

COMMITTEE SPEAKING NOTES (FINA) – RAC – INTERSWITCHING

Thank you, Mr. Chair. *Merci de nous avoir inviter.*

Former member of the CTA and Liberal candidate in Manitoba Mary Jane Bennett said – and I quote – “interswitching is inefficient. It wouldn’t correct problems with the supply chain, it would amplify them.”

Each switch adds to transit time. The more switches you do, the bigger the slowdowns.

The more you handle a car, the longer it takes to get moving.

This measure undermines the capacity, efficiency, and fluidity of Canada’s supply chains and will harm all shippers.

This measure was tried between 2014 and 2017 and failed.

Extended interswitching adds – on average – one to two days to rail transit times.

It was abandoned by this government after an independent statutory review of the *Canada Transportation Act*.

This government’s Transport Minister at the time, Marc Garneau, acknowledged the policy was always meant to be temporary.

Nothing has changed that would justify going back to extended interswitching.

Let’s review why extended interswitching was sunset.

First, lack of reciprocity in the U.S.

Regulated interswitching does not exist in the United States.

Under the government’s proposal, U.S. railways will be able to solicit Canadian traffic at cost-based rates, without any reciprocity for CPKC and CN to do the same in the U.S.

That means fewer available carloads for Canadian railroaders to move across Canada.

It may also mean less available work for port workers if shipments end up in Seattle rather than Vancouver, for example.

These are good-paying, overwhelmingly union jobs.

The combined network of CN and CPKC exceeds **60,000 kilometers of track**.

CN and CPKC have **27-thousand employees** based in Canada.

U.S railways' Canadian presence is mainly incidental – with just a few hundred kilometers of track.

Pourquoi le Parlement devrait-il désavantager intentionnellement les chemins de fer canadiens pour le bénéfice direct des chemins de fer américains ?

As Helena Borges (BORE-jes), former Associate Deputy Minister of Transport Canada, told Parliament in 2017 that extended regulated interswitching was – quote – “*having unintended consequences on the competitiveness of our railways vis-à-vis the U.S. railways.*”

Long-Haul Interswitching was the government's much-consulted response.

Now, the government wants to resurrect a policy it already recognized was a failure.

The second reason for sunseting was **the non-compensatory rate**.

Bill C-47 will force Canadian railways to move traffic, sometimes in the wrong direction, and, always, at below-market rates.

The 2016 review found that below-market rates were inappropriate because they hurt railways' ability to reinvest in their networks.

Everything we purchase is at market rates – from buying steel to paying salaries.

Railways cannot be the only parts of our supply chains that aren't operating at market rates.

(Prairie provinces)

The Transport Minister's office, in the *National Post* this morning, acknowledged that extended interswitching creates congestion.

They admitted that's why they're not doing it in Ontario, Quebec, and B.C.

The fact that this measure will only apply in the three Prairie provinces proves that this is not evidence-based supply chain policy.

The National Supply Chain Task Force never consulted railways on interswitching before its final recommendation.

Canadian grain shippers already pay some of the lowest freight rates in the world.

To move one ton of grain one mile in Canada, it costs on average just 2.97 U.S. cents.

Our Class 1 railways both set historical records for grain movements this past year.

This was made possible by a combined \$1 billion investment in new hopper cars built in Hamilton, and tens of billions of dollars of investment in capacity and technology over the last decade.

An independent study, conducted in January by CPCS, found that Canadian freight rates are the lowest among market economies – 11 per cent lower than the U.S.

These rates support the competitiveness of Canadian railway shippers.

(CONCLUSION)

Extended regulated interswitching is a cure in search of a disease.

There is no justification for market intervention – particularly through a policy as egregious and ill-advised as extended regulated interswitching.

La décision du gouvernement d'éliminer cette politique était la bonne, fondée sur des faits et des preuves.

Long-Haul Interswitching was the government's solution to the problems with Extended Regulated Interswitching.

The former is based on market rates for comparable traffic and the latter is a below market, regulated rate.

What those asking for this policy want is a cheaper rate. It is not about improving service. Nor will it improve competitiveness.

Extended interswitching will do the exact opposite.

The only winners with extended regulated interswitching are U.S. railways.

To limit harm to Canadians, Division 22 must be amended or, preferably, deleted entirely.

We're asking – at minimum – that rates be market-based and applicable only to Canadian origins and destinations.

You will find more details in our brief submitted to this Committee.

Mr. Chair, it is collaboration, not more economic regulation that moves supply chains.

I encourage the Committee to challenge those asking for more economic regulation to provide facts and evidence supporting their argument. We are confident these do not exist.

Thank you.