For Immediate Release *November 25, 2004*

Western Canadian Wheat Growers Association Seeks Answers From Transport Canada Regarding Rail Fleet Disposal

The Federal Government's intentions to divest its 12,400 railcars, or about half of the Canadian grain railcar fleet, will have major implications on farmers' transport costs, grain handling operations, and annual marketings of about 25-million tonnes of cereals, oilseeds, and pulse crops. These railcars, dedicated to the movement of prairie-grown grains, are 18 to 28 years old and thus in varying states of repair, from fair to bad condition. The cars are estimated to be worth anywhere from $50-70 million (scrap value) to $200-million in current commercial value to $1-billion in replacement cost.

During a November 1 Transport Canada Stakeholders Meeting in Winnipeg, the Western Canadian Wheat Growers Association (WCWGA) was on hand to note the decision will affect everything from pricing at the farm gate, to the need for on-farm storage, as well as capacity investment at elevators, on mainline rail, and even port operations. Some 80 farm, grain company, rail, and government officials were in attendance at the November 1 meeting, representing more than 30 organizations, to hear Transport Canada explain steps taken over the past several years to deal with the question of grain car ownership and fleet replacement.

While Transport Canada officials say government policy is to dispose of the fleet in "as commercial as possible," with alternative solutions to go to Cabinet before Christmas, the WCWGA says many questions are still unanswered in the proposals submitted by CN and CP, who collectively provide the remaining half of Canada's railcar fleet, as well as the Farm Rail Car Coalition (FRCC). Speaking on behalf of the WCWGA were Cherilyn Jolly, WCWGA President of Mossbank, Saskatchewan, Doug Campbell, WCWGA Vice-President of the Alberta Region from Cochrane, and Paul Orsak, long-time member and board advisor from Binscarth, Manitoba.

"I am a fifth generation grain farmer from South Central Saskatchewan," began Jolly. "I grow various crops on a 5000 acre farm. I am also Economic Development Officer for my region and my husband and I run a outdoor hunting outfitters business. My purpose in coming to Ottawa is to strongly object to claims by others that the so-called Farmer Rail Car Coalition represents my interests."

Jolly went on to challenge the FRCC's claim it represents 90% of farmers. "The WCWGA, a co-founder of FRCC, does not support FRCC. We pulled out after three months, back in 1996," she stated. Jolly went on list other groups who have pulled support from the FRCC, including the Saskatchewan Canola Growers Association, the ten-member Grain Growers of Canada, the Western Barley Growers Association and ITAC, an association of 13 farmer-investor inland terminal corporations.

Among the concerns raised by the WCWGA regarding the FRCC proposal were:

- Freight is one of the single biggest expenses for farmers. With the poor crop and grades for the 2004 crop, farmers can ill afford increases in costs.
- Cars must be allocated in a fair commercial manner to all shippers of all agriculture commodities. The allocation process should be simple and transparent. Whether it be a farmer producer car, a CWB order, or a merchant's non-Board feed, oilseed or pulse crop order, fair and equal access is required.
- Transfer of ownership of the cars must be in a commercial manner to prevent conflict with our trading partners, in particular the US, which has already placed a countervailing duty on wheat.
- Regarding repair costs, if over-payment for maintenance is an issue, the Federal Government can address this effectively by putting the maintenance work to public tender, which does not require selling the entire fleet, but simply executing a maintenance plan with competitive bidding.

- more -

502 - 45th Street W., 2nd Floor • Saskatoon, SK • CANADA S7L 6H2 • T: 306-586-5866 • F: 306-244-4497 • www.wheatgrowers.ca • info@wheatgrowers.ca

- Whoever purchases the cars must have the capital resources to take full responsibility, redressing any loss claims or out-of-service complaints by ensuring money to settle such claim judgments does not come out of farmers pockets, neither directly, nor from CWB pool accounts nor municipal taxes.
- There needs to be a clear car replacement plan. For timely replacement to occur, the investor must have certainty regarding asset utilization and revenue streams and there must be penalties for under-capacity.
- Car Utilization quarterly reports should be prepared and issued addressing fleet utilization statistics, comparisons and issues by export corridor, by train run, by commodity type, with turnaround, loading and unloading times.
- Ongoing spot audits must occur to ensure proper car maintenance.
- A complaint settling mechanism must be established, one that any affected parties can expect to impartially resolve issues.
- FRCC has asked for two years to get established. During that time, if we find their ownership and management is not satisfactory, what Plan B would be available to correct this situation? The execution and transfer of cars must be done properly in the first place, which means not selling to a buyer incapable of performing.

"It is important farmers receive answers to these fundamental questions before making judgments on who should get these cars and under what terms," said Orsak.

In the weeks following the meeting, the WCWGA says impacts of the fleet disposal on rates, efficiency and trade issues have NOT been answered to the satisfaction of farmers. "The Federal Government is asking farmers to bear an unacceptable amount of risk, uncertainty and cost, such as an unknown amount of freight rate increases," says Campbell. "We have no answers on the issue of car utilization efficiencies. Any change of ownership won't improve efficiencies, particularly if it's a new third party."

Orsak says farmers do not want further entrenchment of current trade irritants with the US. The current duty on Canadian wheat is because of perceived subsidies from Ottawa and the Canadian Wheat Baord."The FRCC Proposal was vague and unsatisfactory and ultimately rejected because its social and political objectives do not align with commercial principles. In fact, FRCC admitted its business plan was not viable unless it was granted all public cars and at the nominal price of one dollar."

While Campbell notes the CN and CP proposals had merit, they were lacking in detail. The railways need to flesh out their proposals and adequately address the maintenance, freight rate, and timely fleet replacement issues," he said.

"Of the three options presented by Ottawa on November 1, the WCWGA favors a renewed operating agreement between the railways and the Federal Government, with clarity regarding car maintenance allowances and commercial fleet replacement," stated Campbell. "Any new operating agreement should encourage and reward capacity and efficiency gains and clarify, if not remove, the role of ancillary third parties. The option of a renewed and revamped operating agreement, provides farmers with the highest degree of positive outcomes and certainty over the short term, whereas the FRCC proposal presents farmers with the highest degree of risk."

The WCWGA says once Cabinet can provide satisfaction on the issues raised, the industry will need time to make adjustment as it moves to commercial replacement.

The WCWGA, an independent producer organization, has spent 34 years bringing forth innovative farmer-driven solutions and will continue to lobby on behalf of forward thinking, progressive producers in an effort to make farming sustainable and profitable.

-30-

For more information contact:

Cherilyn Jolly	Doug Campbell	Paul Orsak
President, WCWGA	Vice-President, Alberta Region, WCWGA	Senior Advisory Team, WCWGA
Tel: 306-354-2517	Tel: 403-998-4899	Tel: 204-773-6028