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Monitoring the Canadian Grain Handling and Transportation System

Grain Monitoring Program 2006-2007 Update

Presentation to the Western Farm
Leadership Council

Saskatoon, SK

December 13, 2007

Agenda

- Who is Quorum and what is the Grain Monitoring Program?
- The GHTS and the grain supply chain ...
- Regulatory History ...
- Who's involved ...

The Grain Handling and Transportation System in Western Canada



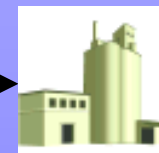
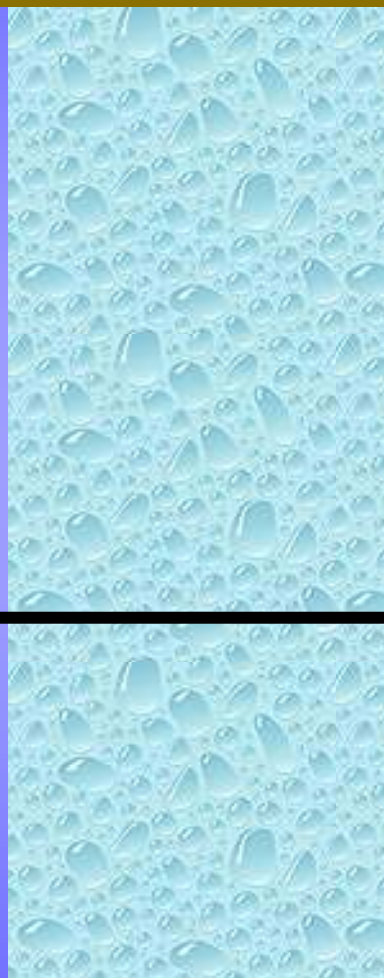
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Supply Chain

Basic Principal



Producer



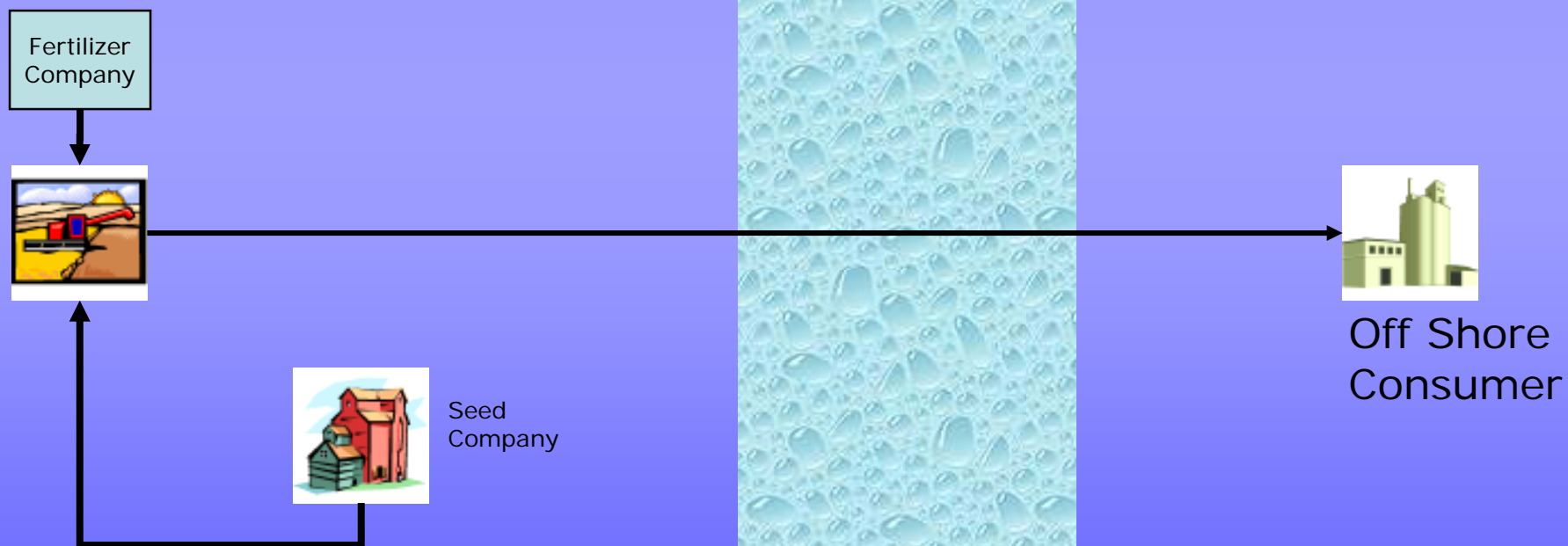
Off Shore
Consumer



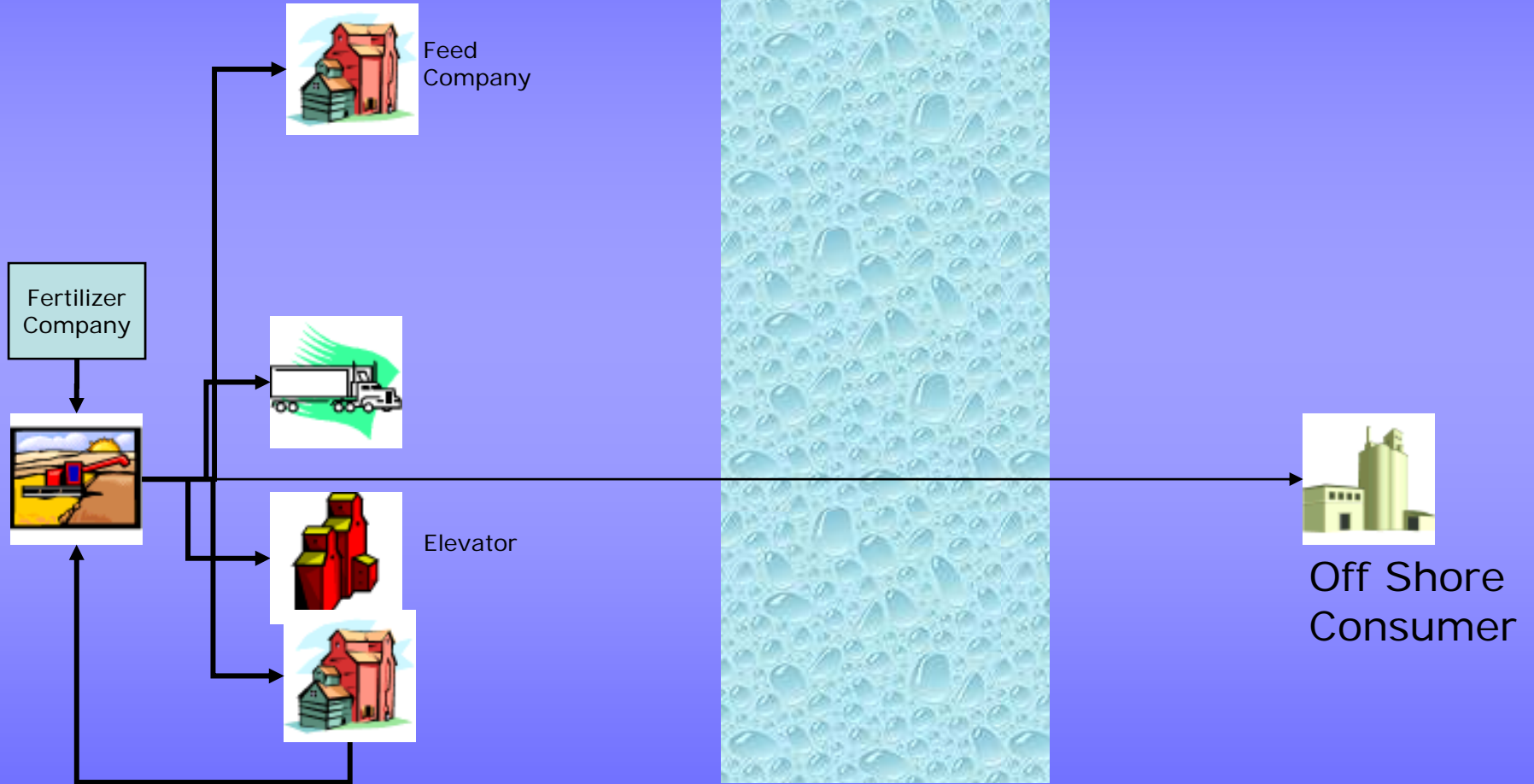
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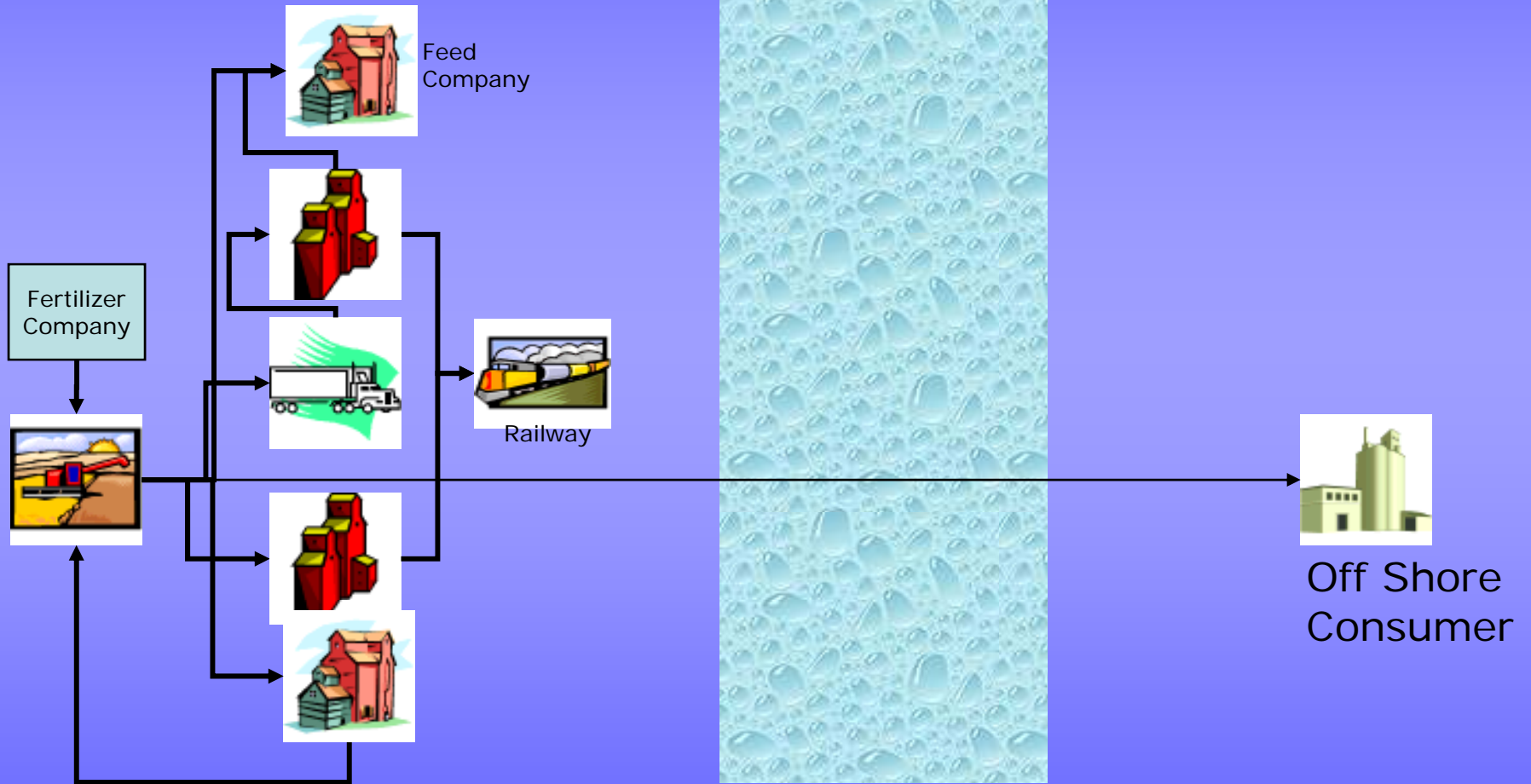
Supply Chain



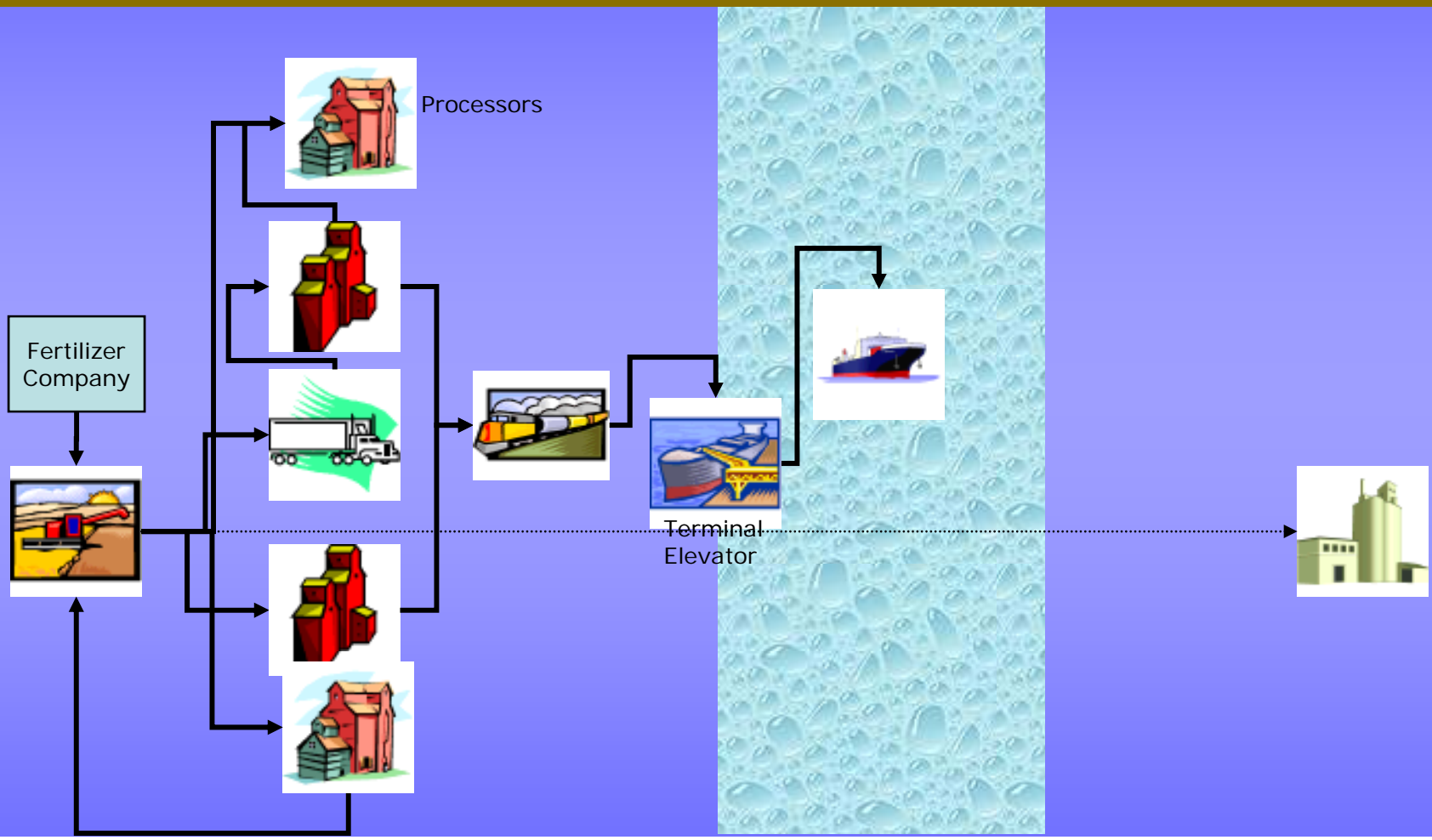
Supply Chain



Supply Chain



Supply Chain



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Supply Chain



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Supply Chain - Monitoring



April 8, 2002
Winnipeg MB



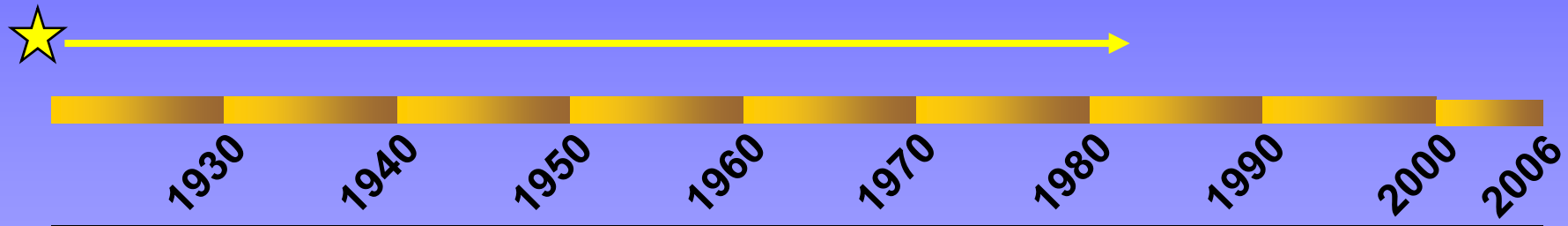
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A Brief History of the GHTS Regulatory Regime



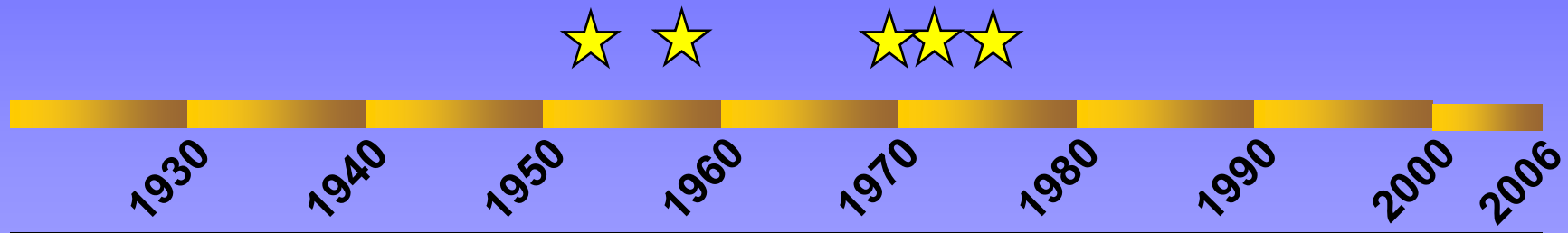
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Regulatory History



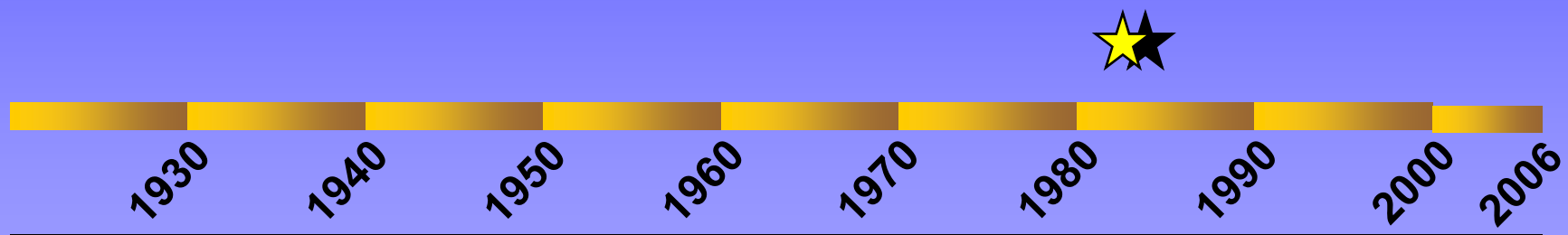
- Crows Nest Pass Agreement
 - In place until 1984
 - More railways added
 - More ports added
 - More stations added
 - Some rates were below the Crow
 - Rates Suspended 1918-1922

Regulatory History



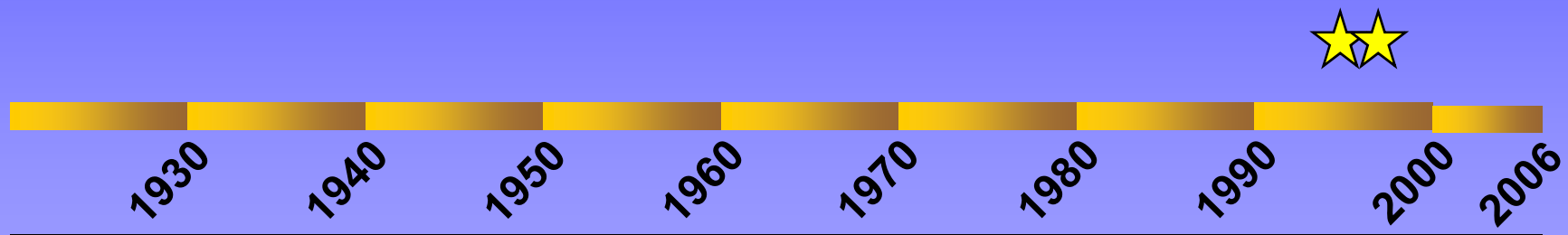
- 1952 Rail Strike
- McPherson Commission
- Snavely
- Gilson
- Hall

Regulatory History



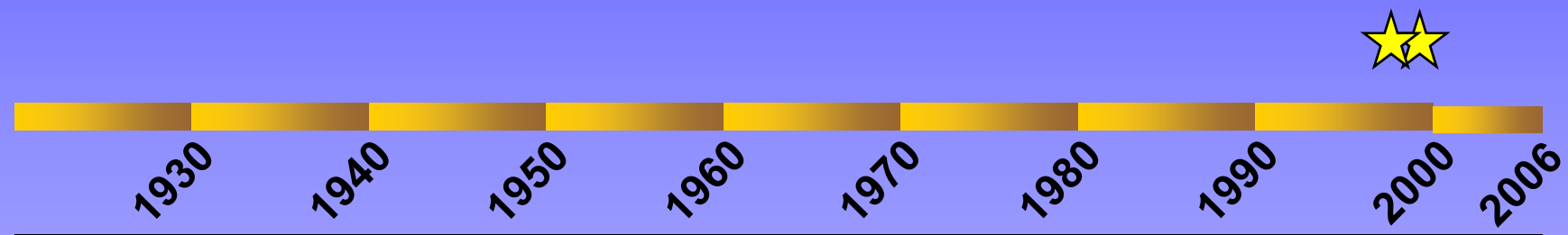
- WGTA Passes
 - Rate revenue set equal to eligible costs
 - Government commits Crow subsidy 80%
 - Costing review every four years
 - Inflation adjustment every year, no productivity
 - Railways keep productivity between reviews to encourage investment
 - Mileage based rate scale established
 - Contribution set at 20% of volume cost
- End of Crow Rate – Start of Crow Benefit

Regulatory History



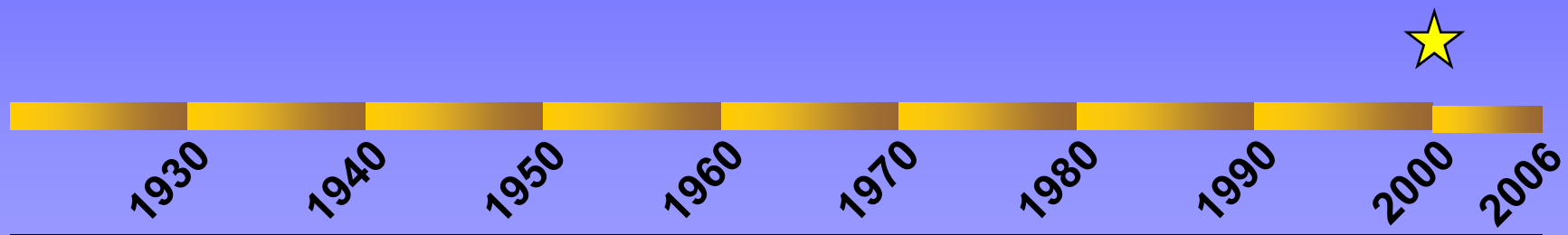
- Transportation subsidies (Crow Benefit) eliminated (95-96)
 - WGT Agency disbanded
- No costing review in 1996
- Price index to adjust 1992 costs for inflation
- No way to measure productivity
- Law allows railways to keep productivity gains forever
- Contribution markup goes up indefinitely???

Regulatory History



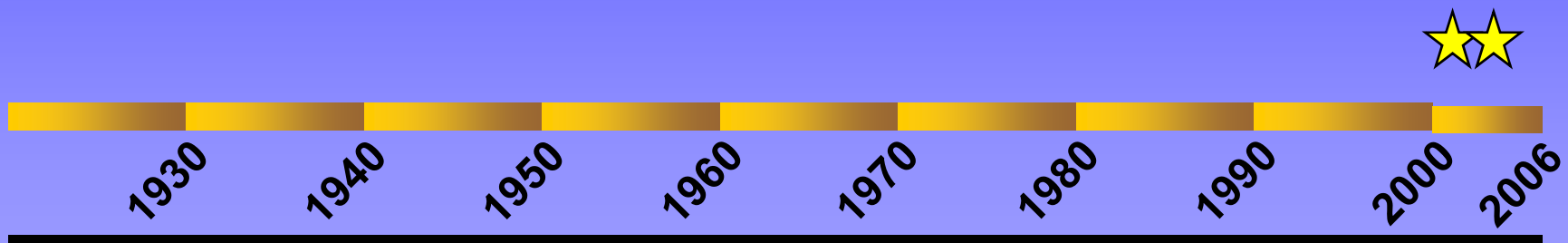
- Estey (98)/ Kroeger (99)
 - Railways had six years of productivity and counting
 - Kroeger asked for productivity estimates
 - Estimates showed productivity of 3.4-4.0% a year between 1992 and 1998
 - Equals contribution markup over 50%

Regulatory History



- CTA Amendment (2000)
 - Government reduced rate by \$5.92 a tonne in 2000
 - Contribution back at 25-30%
 - Individual mileage based rate scale abolished. Overall revenue cap established
 - Provided rate increase for sale of gov't hoppers
 - New updating formula includes inflation but no productivity

Regulatory History



- CTA 2000
 - Grain Monitor Established
 - CWB Tendering agreement
 - Regulated Rate replacement
- New CWB Tendering arrangement

Who's involved?

Producer	30 – 75,000 (depending)
Country Elevator	26 Board Agents (Primary and Process elevators) with 374 elevators at 274 communities in Western Canada
Railway	2 Class 1 railways and 8 short lines on 18,595 miles of track
Terminal Elevator	16 facilities at 4 Western Canadian Ports with 2.643 MMT of storage capacity
Ocean Vessel	780 vessels loaded with an average of 27,250 tonnes per load

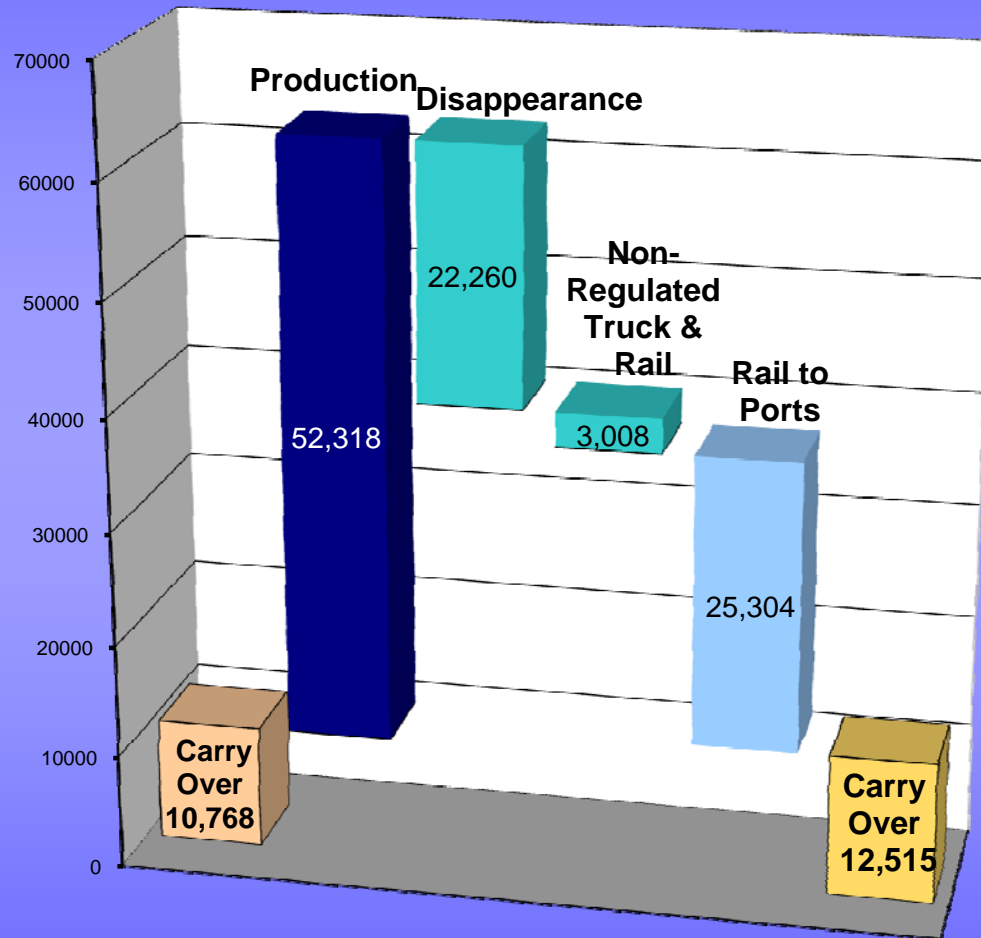
Who's involved?

	Producer	Country Elevator	Railway	Terminal Elevator	Ocean Vessel
Transport Canada	○	○	★	○	★
Canadian Grain Comm.	★	★	○	★	★
CFIA		★	○	★	★
Prov. Agencies	★	★	★	★	★
Labour Canada			★	★	
TSB			★		★
CBSA			★	★	★

★ Regulatory Oversight

○ Stakeholder Involvement

Where the grain goes ...

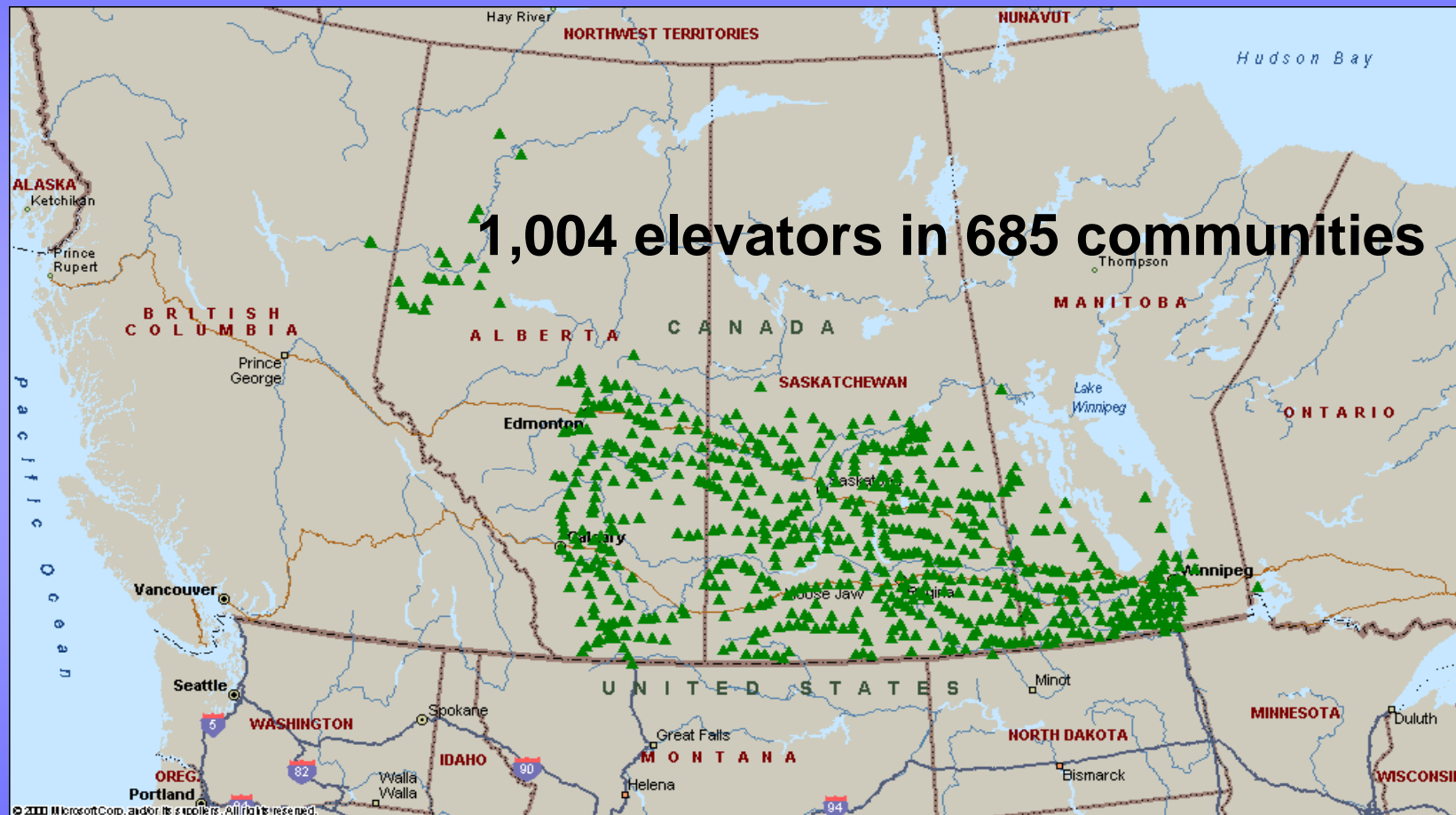


April 8, 2002
Winnipeg MB



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Licensed Elevators - 1999



Licensed Elevators – January 2007



The GMP Dashboard

	2004-05	2005-06	Year/ Year Change
Total Time in System:	58.1	56.6	 2.6%
Loaded Transit Time:	8.7	8.6	 1.1%
Time In Store – Country:	29.5	30.1	 2.0%
Time in Store – Terminal:	19.9	17.9	 10.0%
Vessel Time in Port:	4.9	4.8	 2.0%
Elevator Turnover Ratio:			
Country:	5.6	6.2	 10.7%
Terminal:	7.5	8.7	 16.0%
Total Car Cycle:	18.7	17.3	 7.5%










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The GMP Dashboard

	2004-05	2005-06	Q3 – 06-07	Year/ Year Change
Total Time in System:	58.1	56.6	60.6	 7.1%
Loaded Transit Time:	8.7	8.6	8.2	 4.7%
Time In Store – Country:	29.5	30.1	33.1	 10%
Time in Store – Terminal:	19.9	17.9	19.3	 7.8%
Vessel Time in Port:	4.9	4.8	6.2	 29.1%
Elevator Turnover Ratio:				
Country:	5.6	6.2	6.4 (1.6)	 3.2%
Terminal:	7.5	8.7		
Total Car Cycle:	18.7	17.3	16.9	 2.3%

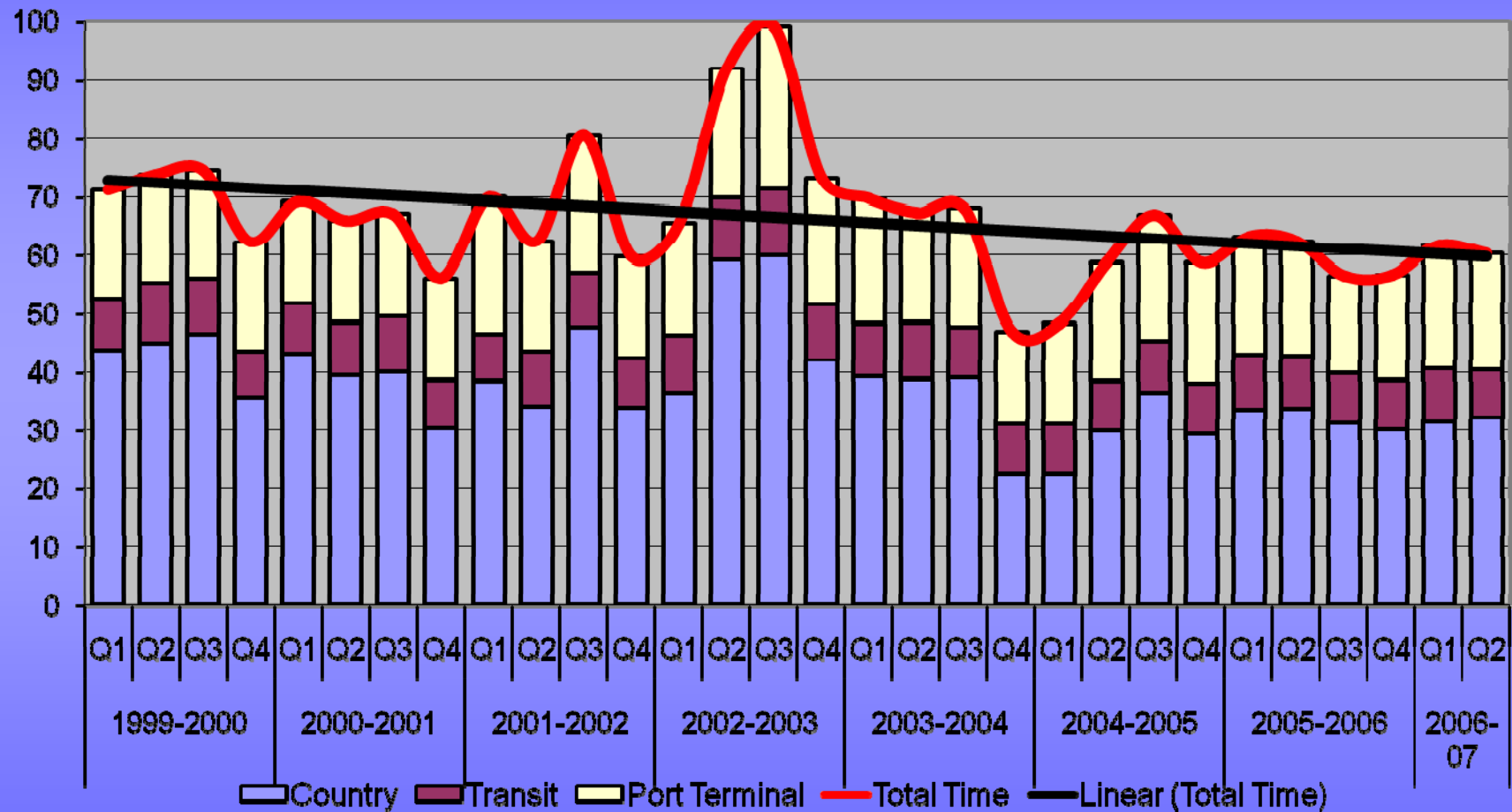


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The Supply Chain

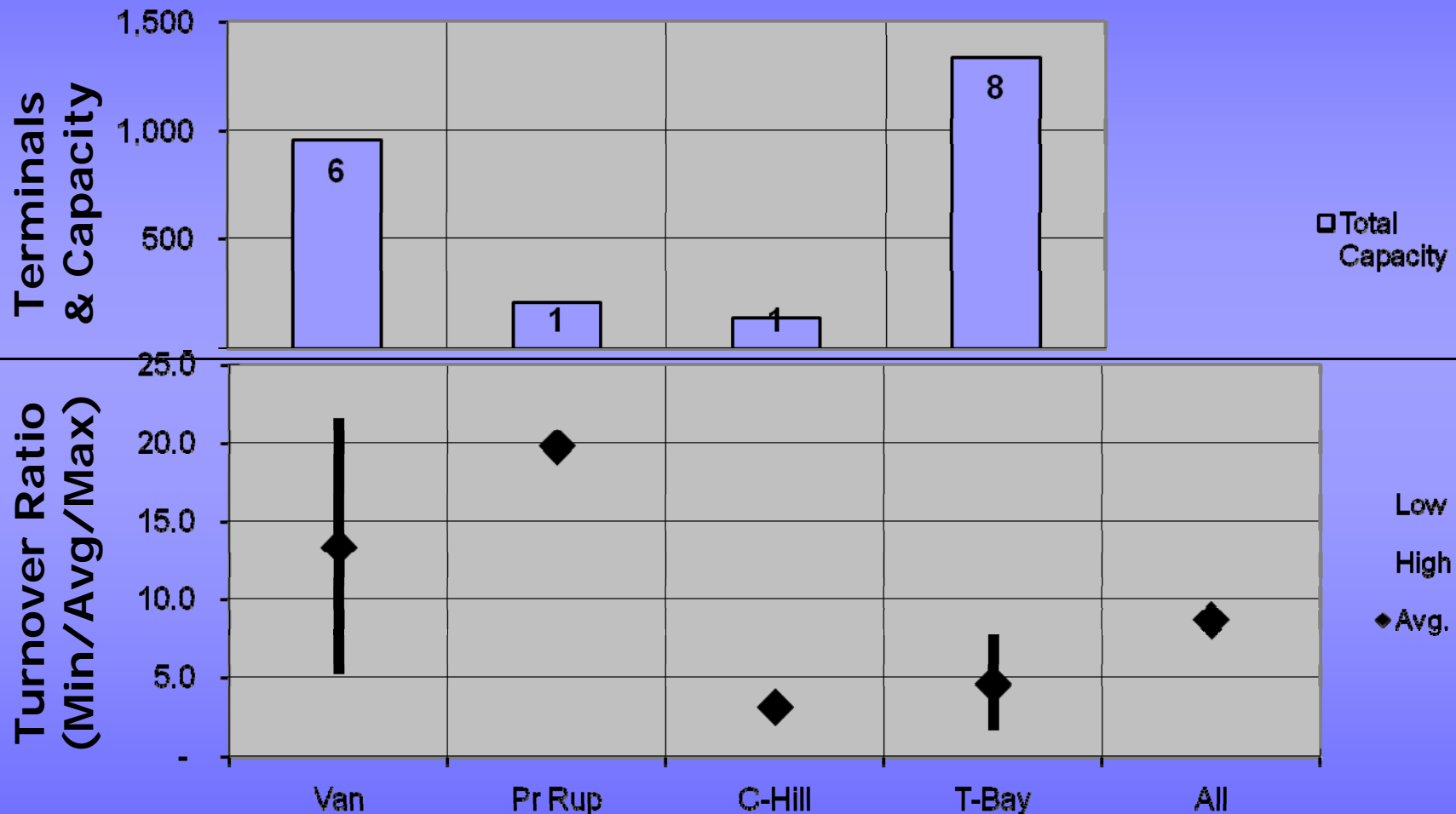


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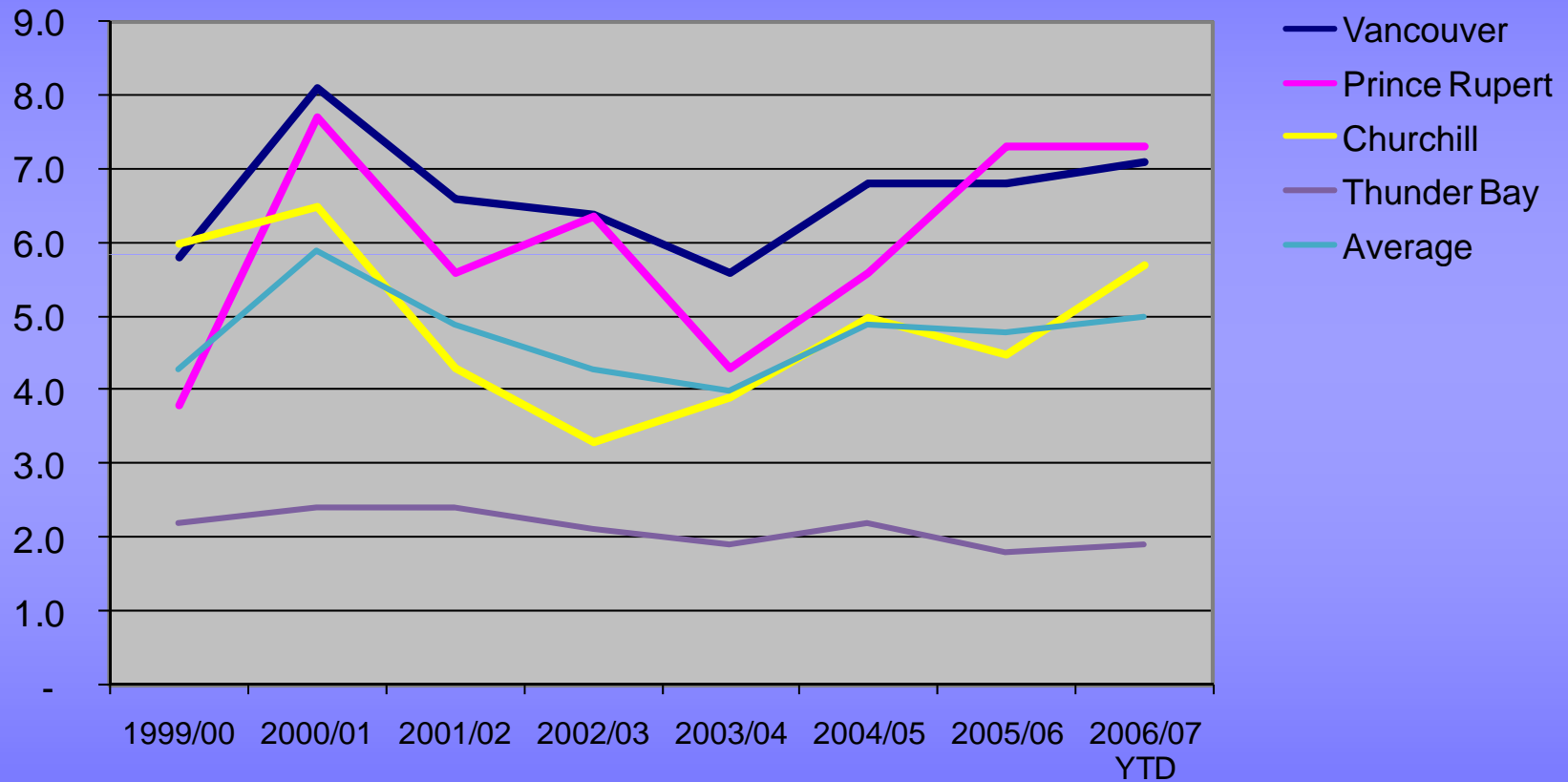


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Port Terminal Elevator Performance: 2005-06



Vessel Days in Port

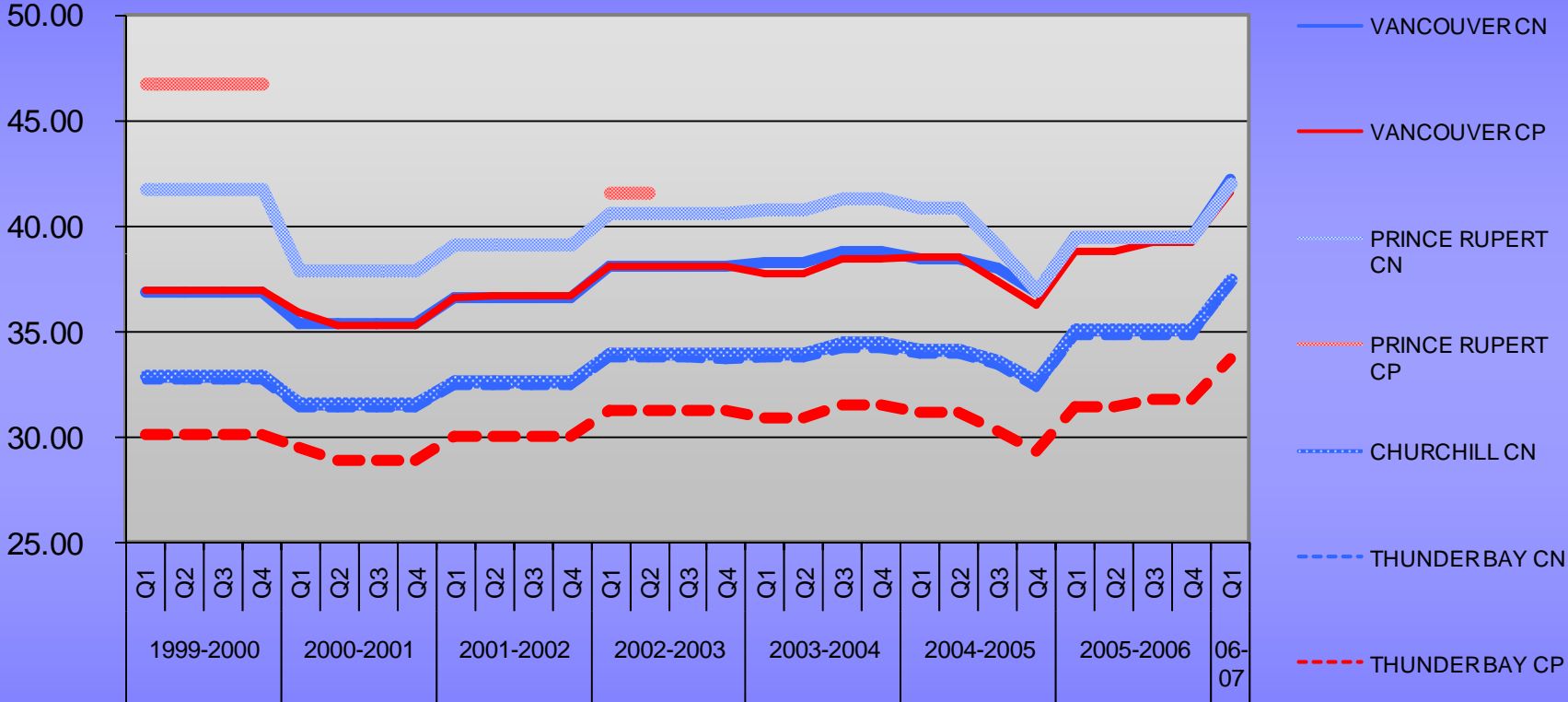


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Rail Rates



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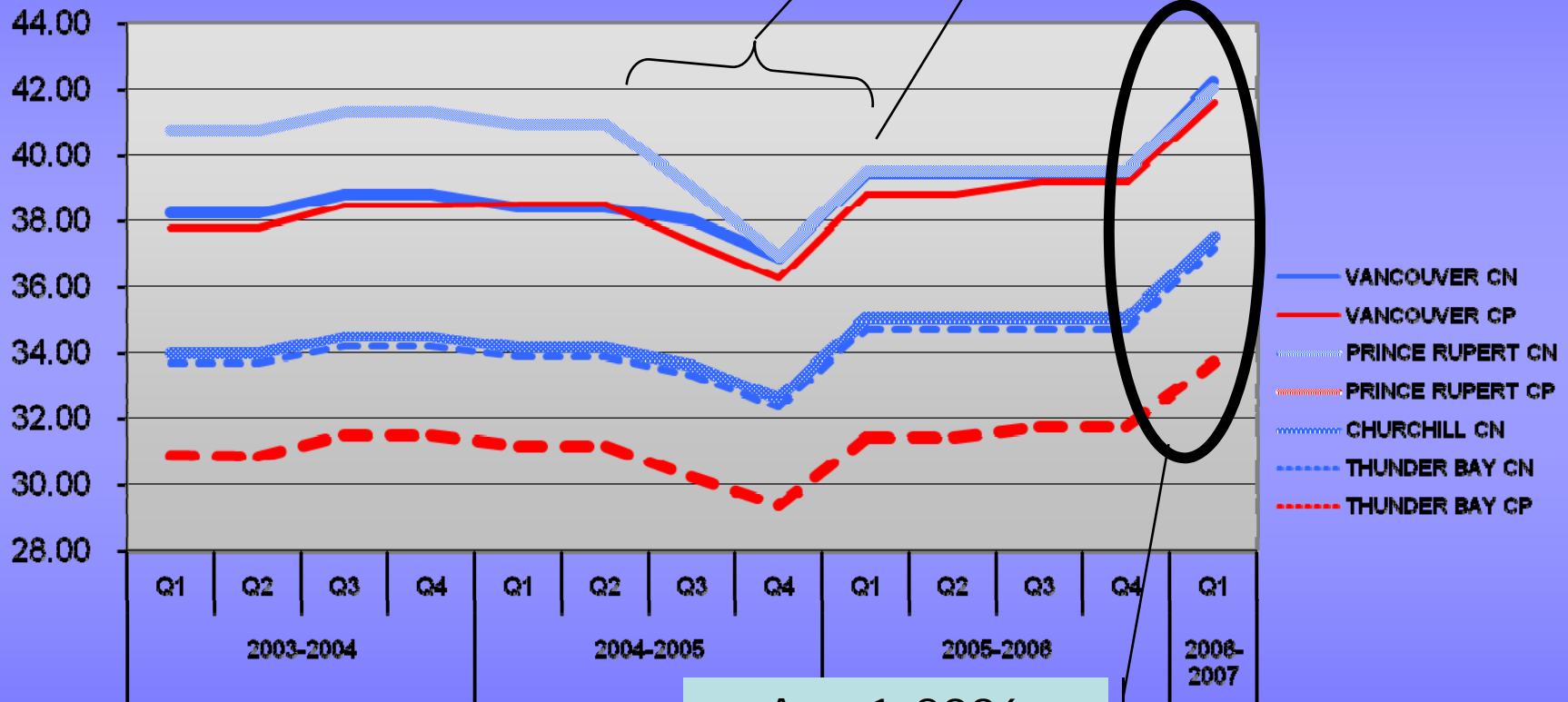


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Rail Rates – Last 3 Years

All Others
– up 2%

CN Prince Rupert
– down 3.4%



Aug 1-2006
Up 6.3 – 7.1%

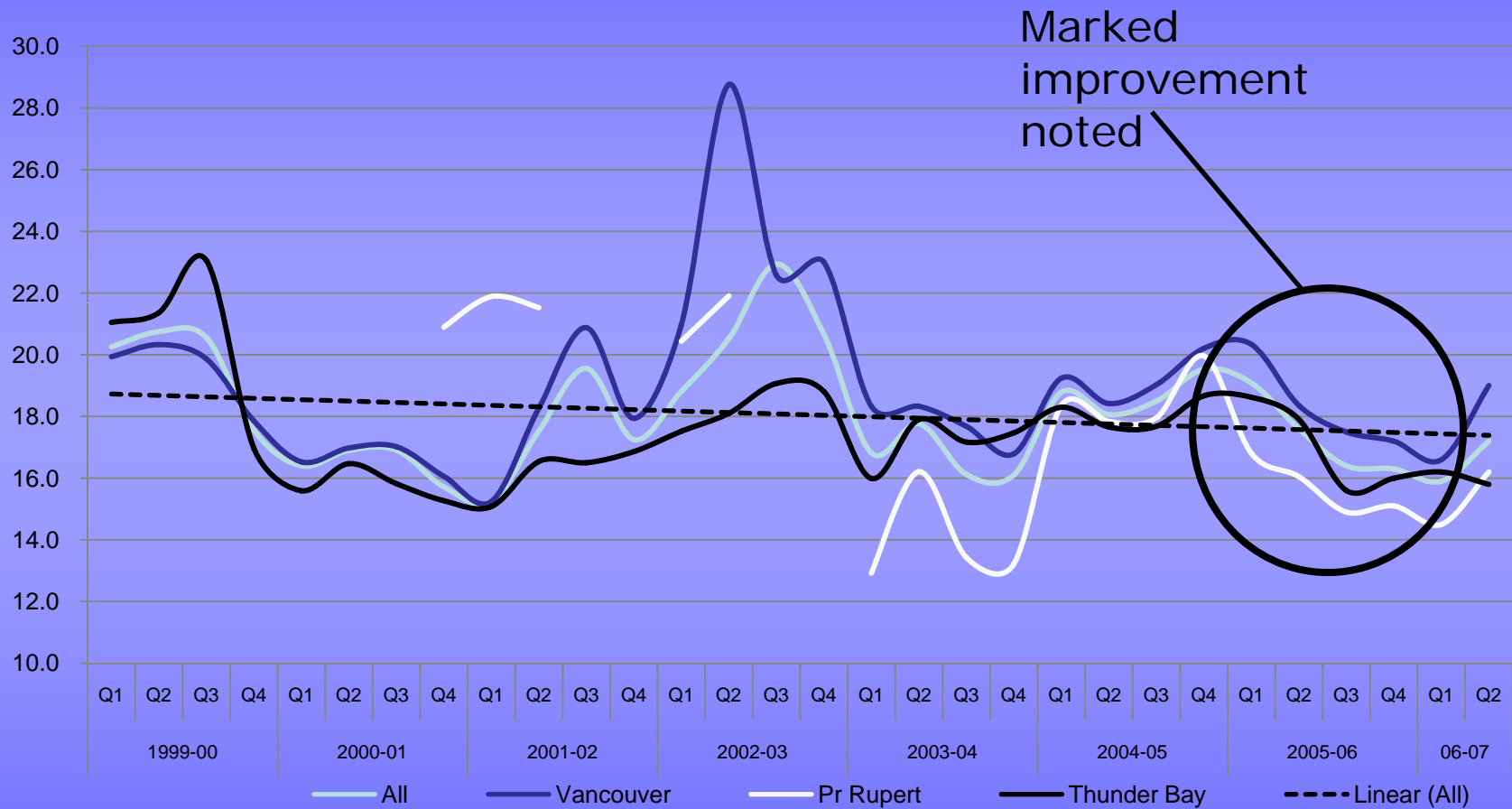


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Car Cycles



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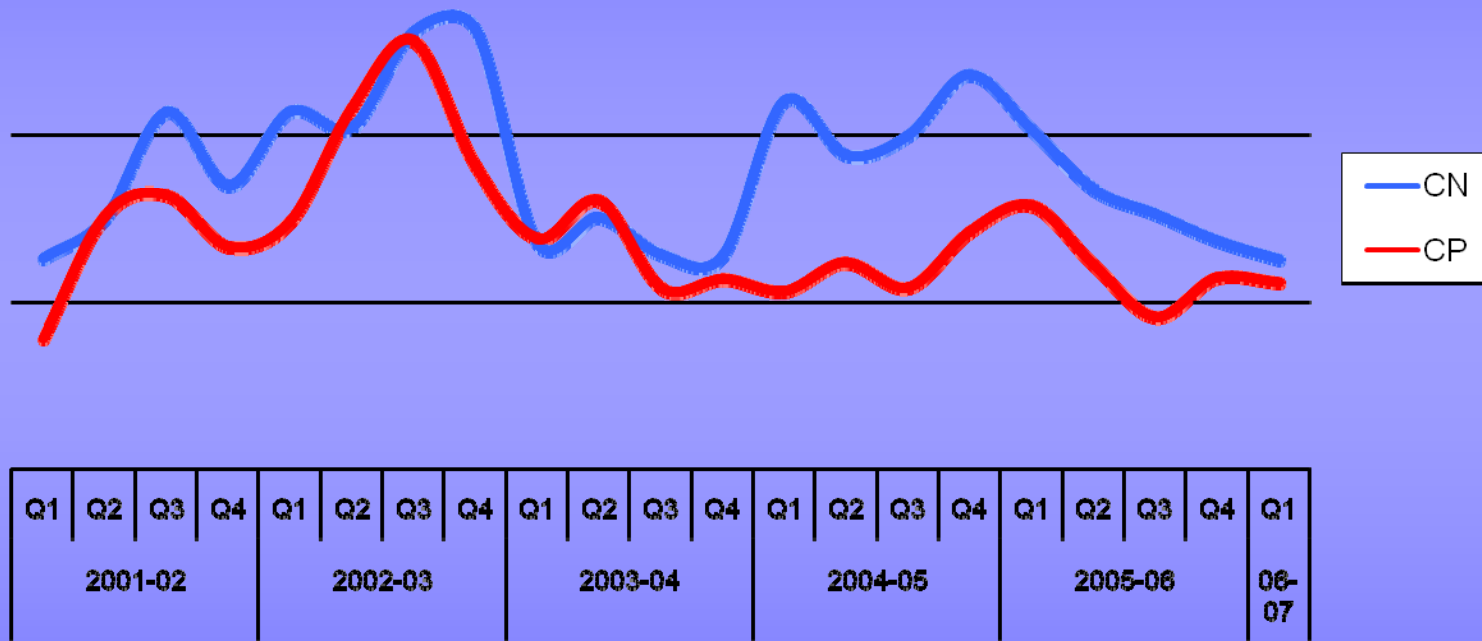


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Comparative Car Cycles

CN's shift away from Unit trains in 2003-04 resulted in dramatic increase in cycle times; CP continued to improve performance



This results in the mid point line being “flat” and the appearance of no change in overall railway performance

Revenue Cap Performance

Crop Year 2005-06 Results

	<u>CN</u>	<u>CP</u>
Allowable Revenue (\$000)	395,737	395,042
Reported Revenue (\$000)	398,438	396,537
Reported Rev. Cap Diff. (\$000)	(2,701)	(1,495)
% Variance	-0.68%	-0.38%

- While not as close as previous two years, remarkably close at under 1% variance
- CN challenging \$500,000 on Intermodal pickup and delivery
- Past three years results indicate continued diligence on the part of railways in the Rev Cap management

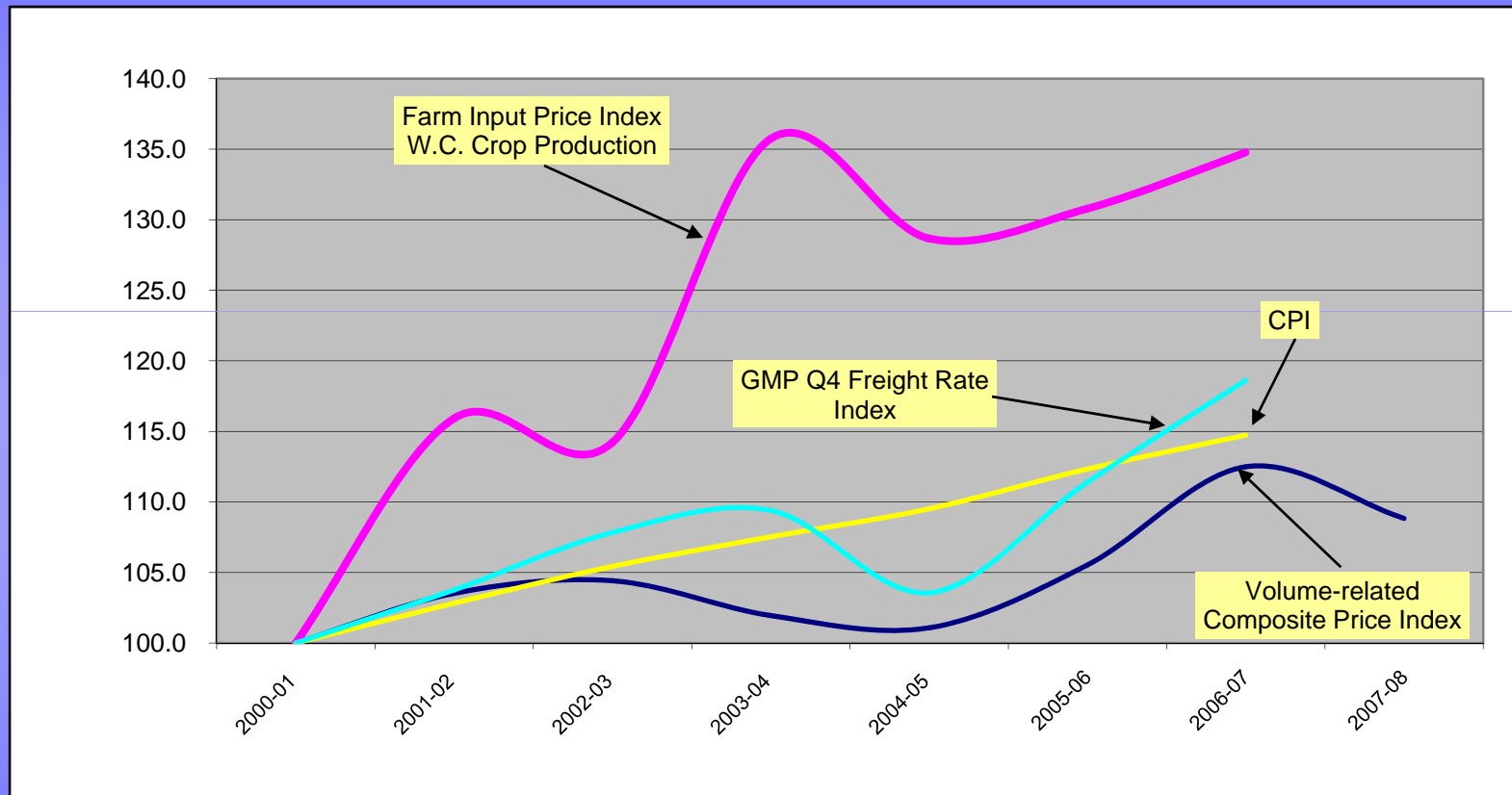


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Revenue Cap Performance: Inflation Indicators



Sources: FIPI & CPI from Stats Canada; VRCPI from CTA; GMP Q4 FRI from Quorum GMP Reports (2005-06 AR)
All indices have been normalized to August 2000 for comparison purposes.



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CP Rev/ RTM

	2003	2004	2005	2006	3 Yr Change
Grain	2.80	2.81	2.89	3.00	7.3%
Coal	2.00	2.10	3.06	3.01	50.2%
Sulfur & Fert	2.30	2.25	2.23	2.52	9.8%
Forest Prod	3.05	3.05	3.35	3.58	17.5%
Industrial	3.12	3.09	3.41	3.58	14.7%
Automotive	11.86	12.59	12.62	12.83	8.1%
Intermodal	4.00	4.02	4.29	4.56	13.9%
Total	3.08	3.06	3.40	3.60	17.0%

Extracted from corporate Annual Reports for the years 2003-2006 inclusive and stated in Canadian dollars.



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CN Rev/ RTM

	2003	2004	2005	2006	3 Yr Change
Grain & Fertilizers	2.64	2.63	2.77	2.86	8.3%
Coal	1.91	2.09	2.44	2.73	42.9%
Petroleum & Chem	3.42	3.44	3.51	3.68	7.6%
Minerals & Metals	3.80	4.34	4.97	5.07	33.4%
Forest Products	3.72	3.78	4.11	4.11	10.5%
Automotive	16.28	15.36	16.40	16.90	3.8%
Intermodal	3.53	3.60	3.95	4.31	22.1%
Total	3.50	3.57	3.84	3.97	13.4%

Extracted from corporate Annual Reports for the years 2003-2006 inclusive and stated in Canadian dollars.



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Producer Export Basis

	03-04	04-05	05-06	Var.
Freight	33.32	33.74	34.80	3.1%
Truck	5.94	6.54	7.24	10.7%
Elevation, cleaning & CGC fees	15.92	16.21	16.57	2.2%
CWB Costs	7.79	6.50	9.16	40.9%
Truck. Premium	(4.25)	(3.68)	(4.56)	23.9%
Trans. Savings	(3.14)	(1.49)	(1.32)	(11.4%)
Total	\$55.51	\$57.77	\$61.81	+7.0%

- FIPI = 31.5% or 8%/ Year
- CPI = 14.1 % or 2.35%/ Year



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Export Basis Estimates Comparison

\$ (CDN)	Canada 2006-07	USA 2007-Q2	Aus 2004-05
Rail Freight	34.80	43.53	13.74
Trucking Costs	7.24	10.23	5.89
TOTAL FREIGHT	42.04	53.76	19.37
ELEVATION AND CLEANING	16.57	11.90	11.79
CWB Costs	9.16		-
Trucking Premiums	(4.56)		-
CWB Transportation Savings	(1.32)		-
TOTAL OTHER	3.28		-
TOTAL EXPORT BASIS	61.89	65.66	31.16
Length of Rail Haul	904	950	250

Canada Basis from Quorum GMP Measures 2005-06; Australia Basis interpreted and estimated from SD&D Presentation at Agriculture Australia 2006 (Grain Sector Value Chains Commercial and Policy Implications); USA basis from USDA Report on Grain Transportation Oct 4, 2007 (Elevation is estimated based on Quorum data).



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Thank You



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Producer Netback Calculator: www.netback.ca



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