it be Asia, Europe or whatever country. They must give permission for that cargo to come in, so they have sufficient enough time to look at the shipper, look at the consignment, assess if there are any risks involved, and determine if the product detail is bad and they need more information. This advance reporting has kind of been a tool to protect them. As I mentioned, when you are transitting through the U.S., whether it be in their waters or over rail, those restrictions apply to Canada and because we are going into the U.S., they want to know what is coming in, because there is just as much as a risk, as far as they are
concerned, for cargo coming through the U.S. and there is for cargo coming into the U.S.

**Question from the Audience**
(Inaudible)

**Mr. Don Krusel**
Just a couple of comments, one that Stephen has mentioned, I think that most of the systems and practices are now in place post-9/11, but heaven help us if an incident does occur, and I am thinking now with containerization that many people say it will be inevitable, that just having the means up to speed up the existing systems and practices, probably will not be enough after the day that happens anywhere in the world. We certainly are thinking about that very seriously given that when you think our business model that we are developing is to move containers to the mid-west. Many of them will be going to the United States, and we want to make sure that the security system that is in that new facility of Prince Rupert is not only just meeting the standards but will be sufficiently high that if and when an incident does occur that that gateway will continue to operate the day after that happens. I think that any port has to think about that in the future if that incident ever does happen.

**Question from the Audience**
I have certainly been considering moving grain in containers for some time. It is a long time coming, although at this point, the issue of the attractiveness is simply bringing empty containers back. Grabbing their high paying front-haul shipment from Asia has deterred the movement of those containers inland and we may well see that changing when the freight rates do turn around if we see adjustment in currencies. But my question to you is more the matter of commercial regulatory issues. The shipping lines tend to line up with individual railways and since Prince Rupert is served only by CN does that not limit to some degree the amount of options the shippers like Stephen might have in terms of where you can ship to. Could you address that and also the issue of other regulations such as the container cabotage within Canada and the pressure it puts on the containers around vis-à-vis move from Canada to the U.S., unloading it and then forwarding it?

**Mr. Don Krusel**
I suppose there will be some limitations when the fact that there is a particular shipping line, ABC, who has a relationship with CP for example and the real question is, will that shipping line develop a relationship with CN for Prince
Rupert. It is one thing to have those distinct relationships, when they are sharing a port with the other rail line, but if that shipping line is interested in going to Prince Rupert, then there should not be anything from developing a relationship with CN for that particular aspect. I just want to also add, that many people have suggested that because Prince Rupert is served by only one rail line, that there is a lack of competition that we have to concern ourselves with that when it comes to this new development. I would argue that in reality it probably is more of an advantage than a disadvantage. Firstly, because of the fact I hear many people talking about in a place like, you can name the port, where there is more than one rail line, people will say, would it not be great if the various rail lines would work together to solve some of the problems at the port. While we do not have to worry about trying to get grain to more than one railway to get it to work together to solve any of the transportation logistics that might develop in Prince Rupert.

Secondly, especially when we are dealing with Prince Rupert, with container traffic to the mid-west, CN is not the only option for any shipping line or any customer, because we are competing against other gateways, we are not competing against other rail carriers out of Prince Rupert. To get a container from Shanghai to Chicago, there will be many options and Prince Rupert will only be one of them, so CN will have to be extremely competitive while we collectively in that corridor will have to be competitive with all the other options. We will have to work together to compete against them.

**Question from the Audience**

Don, I think in your figures, if I am recalling correctly, you said that once you get the Pacific Gateway container terminal up, it will about 500,000 teu’s and then expanding to about 2,000,000 by 2009 and 4,000,000 by 2018. I am speculating that there would be a large imbalance between incoming containers, incoming teu’s, importing Asian goods, and taking them to North American markets and export goods. The reason I am making that speculation is because I just did a quick back of the envelope calculation. The agricultural products that are containerized, as I understand it, there has been increasing containerization of malt and barley. There is special crops that are containerized, but I did a quick calculation. Just on the malt and barley, and at 2,000,000 tonnes of malt and barley from western Canada, which is a fairly high level, even if you containerized all the malt and barley that would still only amount to 80,000 teu’s, calculated at 25 tonnes per teu. So 80,000 teu’s out of 2,000,000 tonnes of teu’s movement. I am wondering what else. You are not likely going to containerize coal, you are not likely going to containerize wheat, except for niche markets and
that will be relatively small. So I am wondering what else would be moving out to export in your view in containers?

Mr. Don Krusel
You are right, there is going to be a tremendous imbalance and I think that that is where the economics are going to continue to improve for the export market. I would not be too quick to just disregard that wheat will someday be moving in containers. We on the west coast said that logs would never move in containers, we said that lumber would never move in containers and now nearly 70% of two by fours are moving overseas in containers. So I just add that we are looking for exports from as far away as in the mid-west. In British Columbia, that rail track that moves to Prince Rupert goes through some of the highest producing forest product sector in the world and so we are looking for a lot of backhaul there. No doubt even with that, there will be a tremendous imbalance. Just a note, the cost of new empty containers, is dropping dramatically, like everything else in the world and because China is producing them. It is almost getting to the point where it is just as inexpensive to just buy a new container than it is to move it back to market. There is a port in Europe that is looking at shredding containers and just moving them back bulk.

Dr. Paul Earl
I have two duties left to perform here. One is to tell you and I will tell you to do this before I do the last one, just to formally thank our speakers and to present each of them with a small gift, a small token of our appreciation and perhaps while I am doing that you can thank them in your own way.
Luncheon

Paul Larson
Director
Transport Institute

Welcome, everybody to the luncheon phase of our program. Our luncheon is sponsored by Agricore United, so thank you to them.

It is my pleasure to introduce, our Dean of the Business School, Glenn Feltham. I am one who has been around the block, I guess in the academic world. I was counting up the other night, Glen is actually, the seventh Dean that I have served under and it has certainly been a pleasure. One bit of advice that I give Glenn is to remember, that Dean’s never really retire, they simply lose control of their faculties.

So with that Glenn, please:

Dr. Glenn Feltham
Dean
I.H. Asper School of Business

It is a great pleasure to be here today. First of all I would like to bring welcome on behalf of the I.H. Asper School of Business. This really is a wonderful event. The school is very proud of its Transport Institute as well as the Fields on Wheels Conference. It is also my great pleasure to introduce the Honourable Ron Lemieux, Minister of Transportation & Government Services for the Province of Manitoba and Dr. Joanne Keselman, Vice-President (Research) for the University of Manitoba for a major funding announcement today.

On November 4, 2003, Premier Gary Doer appointed Ron Lemieux as the new Minister responsible for Transportation & Government Services. He served as Minister in several previous ministries including Culture, Heritage and Tourism, Sport, Consumer and Corporate Affairs and Education and Youth. Minister Lemieux earned his B.A. and B.Ed. from the University of Winnipeg. He has also completed post-baccalaureate certification in education from the University of Manitoba. The Pittsburgh penguins drafted him for a time and for a time he
played professional hockey. Actually I had your card. He was also employed as a provincial civil servant and brings with him an intimate knowledge of how government works. Ron is active in the community. He coached the girls high school hockey team in Lorette and a double A midget girls team in St. Adolphe. He has also served as the volunteer vice-president of the Lorette Sports Centre and has held a number of positions in his teachers’ association. Ron and his wife Val have lived near Lorette for 27 years, they have two children attending university in Manitoba and one who attends Lorette College.

Let me say a few words about Dr. Joanne Keselman. Dr. Keselman, representing the University of Manitoba received her doctoral degree in Quantitative Psychology from the University of Manitoba in 1978 and is currently Vice-President, Research at the University of Manitoba. Dr. Keselman is a Professor of Psychology. She is a member of numerous associations including professional associations. She is Vice-President of the Natural Sciences and Engineering Research Council of Canada, NSERC, and a member of the NSERC Executive Committee. She is also a member of the Premier of Manitoba’s Economic Advisory Council and serves on its Executive Committee, and as a member of the Board of Directors of Destination Winnipeg, ISIS Canada, Arctic Net and the International Center of Infectious Diseases. Dr. Keselman is also Chair of the Board of Directors of Resolve, a private research network on family violence and the Manitoba Institute of Cell Biology. At this time, I would ask Minister Lemieux, to please bring greetings from the Province and to say a few words. Minister Lemieux.

The Honourable Ron Lemieux  
Minister of Transportation & Government Services  
Province of Manitoba

Well, welcome to all of you. Yes the last name is Lemieux but it is a different one than the one that is in Pittsburgh and I have a different bank account and I can tell you that. And Dr. Keselman, if you ever want another job as a psychologist you can come to the legislature any time, there is a lot of people there that need your assistance.

Well, welcome to each and every one of you. It is indeed a pleasure for me to be here representing the Province of Manitoba, Premier Gary Doer and our government. This is of course the tenth anniversary of the Fields on Wheels Conference and I have a special announcement to make today with regard to a
funding agreement we have with UMTI, but prior to getting that, I would like to make a couple of comments. First of all, about transportation and the importance in the role that it plays in Manitoba and as we believe the importance that it plays in all of Canada and in our well being as a country and its citizens.

I also want to note that amongst all provinces and territories, Manitoba has the highest transportation contribution to the economy with a total economic impact in excess of 2.8 billion dollars. My department has enjoyed association with UMTI since about the early 1980s. In fact sponsorship of the Field on Wheels Conference has been and will continue to be one of the items that will be funded under the agreement which I am about to announce with the University of Manitoba. Other projects we have initiated through UMTI have ranged from transportation trend analysis to assessing the competitiveness of our mid-continent transportation corridor, to assisting the alternative technology transit bus demonstration (the hydrogen hybrid internal combustion engine demo) that was held here not long ago.

The maximum funding available under this particular agreement is $200,000 a year for five years which totals $1,000,000.00. A number of benefits exist for the Province and for the Institute as a result of more long term funding. My department relies on UMTI to assist the Department in meeting several strategic transportation policy program and business plan objectives that we have. This new approach of a five-year term will facilitate long term multi-year research projects to help us achieve our goal to develop ourselves as a global trade and transportation gateway province. Also, the longer term agreement will enable the Institute to hire and retain personnel and expertise and to leverage resources from Federal and other external sources. Not long ago I had a meeting with Minister LaPierre, the Federal Transportation Minister. I mentioned UMTI and the agreement that we are negotiating and encouraged him to look within his budget and see if he could match our funding. We believe in the importance of UMTI and the role that it plays in our province, and in fact for Canada, and we think that the Transportation Minister of Canada, should be involved in funding UMTI as well.

Also, the long term agreement will enable the institute to hire, and as I mentioned retain staff which is really important. We often hear of people being trained in certain locals and then moving on. What we want to do is to be able to keep people here with the expertise that they have. We do not want that expertise leaving the Province. The development of a Center of Excellence in Transportation Logistics in the Asper School of Business is a goal of both the
University and the Province. We strive to develop a critical mass of government and industry in academic partnerships to focus on transportation as an important contributor to the Provincial economy and the social and economic well-being of the province and all of Manitoba.

I just want to talk about the three broad strategic programs that we are looking at and areas where we propose to target UMTI’s research and analysis resources. One is freight transportation. This program area focuses on freight supply chain issues particularly affecting our agricultural and primary resource extraction sectors. Number two is the international trade corridors and borders and gateways. This program area will develop the research and analysis necessary to help further develop Manitoba, as a global trade and transportation gateway. A particular focus would be on key multi-model trade corridors and gateways and Manitoba’s connection to international transportation systems, such as the mid-continent trade corridor. I have to tell you a little bit about this. We have had a lot of conversations with our friends to the south of us and in China and Russia in regard to international trade and transportation corridors. We envision a corridor that runs from Churchill all the way down through Winnipeg, Kansas City, Texas, Monterey, Mexico, and all the way to Manzaneo and in fact on the west coast of Mexico. This has really been gaining momentum over the last, I would say six months, and I would use this opportunity to talk about a conference that was held in Monterey, Mexico last May. It was called Hemispheria. And Hemispheria brought together, Governors, and Mayors of Mexico, Governors of the United States, President Vincenta Fox from Mexico, Premier Charest from Quebec, and our own Premier. It was a gathering of like-minded people to trade and transportation and all the challenges that result from many issues that surround transportation and the movement of goods and so on. I would like to talk about the Port of Churchill and also the City of Winnipeg. We talked about an Arctic Bridge Concept that ties into this trade corridor. The Russians, Ambassador Mamidov and I, were up in Churchill and spent a few days up there talking about an Arctic Bridge Concept which would mean Russia bringing goods to Churchill, and goods leaving Churchill and going to Russia and also to Europe. There is a lot of attention being paid to Churchill these days. The Russians and the Chinese are looking at that Port as having some viability and in fact a very great future. These are very optimistic people that are looking at this. The Russians would not be doing this if we did not know they could make a buck. They realize that the route from Murmansk to Churchill is a lot shorter than going to Thunder Bay or going to other routes. You have ports in Murmansk, adding billions of dollars to improve their ports. They want to look ahead and see how they can get their goods into North America and ship not
only to Russia but also to India and China. Winnipeg was known as the gateway to the West. What we want to be known as into the future, is the logistics gateway and the gateway to the world quite frankly. We think there is a great opportunity to do that. Many in this room will certainly be called upon for your expertise to assist us in that. We have set a high standard and a high goal for ourselves, but we believe that we are situated strategically to take advantage of this.

Moving on to the third strategic item, the Core Transport Research. This program area focuses on core the research needs of the province and the region with respect to understanding transportation development via ongoing benchmarking of supply chain and best practices activity in Manitoba. This will include annual trend analysis on transport activity, shipper needs surveys and economic impact studies. I believe this agreement is beneficial for the Province of Manitoba, the University and also all its citizens and residents of Manitoba. I look forward to the continued successful completion of transportation logistics research projects at the Institute, under this agreement. At this time, I would like to welcome Dr. Keselman as the University of Manitoba Vice-President of Research to join me in this signing ceremony.

Before we do that, I just want to thank every one of you for being here. You know, it has taken a long time for transportation to finally get on the radar screen. Many of you that deal with transportation, day in, and day out know the importance of transportation, but I believe in the public’s mind, transportation now is finally getting there. It is more than just health care and education that politicians and other government agencies and private sector and other individuals in this country need to look at. We need to look at transportation, because if transportation is successful, and everything related to transportation and trade is successful, we are going to have the financial wherewithal to make sure we have a great healthcare system, and education system. So without being too much longer, I would welcome Dr. Keselman to come forward and I really look forward to this signing agreement. This is great thing for the University and a great thing for the Province. Thank you so much. Thank you very much.
Dr. Joanne Keselman
Vice-president (Research)
University of Manitoba

Thank you Paul. Good afternoon, everyone. Minister Lemieux, ladies and gentlemen, it is certainly my pleasure to participate and represent the University in today’s announcement of a multi-year funding agreement between the Province of Manitoba and the University of Manitoba. As you have already heard from Minister Lemieux, Manitoba Transportation & Government Services has had a long history of collaboration with the University’s Transport Institute. This collaboration dates back to the mid-1980s and has involved a range of projects that have been of interest to both the Department and to the Institute. So I would like to take this opportunity on behalf of the University to acknowledge the critical support that the Manitoba Government has provided to the Transport Institute over these many years. I would also like to take this opportunity to acknowledge the recent support that our government has provided to the University through its Council on Post-Secondary Education that has allowed the creation of the Supply Chain Management Department within our I.H. Asper School of Business. With the head of this new department also filling the role as Director of the Transport Institute, the Transport Institute has become an integral part of the Asper’s School New Supply Chain Management Program. The combined activities of the Department and the Institute provide the unique opportunity for the University to support the Province of Manitoba, in terms of transportation policy research and development, and also to support Manitoba’s transportation and supply chain management industry in terms of access to expertise as well as enhanced educational opportunities for Manitoba’s youth in transportation and supply chain management fields. Each of these roles is critical to the further development of Manitoba as a global trade and transportation gateway. This five year contribution agreement that was announced today will solidify the long term relationship between the Manitoba government and the University of Manitoba’s Transport Institute and as we have heard will allow for the more productive allocation of Institute resources to the research and logistic needs of the province. Equally importantly, it will also help our Asper School become a center of excellence in transportation and logistics and will help Manitoba further develop economic opportunities in this important industry sector. In closing let me extend the University’s thanks to the Government of Manitoba. We look forward to continuing our collaborations on the transportation and supply chain management front. Thank you.
Keynote Luncheon Speaker

Mr. Arthur Kroeger
Former Deputy Minister of Transport
“Tales from the Trenches”

Well, some of you in this audience, I guess have heard me before, and I am going back to a subject that I used to talk about in the west quite a lot. The origins of the title of what I have to say lie with Ed Tyrchnewicz. I went to see Ed and told him I was working on a book about how Jean Luc Pepin and I gently managed to phase the Crow’s Nest Pass rates into history. Ed was kind of intrigued and thought, well you should come and tell us about that and it sounds like Tales from the Trenches would be the right title. So that is what he gave me.

It was a while ago now, but when you look back on it, it was one of the watersheds in the development of the west and in the western agricultural economy. You can say, it was a bad thing to have done, or a good thing to have done, but there was no question that it was an important thing that had to be done. I want to spend a little time, about how that came about, because I think there are some political lessons which I am going to signal for you at various points as I go along.

I became Deputy Minister of Transport in October, 1979. Don Manzankowski was my Minister, but of course shortly after, the Government was defeated and then Mr. Pepin became my Minister in March of 1980. By this time I had my bearings about what the issues in transportation were, and it was kind of summed for me by a dinner I had one night with John Hartman, who at the time was President of WESTAC. I said, “John, tell me about transportation, what are the issues in the West?” John said, well there is the Crow, and then there all the others put together. And, I thought he was right. It seemed to me that was a pretty accurate description. What had been an irritant to the railways, costing a little money, in the fifties and sixties, became a major problem when you got into the seventies, with double digit inflation. Carl Snavely was an American expert on railway costing whose name will be familiar to many of you. He came up and did a study. He said of the first five years in 1970s, the railways lost $200,000,000.00 hauling grain at the 1897 rate. In the second five years of the 1970s, they lost $600,000,000.00 and the forecast was that if things were allowed
to go as they were, we would lose between two and three billion in the first five years of the 1980s. It was impossible. We could not allow that to happen.

WESTAC, among others, forecast very strong growth in the shipment of both commodities westward through the mountain main lines and the capacity was not there. The railways were going to have to make huge investments. The working figure was thirteen billion dollars that they were going to have to invest in western Canada in the early 1980s. That was the equivalent of building a third railway as we sometimes described it. This was serious business because the signs of congestion were already starting to show up. The average speed of a CN train had been 24 miles an hour, and as the congestion developed and they spent more and more time sitting on sidings as they met each other, it dropped over a period of five years to nineteen miles an hour. You could see what was coming in the future. And if you allowed traffic rationing to develop, it would be catastrophic for the west but also for the entire country, so you had to do something about it. Where was the money going to come from. Where are they going to get that thirteen billion? Well the source of the problem obviously was the huge losses for moving grain at the 1897 freight rate. Somebody pointed out that by 1980 it cost twice as much to mail a letter from Calgary to Vancouver as it did to ship a bushel of wheat. So, it was necessary to do something about that.

The problems facing the government, my Minister and myself were enormous. The first problem, obviously was that the Crow was sacred in the west, people talked about it as Magna Carta. Where I grew up in Alberta, small boys were taught to believe in the imminent second coming of Christ, to hate the CPR, and to believe in the Crow rate. It was part of the western culture and it would take a pretty heroic approach to deal with it. Carl Snavely and I were having coffee in my office one day and he sort of looked in the little distance and he said, “You know Arthur, I do not think I altogether understand the country in which a freight train could be a constitutional right.” That was not an inaccurate description of what we are dealing with.

The second problem that the government of the day had, was legitimacy. Mr. Trudeau came back in the election of February, 1980. He got two seats west of Ontario, both of them in Metro Winnipeg. Not a Wheat Board permit holder to be seen. So here he is, here the government is faced with the need to deal with one of the great icons of western Canada, and they have two seats in Winnipeg. The Minister of Transport is a French Canadian professor from Quebec, who taught at the University of Ottawa and represented an urban riding. Are we going to send him out to deal with the Crow? It is kind of like sending Don
Manzankowski into Quebec to change the educational system. But the reality that kept coming back was that doing nothing was impossible, because the western railway system was at risk. So what are we going to do?

In March of 1980 when Mr. Pepin became my Minister, we ran him through the initial briefings and I said to him approximately what John Hartman had said to me. He picked up the issue immediately, was not afraid of it and he and I got started. We kept coming out west in the spring of 1980 and we would have meetings with the wheat pools. We would talk to provincial governments, we would talk to the cattlemen and private grain companies. What emerged from that series of regular trips and dinners and long meetings was that we made a discovery. We discovered the west was changing. The Western Agricultural Conference comprising the three prairie agricultural federations in February of 1980, had actually passed a resolution saying that they were prepared to negotiate the sharing of future increases in costs. In other words, they were prepared to negotiate increases in the Crow. Well, that was said in a kind of a low key way but was a dramatic development. It was the first time in history that the Crow had been on the table. And what it demonstrated was western realism. People had seen in the 1970s, the deterioration of the grain system. People were aware that in the one year in the late 1970s, Canada had had to give up six hundred million dollars in grain sales because the capacity to move the stuff was not there. So these rather realistic people said we have got to do something about this, we don’t like it, it is going to be hard but we are ready to talk.

So my first lesson of governance is, beware of conventional wisdom. Sometimes when you check something that everybody believes you can find a surprise, and we found a surprise which was that there was a disposition to depart from history in western Canada. Encouraged by that, in the fall of 1980, we started moving a set of ideas into the Cabinet Committee System, particularly the Western Affairs Committee chaired by Lloyd Axworthy. We explained the problem, explained how we read the west. But what Mr. Pepin encountered from his colleagues was wariness and skepticism. First of all, Mr. Trudeau’s government was engaged in what amounted almost to a confrontation of the provinces over the constitutional proposals in the fall of 1980. In addition, the National Energy Program was launched at the end of October in 1980. “For God’s sake do not talk to us about railways and grain transportation, we have got enough trouble.”

The second problem was that nobody would believe us. First of all, for most members of the Cabinet, grain transportation was simply an incomprehensible
subject and still is. But the people who purported to know about it, were two old line prairie populists, Senator Bud Olson from Alberta and Senator Hasen Argue from Saskatchewan. And their message was very clear, you can not touch the Crow, it is part of western history. So, you know, who is going to believe this Professor, who comes and says actually the west is ready for change.

There was a third problem, which was related to the political strategy that the liberal party has been pursuing with doubtful results since I guess the early 1960s: “It is hopeless to cater to the Conservatives in the west. To win seats you have got to outflank the NDP on the left.” Out of that, for example, came the decision to appoint Ed Schreyer as Governor-General. Out of that came the selection of Hasen Argue, among the different Saskatchewan Senators, as the one most on the left to represent Saskatchewan in the Cabinet. This was part of the basic political strategy and People were horrified when they discovered that we were starting to fool around talking about the Crow rate, which in the eyes of the NDP, was something of great importance.

Our problem was that there was not anyone in the Cabinet who reflected the contemporary west and the result was that Mr. Pepin, experienced wariness, skepticism, and essentially was all alone in the Cabinet. We thought we had a solution and we said alright, they won’t believe us, we will bring the western agricultural leaders to Ottawa and we will let them tell them. They had a series of meetings with the Ministers, they had a meeting with the Prime Minister and they said, what they had said to us, that they were ready to negotiate. The message did not register or was rejected and a stunning development in February of 1981, was that Mr. Trudeau simply said we are not going to fiddle around with the Crow rate. I could hardly believe it. But he dismissed the representativeness; we had every major western agricultural organization on side except for the National Farmers’ Union. He dismissed them as representative of the West and said no, not enough of a consensus; we are not going to do it.

I guess I will give you governance lesson Number 2 here. Governance lesson Number 2 is that if in government you are trying to get a customer for your solution you have got to make them understand that there is a problem. We had done our best to make Mr. Trudeau’s Cabinet understand that there was a real problem in the west, but it did not sink in. So the message was dismissed and in the weeks and months after that we got letters from people, including the Saskatchewan Wheat Pool, saying, “What the hell do we do now? We are out on a political limb with our members. We told you already to negotiate and the
government has turned us down. You have really left us out to dry.” We had no real answer to these enquiries, because we were as baffled as they were. Essentially, we were put on hold for eight or nine months. Mr. Pepin busied himself with Via Rail and subjects of that kind, but the subject that was most important to us was off the table.

Interestingly enough, the people who rescued us in the end were the Department of Finance. Every year, in the fall, the Federal Cabinet would meet to plan the work that was coming and one of the things that they would get was a fiscal assessment, an update. The Department of Finance went in and said, look, in the decade of 1970s you spent 1.8 billion dollars on branch lines and hopper cars and so forth. The system is getting worse, the problem is still there and you are going to have to spend a great deal more if you keep going down this track. The only alternative is to do what Pepin is trying to tell you. The word that came back to us from that meeting was that the Prime Minister said, well okay, take a run at it. I mean Mr. Trudeau knew that he did not understand the west, he did not understand transportation out west, and he did not understand grain transportation. The result was that, in the same way, that he had failed to register the message in February, he was equally calm, about reversing himself in September. Be that as he may, we had the amber light.

We then had a succession of meetings with Cabinet Committees. This time, one of the ways that we demonstrated that there was a real problem was that we used some charts that had been produced by WESTAC. These charts were dramatic. Because when you got to about 1984 it went like that, coal, potash, forest products, grain and this time the warning sank in: “If you do not do something about this you are going to lose a billion dollars a year in exports from the Canadian economy.” The result was that by the end of 1981, we had clearance. Go and try it. Here I want to talk about one of the interesting differences in how the Crow was done by comparison with how the National Energy Policy was done. You know the National Energy Policy was done with great secrecy, it was unveiled, even the Cabinet, most of them did not know it was coming, at the end of October, 1980. The whole plan was unveiled and then in effect was forced onto the west. The way we preceded, was we got the Cabinet to approve a policy statement and seven principles and an amount of money. We had this in draft and right after New Year’s Day 1982, the Minister’s Executive Assistant and I got on a plane, we flew to Winnipeg and we had a meeting with members of the grain industry. I distributed copies of the Policy Statement, the principles, and so forth. We talked for two hours; we got all sorts of free advice, some of it pretty vigorous. At the
end of the meeting, I said okay give the copies back. We got on a plane and went to Calgary and we did it again, went to Regina, give the copies back, then back to Ottawa where we reshaped the statement on the basis of what we had heard in the west.

The next thing that we did was instead of coming up with the whole Crow strategy to solve the problem, all we did was that we published the seven principles with the amount of money the cabinet had approved. He then appointed Clay Gilson, from the University of Manitoba, and put him in charge of a process involving the railways, the wheat pools, cattlemen, crushers, all the interested parties. In effect, what we said to them was, “Anything that all of you can agree on, that respects that set of principles and does not cost more than that amount of money, we will do. You work it out.” Which is exactly what happened.

One of Gilson’s greatest achievements was that in the span of three months, he kept everybody on side, even for the things that the Pools had real problems with, but they said they would try it out. He kept everybody on side and produced a consensus report for the end of May. This was a remarkable achievement on his part, but also on the part of the western stakeholders whose interests were affected.

Gilson also said, look, I have got a number of things here that you ought to do, but a lot of detailed work to do, so you ought to establish three or four task forces to do much more work in detail, which we did.

One of the task forces was about legislation. Have you ever heard of federal legislation being written by the stakeholders, which is what we did? We took our draft bill, and went through it, page by page by page with the lawyers and others from the Wheat Pools and the railways and others.

So here I come to my next lesson of governance. If you have a really difficult issue to deal with, it is often better to share the problem with other people than to just go and tell them what the solution is. It turns out if you share the problem, people will help you solve it, in the least damaging way. And that is what happened. People want to be involved, even if they do not like what you are doing, and some people obviously did not like what we were doing, but they came to the table and they stayed there and it was the key to our success. What I said to my Minister one day was, you’ve got to nail Gilson’s report to your mast and sail it through the House of Commons, which is approximately what we did.
We had a “made in western Canada” solution to a western problem, which was also a national problem, so far so good.

But the story is not quite that simple, because then a problem started to emerge: the biblical cloud a little bigger than a man’s hand that turned into a storm. In Gilson’s report, he had proposed, instead of the railways paying farmers. Let the farmers decide what they want to do with the money. They can use it to pay down their freight rates, or they can feed the grain to the cattle and keep the money, or they can send the grain to a local crushing plant, they can grow non-Crow crops. Let them decide. This was the so called method of payment issue, which many of you in this room will know backwards and forwards. There were very substantial benefits to the west that we could see resulting from this system. The department of Agriculture who had done studies, and said, this western agricultural economy will be improved by hundreds of millions of dollars a year if you break the rigidity of exporting raw grain and subsidizing that, and just let farmers decide how best to run their farms.

Well, one of Clay’s great achievements, was he got the Pools to take this back to their members. But it failed, for two reasons. From the point of view of the Pools, if farmers had the kind of free choices that are involved in paying the producers, this was a threat to the overbuilt system of wooden elevators that the Pools had. They spent a lot of money on it and if people were starting to get out of grain and starting to feed their cattle and starting to follow market signals, this could have been very serious for them. So the Pool leadership went into opposition on us. In fairness to them, in the eyes of their members, and I do not really have to tell a western audience about this, but in all those little towns like the one where I grew up, the elevator and the branch line, were regarded as fundamental to the survival of the town. You take them away and the town dies, which indeed happened to a lot of small towns. It is still happening.

The upshot was that we now had serious opposition to this part of the package. Interestingly enough, when we set out at the beginning, my view, which I found a memo about, I said to the Minister, look we better play it safe, let us just do the minimum thing the Western Agricultural Conference wants, let us not crowd our luck. If we can get that far, other things can happen later. Gilson’s report encouraged us to do something you almost never do in government, raise the stakes half-way through the game, and that in effect was what happened. My Professor Minister saw very clearly how beneficial this would be to the west and became deeply committed to it, and it was thought, “we could do this.” We
could pull it off. The Pools will not like it, but the polls indicated 40 to 45% of the producers said that payment to the producers is a good idea.

We got blindsided in Quebec. The Quebec farmers were alarmed at the prospect of unconditional payments to producers in the west that would not be used to export grain but would be used to develop the western agriculture. They saw this as a competitive threat and the thing escalated on us over a period of months. Emotions ran higher and higher in Quebec. They really did see this as a potentially fatal blow to Quebec agriculture. They formed a coalition of farm groups of course, the millers, the Chamber of Commerce, even the veterinarians on the premise that if Quebec’s livestock industry was wiped out, there would not be anything for the veterinarians to do. We tried papers, we tried task forces, we tried meetings to demonstrate that if there is more production the west, it was all going to go south. You are not at risk in any way. They would not believe us. The upshot was that the pressure mounted, the Quebec caucus was spooked, the Parti Quebecois Minister of Agriculture in Quebec said, you should not even subsidize the movement of grain by the railways, because he thought the worse off the west’s agricultural situation was, the better for Quebec. That is pretty bald stuff.

In any event, there was a reality. The government had 74 Members of Parliament from Quebec and two from Winnipeg. The panic was such that the government had to consider backing off on payments to producers. Pepin went in and he fought the battle, he argued, he kept saying, this is going to be really good for the western economy. The trouble was that Senator Argue and Senator Olson said "no it will not" and the other Ministers who were baffled by the subject anyway, said, “If it is good for the western economy, why are the Wheat Pools against it?” The answer took too long for anybody to be able to assimilate. At the end of April of 1983, a final Cabinet meeting was held. I sat outside and waited and eventually Jean Luc came out, just looked at me and gave me a thumbs down.

Within a week of trying to put the legislation to Parliament, we had to rewrite it and go back to payments to the railways. When we did that, we lost our supporters in the west, because the west was divided. Some wanted it and some did not. The ones who had wanted payments to producers were bitterly disappointed. Chris Mills of the Alberta Cattle Commission, Stan Price of Unifarm, Lorne Parker from Manitoba and a couple of others turned up at my office with a bottle of whiskey in the late afternoon one day. I got out the glasses and we sat and we had a wake for lost opportunities.
We hit bottom in the spring of 1983, because now there was not a single agricultural organization in the west that was supporting us. The Pools were still mad at us and they were not going to come back because by now their members were hostile to the idea of paying more. We had lost pro-market people, and people in the west were starting to say this is hopeless; we should scrap it all and someday start again. Well that was a pretty sobering prospect in terms of what would happen to the railway system, which was really at risk at that point. Arguments about the very limited cost increases to producers got us nowhere.

There is a limit to how much the Federal Government can afford and there is a limit to how much you can spend on a particular industrial group in a particular part of the country. Mr. Pepin once shook his head in public, and said “You know, we are already going to be spending $900 million a year, if it gets to be a billion, somebody might notice.”

So, Lesson 4. Sometimes in government you hit a point, where data and rational argument do not get anywhere anymore. There can be surges of emotion that you cannot counter while they are running, and at that point all you can do is put your head down and plod ahead, and carry it through on the assumption that it is still really important to do even if the going has got very heavy. The Bill was presented to Parliament and the political firestorm that broke out was extraordinary. For the third time in Canadian history, Parliament forced a vote of first reading of a Bill that is supposed to be routine. You had bell ringing, you had filibusters, you had 20 hours of procedural debate before they would allow the thing to proceed any further.

However, the wall of opposition and the determination on the part of the Conservatives to inflict a major defeat on the government provoked the opposite reaction on Mr. Trudeau’s part. He became very steely and he said, we are not going to be defeated on this. Once it became clear that if necessary, the government was prepared to keep Parliament sitting all summer, the opposition finally backed off and allowed second reading to pass. The Bill went to Committee and the hearings were held in western Canada. They were very emotional. The people who were passionately committed to the Crow and what it stood for turned up in all kinds of numbers, women, church groups, and farmers of course. I remember a meeting here in Winnipeg of a Standing Committee. In one corner of the room there were a group of Dukhobour women visibly praying that the Crow would be retained. It was a very emotional business. Nevertheless, the Committee came back, we went through it clause by clause, and finally it went back to Parliament. There was more filibustering, there
were more tactics of every kind, hundreds of amendments being proposed and finally on November 17th the bill cleared and got Royal Ascent.

There is one more episode that I have to tell you about. In the summer of 1983, with a few months to go the Prime Minister was contemplating a big Cabinet shuffle, to see if he could gain some popularity for his government. He had a meeting with Mr. Pepin. He said, “Are you going to run again, Jean Luc?” Mr. Pepin was not sure and they had a discussion. I am not breaking confidences here, Mr. Pepin said this in public later. The Prime Minister said, “You know I have got to put my young Ministers out front and give them an opportunity to show there stuff.” So the upshot, after a few days, was that there was a Cabinet shuffle Jean Luc, who had fought the lonely battle and carried it through almost to the end was demoted and sent to the number three position in the Department of External Affairs. Lloyd Axworthy was made Minister of Transport to take credit in the west for the government’s achievement.

Well, I understood the Prime Minister’s logic, but I guess I have got one more political lesson of governance for you, which is that in public life, there are not many fairy tale endings.

That really is the end of the narrative. I think there are some important lessons to be learned from it. I find it a kind of interesting story in itself. The lesson about sharing your problem, of involving people in developing solutions to a problem, is an important one. That was from beginning to end, the way we functioned. There is an interesting consequence here. We all know the National Energy Program inflicted scars in the west, especially Alberta, but not exclusively, that are still there a generation later. Six months after the change of government in 1984, the National Energy Program was gone. In the 1984 election, people hardly mentioned the Crow, because difficult as it was, as disagreeable as it was to many, it was not felt to be rape, it was felt to be the product of extensive consultation, and extensive dialogue.

People who hated what we were doing gave our Minister credit for the way in which he had done it. That is one of the reasons I want to write about it. Thank you.
Session 4

Bulk Handling – Mid-Continent Corridor

Ms. Ruth Sol
President
WESTAC
Afternoon Chairperson

Good Afternoon. I am the one who gets to talk about that great dessert. Also, was not that a terrific speech by Arthur Kroeger. He actually clarified some mysteries for me. I joined WESTAC in the spring of 1983. At that time was told that WESTAC had been formed ten years earlier. The reason it had been formed was, that four western provincial Transport Ministers got together because every time the railways picked up a ton of grain, they lost money, and that was causing problems. So, the remarks that Arthur made actually clarified some of those earlier statements, that I thought was a bit of an urban myth, but it turns out that it was not.

We are now at the afternoon session, our last two panels of the day. Our first one is the Bulk Handling – Mid-Continent Corridor panel, and then we are into our Yesterday, Today and Tomorrow panel. I would like to introduce Doug Duncan who is the moderator for the Bulk Corridor – Mid-Continent Corridor panel.

Mr. Douglas B. Duncan
Research Coordinator
Transport Institute, I.H. Asper School of Business
Moderator

Thank you Ruth. Well, we had a great session this morning on the Atlantic and Pacific. Now we want to talk about the middle of the country and to really tee that up, Paul Larson, the Director of the Institute is going to spend ten or fifteen minutes with some introductory slides to set the stage with volumes of traffic and issues of the mid-continent corridor. Wayne Atamanchuk, from CN, is going
to more specifically talk about bulk rail movements down the mid-continent corridor.

Let me introduce Paul. You have seen him a lot today, but he is a new boy on the block for us. We are just getting to know him. We like what we see, but he has got quite a varied list of credentials. He got his Bachelors and M.B.A. Degrees from the University of Minnesota, his Doctorate from the University of Oklahoma. Of note, the Institute of Supply Chain Management funded Dr. Larson’s Doctoral Dissertation which won the 1991 Academy of Marketing Science Alpha Capa Si Award. From 1990 to 1996 he taught marketing and retailing at the University of Alberta, from 1996 to 2001 he was at the University of Nevada, from 2001 to 2004 at Iowa State. He has been around a lot of the corridor through central Western North America. He has also consulted and conducted Executive Seminars in Europe, North America, South America, the Caribbean and China on logistics purchasing and transportation and SCM. With that Paul you can set the stage.

Paul Larson  
Director  
Transport Institute

Thank you Doug. Yes I have quite a passion for the mid-continent corridor. I suppose as originally as a Minnesotan, but one that has been in Oklahoma, towards southern end of the corridor, at least in the U.S. side, Iowa and now here in Winnipeg, at the northern part of the corner. We are also very excited about the corridor at the University of Manitoba and in the Transport Institute. We feel that looking at the corridor fits in with our kind of basic mandate and mission. Here you see that the mission of the University is to create, preserve and communicate knowledge thereby contributing to the cultural, social and economic well-being of the people of Manitoba, Canada and the world. Our focus first, is certainly Manitoba, but we go beyond that to Canada and the world at large. When we look at things like the mid-continent corridor, we are talking about reach on a global basis.

The Asper School which was started in 1937, is the University of Manitoba’s center for management and business education. As you know or probably heard it at some point during the day, the Department of SCM is quite new. It was created in 2004.
Here is how our Department defines Supply Chain Management. The thing that is interesting here is again when we look at the mid-continent corridor, our focus is transportation, but there is more at play. There is the sort of broader issue of supply chain management. In addition to transportation, the other logistics functions of storage, warehousing, etc. are all in play. Now briefly, specifically in the Institute, our primary activities include research conferences and education. The Fields on Wheels Conference today, the Northern Transportation Conference which our partner WESTAC was involved with, and then our new Supply Chain Connections Conference, which we are featuring for the second time in March 2006. With respect to education we have our Certificate in Logistics and our connection to the Supply Chain Management Department.

Before proceeding, I would just like to thank the team at the Institute, which includes Kathy Chmelnnytzki, Bev Bolton, Doug Duncan, Allister Hickson, and our Research Associates. Our interns in the back, Gene Morales, Matt Seguire and Sharon Cohen. And of course, my predecessor in this role, Dr. Barry Prentice, who is now Professor of Supply Chain Management. I must say it is an honour and a pleasure to work with all of you folks.
Here we have a map of the mid-continent corridor from a trucking perspective. One interesting thing about this is that this is off the NASCO website. NASCO is the group that the Minister mentioned over lunch who will be participating in the Hemispheria 2006 Conference right here in Winnipeg in June. An interesting thing to note here is that all they have is roads. They have this road network that is sort of a funnel coming together around Winnipeg and then heading south with other American routes heading right down into Mexico. An interesting fact about NASCO is that they very quickly evolved to more of a multi-model focus. They are talking about things such as inland ports, and rail connections. The North American inland ports network is a working group within NASCO. Let us focus on the inland ports along the mid-continent corridor. This becomes very interesting for us at the Transport Institute and Winnipeg, because one of the inland ports being talked about is right here in Winnipeg.

What is an inland port? A brief definition off the NASCO website is a site located away from traditional land, air and coastal boarders with a vision to facilitate and process international trade through strategic investment and multi-model transportation assets and by promoting value added services as goods move through the supply chain. One can certainly envision Winnipeg as an inland port whether the industry is agriculture or other industries as a value add center, in addition to the traditional sort of transportation role.
Here is the more recent map that NASCO has put up. One thing that fascinates me about this is where they have got Churchill. Somebody, will need to tell them that Churchill is actually on Hudson Bay. You can see that the three big green balls are Winnipeg, Kansas City and then San Antonio. These are the premier inland ports up and down the corridor. Note that the corridor does run all the way down through Mexico to some of their ports and also from our perspective, runs north of Winnipeg right up through Churchill.
With the sailing of the MV Theotokos on October 29, 2005, loaded with 37,000 tonnes of wheat to Sudan, the Port of Churchill ended its 2005 season.

The Hudson Bay Port Company handled 460,000 tonnes of wheat, durum, and other grains through the Port of Churchill this season. A total of 15 ships called at Churchill to load grain for export during this season.

In addition, the port handled gasoline, diesel fuel, and jet fuel, as well as consumer goods destined for Nunavut.

http://www.omnitrax.com/
Here I have just clipped a recent news release, the last ship had sailed from the Port of Churchill on October 29th and so again you see the tonnage of wheat, not a huge player of course, on the nationwide scene, but certainly a significant player in the movement of wheat.

Now on to CN. I certainly do not want to steel any thunder from my co speaker in this session but here we have a short map of CN operations to show you the rail routes, the infrastructure, and the connections. Again note the funnel concept and the capability to move freight from the west and the east right on down to the southern U.S. If we link that with the Kansas City southern network, the so called NAFTA rail, we are going all the way down into Mexico, to the Mexican ports. We can see the sort of the total mid-continent corridor from the rail perspective.

**Figure 4.6**

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<td>256,518.2</td>
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<td>Preparations of Vegetables, Fruits &amp; Nuts</td>
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<td>290,722.6</td>
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<td>#85</td>
<td>Electrical Machinery, Equipment &amp; Parts</td>
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The next slide highlights statistics based on U.S. government data for 2004 showing the Manitoba exports to the U.S.A., in terms of value and weight. There are a number of different commodities. The ones highlighted are the key, at a very broad scale or a broad degree of aggregation, the key agricultural type commodities moving southward.
One interesting thing to us at the Institute is that commodities either are rail dominant as in the case of the animal and vegetable fats and oils or cereals or they are truck dominant in the case of live animals, or there is an interesting mix, modal split, kind of right in the middle. Of course, it is also going to depend upon final destination and the distances involved.

**Figure 4.7**

The next slides show tonnage of agricultural exports for Manitoba to the various corridor states including Mexico. We also have the road vs. rail split. We also have the traffic out of Manitoba, Saskatchewan and Alberta as well. With that I am ready to sit down and turn it back to Doug.

**Mr. Douglas B. Duncan**

Thanks Paul. A little marketing message about the Institute and a few background statistics on some of the volumes of traffic going down the corridor. Our next speaker Wayne Atamanchuk is currently Assistant Vice-President, Bulk Commodities at CN. He was appointed to that position in July, 2004. In that role he is responsible for CN’s marketing and commercial strategy for grain, fertilizers and coal in the North American market. Wayne has been with CN for 24 years and has worked in engineering, strategic planning and most recently in
the marketing department. One interesting thing of note if we went back a few years, CN had an exchange program with other corporations and Wayne actually spent six months in this exchange program with the Alberta Wheat Pool as part of his introduction into the agricultural marketing side of the business. Wayne has an engineering degree from the University of Manitoba and an M.B.A. from McGill. So with that, we will ask Wayne to give his presentation.

Mr. Wayne Atamanchuk,
Assistant Vice-President, Marketing – Bulk
CN

Thanks Doug. I would like to thank you for the opportunity to speak here today. To give a bit of my perspective and CN’s perspective on bulk handling in the mid-continent corridor. Basically, I am going to look at core areas to give you some background on CN and how we see it fitting with the mid-continent corridor by looking at about four supply chains in the mid-continent corridor. I want to go through those and provide some examples of how supply chains are different, unique factors with each of them and then give a bit of my perspective on some of the factors that I think are important and influence flows in this corridor or for that matter any corridor and then finally a quick summary.

Do not be alarmed, I am not going to go back year by year with CN, but I wanted to set the base as to where we started, where we are today, and use that, because you are going to see an important theme in what I think is important for these flows. Basically, post-privatization in 1994 CN was in essence a trans-continental Canadian railway focused on east west flows. From a north south perspective it was not that exciting a story. The furthest south we got was basically Superior, Wisconsin and we had a link to Chicago but we handed off a lot of our traffic at Winnipeg or Superior to other carriers.
In 1999 things got a little more interesting with our strategic direction and acquisition of the Illinois Central. You can see with this map how that started to extend our reach, giving us tri-coastal capabilities. We could move product direct down to the Gulf. We could move product into the eastern gateway, or the western gateway as well, but it really, from a mid-continent perspective, started to give us some scope and network reach that we could go and market our services.
Concurrent with the acquisition of the Illinois central, we initiated a strategic alliance with Kansas City Southern and its affiliate the TFM Railway in Mexico. You start to see now how from a mid-continent corridor perspective it is really starting to broaden our reach. It is really starting to give us much more scope to get to different markets. The strategic alliance with the KCS is basically one whereby we can market destinations on their railway without a lot of effort. Recently, we acquired the Wisconsin Central which has done two things for us. Up until this point in time we were getting to Chicago, over haulage rights with the WC. By owning it, we have more direct control over the operations of that line and it really secured our future. We saw back in 1995-96, just prior to the acquisition of the IC, that to prosper in the North America Rail Industry we had to become more of a north/south player than just an east/west player. The WC was the final piece of that strategy to really ensure that we can control our destiny. Today, our network is the red line, it is petty extensive. In some instances with Great Lakes Transportation, we actually have vessels that move product over the Great Lakes as well.

Figure 4.10

I just want to quickly go through a background on CN. The purpose of this slide is to just show two things. One is a lot of information, but from a commodity perspective, we are well diversified. Bulk commodities coal, grain and fertilizers,
represents about 21% of our business. Intermodal is 18 and merchandise which is really a big basket of different commodities is 60% of our business. So unlike other railroads, we have a broader, diversified commodity base, which provides strengths when there are downturns in a particular commodity segment. The second thing, when you look at those bubbles and the network, you see the flows are diversified. We do not have a predominant flow in any one corridor. The most we have in a particular corridor is about one-quarter of our business in the domestic U.S. and domestic Canada. Off shore east coast is about 4%, offshore west coast 14% and transborder in the mid-continent corridor is about 16% of our business.

Figure 4.11

<table>
<thead>
<tr>
<th>Commodity</th>
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<tr>
<td>Coal</td>
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<tr>
<td>Grain</td>
<td>371,091</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>88,342</td>
</tr>
</tbody>
</table>

I think if you took a look at this slide, which is 1995-96 prior to some of the acquisitions that we did, that transborder west would be a very, very small element of our business.

Looking at the same thing from a bulk commodities perspective, you see it is a little bit different. With the commodities that we are responsible for here, coal, grain and fertilizers, the corridor mix is very different. In fact, you see that 62% of the commodities are in the domestic U.S. and domestic export. One of the things driving that percentage, is relative to 850,000 carloads that CN bulk
commodity represents. There is a lot of coal, and in particular U.S. coal, whereby we are getting coal from the western carriers of the powder river basin going into river terminals on the Mississippi in eastern Michigan utilities, etc.

Transborder west is 8% of bulk commodity flows and basically it is really two commodities. It is grain and fertilizers of about 90,000 carloads of fertilizer business for CN, almost half of is transborder. From a grain perspective, out of 370,000 carloads, about 150,000, is Canadian originated grain and about 10% of our grain originations move in this Tran boarder corridor. From Canada, we are averaging about 50,000 carloads a year. It has been fairly stable for 2004 we had a slight uptick in growth and 2005 year-to-date is progressing better than 2004. So it is an important mid to mid-west corridor. It is an important corridor for CN bulk commodities and we see continued growth in it.

Now I want to go through some supply chain examples and just highlight some different particulars about these various supply chains.

The first one, is one that we started to pursue immediately following the acquisition of the Illinois Central. As I mentioned, it gives us direct access to the U.S. Gulf network this one involves the movement of wheat, predominantly originated in the Winnipeg area in basically 50 car or 100 car units direct to a terminal on the U.S. Gulf and the Mississippi River. It then moves in a vessel to a Caribbean or Latin American market. One of the things we like about this move is that it is pretty much consistent year round with balanced flows and has been in place for over five years.
Examples of Mid-Continent Supply Chains – Wheat via US Gulf

**Movement Characteristics**
- Manitoba Originations – predominantly Winnipeg area
- US Gulf Export Terminals
- Consistent Year-Round Shipments
- Unit Train Quantities
- Program has been in place for past five years

The solid red line is the rail route, the dotted line is the rail vessel opportunity and then the other, that rail vessel one, is actually somewhat misleading because it is not really a competitive alternative. What we found is that with this rail direct access, we developed a market. As I mentioned, it is going in unit train quantity, so it is about eight to ten thousand tonnes at a time. Really what is happening is it is moving to the Gulf to direct hit on a vessel. At the gulf, they are also putting in corn, soybeans, other commodities. What we found is that to move grain via Thunder Bay and by vessel to the end markets are not big enough to really support the economics of 35 or 40,000 tonne shipments. So this is one is ideally situated to this rail movement, piggybacking with other commodities coming from the U.S. or other points, going to the same end market.

This next one, is I will mention is wheat to Mexico; it also fits with other commodities. We move more than just wheat to Mexico. You will see as I go through this one, and this is one I would like you to keep in mind because as I talk about some of the factors that are important, I am going to come back to Mexico as a market. Here unlike the U.S. bulk market prior to the rail system, there was a very viable alternative supply chain and that is rail to Vancouver, vessel down to the west coast of Mexico, then rail into major points in Mexico.
Alternatively, you see a lot of Canola and wheat as well going into Thunder Bay, and vessel to the eastern coast of Mexico. To Paul’s comment about Churchill, we do see in the summertime when Churchill is operating, wheat and Canola going to Churchill by rail and getting into Mexico by vessel. So, here is a supply chain that was well established prior to our network reach and with the development of that network, with the strategic alliance of KCS, we started to work with KCS and the TFM to develop opportunities to move grain products from western Canada down this corridor into Mexico.

One of the interesting things here is the evolution of this supply chain. Basically it is moving in 25 car lot shipments versus the vessel option. We move the product to Vancouver, vessels move in 25 or 35,000 lot quantities into that port in Mexico. They then sit there for a while and get transported to the end receiver. Many of these end receivers, particularly in Mexico City, are landlocked: They only have the ability to take 25 cars, etc. So they can not take large shipment quantities at any one time. When we started to develop the rail option, we went after Monterey first.

Monterey was a natural target, because it is the, closest rail delivery point in terms of length of haul and it is also furthest away from the primary ports that the grain is currently coming into. It was the low hanging fruit that we went after. As we started to work that option we gained some confidence with receivers in terms of being comfortable with rail delivery options and developed further options. From that we then focused on moving with the same receivers into Mexico City. We are just starting to make inroads into Guadalajara, which was probably the most competitive, most difficult market to get into in terms of its proximity to that west coast port where a lot of the wheat and Canola is coming into today. This is one where, and you will see in a chart a little later on, there has been significant growth with this particular growth and supply chain.

I am going to flip now to a couple of fertilizer examples, because as I mentioned in bulk commodities, we also have a responsibility for fertilizers and when I was talking with Paul at the beginning, in this corridor, there are opportunities for much more than grain. Again all these examples provide different characteristics. This one is focused on potash to the mid-west. There is a lot of information here on this chart. Just to give you a sense, all these colors just takes consumption of potash by county. The darker the brown is the more potash that is consumed in that particular area, the lighter the color the less potash, so you
can see in the Midwest extensive consumption of potash. That is no surprise, because this is where most of the corn in the U.S. is grown. You need a lot of nutrients in the production of corn so extensive flows of potash went into the mid-west. Saskatchewan is the major supplier of potash in the world. It is the dominant supplier of potash in the U.S. In essence, the U.S. consumes about 6 or 6.5 million tonnes of potash each year. I think there is only about a million tonnes that might come in from imports along the east coast. Some comes in from the Gulf but most of the potash is comes from Saskatchewan. Length of haul, has an influencing factor on which supply chain is used. The length of haul is quite a bit longer here and in some instances, it is a thousand miles particularly when it is going to the southeast U.S. Down into the south it is more typically 750 to 1,000 miles. Many delivery options exist in the supply chain. Some receivers, have large warehouses capable of taking unit trains of potash, others have river terminals where we are delivering unit trains of potash which then get loaded into barges on the river, and are transported to different points along the mid-west, and there are small receivers, 20 or 25 car lot shippers and also single car receivers.

Basically, as I mentioned, not a lot of competitive alternatives. Unlike the previous supply chains where rail might be competing with vessel or rail we have established a new supply chain that one is really a rail supply chain. There is a lot of trucking, but some trucks are going up into the northern plains. This is really a CN, CP story and is an example of different railway supply chains competing with each other.

Finally, another fertilizer example. This one is focusing on nitrogen or urea, and has the same basic premise the darker the colour the more urea that is consumed in that particular area. The Canadian ones are a little misleading because we have just had one number for one geographic area rather than by county. But what is important on this one, this is a movement of western Canada fertilizers into the northern plains States, North Dakota, South Dakota and Minnesota and it is one that started out as a two-rail move. In the end, a win-win all the way around. A couple of things were positive about this move. For those of you who work in the grain industry and have been involved with fertilizers you know there is a very intense peaking of demand for this product in a very short window in the spring. There is some fall application, but most of it is moving in the spring. The fertilizer producers want to try to operate their plant year round. Their biggest struggle, just as ours is, is coping with the peaking of the movements during the spring season. Having a warehouse distribution option allows them to move product into their off season periods and truck out during
the peak season or pre-position the product. It also frees up trucks during the peak season for them to move direct to some markets that again rail is just not a good sourcing alternative for them to access.

These are the four supply chains I want to highlight. I want to leave you with the impression that when we are talking mid-continent flows there are many different ways to get down there, many different forms of competition. That all influence the supply chain that we are looking at.

What do I think are some of the important factors that can and do influence flows? I am talking about factors that influence flows in this particular corridor. I think you can take these same factors and apply them probably to any transportation corridor. But fundamentally, first and foremost service capability is the most important one. You have got to provide an efficient competitive service option. I have spent a lot of time talking, showing maps about the single line routing capability of CN, the extensive network reach. That has been very important, that has probably been the number one factor that has allowed us to grow our transborder volumes in this mid-continent corridor. But even with that, there are limits. I am not aware of any initiatives where CN is acquiring other railroads so you have to start to work with other carriers. You have to look at efficient interline options. With our network, we are good into the mid-west, we are good into this corridor, but there is a lot more Canadian product that is moving to the southeast U.S., and western U.S., and northeast U.S., we have to work with other carriers.

Figure 4.13
I want to take a few minutes to talk about an initiative we have implemented last year in working with other carriers to make our routings more efficient. I have an example to demonstrate some of the impact that this can have. We call it our routing protocol or gateway optimization: Basically, what it is, is it is working our operations and service design people, the people who set up train schedules, working with their counterparts with the other carriers. What we have done with this is, one by one, worked with all the U.S. carriers, CSX, NS, UP, BNSF and we have looked at all the traffic we give to them, all the traffic they in turn give back to us and we looked at where the traffic is originating, where is it ending up and based on the service capabilities, the service options that both railways have, what is the best gateway to hand the traffic off on. From that we select the best service route to the final destination. Once that has been done, that becomes an integral part of the service plan; that is how the traffic will be routed.

We are often looking at country gateways, instead of a gateway like Chicago. Everyone knows some of the situations that can happen, at Chicago with the busiest rail terminal probably in the world, definitely in North America. Every carrier connects there; it is the busiest yard network, rail network, etc. It can cause problems, and it can add a lot of costs and delay service. We look at alternatives other than Chicago. Now that is not to say that we avoid Chicago at all costs. If the routing protocol says basis the two service options with the different carriers, Chicago is the best interchange point, we will use it, but it is not the only interchange point. By doing this too, we look at finding gateways, finding the service options that reduce yard classification. When cars sit in yards, they basically just sit, they accumulate time, and really what we are trying to do here is find the better service alternative.

Why is this important? Just because really, we are looking for the best service route. Traditionally, I am in marketing. In marketing, when you originate a carload of business, you try to push it as far down your railway as possible, because this maximizes your length of haul, and maximizes your revenues. It might not be the best solution, but that is what you try to do from a marketing perspective.
This next example is a good indication of that. In this particular instance this is not the bulk commodities move but this could be applied to bulk as well. If there was a bulk shipper originating a carload of oats or anything in the Edmonton area going to a receiver in Texas, it probably in the past would be going along the blue route. CN would originate in Edmonton, take it down to Chicago and interchange it with the UP in Chicago. UP would then in turn take it to Texas. In some instances, you see our network does in fact go to Memphis UP connects at Memphis, and we probably even would have tried to push it as far as Memphis, before we give it to the UP. In this particular example, the route is about 2,720 miles. After working with the UP, looking at all the various origins, the various destinations, establishing a routing protocol, gateway optimization protocol between the two companies, this is the route that came out, basically, going to the same receiver but now CN is giving the car up to the UP at Superior, and really what is most telling is, we go from 2,700 miles length of haul to a combined 2,000 miles length of haul. In this particular instance, almost 25% of the total miles were reduced from this length of haul. That is at minimum a two-day improvement in the car cycles and then more importantly it has avoided Chicago. So here is an example, whereby, through the routing protocol we have come up with a much more efficient solution, and it is a solution, as we develop these with all the carriers hopefully makes two-line rail service, more competitive, more efficient relative to truck and in some of these mid-continent corridors, that is what is needed.
Coming back to some of the factors that I think are important, we have talked about the service capability of single line routing. The interline options and what we are doing with the routing protocol. The next one is competitive freight rates. We have got to have a competitive freight rate structure to facilitate the movement. But we also have to have a rate structure that enables all the participants to earn a return. Some of these longer haul corridors, tie the asset up much longer so you have got to earn a return to support that asset, particularly if you are comparing it to another corridor that is much shorter and quicker turn.

Finally, the third element, and I debated whether Number 3 should have been Number 2, or vice versa, is marketing, making the customer aware of the capabilities. Probably that was one of the biggest things we recognized, we learned and recognized from our experience over the last four or five years. I want to come back to that Mexico example I talked about. Post 1999 we had the rail infrastructure in place to get to Mexico, we had a marketing agreement with the KCS to get to Mexico. I think we were putting out competitive rates there. Traffic was starting to move but it was not meeting some of the targets, some of the success factors that we wanted. So three, three and half years ago, I took one of my better people and established them to just do receiver based marketing in Mexico. The individual then, for about a year, spent two to three weeks of every month, down in Mexico City, Guadalajara, Monterey, wherever there were customers receiving Canadian grain or fertilizers and start to make them aware of what CN could do in delivering product to this end market, and start to make them aware of Canadian products that could come down there.

You will see in a later slide some of the results of that. At the same time you saw some of my fertilizer slides, with potash and urea going into the mid-west, we established an individual again, who spent six months, in the mid-west talking to small receivers who were in Wisconsin, who were in Iowa, Illinois, places we serve, again making them aware of who we service in Canada, be it the potash mines, the nitrogen producers, etc. making them aware of the CN option. You can have your service in place, you can have a competitive rate structure, but you really need to have the marketing piece in place to really make it grow. Those are factors that I think a railway can control, can influence to get some success.

There are also external factors that can influence the success or the volume of movement in a particular corridor. There is the trade environment, the trade actions. I guess the classic example would be some of the duties on Canadian wheat going into the U.S. Currency values, as the Canadian dollar changes relative to the currency and the destination market, can influence attractiveness.
or competitiveness of the various supply chains. Finally, modal competition. Here is what I wanted to bring back to show the influence of modal competition. This one is again our example of carloads to Mexico, wheat, oats, canola, anything that we are moving into Mexico. You can see, what I was talking about for 1999 we get the infrastructure in place, we start to put rates in place and you see we get some immediate success; we go from next to nothing to about a 1,000 carloads a year. That is good, but it is still not good enough. Then we put the marketing initiative in place, and we jump, very quickly, from a 100 to 200 percent increase in the volumes we are moving to Mexico. At this point in time, I would say that growth is more railway influence, railway factors, and railway control.

Figure 4.15

External Factors Influencing Flows

Modal Competition

Now you got the external factor of vessel freight rates. This is just plotting the vessel trade rates to Japan from the PMW. Obviously those are not the rates that are going into Mexico, but vessel rates from the west coast of Canada into Mexico would track what these vessel rates are doing, because the vessel operator has the opportunity to take his vessel and move the product to Japan rather than into Mexico if the rates do not keep pace. You can see, that external factors assumes the vessel rates went up, the all rail option became much, much more attractive and again almost doubled the volume growth. Vessel rates are starting to drop and you see back returning to some of what are stable flows of movement into
Mexico. Again, this is, I think, a prime example of external factors that can in fact influence flows in supply chain.

To summarize, in this mid-continent corridor, I think there are definitely long term sustainable flows that are possible, that are going to be there year in, year out. Some of the factors that contribute to that is competitive routing for the U.S. Gulf to Latin America, I say there is sustainable, long term flows. We are having a little struggle with the U.S. Gulf with some of the sourcing issues in Manitoba for grain to go into this market, but I think when the crop comes back to Manitoba, that remains a very viable long term flow. You also have niche markets. I talked about Mexico. Wheat is dropping off now because of vessel rates, but oats, specialty crops, other commodities, that again, does not move in vessel lot quantities, can continue to move into Mexico. For supply chains, where the supply demand fundamentals are favourable i.e. the potash to the U.S. mid-west, I do not see anything on the horizon that changes that distribution flow. It comes back to rail as a very competitive movement in that corridor.

In addition to these long term or sustainable flows, there is a number of transient or fluctuating opportunities. This is really the competitiveness of the rail supply chain, and the classic one is the wheat to Mexico that I just talked about. Another one, unlike your potash one, is the nitrogen fertilizers to the U.S. mid-west. We move a lot of nitrogen into the U.S. mid-west today, but with high natural gas prices, the ability of American producers and even western Canadian producers to competitively produce nitrogen, relative to Middle East producers, etc. is putting that whole supply chain in question. We are seeing more and more, imports of nitrogen coming into the gulf to the east coast and making its way as far as Iowa and Wisconsin, etc. So what will be long term sustainable flows. There is always going to be some fluctuating transit opportunities.

Finally, I think, you know the success of developing a mid-continent corridor or any corridor for that matter is a function of the service offering. We talked about the price competitiveness, the marketing of the routing option and finally the external factors that are surrounding that particular supply chain. I think as I tried to emphasize, we are very interested in the mid-continent corridor. It is a corridor that is very strongly aligned with our extensive North American network and we do remain and believe that it provides an opportunity to grow. And so thank you.
Mr. Douglas B. Duncan
Well, I think that was a tremendous presentation on the evolving rail network down through the mid-continent corridor and how the evolving mergers and acquisitions in the rail systems can move an industry from a mature organization to a growth organization. With that, we have an opportunity to ask Wayne or Paul any questions on their material. Barry never passes up an opportunity.

Dr. Barry E. Prentice, Professor
Department of Supply Chain Management
Wayne. We have heard a lot about the Mexican border being a bottleneck and a problem, has this been improving over time for the railways and what do you see for the future there?

Mr. Wayne Atamanchuk
My experience was, that the bottleneck was more related to border-crossings by truck. We did not see too many difficulties with the rail shipments across the border. When we did see a difficulty, it was often related to documentation. Part of me, in preparing this presentation, was going to put in a slide on documentation, because in a transborder flow, that is very important, having the proper customs documents. Sometimes going into Mexico, the documentation requirements were a little different that might cause a shipment to be stuck at the border. In general, it would flow through pretty well, because once KCS got it, KCS had started to integrate its service offerings with the TFM, so it was a pretty efficient hand-off in Laredo and then just move south quite cleanly.

Question from Audience
When I think of the railway in the context of supply chain management, my mind quickly drifts to a merger and I am curious is there any lingering discussion of the merger with BN or some sort of a more formal alliance with Burlington Northern? You should be aware that on the ROB report a couple of nights ago, the railway analysts did say this was coming on.

Mr. Wayne Atamanchuk
I thought I answered this one in my presentation but I guess there remains a lot of speculation about continued mergers, and consolidations of the rail network. I should preface my response with a lot of this is speculative on my part, I am not directly involved with any groups that would be doing this type of work, but I think as our CEO and others have stated recently, it may come back on the radar screen. I do not know if it is imminent. I think notwithstanding, if it does come back on the radar screen, it is still going to be one that has quite a bit of scrutiny,
regulatory scrutiny in the U.S. The experience with a number of the U.S. mergers was not the most pleasant one. I think that is always in the background. I think, quite frankly, what we are trying to do with the routing protocol, might preempt some of the need for a merger, in terms of we are trying to work with other carriers to find more efficient service routing, service options. I think that skirted you question, but I do not see anything imminent.

Ms. Ruth Sol President
WESTAC
Afternoon Chairperson

Wayne, when you are talking about your routing protocol, obviously there is going to be a savings in distance and in time and presumably costs. If I were CN, I would want the long haul. How do you figure out, how to share. You are obviously going to have two shippers, two carriers involved and one customer involved. How do you determine, how to share the benefits of the routing?

Mr. Wayne Atamanchuk
It is a struggle, and quite frankly you know I jokingly say inside our office, a lot of that routing protocol was done without marketing involvement, because that would have been the stumbling block in getting anything done, because we are selfish. You are exactly right, there are wins and losses, so the example showed, our length of haul retreated back to Superior. We do these routing protocol’s, not on a commodity by commodity basis, but with another carrier. Basically, that then brings on all the commodities into the basket so to speak. There might be instances where from a bulk commodities perspective I am getting pushed back on different corridors, but on a merchandise perspective, we are extending. We are really driven by what is the efficient service route for the customer to try to grow the volumes and that. So there are wins and losses with each routing protocol between CN and CSX and UP, etc. Right now with what we are doing with many of our shippers, with some of movements under contract and that, we are making it rate neutral to them, at this point in time. They are not being effective with their rates going up or down. We are just trying to provide them with better service and hopefully allow them to be more competitive in the markets relative to their competition.

Question from the Audience
Question for Wayne. We had a presentation this morning from Prince Rupert, and there was a query raised in relationship to the CN rail connection in Prince Rupert. There are some pretty ambitious plans and I think the skyline had
moved a fair bit. They are looking at four million teu’s a year. By my calculations, that is eighty million feet and if you bring that down to the number of railcars daily, that is 2,739 based on 365 days a year. Now you mentioned, you move currently throughout your system about 850,000 cars a year. That is 2,329 carloads per day. How are you going to cope with that increase in container business coming from Prince Rupert?

Mr. Wayne Atamanchuk
You have a better grasp of the numbers than I do. I should clarify, the 880,000 or 850,000 cars that I referred to was bulk commodities only. And you saw in one of my other slides, bulk commodities in general represents about 20 or 21 percent of our overall business. So in the overall scheme of things, you know we are just one element in the railway. We are confident, and I have not been directly involved with our intermodal group and the service plans they put in place, but we are confident that we can and will meet the requirements. This going to start off over time, I think built on a train a day and then as volumes grow, trains will be added. We are looking and we are doing things over the next year or two to enhance the capacity, in particular to the Prince Rupert corridor with continuing some of our extended siding initiatives and running longer trains. Again, I think we are confident we will be able to handle that volume growth. We think Prince Rupert provides an excellent opportunity and alternative to handle more business.

Mr. Douglas B. Duncan
Well, with that, I think we have had an excellent session. I would like to call it to a close and extend our thanks to Wayne and Paul for a great after lunch session. Thank you guys.

Ms Ruth Sol
Our final panel is Yesterday, Today and Tomorrow.

Dr. Brian Oleson is our moderator this afternoon and will his two panelists please join us. Brent Van Koughnet and Owen McAuley.
Session 5

Yesterday, Today and Tomorrow

Dr. Brian Oleson
Head
Department of Agribusiness and Agricultural Economics
Moderator

Sorry for the delay. I am true to my Icelandic routes chasing after coffee. I mentioned to someone once that my fondest recollection of Grade One was always running home and having a cup of coffee before we went out to play. I questioned my mother on that, I said why did we start drinking coffee so early and when did we start. She was in the nursing home by this time and she said, well when you were about three. I said why did we start so early? She says, why would you not, it is a very nice beverage.

I have the delight to introduce three individuals, our program says two, but we are bringing our morning speaker back and like Johnny Cash, I only have one role in life and that is to walk the line to get these guys to keep to time. I will basically try to move the program on as fast as we can. As I say, we will be making a bit of extra time for Gordon Braun to expand on his presentation from this morning. We are going to start with Brent Van Koughnet. He completed a Masters Degree in Agricultural Economics from the University where I taught in 1992. He manages his family farm in Carman. His career is a very interesting and varied career that has always had its roots back in his own family farm situation. He has been a grain merchant with Dreyfus, a marketing manager, and an instructor at a number of different places, including the University of Manitoba. He has been involved in a multi-outlet independent fertilizer dealership in Rivers and is the Manager of his own business firm called Agriskills Skills Incorporated which is a company that specializes in agriculture innovation and human resource development services.
Mr. Brent Van Koughnet  
Vancouver Port Authority

Thank you. It is a pleasure to be here. Chris Badger who had planned to be here, unfortunately had a tragedy in his family and was not able to be here. Many of the executive of the Vancouver Port Authority are covering off some of his issues so I am pinch-hitting here. I would apologize if it was me giving Chris’s presentation but over the last couple of days, I have had a chance to adjust and give this presentation from my own perspective. I think that it might be a little bit different than one of the executive from VPA may have given. I have had the pleasure of being an agent on behalf of the Vancouver Port Authority for about five years and it has given me a little different view of the world, kind of coming from agriculture and looking at the transportation world versus many others in the Port who have come from the transportation world and look at agriculture. So, if I get a little brave here, then I am doing that to maybe rattle the cage a bit which maybe would not ordinarily happen. I do have to cover some of the obligatory slides, which is our mission to facilitate the movement of cargo and passengers through the Port of Vancouver in the best interest of Canadians. The Port of Vancouver will be the Port of choice on the west coast of North America, well maybe that is a little dreamy about all of North America, but clearly for Canada and certainly a player in North America.

Now let me put my kind of prairie spin to this. I consider the mission as I look at it, to fully capitalize on the potential of the Port as a national asset, to be an engine of economic growth and prosperity in western provinces and in a very agricultural spin to get every ounce of horse power out of this economic engine. It is kind of a unique role that the VPA plays being sort of the patron of the lucky geography club. You have got this asset, how do you make the most of it? It is different than a clearly commercial asset, although you have many commercial players that need to use that facility with you. Of course, part of the way we do that is through our relationships with customers, stakeholders, other ports and connections in other countries, particularly Asia, with some respect for the environment, financial health and profitability of the VPA, as well as our stakeholders, developing people for the appropriate tasks, and a little bit about reputation and social license.

One of the key challenges in a metropolitan center like Vancouver is not everybody has as much appreciation for the noise and dust of the economic engine as they do for a view of the mountains. Making sure that you ensure that you have the social license to do the things you need to do to keep that engine
running is probably 50-60% of the task of the Public Relations Department. Historically, as we look at the past, present, and future, historically the role of the Port was to be involved in the expanding terminal capacity, developing support infrastructure, pursuing security initiatives, really working with the need for a coordinated gateway, encouraging and initiating continuous operational improvements and pressing for a need for a national transportation policy to make sure that we have the capital in place to fully capitalize on that asset.

Now you see I put past and current up there, because the rules all change when you start to reach capacity. This is a big deal for Vancouver as we speak. I would call this kind of the tipping point and in many respects, the past was about customer service orientation because we want to find people. Go look, shake down the streets and find customers. We want shipping lanes, we want anybody who moves anything, let us put it through this gateway, we want volume, volume, volume, volume and we go “uh” full, full – now what. It is like having a business where your sales department just sold out your capacity. Now what do you do with your sales department. We are in that transition now, from going from more than a customer service orientation to oh, now we have to be involved in systems solutions. From being a marketer to managing and directing resources to try to get the most capacity out of it. From a soliciting and growing business, to actually proportioning and maybe rationalizing, and maybe choosing which customers you fire an entirely different mode of action than we had historically. Yet we have a responsibility to do that. Historically, we would work on collaborative solutions, where we brought all the players together we would help facilitate to the point where there is a trucking strike and we have got to solve it now. Who is going to do it? We have got to take some leadership positions, show some initiative, at the risk of ticking people off, or even offending people or even hurting somebody’s business. We have to look and play the heavy once in a while, which is a brand new role for the Port.

Now, why are we full. We have seen all the bulk commodities go up, we have seen break bulk going up, we have seen containers go up, almost double digit for fifteen years now.
In 2005, year to date, everything is still up. We have coal, sulphur, containers, potash, pulp, lumber, everything ticking at almost all-time highs and everybody shares that capacity. Those rules change.

As I look at this sort of projection here, if you look, where was grain in this picture. At one point we were talking about grain is king and there is a little bit
of other stuff going on. Whatever grain wants, grain gets. That is what rules Vancouver. Now look now again to 2020, maybe half of the volume.

The dynamics change rapidly. Where grain fits into all that is no surprise, it is probably going to change. What is driving that? Big surprise, you have heard it many times, China, China, China. I will have to give the VPA some credit, they anticipated that trajectory about ten years ago and started a number of initiatives and tried to encourage railways and all the other players to have to put infrastructure in place to do this, and they were pretty close to right. Lots of people did not necessarily believe them and it is almost hard to imagine where that trajectory can continue to go to the lead time to prepare yourself for the capital investment you need to be able to manage that kind of growth is enormous and risky and takes a lot of courage. Well, what that does is give you some real scarcity issues. We have challenges to the rail system without question getting in and out of inner harbour positions. Anytime we bump into a logistical efficiency, everybody trips over it for the first time. We have labour shortage issues, we have limited land base. Yes, we have the lucky geography club in Vancouver, but it does not go on forever. There is a limited amount of space within that inner harbour at Robert’s bank. How are you going to use it the best you can. Limited harbour anchorage spots and of course increased security needs after 9/11.

Now, where does agriculture fit in this? I was actually hired by VPA to help give them some agricultural perspective. They were going all over the world to try to build container business in Asia and I thought, you know, are we building all the Ag business that we should from an export potential. Who can help give us some insight? I tricked them into believing that I could do that, hopefully, I have. What has surprised me as I watch is, and I just mentioned it a minute ago, agriculture used to be by far the major player in Vancouver and that is starting to change. Grain facilities are stand alone, privately held investments compared to container facilities, where in many cases, the Vancouver Port Authority has some ownership position to make sure that those things get established. There is greater external influence in the agriculture market than any other sector. There are more third party people, other players, interested parties. Frankly, there is more ways to screw it up in agriculture than there is in any other sector that we deal with.

We are often true to that. I think it is fair to say for the executives in the VPA, agriculture presents the highest headache to revenue ratio. In spite of that I need to give them a plug. I do not think it has ever been lost on the VPA about how
important the Port asset is to the economic viability of western Canada. In fact, I think they give it an extraordinary amount of their attention to make sure things happen right and I do not think it is just because I present a convincing argument. They understand the role of agriculture and how it works.

Even though agriculture is very special, this is a Fields on Wheels Conference and I want to touch on a couple of things, some lessons that maybe we can learn from some other sectors. Lessons that I have learned from other sectors is that we better pay attention to say, does this apply, to the grain market. Potash. The potash market did not exist until the 1960s. In the 1970s, multiple players in the marketplace, decided we need to collaborate to find the most efficient way to export the product. We will fight with each other for domestic markets but for an international market, we are going to have to work together or we are not going to be a player. They built an organization called Canpotex that said how do we get this done? They now move their product through one single facility in Vancouver. Then they got a little nervous about labour stability and built a facility in Portland. That is their ying and yang to say if something goes wrong here, we have another outlet to go to. Their competition is Vancouver versus Portland. And they have done some very innovative things about literally building different sizes of hopper cars to kind of squeeze every bit of efficiency out of this system. They had to take some shrewd competitors in every other market and say, put our differences aside and find how we can be competitive internationally. I think there is a lesson in that.

I look at lumber and pulp. We had heard some discussion about raw logs going into containers. If we look back into this time period and watch what happened to the shift to percentage of containerization in the market place, there was a shift in the price of containers versus break bulk and somebody got the brainy idea we could put pulp, and we could put two-by-fours in a container because this is a cheap way to ship it. Everybody was caught off guard by that, but said, oh why not? Whenever that settles out we will go back to break bulk again. They never went back. Those price dynamics have changed several times and it stayed in a container. They got completely blown away by, is not this all going to go back to break bulk. Why did our customers change? Some of those fundamental shifts come without you ever really knowing it. But it is a better solution for the end player in the market even though infrastructure was completely ready to deal with it in another way.

Container tonnage. We are now talking about container traffic by 2014 being 30% of the traffic going through the Port. Well a number of things have
happened in the development of this kind of growth in the container traffic. One is there was not a business case to build some of those terminals. There was not a commercial business case and the Vancouver Port Authority, along with others, have to step in once in while and find some public capital to create an infrastructure to let that kind of growth take place. Now, real free enterprise people go, oh wait a minute, this just does not seem right. But, if you focus on this as an economic engine to get that capacity built for the kinds of evolution in the marketplace, even though the business case was not necessarily there. The VPA has put money into, and collaborated with a commercial player to make sure that we get the right kind of development of infrastructure to make this marketplace work. In addition, there was a time when we were begging for every boat. We wanted any shipping line. You come, and we will do whatever we can. Let us fill up all those boats. Let us get volume through. Then all of a sudden we started filling up berth spots.

One of our key experiences was not that long ago. We had shipping lines that did not necessarily arrive on time. Well, when you are in a culture that just begs for any shipping lines, it is pretty hard to say, oh no, that is okay, we are just glad to have you. They started bumping space for people who were behaving very well. And all of a sudden, we had people arriving late, taking the space away from the very efficient larger guys, and we had to show our teeth a little, and say, if you miss your window, you wait, back of the bus. We had to start rewarding performance and discouraging underperformance because we are trying to drive the most horsepower out of this asset. Now that is a cultural shift, from oh we want every shipping line. As we start getting closer to capacity in every sector, we have an obligation to ensure that we have the right customers dealing with us that improve the efficiency, not the ones that suck up our space, and suck up our capacity. It is a different mindset to a policeman instead of a cheerleader, but those are the dynamics, that we have seen and gone through in the container basis.

Well, as a result, here are things that the VPA now considers for non grain leadership. We need to demand full supply chain accountability and maybe ration access to those prepared to be accountable. You cannot play if you do not meet the standard. Go to another port. A little bit of tough love, but if you are full, what are you going to do. We need to create penalties and incentives for performance and disproportional capacity utilization. We take strategic investment positions to encourage appropriate supply chain evolution and we might even divert cargo to other ports as required to make sure the job gets done
the way it should get done. Those are all things that we have come to know and understand in the sectors outside of agriculture.

What about grain. Well, it turns out there was a grain forecast written just a few years ago, a twenty year forecast. I had a look at it, and I am going to read this quickly. It says, it is believed that bulk grain volumes will shrink from and not likely ever exceed historical highs; continued substitution from high volume, low price products to lower volume, high value products combined with increased domestic feed and process production. It is anticipated that bulk grain stakeholders will operate in a mature, declining market environment, with lower margins and further consolidation to remove excess capacity. Given the regional political sensitivity of agriculture in western Canada and the anticipated mature market scenario, the policy environment will likely result in the use of a regulation or market interference as a tool to equitably share the dwindling net margins for wealth.

Further to that, scenarios were identified whereby the Port of Vancouver may end up with regulatory systems that do not seek out commercial logistics efficiencies and negatively influence both the grain stakeholders ability to pay and the larger port systems ability beyond grain to meet its potential. The challenge of excess terminal capacity and limited rail capacity within the inner harbour are identified as the two most serious threats to competitiveness. Now, you may have thought, why didn’t we bring this guy to do the presentation? Well it turns out, Brenda Jaydon, Bill Mooney and myself were the authors of that and every time I look back and say, you know a few years ago, when we thought about what is driving this port scenario, I think we got it pretty close to right except, we missed two things. We did not guess BSE. We all would have made some money, if we had picked that one right and I do not think we anticipated the interrelationship between all of the other sectors in agriculture that we are seeing right now. When Ag gets it wrong, they get in somebody else’s space and when potash and containers get it wrong, how much they are in agriculture space. That is the new dynamic that I want to make sure you take home loud and clear.

What about grain. Well, mother nature had her fair share of laughs in there between droughts and excess moisture. At best, I do not find anybody except those eternal optimists that would say there is anything but flat exports if not declining. That is the optimistic scenario of traditional grains through Vancouver. Yet we have considerable capacity.
There are a couple of issues here, here is my presentation at a glance. If we look at the past, we were always talking about issues of making our way through this Crow transition. The impact of the Ester and Kroeger recommendations, which sadly, were not taken as seriously as they should have been. We have rail abandonment issues, we have changes in rail ownership and consolidation including connections into the U.S We had virtually the end of high throughput elevator construction that started to max out. People started realizing this is enough, maybe too much and we had the beginning of logistics strings or more pure pipeline management, particularly in the non-board business over the last ten years. We clearly had some industry consolidation which puts us now in the place where we are still in the post-Crow kind of hangover stage, thinking have all the things that were supposed to happen after Crow really happened or have we made those adjustments.

We are bumping into logistics limitations. We now have the competition bureau playing an enormous role in the future of what this Port may look like. We have rail competition still on the radar, saying does that work, should we have running rights. We have Ag products that are no longer the cornerstone of what happens in our Port. We have excess terminal capacity and we have special crops still fighting for their rightful place in the volume and the growth in this industry. Now, what I think triggers a future scenario is, we will fight with things like integrity and segregation; how far, how much and how cheaply can we do that and to the standard that us needed. I think we will start to see things
like specialized terminals where Cascadia maybe only wheat, and Geride terminal may be only canola. We will get really good at managing the segregations you have, and the commodities that you have and distribute those things down to the least cost, most efficient model and to think about how we compete internationally more than how we compete between terminals. That includes Rupert as well. Let us have west corridor solutions, not Vancouver solutions here. Consider containers as a competitor to bulk. Part of what keeps that market, those prices in line. We will have the Vancouver Port Authorities talking about justification for proportional infrastructure. We will be in continuing line margins and there will be new what I call non-concrete players being interested in containers and participating in the marketplace in a way that I think have been, diminished in this marketplace and they are going to show their head and be a serious player here fairly soon.

Let me hit a couple of these highlights and then wrap on this. We have excess grain handling capacity. We will never see the kind of bulges that we expected to see in the late 1980s, and the terminals that exist with some additional investment could turn even more volumes through. Can we get cars in and out and logistic efficiencies to them? That is the crisis. Not in the ability of that terminal to load vessels, or the storage requirements they have to do that, and do that well. We may be walking now into the first normal crop year since some of the big adjustments have been made in this marketplace. Are we going to be able to find the efficiencies for what the new normal is in a marketplace? I look and say we have got 14% of grain and agri products moving by container out of Vancouver. Even now that we are back into a reasonable size of eleven million, twelve million tonnes, 14% of that is in a container. I think we are going to break through on that sometime very soon and surprise part of this market place.

About competition here, we need to be careful about how we assess who are the competitors. Is JRI a competitor of Cascadia or is Vancouver terminals as a complex competitors with Rupert or Churchill or Thunder Bay. Or are we competitors with Australia and Brazil and we should have our eye on the ball internationally about how competitive we are. Or, are we competitors with U.S. and E.U. treasuries or are we competitors in the export chain with bio-diesel plants, processors, barns and feed lots. If you cannot attract grain away from bio-diesel plants, processors, barns and feedlots, then the export system is going to have to sharpen their pencil if they are even going to see the grain. That is the clearest, purest form of making sure we have a competitive system. Maybe our biggest competitor is our own history and we can not get our head around the fundamental changes that may be taking place. It is always about the big grain
players and it is always about big concrete and it is always about wheat as king. Boy, we better be open to some other possibilities. Shipping products of higher value is always a good idea, except when the cost of shipping that exceeds the benefit. I am a little nervous sometimes in our great race to extract an extra two dollars out of a tonne of wheat that we put four dollars worth of logistics into it. If a single pipeline is responsible for selling it, sourcing it and moving it all the way through, then the accounting of figuring that out is fairly clear. When you have a disrupted system that has a handoff where we are having difficulty establishing the accountability then we can start losing money in some of the segregations which, in all principle, I would say, more segregation and more value is a good thing. Except, we are not measuring the costs of some of those segregations and figuring out whether that is netting back to Owen and other farmers what it should be netting back to.

The system in a handoff should have as much accountability and should be as easy to pencil as if it was all in one person’s pipeline. I do not think we are there yet. It is going to be hard to calculate some of the things that we need to. Beyond that, what are the true costs. The true costs now might be that grain is using up capacity that could be driving the economic engine in container growth, or coal growth, or potash growth. We are starting to eat into some of their territory. Could we or should we be revising our strategy in just how many segregations there is in this marketplace. I know that is blasphemy and my job here is rattling your cage here a little bit from the traditional thinking. This is the part where you might be getting a different presentation than you would if you would have had Chris Badger give this presentation.

The rules change when you begin to reach capacity. When we are flat lining here and the marketplace says, oh you have got the capacity for eighteen and fourteen at best, is all that you are going to move. Then, the other guys in this marketplace say why are you tying up all that port space, why are you tying up that capacity. The other players start looking at these kinds of measurements, benchmarks and you may say that is not fair at all, grain is special. You cannot just look at harbour movements and say you cannot compare grain to sulphur to coal. Get used to it. You are going to get it compared because people have less sympathy for grain than I do. They are going to pull out all kinds of measures and say you guys, get your act together, because you are taking up my space and they are going to say that wait a second, we got twelve days in port for a grain vessel and two for everything else. Explain this one to me clearly. We are going to see that and we are going to see in August, eighteen days versus four for everybody else. You can say grain is special, but you are going to get tested on
this. You have to get tested on it and as a VPA trying to get capacity out of this facility, we are going to test you. We have to test you. That is an obligation of ours. You know when we are talking about time in port, you get the idea here. Those kinds of measures to other commodities are going to be made, whether you think they are fair or not.

What does the VPA need to consider in grain leadership. You might find this list remarkably similar. We are going to have to start looking at can we demand full supply chain accountability and ration access to those prepared to be accountable. Can we create penalties and incentives for performance in disproportional capacity utilization? Do we need to make strategic investment positions to encourage an appropriate supply chain evolution? This is blasphemy. Should the VPA be writing a cheque and buying a terminal in the grain business. Oops, who said that. If those are the things it takes to make sure that that economic engine is running at 100% horsepower, then you bet the VPA has got to look at it. We would be remiss not to. We may have to think about whether this whole western gateway thing works better if some of this cargo of a certain type gets diverted in a different way.

We do not have to compete with Rupert. Rupert has some very interesting strategic advantages and so does Vancouver. Why do we not get smart enough to make sure that the nation benefits the most it can from our public asset. Now those are difficult transitions to make when you have commercial stakeholders in here, but you know that is leadership. When you are starting to bump against capacity, you have an obligation to start asking those questions and thinking along that line.

Here is some of my future predictions. I think containerized grain starts to break through over the next ten years. It is going to break through the 20% volume level and the unconventional players are finally going to be taken seriously by the conventional ones. A whole new set of non-concrete elevator players begin to have some impact on the scene because they can gather together, they can gather the grain of different sorts, lump them in containers and meet some serious customer requirements. Five percent of that 20% might be the conventional concrete players, but that other 15% is going to take it over the top. My other prediction is that IP demands and assurances are raised to the point that some classes of wheat and barley might be exempted from exclusive CWB jurisdiction because there is a unique market for them to go to. It can be managed separately. It can be IP’d and there is a better model than the big bulk pooling model to get some of these things done. I think we are going to see that in the next ten years.
These are my personal thoughts rather than VPA’s. If you see that I do not have the Vancouver Port Authority nametag the next time we have a Fields on Wheels Conference, you will know that not very many people agreed with me. I think we are going to see Vancouver terminals collaborate with each other and probably with Prince Rupert to specialize terminals as the most logistical and seamless method of moving a specific product with a focus on being internationally competitive, rather than getting all bent out of shape about whether JRI or Sask Pool or Cascadia, is stealing an extra nickel out of this game. Also, I would say farm Ag policy discussion will still be about safety nets and the removal of the Crow rate. Eventually, the best assurance of a competitive export logistics system will be alternative domestic uses for agriculture production, bio-diesel, barns, processing.

Here is my beat it home, take home, the VPA role has changed for capacity driven reasons. Supply chain accountability is going to crucial. All commodity groups are interrelated now and total capacity critical mass has been reached. We are all sharing this space and we got to get the most economic value out of this national asset. Can we get the most in this current supply chain. It is our obligation to pursue every reasonable possibility to do so. And, like other industries, the grain industry will need to find efficiencies and opportunities in areas not even yet considered or there will be a cost to all sectors and there will be more people watching than there ever was. We would be naïve to suggest that the players in the grain industry have brought their best to the resolution of this transportation logistics system in past. Maybe we can justify that to each other and point fingers, but we got a whole other bunch of other sectors that are now going to be looking in and they are not going to be as interested in the history. They are going to be saying, you are taking up my space. You are breathing my air and if you do not show a little more stewardship here then we are going to put big pressure on you.

I am going to go back on point. Because there is more than just agriculture stakeholders with a vested interest in our efficient use of port capacity, this asset has to churn out as much horsepower as it can.

I do not want to leave this totally on a heavy point so I need to make my 20 year prediction here. Now pay careful attention to this. I have it in a sealed envelope and I hope that if this completely comes true then I think Barry Prentice has to buy me a beer. Here is my 20 year prediction. As a result of global warming, Thompson, Manitoba will be growing the only hard spring wheat that meets the
Japanese requirements. As a result of a very shrewd purchase of air space rights in 2007, Barry Prentice will be operating the only fleet of domestic airships capable of lifting containers and moving them from Thompson to Churchill to make this market need. Very shrewd Barry. Ed Tyrchniewicz will be appointed by the fifteenth consecutive minority government to assess the need for a revenue cap on airship transportation of grain and the CWB will be applying for intervenor status. Sinclair Harrison, representing the farm airship coalition will be lobbying to receive surplus airships from the Canadian government that he can lease back to Barry Prentice for a price less than the maintenance cost Barry was charging and farm groups will still be talking about safety nets and the Crow rate and if only we could make that much progress. Thank you for your time.

Dr. Brian Oleson
Well Brent, that was a very successful presentation. You had, I think, a lot of challenging, both tongue in cheek and very serious points, which, given a few of your lines there, we will still be talking about safety nets. I am not too sure if you were aware that there was a guy named Blue Grass Bob, worked out of Wheeling, West Virginia, I believe in the old radio days. He wrote a song called 1992 in 1932 and one of the verses goes, “the corn will grow much higher, the wheat and cotton too, we will never have to push a plow in 1992, but you can list your bottom dollar, what I say is true, we will still be crying for farm relief in 1992”. So Blue Grass Bob sort of had a parallel idea in terms of farm safety net.

We are going to squeeze a presentation from Gordon Braun, that is going to tie together the futuristic presentation that you just had of Brent’s and then some I think reflections from both Past, Present and the Future from one of our strong farmers and farm representatives and I am just going to bring Gordon Braun back from this morning as a quick little story. Gordon and I completed our Masters Degrees here in economics, not agricultural economics I am ashamed to say, but economics in 1970. We sort of stayed in touch over the years and this summer I was attending Gordon’s daughter’s wedding and I was telling him about this friend of mine who runs this wonderful transportation conference here in Manitoba. Gordon was very interested and Barry had always been interest in Gordon, so I said you guys should get together, so that is a little background in terms of Gordon coming and visiting us here. Gordon we look forward to some of your thoughts on the White Paper on Transportation and some of your own ideas in terms of the European congestion problem.
Mr. Gordon Braun  
UK Director  
Ferryways

Thank you Brian, here I am again.

I am just going to run through very quickly some of the highlights of the European White Paper on Transport and then Part 3 of my presentation is what I thought that I could contribute to resolving these things. The White Paper proposals which were accepted in 2001 by the European Parliament basically addressed these four major issues.

- Shifting the balance between modes of transport
- Eliminating bottlenecks
- Placing users at the heart of transport
- Managing globalization of transport.

Now those are pretty grand sounding objectives. I have dealt with only two of these here. The first White Paper on Transport came out in 1992 and was aimed primarily at the issue of trying to liberalize cabotage. Prior to that, of course, all haulage firms had to apply for licenses to take business into other countries. What very often happened then, of course, is the inability and the increased preponderance of empty trailers having to move around Europe. So they did that in 1992, they liberalized it. However, the result of that has been a huge increase in road transport. The projections now actually indicate that by the year 2010, road haulage is set to increase by 50%. Now, if you have been to Europe, you will note that in certain areas in Europe, currently, the congestion is already pretty severe and with an increase of 50% in road haulage that is going to be even worse than it is now.

The results of all this has been that 10% of the road networks in the European Union are congested. That means that amounts to something like 7,500 kilometers. In fact, it might be interesting for you to note that if you are traveling in Holland in the morning, they will give you the total amount of congestion on the motorways as a traffic advice. It is usually around 160, 170 kilometers of queues, so that is just part of the problem. Twenty percent of the rail network is congested and 30% of flights at airports are late. So you can see they have got a big problem. Car numbers in Europe have tripled in the past thirty years and they are now growing by three million cars a year. That is pretty substantive. Environment comes into this in a fairly big way. Because of all this business
going to the road, 84% of CO2 emissions, that is the calculation they have made, are as a result of road transport. Europe is very highly dependent on the import of oil. They have decided on sixty different measures. However, I will address road freight. The intentions of the program that they have put in place are really to restrict the increase of road freight to 38% instead of 50%. You will see here what has happened to road freight over the course of the last number of years and the projections into the future.

Figure 5.4

Modal split of freight transport in EU-25 (tonne-kilometres)

You can see how big the proportion of freight that is being moved by trucks. Rail of course is not done very well. Inland navigation has been kind of static. Roads carry 44% of goods traffic and 79% of passenger traffic. This is just really the problematic facts related to the European road network. Proposed solutions, there is quite a number of them. My project is actually aimed at one of these, but when you know, when you understand that literally every country had their own infrastructure in terms of rules and of regulations, you can see it is going to be a pretty big challenge to try to get uniformity throughout the union. I guess this is perhaps of interest, I have heard some comments earlier in terms of the speed of goods moving on the rail. Average speed of good trains and international transport was 18 kilometers per hour, so that is kind of crawling along. The average speed of a car in London is nine miles per hour. I think your last point kind of says it all in terms of Europe and that is that the definition in Europe is that they will require a cultural revolution to get the railways competitive again.
I think you need to view the problem of the railways as really, all the national railways. In order for them to work together, when you have got about half a million people, with the German rail, the French rail and the Italian rail, Belgium rail and Dutch rail, all not wanting change, it is pretty difficult to change, and that is why the term has been coined here about the cultural revolution.

Water has started to come up. Short sea shipping has been pushed as I think one of the more easily attainable alternatives to the rail problem. Waterways have done reasonably well, but the inland waterways remain unutilized and it is kind of a natural resource. They have decided as part of the transport policy and coined the expression “motorways of the sea” that is really linking up sea, inland waterways and rail by simplifying rules for ports, establishing links to rivers, etc. There are three programs. Marco Polo 1 which is going at the moment, it was originally intended to go to 2010. It has been revised because of course in May of this year Europe expanded from being fifteen countries to being twenty-five, so they restricted the Marco Polo 1 program to 2006.

**Figure 5.5**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Tonne-kilometre shift (Billion)</th>
<th>Share in objective</th>
<th>EC subsidy services (mio EUR)</th>
<th>EC subsidy infrastruct. (mio EUR)</th>
<th>Total EC-subsidy (mio EUR)</th>
<th>Share in costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modal Shift</td>
<td>57.5</td>
<td>40%</td>
<td>153.3</td>
<td>0</td>
<td>153.3</td>
<td>19%</td>
</tr>
<tr>
<td>Catalyst</td>
<td>23.6</td>
<td>15%</td>
<td>63.0</td>
<td>111.6</td>
<td>174.6</td>
<td>21%</td>
</tr>
<tr>
<td>Common Learning</td>
<td>-</td>
<td>-</td>
<td>15.2</td>
<td>0</td>
<td>15.2</td>
<td>2%</td>
</tr>
<tr>
<td>Motorways of the Sea</td>
<td>42.0</td>
<td>29%</td>
<td>168.0</td>
<td>151.4</td>
<td>319.4</td>
<td>39%</td>
</tr>
<tr>
<td>Rail Synergy</td>
<td>10.5</td>
<td>7%</td>
<td>42.0</td>
<td>61.8</td>
<td>103.8</td>
<td>13%</td>
</tr>
<tr>
<td>Traffic Avoidance</td>
<td>10.5</td>
<td>7%</td>
<td>35.0</td>
<td>18.9</td>
<td>53.9</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>144.1</td>
<td>100%</td>
<td>476.5</td>
<td>343.7</td>
<td>820.1</td>
<td>100%</td>
</tr>
</tbody>
</table>

Now you will be quite surprised at some of these amounts which you are going to see in terms of money. The Marco Polo 1 program only has 115 euros available. It is a hugely ambitious program and very few funds have been made available. Marco Polo 2 which goes from 2007 to 2013 has a budget of 820 million euros and is aimed primarily at innovative actions which will shift, or are supposed to shift 144 billion tonne kilometers off the roads. 820 million euros is still a pretty modest amount of money considering that the ten countries that have been added to Europe all have huge infrastructure problems in transport on their own. That is just a build-up of how Marco Polo 2 will work with basically
categorizing it into two major areas, that is modal shift actions and traffic avoidance actions, that is a breakdown of the budget that has been established.

I would like to get into what I have done over the past number of years in addressing this whole issue of congestion and perhaps to start off with, I will just tell you a little bit about the background. Coming out of the container business, which I did, and hearing all the talk about intermodality, interoperability and all this stuff, I had detected that really in Europe, we had made many efforts, with many, many companies to say look our containers are always in the wrong place at the wrong time. You heard some of the issues about containers in various presentations today and the fact that there is going to be an increase in involvement of containers in the grain trade. It still always amounts to the same issue. Are your containers in the right place at the right time and what is the expense of a container operation. It is not so much anymore the ship, it is these millions of containers which get scattered all over the world and when they are in the wrong place, the cost of getting them to the right place, is a big challenge. In order to actually address that challenge one of the things we had always tried to do was to say, look Mr. Firm X, you are exporting a lot to North America, we are your carrying line, but you have your containers over here and we need containers over in Europe. That was specifically in the U.K. The U.K. of course is a net importer of containers, it has a great deal more coming in than going out and we were never terribly successful.

Why? A whole number of reasons, one of them is that a lot of companies have totally segregated their inter-European business and their international business. The two did not work together. Some firms, when they worked internationally, would use open top containers, domestically they said our customers cannot receive containers, you need to use trailers. There were a host of various different things that prevented this concept of intermodality and the multi-functionality of containers really to get going in the domestic inter European trade. But, there were two things that were happening. The trade between the U.K. and Europe is probably and this is quite a surprise, comes as quite a surprise to a lot of people, is one of the biggest trades in the world. There is 8.4 million units going back and forth between the U.K. and the mainland. That is a lot of business. When I first did that, when I first saw that, it was actually second in terms of volume to Pacific trade. It was very, very large. Of course an awful lot of that is trailers and there is a growing number of containers.
With that as a little bit of background, I sat down with a shipyard in Holland and said, look this is what I am looking at, have you got the solution which would be technically feasible.

**Figure 5.6**

A Sea-River Container RoRo Ship – a new innovative ship design on the drawing board – a cooperative project between Damen Ship Builders in Holland and myself

Now it may not be entirely clear, this drawing, but this is a new ship, a new type of ship on the drawing boards. Have a good look, because you might never see it in reality, but the features of this ship are that it combines the carriage of both containers and trailers. You have two layers and you will see in a minute but I want to keep this slide up just very briefly, because some of the unique things that had to be looked at in terms of this ship design was you see that little box in the front that is the bridge. It is a bridge which you can raise and lower. The reason you have to raise and lower it, is of course, the problem of the bridges. This ship is designed to go along the rivers, along the inland waterways of Europe, particularly the Rhine and also across the sea. In order to be able to cope with the problem, you had now the double problem of draft and air draft.
Air draft is new thing for navigation along the Rhine and therefore you had to introduce the hydraulic bridge which you could raise and lower. I will then take you to the next one which gives you the dimension of the ship and this you see the cross-section where it is two layers of trailers and two layers of containers. The dimensions of the ship are the maximum allowable dimensions which you can use for river passage. You will also see if you look down to the bottom of the ship, it is being designed at three and one-half meters draft. Three and one-half meters draft is the maximum you can go to along the Rhine River. But three and one-half meters draft is not sufficient if you go out to sea. So it is a double-hulled ship and of course what happens when you go out to sea is that you simply fill the ballast tanks and create the extra meter draft that you require for sea passage. The capacity in teu’s is 210 and then you have 63 trailers but these are unaccompanied trailers. Now, another one of the big challenges was ramp design. You will see a top version of the design. It is one of these that you kind of fold up and fold out, because the perception we had at the time, is that if you are going to create a low draft ship which can crawl along the Rhine River, at many of the ports, the easiest thing to do instead of having to build a very sophisticated port infrastructure, is to build a quarter ramp. You can just flop it out on the key anywhere and you can load and discharge. You can see why it is being done because on the right hand you can see it folded up, it needed to fold up in such a fashion that it could also get under the bridges.
Here were some of the challenges. It was addressing the main objectives of the White Paper on Transport, but would there be a market. Was it possible to design a ship with features to navigate safely both at sea and on the inland waterway system and how did you best address the issues of draft and air draft. What procedures did you need to follow to get vessel certification? As a matter of interest, the head office for the central commission for navigation on the Rhine is located in Paris. Rather far removed from the Rhine River. One of the big problems, of course, you could not find ship captains that had the certification for both sea and river navigation and the reason you need that is that if you did not have captain’s with the proper certification, you would actually have to take a pilot on when you went through the port. You would have to take another pilot on when you went down the river. In essence, the cost would increase substantially. We have talked about the ramp construction as a challenge, the bridge construction. The other thing was the ports. Would they be able to handle the combination of container and row vessels. Wolfgang will remember, Rotterdam had a great facility to do that when they were calling there. Rotterdam decided to split it up entirely. They have given up the Ro Ro facility or their combined facilities and you would now have to hunt for four facilities that could handle both.

This was the route that the service was to take. It is from Emingham where BASF and John Deere. I do not know if BASF means a lot to you but John Deere certainly should. They were extremely interested because they could then see the possibility of sending all traffic roll aboard material to the U.K. without handlings that are now required in the ports. The service was to have four of these ships with daily departures.
This will give you an indication of the marketplace we are talking about. The total marketplace has grown to being about 8.4 million units in 2004. I have divided it and shown you also because you have all heard about the channel tunnel. The channel tunnel has settled at about 15% market share. Now, the channel tunnel, when they started services back in 1992, had a huge natural advantage and gave it away. They bought their market shares. I was one of the first people with my car to use the tunnel. I had been paying anywhere from between £250 to £300 to cross with a short sea vessel. My first ticket on the channel tunnel cost me £59 and that is also what happened with the trucks. So it was a bit of a, I think if you want a classic case for Harvard Business School of mismanagement of natural advantage projects. The channel tunnel would probably be a very good candidate. They just fired the entire Board last year and there is another one trying at the moment.

I think here you get some of the problems which are facing the distribution industry in Europe and the big things which are now coming in. One of them in the U.K. they have put in what they call a working time directive. The working time directive of course restricts the number of hours truck drivers can drive their trucks. Because of that, on the 1st of April this year, the anticipated result is they will require an extra 60,000 truck drivers in a market that is already short of truck drivers. Fuel costs have risen extremely quickly and some of the countries, Germany for example, has on the 1st of January, this year introduced the MOUT.
Now MOUT is a special tax on all road goods vehicles that use the German motorway system.

However, probably the biggest problem is the last one and that is what has happened with the new entrance to the European Union. These ten countries that have come in have all had a much lower cost infrastructure and that has had a major impact on the haulage industry in all other countries. The major advantages of the project were, of course, that it would reduce freight costs significantly, it would bypass congested deep sea terminals, and use congestion for inland terminals. It would reduce handling costs. There would be increased security for cargo, it would be environmentally friendly, there would be increased reliability, and of course, it addresses the main objectives of the European Union White Paper on Transport. Typically, it would take 192 trailers or trucks off the road everyday. That is really what the White Paper is trying to address when they mean and when they are saying they want to allow increased economic growth but they do not want that increased economic growth to go on the road. So really, that is what I have been trying to do. There is a lot of interest in the project. It is a lot of work. The banks are very interested, but very reluctant because it is a new ship. It is a new design and it is untried. I am continuing discussions. I said this morning that since the project started the price of the ships has gone up from 8.2 to 15.5 million Euros and much of this has been driven by the increased price for steel. So I will leave you with that thought. Thank you very much.

**Dr. Brian Oleson**

This is one conference where you see some very new and innovative ideas from airships of previous years to a sea river service and I think if Brent had heard this presentation, one of his fearless predictions may have been that in the year of 2015, the Queen of Netherlands coming over to deliver her tulips in Ottawa, but to also proclaim Gordon Braun as a national transportation treasure of both countries for his work on the sea river service.

We will move to our last formal speaker of the day, Owen McAuley, a farmer from Manitoba. I will just give a little story of one of my first encounters of Owen. Owen may or may not remember this. In 1985, twenty years ago, I had unleashed the question of changing the CWB pooling points for the historic and sacred Thunder Bay, Vancouver pooling system that the Canadian Wheat Board operated. For Manitoba, it was a bigger change than the Crow proposal and it was hard for many people to understand. It shocked everyone and it was held
off politically until 1995 when it was wrapped up in the Crow proposals. At one of the first presentations I did, Owen was one of the other people on the program. He looked there, had that look that I have come to know as the Owen look, and he says “I don’t like what you just had to say”. And then Owen did what I have seen him do a number of times, he thought for a while and then repeated what he had just said “I don’t like what you just had to say” and then he looked at the audience and he said, you know, but we better start thinking about this, because I am afraid he is right and this system has to go through a lot of big change. He was not someone who was fighting a proposal or an idea the first time he heard it and I always respected that about Owen. He is an individual who thinks very much about how to contribute to the community. If you read his bio; he is a very successful farmer, by any standard. He farms 6,000 acres with his wife and daughter and her husband, cow calf feeder operation as well an interest in large hog operations, Manitoba farmer of the year in 1991 and I say successful. Owen may have some qualifications around what success means in this day and age of farming, but the thing that we have all been impressed with Owen is, he is a guy who gives back to his community, has given back to his sector. He has been a key individual in numerous advisory panels, mediation boards, Canadian Ag Policy Institute going back to major discussions in the past. Everything from the Crow and pooling points and farm safety nets where Owen had a major role and I hesitate to make this too lavish because one of the things is that he just a very nice, humble guy. Owen we are looking forward to your views, they are always insightful, always challenging.

Mr. Owen McAuley
Grain Farmer
Thank you for the introduction. I am not sure I am deserving of quite all of that but, we will live with the consequences of whether I am or not I guess. I guess when I start, it is not that I took exception to it, but I think probably I want to digress here just at the beginning and talk about the farm safety net issue. It is just for two minutes. I face this everyday, no matter where I go, no matter what I say, people are always kind of joking about the whining farmers, but you need to keep that in perspective. Let me just use the example of the U.S. and WTO accusing, you know, the guarantee of the final payment as being a subsidy to farmers. Let us think about that for a minute. I do not know what feed barley is, I am going to guess, because I just thought about this process when I was sitting here. They guarantee us $80 a tonne. But of $80 a tonne the first forty goes to pay for the move off of my farm to port. That is where the first $40 goes. The
grain companies get paid out of that $80 before I get it. So their $10 or $12, whatever they charge, gets paid. The Canadian Grain Commission gets their fifty cents, the Canadian Wheat Board employees all get paid before I get my money.

What I get is thirty-eight cents, $15 or $16 a tonne out of that. If I had that commercially trucked, that is deducted off before I get my cheque. So when we think about subsidies to producers, you need to understand that very little of it ever sticks to the producer. The bulk of it flows through me and supports the industry, a lot of that industry, whom you are representing in this room today. Though it may sound like farmers are always whining, they are the only people in the totem pole, who do not have the ability to pass the cost on. When they do get money, it is always passed on. When I think in my example of those guarantees on the initial price, who gets guaranteed out of that. That $80 is guaranteed to the Federal Government, not me. It is probably most of the people in this room. They all get paid before I do and that is where that guarantee sits. We are going to give that away and we think it is a farmer issue. I do not think it is a farmer issue at all. I think it is an industry issue. So I just want to put that in perspective. That helps people kind of understand the perspective of Owen McAuley, farmer.

I want to come back to what I have been asked to talk about now if you will forgive my arrogance in trying to clear that point up from my perspective, but let me just start out by saying that I was asked to talk about where we were ten years ago, where we are today and what you see coming ten years in the future. I have been involved in Ag policy development since about 1985 when Keystone Agricultures was first formed. I became very involved. I was a municipal counselor prior to that, was Vice-President of Keystone for a couple of years I guess, I have been involved in Federal Government Policy Development for a long time. If I think back ten years ago, the WGTA had just ended and that is what evolved out of the Crow rate as it died in 1984. The WGTA kind of ended in 1994 and that was basically driven by the WTO process. People can argue that up or down or backwards or sideways, but in terms of meeting the restrictions, in terms of the volume, it was really the issue around why WGTA probably had to end then.

If I look back at the studies done then, every study that was done was part of the panel that looked at the option in terms of how agriculture evolved after the WGTA ended. Every economic study done showed that we probably had no future in the export of bulk grains and my discussion is not going to specifically
deal with transportation issues but they are all tied together. If you listen carefully, I think you will see where I am going in the end. Every study we have done and we wore computers out at that time, showed that basically we had no future in the bulk export of grain. We had to diversify, we had to move to lower volume, higher value of crops, we needed to expand our hog industries, we needed to expand all of those industries that consume grain internally to build stronger communities, to try and keep transportation costs down.

Clearly, up until that point, to support that concept was the idea that government up until just prior to 1994 and the WTO reforms were throwing about five billion dollars a year into agriculture as a total subsidy. The bulk of it into grain production, to grain growers, and that upset the rest of Canada, the Quebec people. It upset Canada because the bulk of it was coming to western Canada, and that needed to get addressed. It got partially addressed in 1990 in the safety net reforms, but clearly there was still pressure, more pressure. What I saw at that time was a lot of branch lines, probably pretty unprofitable, very poor service and car placement at the elevators, boats waiting, about 1,200 elevators in the system, far too many, car spots were way too small, and government policy that was clearly, in the overall context, other than small changes, protecting the status quo. We saw the safety net slowly moving away from targeting industries, like the grain industry to overall industry support and we were probably exporting between 25 and 30 million metric tonnes.

That is where we were ten years ago. Grain farming was not profitable without government intervention, but we were making a clear return on investment on the farm that I farmed then. We were making a good return on investment, but on the backs of those transfers of the government. I will be the first person to admit that. What I see today and I will get the first overhead put up if I could. Okay the first overhead and it is not very clear, but it shows you the shift since 1994. It shows you the shift in commodity at the farm gate, and it shows you the shift in export, and those are huge, huge. This is in spite of the fact, from my perspective, that we have had any meaningful support from government in terms of promoting value-added. I mean a lot of the emphasis is still spent on how we provide better safety nets, how do we provide cheaper freight rates, how do we provide cheaper car movements. A lot of emphasis is being put on how we protect what we have, rather than thinking how do we change to where we are going to be. How do we change the thought paradigm? You can see the huge shifts and those are from 1988 to 2001 to 2002. That was the last data set that we had. You can see the huge shifts that have happened. From my perspective, that is in spite of everybody trying to protect the status quo. We
now see 37 degree elevators. We still see branch line rationalization. I just read about six more branch lines being rationalized. I see container movement growing but what I also see is poor service in car placement, the same argument that we had ten years ago, poor car turnaround. I see boats waiting. The same argument we had ten years ago. In spite of all of the rationalization, all of the efficiencies gained within the system, everybody has gained but from the perspective I see from my farm gate, nothing has changed.

What I do see has changed is that, the grain handling system within Canada is probably one of those industries that went through some pretty tumultuous times, went through a period where they lost some money, but they got it back. I see everybody else in the sector, including the grain handling segment, now making money. But, I still see the farmer sitting out here with no return on investments. I meant the comment made today that everybody in the supply chain has to make a return on investment otherwise the supply chain is not safe. Well, clearly there is no return on investment at the farm gate. So that supply chain is in jeopardy in my mind. Until we can come to that realization as a group, we run the risk of that supply chain not being sufficient to support everybody’s needs throughout it in the long term without a huge support from government. That is not the answer. The answer is a fundamental shift in our thinking to how do we move to where we can be self-sufficient. That is not going to happen overnight, it is not going to happen very quickly. In my third scenario, when I talk about ten years into the future, we will talk a little bit about that.

Grain production today is extremely unprofitable, but everybody in the system is starting to demonstrate profits. I have been told by people in the industry, if I cannot get a 19% return on the investment, we will just go do something else with our capital. Well, if I could get a 19% return on investment on the farm, I would be pretty happy, and so would you be, because I could produce lots. But that has not been the case for ten years. Brian said at the microphone this morning probably out of the last decade, there has only been two or three years where there has been any profit demonstrated in the grain industry. That is absolutely true. From the Wheat Board’s perspective, and I am not challenging the Wheat Board, but I think they need to think about how do we fit in this picture too, because the message that the Wheat Board gives me, like pooling all of those sales, putting them all in one pot, is that there is no future in wheat production. I should not be growing wheat, because seven out of the last ten years, I have lost money growing wheat. In reality, in the study that the Wheat Board did for the Manitoba Royal Adaptation Council in 1997, clearly showed
that about one-third of the grain that is produced, is sold into a very profitable marketplace. The rest of it is sold at a competitive world price which the pool brings down and the pool price shows that I should not produce any.

Maybe there is a signal here somewhere that says, we have got a future, but maybe not exporting twenty million tonnes. I mean clearly, those are the kinds of things that are going to move ahead and going to demonstrate that we do have a shift in terms of the thought process that we need to be challenging ourselves with. As I said, we live in an integrated marketplace today, where we have ten producers, nine of them making a record net farm income, one of them with a record negative income. By that I am saying we live in a North American marketplace that basically says that we compete for the same inputs. We compete for the same tonne of potash; we compete for the same tonne of nitrogen in the same marketplace. We have nine producers in the U.S. that are getting a $77.00 transfer per ton; I am getting a $20.00 transfer. Now, imagine you are at an auction mart or an auction sale in Pearson, Manitoba or in Mohaul, North Dakota. There is a tractor, a tonne of fertilizer and a can of chemical for sale at the other end. You are standing down at this end of the marketplace and you have a dollar from the marketplace and $20.00 from the government in your pocket. The guy at the other end of the auction barn has a dollar from the marketplace and seventy-seven cents from his government. Who is going to win the argument in terms of buying the tractor, buying the tonne of fertilizer. This is exactly the marketplace that we are in today. We are in an integrated market for our inputs but we are competing in a different level playing field for our income.

This is not sustainable. If you are thinking that bulk exports are going to continue at a level that clearly expands on the role, you need to think through this concept. At the end of the day, that says Owen McAuley, grain farmer cannot continue to do this. You have seen the shift in the last ten or fifteen years. I think that shift is going to happen and it is going to happen faster than you think. If government, and if everybody in the industry would come to a realization that we need to be proactive in terms of how we address this, it would happen even faster. That does not mean to say that we are not going to grow grain for export or bulk commodities. But, they may be different, they may be only for specialized markets, they may be for marketplaces that are completely different, and the containers may be the answer, but it is going to depend on how we fit ourselves in our new paradigm in my perspective.

I guess just kind of moving a little bit ahead here and I want to think about the ten years in the future. There are a whole bunch of scenarios that I see unfolding.
here. Let me go through three. One that I think is the most likely. Number 2 would be the one that I would like to in visualize as being the one that we learn how to accept and fit in the new paradigm and this is my perspective. The third is probably one that I have heard lately from farm organizations and from specific interest groups calling for and I want to talk about the danger of that in terms of where we stand. The sense I get right now, if I look ahead ten years, is that we are going to continue with the current policy, we are still going to move safety nets away from targeting, we are going put it on an industry wide standard, we are going to go to a case program of support, income rather than looking at a targeting approach in an environment where the people we compete against for those inputs from the grains industry are living in a very targeted safety net world. I am going to assume for a minute that we get no meaning of all reform and that we are WTO or we will get a 60% reduction in what the Americans proposal is, but if you look at the base period they are picking from, 60% reduction really does not mean much to their context as compared to mine. We are going to continue to focus on food for export, rather than how do we produce product, produce value-added industries in our communities. We are going to still focus on food for export and that is where our drive is going to be. The people in this room will have the representative lobby to continue, because that is what, as one person said this morning, is selfish and I would be too in the same position.

Do not take me wrong. You need to think about the longevity of where you are going in terms of that kind of position in my perspective. Basically, what I see is no future for grain farmers in Canada, especially on the export side. If we cannot solve this problem, probably not even on terms of providing products for value-added at home. It is going to be cheaper to import corn than to grow wheat for an ethanol plant, if the corn producer is going to get $70 or $80 a tonne more from his government than I am getting. It would make no sense. Over time, I see we will export, but it will be diminishing. Now, we are down to about 20 million tonnes rather than 25 and it will continue to diminish. We will have a slow move over to other productions, whether it be healthy foods, whether it be red meat, or ethanol. There will be a lot of acres go back to grass. The wheat acreage will continue to decline as it has. If you look over the five year averages, the wheat acreage is significantly declining and wheat is probably one of the least risky crops I grow on my farm. From my perspective, if we could grow wheat for an ethanol plant that would produce 60 bushels per acre, it would probably be better for me than to try to grow lentils that are high risk and are high risk to the crop insurance corporations too.
It will still mean intermittent support to producers because we have to offset this very reality that we live in and we can not ignore the reality. So we will just plod along and do what we have done for the last ten years. We will argue about how do we make more efficiencies in terms of grain handling and in all these things. We will plod along and the farmers like me will continue, probably because I have got enough, a few million worth of equity that I can either spend it at a cottage at a lake or I can spend it to continue doing what I do and slowly making those adjustments. It is different for the youth. Our youth are not going to do this and our communities are not going to be able to exist. If we get down to 2,000 farms, each farming 40,000 acres, we do not need many communities to support that. I am not sure that that is what we are hoping for or if it is what we want. There has got to be a bigger picture than that in my mind. What it means for transportation in the end is, if we go back to the whole context of expanding rail facilities to move more bulk grains, is I can not see that in the long term as being viable, or even meaningful for the betterment of Owen McAuley or my communities. I cannot understand the financial thought process behind that.

As I said, it will still require huge support from government probably, in the interim, at least until we can get established. It is probably going to mean a lot more container movement as we move ahead, but think that is a reality that we can not ignore. If we did meaningful changes to WTO if we did get changes in domestic policy that would encourage product specific characteristics to support value-added industries, if we could get technologies that would allow us to protect the market places that we have but allow us to expand in to different markets, whether it is bio-diesel, whether it is ethanol, whether it is red meat, producing feed grain for red meat, whether it is hemp, whatever it is, we need a thought process that we want to encourage those things. I do not think our governments have got there yet. I look at the moneys that are spent in the U.S. to encourage value-added at the farm, or at the local rural communities in terms of righting government support. You have got to stand back and ask yourself in an ethanol plant for example, why are over fifty percent of the ethanol plants in the U.S. new generation co-op owned by producers. Not because they are government guaranteed 100% loans from banks into those facilities. They guarantee 90% of the money that the farmer puts in. They provide $7.5 million buying the feed stock for the first year to offset the start-up costs. They spend a lot of money to make sure those things happen in the rural communities to develop stronger rural communities.

We are not there yet. We are still talking about how do we put the money into a safety net to ensure what I did yesterday is offset so I can do it again tomorrow.
We have not got the thought process of the bigger picture yet in my mind. Anyway, even under that scenario, what it says is that we will probably produce less bulk grains for export, and we will produce more value-added products, which will take more containers. We may very well produce more products, specific products, for an organization like Warrenton Mills that wants quality wheat, and they want wheat that is better than the quality we already grow. They want to be able to change the license that will allow them to grow wheat that is better quality than the wheat that we grow today. We told them no, you could not do that a few years back. You cannot do that to people. Now we have introduced a pile of projects that says we will let you try it on a trial basis. Look, I think we are walking by so many opportunities in terms of trying to protect what we had yesterday, that we forgot to look at what is possible, and this my perspective. But again, less bulk movement, more containers, more specialized production is the scenario.

The third scenario, which has been proposed by farm organizations and by some economists suggests that we should just build a program that mirrors the U.S. program that will provide the same level of support that the Americans have. It would certainly change the direction in terms of support in agriculture to target commodities. To mirror U.S.A. programs and to continue to produce exportable grains, would require higher support from the government. It would certainly require a different mentality in other regions in Canada to say that we are going to target more money into western Canada, which is where we were fifteen years go, and there was huge debate about that. It would provide inequitable support at the farm gate, because in the U.S., beef and the hog industry get almost no support. A lot of it goes to the grain industry and I think it is a non-flyer, but I want to put it in here. I will get you to put up my last overhead and I will show you why, I think, from a Canadian perspective that this is not even good for us, and I will show you why.

These are 2002 numbers that are OECD and this is the share of Canadian grain production or of production exported. If we start to support targeted commodities like this, what we do at the end of the day, is that when we export 60% of our canola, and we subsidize that at home, we are exporting that subsidy without getting any real advantage in terms of community development. We produce cheap canola and we export it and we get no real advantage in terms of building strong rural communities. You maybe make one segment of the industry more profitable, but I think you really weaken the ability of the community to become stronger as a whole. So I am not sure that I would support the concept of just having a U.S. mirror-style program which targets
specific commodities. I think there is rational to do it, but I think there are ways to do it differently.
It does not mean to say that we should just abandon the industry and go the other way, because there is going to be an interim period here where we need to change from where we are at today to where we get. On my farm, you have a hundred years of infrastructure. It was built because of the WGTA. It was built because of the infrastructure that was required to meet the market requirements of the day. I have grain bins, I have combines, I have open fields that are suitable for growing grain and on some of those assets, I have payments to make. I have to continue to try to fulfill the obligations that I have made in the past. But it is not just me. The young people that have just started have obligations they have to meet. So we are not just going to turn this mentality in overnight, clearly we have to be a little more patient and we have to be a little more proactive. We have to be a little more creative in terms of how we move from where we are today to where we get.

From transportation in the grain handling system the one thing I can assure you is that volumes from my perspective, will diminish. Will they diminish quickly or rapidly? Under the last scenario proposed they will probably continue for quite some time, because there are quite a few people out there my age that are not really receptive to a lot of change. They want to just continue what they are doing I would just as soon spend my money trying to do what I did yesterday as I would buy a cottage at the lake. So, I am going to continue to grow bulk export grain.

You can see from my bio that I have made a lot of investments. We bought a cow herd, we bought a feed lot, we are invested in the grain operation, and I have 700 acres of hay that I market. I have made significant changes in my farm, but I still have 4,700 acres in annual production. The bulk of the wheat which I grow is for Warrenton. I grow specialized canola and I try and hit specialty commodity markets that do pay me a premium rather than the ones that just pay me the going price.

I made a presentation similar to this in Thunder Bay in 1995. The front page of the paper was “Manitoba grain farmers abandon Thunder Bay.” That is not what I am proposing to people. What I am proposing is that if we work together, we can do this thing responsibly and we can all benefit in the long term. If we just let this thing slide along, I will guarantee you that within ten years, the amount of grain that we are growing on the prairies under the current scenario will be diminished substantially. It will not be because we do not have a market for it,
but because we cannot afford to grow it for the market under the scenario we are in. I believe that with a passion, and I am not going to go and sell my farm and my daughter’s farm. I am completely optimistic about agriculture in Manitoba and in Canada. I am. We will plod along and we will do things and we will become profitable again. We will do the things that we have to do to change.

It seems to me that we have a lot of investments made in the system. I look at the investments in the grain handling system, the monies that were invested after 1994. Everybody said we are going to do something different, but you see the drop in tonnages. It just seems that we have these vested interests, that as the word of one fellow said this morning, that we were selfish, that we were going to do this for ourselves. Somehow we need to get smarter because we are not going to have any rural infrastructure left to support the people that live there unless we can start to think broader than we have been. I am not being negative. I am probably the most optimistic, or one of the most optimistic farmers in the room if you want the truth. But, there is a growing sense of despair in the farming community. Unless we can show a return on investment to every segment of the supply chain, including the producers, we have a problem. We cannot take government support and think that it is for the farmers, because it is not. I go back to my example at the beginning. Everyone gets paid but the farmer.

So I will leave it at that. I am really optimistic about the future, where we are going, but I am less optimistic than a lot of farmers out there today because I think the crunch is going to come next spring when they go to put their crop in. I think the government will step up to the plate, they will keep throwing a few dollars at us hoping that you will spend the rest of your equity before you exit. Maybe that is a bad way of looking at it, but that is kind of the perspective I have right now. With that I will end. Thank you.

**Dr. Brian Oleson**

And as always, an excellent presentation.

The three presenters gave extremely tight and excellent presentations and I think we all appreciate that we could hold them and pick their brains for a long time but it is the end of the day and three excellent presentations. Thank you all and we will move on to the next phase, but let us give our panel a big round of applause.
Ms Ruth Sol  
President  
WESTAC  
Afternoon Chairperson

Well we have come to that point in the day when we have to turn to the person who has been working the hardest in the room Blair Rutter, Executive Director, Western Canadian Wheat Growers Association is our Rapporteur this afternoon. Blair has been in his position since January, 2005. He has worked with the UGG and Ag United, he has spent eight years with CIBC, and he has a Bachelor of Commerce Degree, and a Master of Science in Agricultural Economics from the University of Manitoba. He was raised on a family farm, and certainly has all of the qualifications and has worked very hard all day capturing the thoughts and ideas out of this session. So please welcome Blair Rutter.
Thank you very much Ruth, and yes I do not think I have ever been as attentive at a conference as I was today. Certainly when I was in Barry Prentice’s logistics course twenty some years ago, I did not have that degree of attentiveness as I did today. Thank you very much to the conference organizers for this opportunity and the honour to try and summarize, and wrap up today’s conference. I know as a Rapporteur you are supposed to refrain from making too many personal views or political commentary but thankfully Brent Van Koughnet has made enough provocative comments today that anything I might say is going to be quite mild by comparison. But I do want to share with you some of my thoughts or observations on what I heard today. I think Owen actually did a good job of summarizing quite a bit, so perhaps some of this might be a little repetitive.

I will start with a comment that Dan Stirling made and actually his presentation. I thought he did a very good job of summarizing what has happened over the past ten years in terms of the changes in the physical infrastructure and the changes in the transportation system. What I thought was even more remarkable was the changes in the regulatory environment that had occurred over the past ten years and a lot of things that flowed from that. We have a much less regulated rail environment. One of the things that brought a smile to my face was when he referenced the backtracking of grain from Thunder Bay to Winnipeg South. Ten years ago, when I was first with the Wheat Growers, that was one of the number one issues that we were working on at that time. When you think about where we have come today, it is incredible that that sort of thing actually happened and it was only ten years ago. When you look at what has transpired in that time, it has indeed been quite a change both in physical environment and in the regulatory environment.

I would also make the observation that there is less acrimony than there was back then relating to grain transportation issues. I recall that we went through the Estee and Kroeger processes. Those were really because there was a lot of acrimony within the industry, a lot of producer concerns about lack of service, a
lack of movement and problems in the grain industry. My sense is that we will not see the same sort of acrimony or passion around these issues that we did through the 1990s. There is less of an impetus now to address some of those issues that are still there. I think Adrian Measner identified a few. There is still some service issues and there is still the rail car ownership issue to address but there is not quite the same political resolve or interest to tackle those issues. As an observation, the debate around grain transportation issues is nowhere near the intensity that Mr. Kroeger related in his comments at noon.

I want to go back to some comments that Mr. Braun made about how ocean freight is making up a greater share of the value of grain. Now, I thought that was interesting, but I also thought it was interesting how Adrian Measner also noted that while rail costs have increased, we did not have anyone from the handling sector to comment. I know that the handling charges have also increased and certainly trucking costs for farmers has increase. All throughout the supply chain, the costs have increased or the costs of the handling system is making up a greater share of the value of the grain. It was not just in ocean freight. We got the comment from Owen McAuley and some western reality, to use the term that Kroeger used, in that everyone gets paid before I do and the share that the farmer is getting is proportionately less. Of course we know that grain prices worldwide have not strengthened and you know what that means for the farmer. Wayne Atamanchuk made the point that we need a competitive rate structure so that all participants can earn an adequate rate of return. I could not agree more, that is absolutely true. I think the railways are doing a lot in that direction to make sure that they do earn money because the reality is that grain production is unprofitable and certainly, grain production for export is very unprofitable. So, even though railways, ports and the grain handling companies and the Wheat Board might be doing the right things in terms of getting their costs down and improving efficiencies, you know at the end of the day, there may not be the grain to move because the farmer is not seeing an adequate return on his investment. It is a sobering thought that I think that we should all consider or as Owen said, “there is no future in the export of grain or bulk grains.” You know, I think I will go back to Mr. Kroeger’s comments at lunch where he talked about the Crow change happening in 1995 but look at the missed opportunity in 1983. The Crow change happened really 12 years too late in terms of payments that have been paid to the producer at that time. The farmer could have used some of that money to invest in livestock, invest in other things other than the export of grain, but that delay in the policy decision by 12 years really caused us not to make the adjustments that were necessary and farmers are paying the price right now for that delay in policy. It happened 12
years too late and we are trying to desperately catch up. We are seeing growth in livestock, some growth in value added, some container movement, but alas it is really too late for the farmers in the room. Dan Stirling commented, “Are we changing fast enough?” If you are going to expect to attract grain from farmers, there are going to have to be some changes even more quickly than have happened in the last ten years. I really appreciated the historical perspective that Mr. Kroeger brought to the table and it just amazes me how, or it is troubling to know, how politics, Quebec politics can have such an impact on you know, where we are today in western Canada. Something that happened in 1983 can have such an affect on our agriculture economy today. It does speak to the need to get policy right because changes or the policy decisions can have long-lasting ramifications. Owen made the observation that grain farming is not profitable, but it still occurs to me that land of course will still be farmed. He mentioned that too, about how his family is going to continue grain farming and there will be grain produced. The question is how it will be brought to market. Will it be brought to market through livestock?

Essentially we will be exporting grain, but the real question is how much will go through the traditional channels, how much will go through pork, beef, how much will go through containers? If I will make just a slight observation or an aside here it is that probably the more, or the less that is exported through grain, the less is the risk for trade action. We are all aware of the wheat problem. The tariffs in place in the U.S. have stopped our wheat exports, but if you were to note the huge increase in the exports of baked goods and flour and all those other products it has exploded in the last decade. My observation would be that we put ourselves less at risk when we export value-added products such as pork and chilled beef than when we export the raw commodity. We saw it in the cattle industry, even with the BSE thing, box beef exports were certainly reopened before live cattle. A strategy for western agriculture to move as much into these value-added products is probably a sound policy in terms of dealing with potential trade risks. Sorry, that would be a bit more of an editorial comment than a Rapporteur should probably have the license to give.

Containers. I think it is fairly clear that we are going to see more container shipments of grain and grain products and meat products, but the jury is still out on how much more grain will be shipped by containers. Stephen Paul did point out that there are still quite a few logistical and physical constraints to growth and container movement and I would like to think that those will be overcome, but I think the jury is still out. Certainly with container capacity coming on stream through Prince Rupert, the potential is there for tremendous growth.
Whether it will happen, I do not know. It is a good question. There will be container traffic, whether it will be containing grain or not, is an open question.

What I did gather from the presentations, in particular the ones on the mid-continent corridor, is that farmers will eventually have more competitive choices of distribution channels. You have got Prince Rupert of course and its expansion Vancouver will be there. Brent talked about capacity constraints, so that is a limiting factor, but there is certainly growth in the mid-continent corridor. We saw it for both rail and truck and mentioned as well by the Minister of growth potential through Churchill. At the very least, I am optimistic that farmers will have more competitive choices in terms of how they get their grain to market. When I say grain, I mean grain in the little broader context than just the commodity. It could be through livestock or canola oil, processed product, it could be any kind of different forms and that is a good thing. I think right now, the Crow legacy is that we are still far too dependent on the export of raw commodities and we are going to get to the happier state where farmers have a lot more choices as to how they market their grain and the distribution channels that will be available to them. Owen I would urge you to keep that optimism, I think down the road there will be more competitive options for you.

Brent Van Koughnet made the rather sobering comment that grain is no longer king at the Port of Vancouver. Very bold of Brent to say that and I must applaud him for that candor. Basically, saying that if the grain industry does not get its act together, that it is going to, his comments were, “you are taking up my space, you are breathing my air, grain is going to be tested.” I think we should thank Brent for the wake-up call. We do have to get all our logistical issues settled, or worked on and improved, because, at least through Vancouver, there is the very real risk that grain is going to get less priority. I suspect that is also true of the railways. I know that they did not comment on that today, but my sense of it from their presentations is that grain is getting less of a priority. If margins are squeezed, and the farmer cannot make a buck there may be a trend towards less emphasis on grain for export. It is something I thought was a good observation to make by Brent and that is grain is no longer king.

Well, I will stop there. I guess the final comment I would make is on the value of this conference. Certainly the historical perspective was good looking back the last ten years and even further through Mr. Kroeger and his perspective as a warrior in the trenches back in the eighties. Certainly there is a lot of political lessons there for a lot of us of what we need to do going forward. I also thought this conference was very useful in the fresh-thinking that it brought to the table.
The railways talking about what their plans are, the ports, Prince Rupert, that is a very exciting development there, the corridors, the mid-continent corridor. Again, quite some innovative thinking there. The routing Wayne Atamanchuk referred to routing protocols. There is a lot of fresh-thinking going on and I think it was great to have this conference to see that. I should also mention Mr. Braun and his new ship. This is again another sort of a hallmark of this conference. Over the past ten years it has been a forum for putting forward new and fresh ideas. Brent Van Koughnet brought forward some provocative ideas as well. I look forward to the next ten years of this conference to continue putting forward fresh ideas and challenging us to improve this industry. Thank you.

**Dr. Paul D. Larson**

Thank you. I think my comments will only take about an hour or so. No I am here just simply to, on behalf of the Transport Institute, and our generous sponsors, to thank you all for coming. I think it was a very interesting event and we certainly look forward to an exciting challenging future with lots of opportunities in the grain and agricultural supply chain.

Thank you very much for coming, and drive safely and have a good evening.
10TH ANNUAL
FIELDS ON WHEELS CONFERENCE
PRESENTER PROFILES

Morning Chairperson
Dr. Paul Larson
Director, Transport Institute
Head, Supply Chain Management Department
I.H. Asper School of Business

Paul earned his BSB and MBA degrees at the University of Minnesota, and his Ph.D. degree at the University of Oklahoma. The Institute for Supply Management (ISM), formerly the National Association of Purchasing Management (NAPM), funded Dr. Larson’s doctoral dissertation, which won the 1991 Academy of Marketing Science/Alpha Kappa Psi award. From 1990-1996, he taught marketing and retailing at the University of Alberta, chairing several doctoral dissertations. After that, Dr. Larson taught purchasing, logistics and SCM at the University of Nevada from 1996-2001, and at Iowa State University from 2001-04. Paul has published over forty articles in leading SCM, logistics and transportation journals, and has made numerous presentations at academic and practitioner conferences. He has consulted and conducted executive seminars, in Europe, North America, South America, the Caribbean and China, on logistics, purchasing, transportation and SCM. Paul serves on the ISM Educational Resources Committee, is Associate Editor of the Journal of Business Logistics, and serves on the Editorial Review Board of the Journal of Supply Chain Management. Dr. Larson’s recent research awards include the following: ISM Senior Research Fellowship (2002), DHL best paper award at the NOFOMA 2002 conference, and the Beta Gamma Sigma Researcher of the Year (2000).

Session 1

Mr. Gordon Braun
United Kingdom Director
Ferryways

Gordon Braun was born in Altona, Manitoba and did his undergraduate studies in Economics and Political Science at the University of Manitoba in the late 60’s. He entered a graduate studies program in Economics at the University of Louvain in Belgium from where he joined Canadian Pacific Ships as a Market
Research Analyst in Rotterdam in 1971 transferring to London, England in 1982. He moved through the organization to become Chief Executive Officer of Canada Maritime Services Ltd. the founding line of the CP Ships group of companies. The line operated 14 ships and provided container services from North Europe and the Mediterranean to Montreal. Canada Maritime was the largest container operator providing services directly into Canadian ports.

He left the CP Ships Group in 2000 to set up a transportation consulting company and provided consulting services to a cross section of blue chip companies in the Wines & Spirits industry, domestic logistics providers, International Freight Forwarding, Deep Sea and Short Sea industries and became heavily involved in an innovative short sea project aimed at addressing a number of the key objectives in the European Commissions White Paper on Transport released in 2001. He recently joined Ferryways, the short sea arm of Mediterranean Shipping Company as their UK Director.

Session 2

Session Moderator
Dr. Barry E. Prentice
Professor
Department of Supply Chain Management
I.H. Asper School of Business

Barry Prentice is a Professor in the Department of Supply Chain Management. He was the Director of the Transport Institute from 1996 until 2005. His major research and teaching interests are logistics, transportation economics, urban transportation, economic development and trade policy.

Dr. Prentice has authored or co-authored more than 150 research reports, journal articles and contributions to books. His scholarly work has been recognized for excellence in national paper competitions and awards. In 1999, National Transportation Week named him Manitoba Transportation Person of the Year.
Mr. Dan Stirling  
Director, Grain  
Canadian Pacific Railway

Dan Stirling joined Canadian Pacific Limited in 1971 in Montreal. He initially worked in the Research Department undertaking various economic and market projects involving ocean shipping, coal gasification, air cargo, rail, hotels, and shopping centers. In 1973 he became involved in Marketing with Canadian Pacific Railway and held several positions involving product development and commodity marketing in Montreal.

From 1981 to 1987 Dan was based in Calgary and involved in various sales and marketing functions mainly concentrating on petroleum, chemicals, sulphur and fertilizers. Since 1987 Dan has been based in Winnipeg and has been involved in CPR's grain business. He is currently Director - Grain responsible for CPR's Canadian grain business including marketing, pricing, demand management and strategy development. He is also responsible for CPR's oilseeds, oats, barley and special crops on a North American basis. Dan holds a B.Sc. in Civil Engineering from Queen's University and a M.B.A. from York University.

Mr. Adrian Measner  
President and CEO  
Canadian Wheat Board

In January 2003, Adrian Measner became the second President and Chief Executive Officer of the Canadian Wheat Board -- a position created in 1998 after farmer-elected directors assumed control of the organization. Raised on a farm at Holdfast, Saskatchewan, Mr. Measner was educated at the University of Saskatchewan and joined the CWB in 1974. He was named CWB Executive Vice-President, Marketing in 1993. He has extensive experience in grain marketing and transportation, with an in-depth knowledge of international wheat and barley sales. His key focus areas lie in accountability to western Canadian farmers, excellent sales performance and transportation system reform. Mr. Measner also serves on the Board of Directors for the Canadian International Grains Institute and the Canada Grains Council.
Session 3

Session Moderator
Dr. Paul Earl
Assistant Professor
Department of Supply Chain Management
I.H. Asper School of Business

Paul Earl comes to Transport Institute from a long and varied career in the grain industry. He has worked for the federal government in Ottawa, for Canadian Pacific Railways, for United Grain Growers, the Grain Transportation Agency, and, most recently, for the Western Canadian Wheat Growers. In 1992, Paul also completed a doctoral degree which examined the farm movement in Western Canada and how the institutions that have shaped the grain industry for many years came into existence.

While at UMTI, Paul would like to see the Institute's reputation as a vibrant centre for transportation research and development enhanced, and its role as a major centre for transportation education expanded.

Mr. Stephen Paul
Export Coordinator
Delmar

Bio not available
Mr. Don Krusel  
President and CEO  
Prince Rupert Port Authority

Mr. Krusel was appointed to the position of President and Chief Executive Officer in February of 1992. He began his career with the Port Authority as Manager of Finance and Administration in 1987.

Mr. Krusel holds a Masters Degree in Business Administration from the University of Western Ontario and is a Certified Management Accountant. Before joining the Prince Rupert Port Authority, he held the positions within the financial planning and analysis function of a major financial institution in Vancouver. He is a past Director of the British Columbia Trade Development Corporation in Vancouver, the Western Transportation Advisory Council, the former Chairman of the Canadian Delegation of Ports for the American Association of Port Authorities and served as Chairman and Director of the Association of Canadian Port Authorities from 1999 - 2001. In 1996 he was appointed by the then Federal Minister of Transport, the Honourable David Anderson to Chair a Task Force to study the Northwest Transportation Corridor and is currently a Director of the Northwest Corridor Development Corporation which was formed as a result of the Task Force recommendations.

Luncheon Keynote Speaker  
Mr. Arthur Kroeger  
Former Deputy Minister of Transport

Arthur Kroeger was educated at the University of Alberta and at Oxford, which he attended as a Rhodes Scholar.

In 1958 he joined the Department of External Affairs and subsequently served in Geneva, New Delhi, Washington, and Ottawa.

In 1974 he was appointed Deputy Minister of Indian and Northern Affairs. He subsequently served as Deputy Minister in five other departments, including Transport, Energy, and Employment and Immigration.

After leaving government in 1992, he became a Visiting Professor at the University of Toronto in 1993-94 and a Visiting Fellow at Queen’s University 1993-97. He was Chairman of the Public Policy Forum from 1992-94, and has since 1999 has been Chair, Canadian Policy Research Networks.
Mr. Kroeger is a Companion of the Order of Canada and is the recipient of four honourary degrees. From 1993 to 2002 he was Chancellor of Carleton University.

Afternoon Chairperson
Ms. Ruth Sol
President
WESTAC

Bio not available

Session 4

Session Moderator
Mr. Douglas B. Duncan
Research Coordinator
Transport Institute, I. H. Asper School of Business

Doug Duncan has extensive experience in railway management and transportation issues in Canada. Over 28 years at Canadian National Railway, his responsibilities included financial planning, strategic and business planning, change management and transportation policy and regulation. Combined with his experience as a Chartered Accountant in public practice, Doug has a broad perspective on the marketplace. Doug currently works with the Transport Institute, University of Manitoba in the role of Research Coordinator.

Mr. Wayne Atamanchuk
Assistant Vice President, Bulk Commodities
CN
Wayne Atamanchuk was appointed Assistant Vice-President Marketing, for Bulk Commodities in July 2004. In this role he is responsible for getting CN’s marketing, and commercial strategy for grain, fertilizers and coal in the North American market. Wayne has been with CN 24 years and has worked in its Engineering, Strategic Planning and Marketing departments.
During his career at CN, he has spent 15 years within CN’s Marketing department with its Intermodal, Grain, and Grain & Fertilizers Business Units.

He has been involved with the fertilizer industry since 2000.

Wayne has a Bachelor of Science degree in Engineering from the University of Manitoba and a Masters of Business Administration from McGill University.

Session 5

Session Moderator
Dr. Brian Oleson
Head
Department of Agribusiness and Agricultural Economics
University of Manitoba

Dr. Oleson is a Professor and Agribusiness Chair in Co-operatives and Marketing at the University of Manitoba. Dr. Oleson came to the University of Manitoba from the Canadian Wheat Board where he held the position of Senior Economist and Vice President (2000-2001) and Executive Director, Corporate Affairs (1990-1997). Dr. Oleson also served as the Interim Chair in Cooperatives Marketing at the University of Manitoba from 1998-1999.

Work opportunities related to agricultural marketing, trade negotiations or economic development activities have allowed Dr. Oleson to visit North America, South America, Europe, Australia, Africa, and Asia. In the course of this work, Dr. Oleson has had the opportunity to study the agricultural sector and supporting industries in many of these regions of the world.

Dr. Oleson is involved in various professional activities and has given industry and conference presentations around the world including, France, England, Argentina and Belgium.
Mr. Brent Van Koughnet
Vancouver Port Authority

Bio not available

Mr. Owen McAuley
Grain Farmer

Owen and Anna Mae have been married for over thirty years, have three children, and five grandchildren. With their daughter and her husband, they farm over 6,000 acres, of which 4800 acres is in annual production, plus 700 acres of hay. They also operate a cow, calf, and feeder cattle operation, and have partnered in a large hog barn in the community. Named Manitoba Farmer of the year in 1991, Owen was a Municipal Councillor for 11 years and a long standing member of the Virden District Vet Board and Keystone Agricultural Producers. He has also served on several Blue Ribbon Panels for the Federal Government, was part of the Manitoba Farm Mediation Board and the Farmland Ownership Board for the Manitoba Government. Currently, Owen sits on a Federal advisory committee for rural affairs and on the board of directors of Canadian Agricultural Policy Institute.

Rapporteur
Mr. Blair Rutter
Executive Director
Western Canadian Wheat Growers Association

Blair Rutter was appointed the Executive Director of the Western Canadian Wheat Growers Association in January, 2005. Prior to this he was the Policy Manager with UGG and Agricore United for 9 years. He also spent 8 years in various positions with CIBC.

Blair holds a Bachelor of Commerce degree and a Masters of Science in Agricultural Economics, both from the University of Manitoba. He was raised on a family farm near Miami, Manitoba. He is married to Yolanda Hogeveen and they live in Winnipeg with two teenagers, Emily and Alexander.
10th ANNUAL FIELDS ON WHEELS CONFERENCE:
THE GRAIN SUPPLY CHAIN 10 YEARS BACK, AND 10 YEARS FORWARD
PARTICIPANTS

Speakers
(In Order of Appearance)

Dr. Paul Larson
Transport Institute
Gordon Braun
Ferryways
Barry Prentice
I.H. Asper School of Business
Dan Stirling
Canadian Pacific Railway
Adrian Measner
Canadian Wheat Board
Paul Earl
I.H. Asper School of Business
Stephen Paul
Delmar
Don Krusel
Prince Rupert Port Authority
Arthur Kroeger
Former Deputy Minister of Transport
Ruth Sol
WESTAC
Doug Duncan
Transport Institute
Wayne Atamanchuk
CN
Brian Oleson
University of Manitoba
Chris Badger
Vancouver Port Authority
Owen McAuley
Grain Farmer
Blair Rutter
Western Canadian Wheat Growers Association

PARTICIPANTS

Pat Atkinson
Transport Canada
Mary-Jane Bennett
Canadian Transportation Agency
Robert Black
James Richardson International
Monica Blaney
Alberta Infrastructure & Transportation
Renn Breitkreuz  Alberta Grain Commission
Bev Bolton  I.H. Asper School of Business

Claude Carles  Weyburn Inland Terminal Ltd.
Rhéal Cenerini  Canadian Wheat Board
Amar Chadha  Manitoba Transportation and Government Services

Jocelyn Charbonneau  Canadian Transportation Agency
Marty Cilen  James Richardson International
George Clark  Monarch Industries
Jack Craven  Manitoba Transportation and Government Services

Scott Crombie  Canadian Transportation Agency

Rich Danis  Manitoba Transportation and Government Services
Lorraine Dodick  Parrish & Heimbecker Ltd.
Bob Douglas  Canadian Grain Commission
Bill Drew  Churchill Gateway Development Corp.
David Duncan  Manitoba Transportation and Government Services

Dr. Glenn Feltham  I.H. Asper School of Business
Ray Flaten  Weyburn Inland Terminal Ltd.
Arthur Friesen  Agriculture & Agri-Food Canada

Harvey Goehring  Manitoba Institute of Agrologists
Régis Gosselin  Canadian Grain Commission
Kim Graybiel  Saskatchewan Highways &Transportation

Heather Gregory  Agriculture & Agri-Food Canada
Carol Gundvaldsen  Manitoba Agriculture, Food & Rural Initiatives

Jim Hallick  SARM
Sinclair Harrison  Farmer Rail Car Coalition
Paulette Hayden-Jones  Canadian Wheat Board
Mark Hemmes  Quorum Corporation

Bill James  Agricore United
Val Jaques  Agricore United
Elizabeth Kalder-Nagy  Canadian Wheat Board
Dr. Joanne Kesselman  University of Manitoba
Roger Kirouac  Roy Legumex
Jurgen Kohler  Agriculture & Agri-Food Canada
Laura Langford  Canadian Wheat Board
Honourable Ron Lemieux  Manitoba Transportation and Government Services
Mike Lesiuk  Policy Analysis, Manitoba Agriculture
Greg Loewen  Online Business Systems
Michael Manveiler  Canadian Special Crops Association
Dale Martin  Canadian Wheat Board
J.B. (Jin) McKerchar  Parrish & Heimbecker, Ltd.
Arita McPherson  SARM
Gordon Miles  Canadian Grain Commission
David Nyznyk  Grupo Canada Ltd.
Chuck Pelton  Monarch Industries
Dirk Peters  Senator Lines
Anh Phan  Canadian Grain Commission
Al Phillips  A.J. Phillips & Associates
Kevin Richter  Canadian Wheat Board
Alex Robinson  Winnipeg Airports Authority
Terry Romanishen  Agricore United
Trevor Sawchuk  James Richardson International Ltd.
Wolfgang Schmitz  Greer Shipping Ltd.
Corinna Selk  Canadian Wheat Board
Barry Senft  Canadian International Grains Institute
Dan Simcock  Prairie International Container & Dray Services Inc
John Spacek  Manitoba Transportation and Government Services
Paul Stow  Mission Terminal
Jason Thorne  
Vancouver Port Authority

Neil Townsend  
Canadian Wheat Board

Karen Tucker  
Canadian Transportation Agency

Hector Urbina  
Agriculture & Agri-Food Canada

Jason Watson  
Weyburn Inland Terminal Ltd.

Reg Wightman  
Manitoba Transportation and Government Services

Judy Wilson  
I.H. Asper School of Business

Glenn Young  
Keystone Agricultural Producers

Tracy Yu  
Transport Canada

Susan Zacharias  
Transport Canada

**TRANSPORT INSTITUTE**

Kathy Chmelnitzki  
Transport Institute

Sharon Cohen  
Transport Institute

Doug Duncan  
Transport Institute

Allister Hickson  
Transport Institute

Dr. Paul Larson  
Transport Institute

Gene Morales  
Transport Institute

Matt Seguire  
Transport Institute
The Grain Supply Chain 10 Years Back, and 10 Years Forward

Fort Garry Hotel, Winnipeg Manitoba
TUESDAY, NOVEMBER 22, 2005

8:00 am – 8:25 am Registration and Continental Breakfast

Morning Chairperson Dr. Paul Larson
Director, Transport Institute
Head, Department of Supply Chain Management

Session 1  WORLD MARINE SHIPPING AND TRENDS IN EUROPEAN TRANSPORT
Marine shipping dominates international grain transportation. Historically, the focus of the supply chain in western Canada has been the relationships between producers, grain handlers and the railways. With the exception of the St. Lawrence Seaway and the ports, public knowledge about the marine component of the grain supply chain is relatively scant. The first speaker of the 10th Annual Fields on Wheels conference is ideally suited to provide insights on marine transport. In addition to his experience as a CEO of Canada Maritime Services Ltd., Gordon Braun is an expert in short sea shipping. As environmental considerations are rising to the fore, governments have become more interested in the low greenhouse gas emissions quality of marine transport. Barriers like the US Jones Act have prevented the integration of the North American market for short sea shipping, to the extent of the European Union. Mr. Braun will provide a perspective on the past ten years in the maritime industries and a look to the future.

8:30 am – 9:15 am Mr. Gordon Braun
UK Director, Ferryways

Session 2  BULK HANDLING – ATLANTIC AND PACIFIC CORRIDORS
Attempts by government to respond to political pressure have shaped the grain supply chain. The end of the WGTA subsidy for rail transportation as of the 1995/1996 crop year removed over $700 million from the grain industry. A change of this magnitude sets off a number of adjustments in policy and in the supply chain. A new governance system was introduced
for the Canadian Wheat Board (CWB), regulated rail freight rates were replaced with a Revenue Cap on grain transport, and a new tendering system was introduced for CWB grains. After 10 years, the grain supply chain has more or less adjusted to the end of the WGTA. A representative of the railways and of the CWB has been invited to address the events of the past 10 years, and to consider the future of bulk grain handling to the year 2015.

9:15 am – 10:15 am  Moderator  Dr. Barry E. Prentice
Professor
Department of Supply Chain Management

Speakers  Mr. Dan Stirling
Director, Grain
Canadian Pacific Railway

Mr. Adrian Measner
President & CEO
Canadian Wheat Board

Roundtable discussion

10:15 am – 10:30 am  Coffee Break

10:30 am  Canadian Logistics Skills Committee Announcement
The Strategic Human Resources Study of the Supply Chain Sector

Session 3  CONTAINERIZED SHIPPING – ATLANTIC AND PACIFIC CORRIDORS
The containerization of grain continues to gain momentum. The advantages of traceability, quality of service and falling total logistics costs are making containerization of grain more attractive. The establishment of new container services at the Port of Prince Rupert is evidence of the world wide juggernaut of containerization, particularly on the Pacific trade corridors. For years, containerized grain shippers in western Canada have observed deficiencies in container service and repositioning costs. A representative of the freight forwarding industry and the Port of Prince Rupert will provide their views on the developments of the past 10 years, and some perspectives on the next 10 years for containerized grain.
10:45 am–11:45 am Moderator Dr. Paul Earl
Assistant Professor
Dept. of Supply Chain Management

Speaker Mr. Stephen Paul
Export Coordinator
Delmar

Mr. Don Krusel
President & CEO
Prince Rupert Port Authority

Roundtable discussion

12:00 pm – 1:30 pm Lunch and Keynote Speaker

12:05 pm Provincial Funding Announcement
The Hon. Ron Lemieux
Minister of Transportation & Government Services
Province of Manitoba
Dr. Joanne Keselman
Vice-President (Research), University of Manitoba

12:45 pm “Tales from the Trenches”
Mr. Arthur Kroeger
Former Deputy Minister of Transport

Afternoon Chairperson Ms. Ruth Sol
President
WESTAC

Session 4 BULK HANDLING – MID-CONTINENT CORRIDOR
The advent of the North American Free Trade Agreement (NAFTA) in 1994 created a new interest in north-south trade corridors. The trucking industry was able to adjust quickly and take advantage of new routes, while the adjustment of the railways has taken more time. Consolidation
of the North American railway system has resulted in a more efficient mid-continent trade corridor. Canadian grain can now move seamlessly from Winnipeg to Mexico City over an all rail route. The latest step in the NAFTA railway system was completed in 2005 with the acquisition of the Transportación Ferroviaria Mexicana by the Kansas City Southern Railway. Representatives of the CN Rail-KCS alliance have agreed to discuss the realignment of rail system and the future of grain transportation in the mid-continent corridor.

1:30 pm – 2:30 pm  Moderator  Mr. Douglas B. Duncan  
Research Coordinator  
Transport Institute, I.H. Asper School of Business

Speakers  Dr. Paul D. Larson  
Director, Transport Institute  
I.H. Asper School of Business

Mr. Wayne Atamanchuk  
Assistant Vice-President, Marketing – Bulk  
CN

Roundtable discussion

2:30 pm – 3:00 pm  Coffee Break

Session 5  YESTERDAY, TODAY AND TOMORROW PANEL  
An old statement in the grain trade goes, “If you don’t know where you are, you don’t know where you are going. And, if you don’t know where you have been, you do not know where you are.” The final panel of the 10th Annual Fields on Wheels have been assembled to provide three views on the grain supply chain from the perspectives of the ports, the grain handlers and the farm sector.

3:00 pm – 4:30 pm  Moderator  Dr. Brian Oleson  
Head  
Department of Agribusiness and Agricultural Economics  
University of Manitoba

Speakers  Mr. Brent VanKoughnet  
Agent  
Vancouver Port Authority
Mr. Owen McAuley
Grain Farmer

Roundtable discussion

4:30 pm – 4:45 pm    Rapporteur
The tradition of the Fields on Wheels is the honour a senior member of the
grain policy community with the opportunity to have the last word. Mr.
Blair Rutter will provide his comments on the proceedings of the day.

Mr. Blair Rutter
Executive Director
Western Canadian Wheat Growers Association

Closing Remarks

4:45 pm    Dr. Paul Larson
Director, Transport Institute
Head, Department of Supply Chain Management
10th Annual
Fields on Wheels
Conference
November 22, 2005
7th Floor, Hotel Fort Garry
Sponsored in part by

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