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JERRY FRUIN

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Edited and compiled
by
Barry E. Prentice, Ph.D.
Vice-President, Programs

GATEWAY NORTH MARKETING AGENCY - DEFINING THE START UP

The Gateway North Marketing Agency (GNMA) will focus on alleviating the uncertainty that surrounds the future of the Port of Churchill. This follows the growing deregulation of Transport Canada's functions at the Port, and the pending privatization of CN Rail (CNNA). The mission of the GNMA will be to develop and execute an overall 5-year marketing plan for Churchill's transportation systems. The huge savings (conservatively calculated at \$12.00 per tonne on 2 million tonnes per year, or \$24 million per year) available to the Saskatchewan farmers would make the efforts of the GNMA successful by most detractors' standards.

BARRIERS AND RISKS

The current environment of deregulation has caused great concern among the people of Canada. With the elimination of the Crow Rate and the imminent privatization of CNNA, Churchill's foundation may be crumbling. The Canadian Wheat Board (CWB), the farmer's chief selling agent, supports Churchill only with an opportunistic marketing plan. It subjects Ports Canada, the Coast Guard, and other infrastructure providers to the whims of its "latest deal." The GNMA will need to press for the support and active participation of the CWB. CNNA have been very supportive in information, but have not provided any financial assistance.

Transport Canada has moved to terminate the operation of Ports Canada, leaving open to speculation who will take over the Port and elevator. Without the investment in infrastructure improvements outlined in the Churchill Task Force Report, the future of Churchill is uncertain. Furthermore, the risk of the Government of Canada closing the port operations at Churchill is very high.

The Government of Saskatchewan is seeking Cabinet approval to financially support GNMA. Final support will be a sign to Ottawa that the Saskatchewan farmers are interested in the Port.

Farmers are under the impression that grain represents CNNA's most profitable commodity in long haul business. Western farmers' grain freight bills could easily become a more obvious cost in a falling commodity market, causing farmer's to become discontent with the railroads. Furthermore, there is no support or interest in the GNMA from the major grain companies because of infrastructure problems at Churchill. There is also a lack of interest by the major farm organizations and their broadly based memberships.

Farmers believe the huge concrete elevators now rising on the Prairies will lead to increased competition and lower freight and handling prices. However, the major regional price setters seem to be the least efficient and highest cost service providers. The efficient elevators may choose to put higher profits into their own pockets if they can successfully shift the competitive forces to other factors such as contracting arrangements and farmer crop financing contracts. If the farmers became more aware of the cost difference, they would demand lower cost shipping, thereby diminishing the profits of the shippers.

The dream of gaining ground in the value-added processing of farm commodities on the prairies is not likely to be sustainable. The CWB's 50 year history of developing bread and pasta products for free at Canadian International Grains Institute (CIGI) for customer countries has never been value-added. The very basic CWB corporate strategy of being an opportunistic commodity marketer runs counter to the province's strategy and those promoted by Agriculture Canada and the Prairie Farm Rehabilitation Administration (PFRA). The CWB's policy favours commodity export and GNMA must develop Churchill as its lowest cost marketing point for those districts closer to Churchill than Vancouver.

A final obstacle to face is the increasing threat of Rankin Inlet. Rankin Inlet is making a determined effort to replace Churchill as the re-supply point for fuel for the eastern NWT area, and has prepared development plans to build an ocean port to replace Churchill for fuel re-supply. It is also making a determined effort to build its own health services centre in competition with Churchill. Lastly, Rankin Inlet has begun to replace Churchill as the centre for air services to the north.

Churchill

It was not until King Charles II granted sole rights of "trade in lands watered by rivers running into Hudson Bay" in 1670, that permanent fur trading posts appeared on the shores of Hudson Bay. The trading posts were needed to ensure the continued arrival of furs and their dispatch to London. So on June 10, 1717, three men from the Hudson Bay Company, James Knight, Henry Kelsey, and Richard Morton, traveled north from York Factory. It was these men who built the first trading posts, and stores, which served Churchill in the years to follow. As the fur trade intensified, so did the competition between inland posts, causing the merge of the Hudson Bay Company with the North West Company, in 1822.

An application was made by the Hudson Bay Railway and Steamship Company which would permit the building of a rail line from Southern Manitoba to Port Nelson, in 1877. Many of the companies trying to construct railway lines from southern points to Nelson or Churchill formed the basis of the present day CNNA.

By 1908, estimates for a start on the Bay Line had passed parliament, and rail lines already reached The Pas. However, it was not until September 10, 1929, that the Hudson Bay Railway from The Pas to Churchill was open for service.

The first commercial export cargo of wheat moved out of Churchill on September 10, 1931, for London, England. This steamship carried about 250,000 bushels of wheat provided by Pool elevators, and the voyage was put together by James Richardson and Sons, Ltd.

In 1938, Ottawa contemplated the closure of the Port for the following year. After strong protests, 20 ships were promised to the Port for 1939. However, World War II interfered with this, and Churchill was closed for ordinary commercial use from the rest of 1938 until 1946. The Port was reopened in August of 1946, when 3 million bushels of grain were shipped to England. The future of Churchill has remained uncertain since 1944.

MARKET OPPORTUNITY:

Projected Traffic Volumes 1995 - 2000 (000's)						
	Current	95/96	96/97	97/98	98/99	99/2000
CWB Grain	291	350	375	400	425	450
Specialty crops & canola	-	80	200	400	650	800
NTCL	35	35	35	35	35	35
Arctic Bridge	-	-	-	142	173	205
TOTAL	326	465	610	977	1283	1490

Grain Train Leads:

The projected traffic volumes presented are believed to be attainable if the CWB and other shippers use the Port. The elevator needs tonnage in the 400,000 tonne range to break-even under current operating cost budgets. The rail line volume needs are more difficult to understand because of the VIA contract with CNNA, the dollars of investment in maintenance that CNNA would allocate to the different services, and the inability of CNNA to leverage it's assets with greater volumes, and to lower its costs of delivering services.

The strategy of getting into a major competition as the low cost delivery port alternative to the Thunder Bay/Seaway organization is important. This strategy will serve to focus the Port on the goal of coordinated cost reduction in order to gain market shares.

The actions of the CWB, in being an active participant in the Gateway North Task Force, with agreement to the reports market projections was an excellent start to ensuring they were onside with the market opportunity. The CWB actions in early 1995, of not loading the Churchill elevator with a product in June (140,000 tonnes of a product), indicated that the CWB was not committed to the current program. That is, to a minimum loading of 291,000 tonnes of a product for the 1994/95 year. The CWB believes it must be an opportunistic marketer in terms of the Canadian ports, and as such will not participate in any individual port's sales planning programs. Hence, CWB remains a primary contributor to continuing logistics problems in grain shipping and planning programs.

Notwithstanding the problems associated with getting the cooperation of the CWB, the Port's marketing plan must be based on a formal goal driven marketing programs aimed at delivery of the low cost grain delivery point for eastern world markets. This strategy is driven by the development of a vision of Churchill being a low cost model of farmer-based cleaning, grading, and loading of grain into producer cars, with the shipment of grain to the Churchill elevator. The chart below outlines this low cost vision of reaching a potential goal of \$41.12 per tonne of delivered farm grain to the ship in Churchill:

- \$2.00 road costs
- \$4.55 average farm trucking cost
- \$0.81 mobile elevation
- \$1.30 CGC inspection costs (on the farm)
- \$1.31 on farm cleaning (or Churchill terminal cleaning)
- \$25.87 Saskatoon - Churchill rail cost
- \$3.62 Churchill terminal handling - direct hit
- \$1.66 marketing cost (CWB or private company)

Obviously, the low cost vision will not be supported by everyone. Some will challenge the vision as too futuristic. However, both UGG and SWP currently have truck mounted elevator units operating on an experimental basis. This low cost dream of the future must be sold today, since this strategy supports the ability of the farmer to control costs, and the more extensive branch line strategy in arranging the logistical components to unit-train runs.

NWT Re-supply:

The 35,000 tonnes of re-supply could be threatened by the Government of Canada support for the NWT plan for a deep water port installation in Rankin Inlet. Without a capital investment of more than \$5 million at Rankin Inlet, the volumes of NWT re-supply at the Port of Churchill are solid.

New Opportunities:

Specialty crops are very feasible. The sales plan projections are easily attainable, if farmers and producer car operators can get unit trains running from the new CWB Churchill districts. Once the pea trade is working well, other commodities, could be added to the product mix.

Manitoba Trading Corporation (Arctic Bridge):

The Government of Manitoba remains committed to the future development of the Manitoba Trading Company, which would arrange two-way barter deals between Russia and Manitoba. The volumes reported in the Task Force Report are achievable if the Port can invest in the required changes necessary to handle the incoming cargo. Obviously, with the current changes taking place in Ports Canada, the investment needed may be a hard sell.

Mining, Ore Shipping Possibilities:

Inco has been reported to be seeking possible nickel concentrates in Russia. The Newfoundland Voisey Bay discovery may influence future opportunities for Inco Manitoba to process some portion of Newfoundland ore. In addition, Cuban ore is being shipped by CNNA from Halifax to Fort Saskatchewan. The opportunity to handle these shipments depends on an aggressive partnership of Ports Canada, CNNA, and an ocean shipping operator. No volumes are included for this activity.

MARKET BARRIERS

CWB

CWB has a corporate strategy of being an opportunistic commodity marketer. The CWB policy favours commodity export. Churchill must be developed as a lower cost marketing point than Vancouver for districts closer to Churchill. In the Gateway North marketing presentation, Mr. Adrian Measner stated, "The least-cost route from the country elevator to our customers' port facility will determine the port of preference from a CWB prospective." He goes on to say that the majority of CWB's sales are concluded on a FOB basis, with the customer determining which port will be used. It is imperative that in order to remove the barrier of not being able to influence the deal, the GNMA is strategically placed within the CWB to ensure all eastern world customers get a sales pitch on using a Churchill carrier.

In the same presentation, Mr. Measner presented a map of the CNNA lines that the CWB believed to be the most logical and economic to serve Churchill's needs. The 1995/96 restricted catchment area for Churchill is so small, it does not include

even 5% of his presentation area map to the study group. Who changed CWB thinking between December 1994 and April 1995? The small CWB Churchill catchment area is the single largest barrier to gaining any grain products to travel the now isolated CWB train runs.

If the CWB were consistent in their policies, then it follows that Churchill's loading should be consistent with this principle of loading the low cost port to capacity. Following this reasoning, Churchill CWB product placement should surpass break even volumes by at least three times, reflecting Churchill's Port capacity of 1.5 to 2.0 million tonnes.

A Churchill rate schedule should be provided to farmers. The use of the Montreal pooling point will be a major issue at the CWB hearings, and is the most significant barrier to getting greater returns to producers from the geographic advantages of the Port to the wider catchment area.

Making the 1600 buffalo car fleets available for producer car loading on a sustained year after year basis would be very beneficial. On daily train runs of 165 cars from within the catchment area, today's problems of random loading of the elevator and the uncertainty of operating the system on CWB ad hoc planning basis could be alleviated.

The offering of a FOB Churchill price for wheat and durum would expand the volumes, and expand the product offering to include the grocery boat theory. Adrian Measner referred to this in his report as a barrier, "It would not be practical to load a vessel such as this at Churchill given the wide area from which the wheat would have to be drawn." This was said without realizing that the total growing area of western Canada is closer to Churchill than Montreal. To outsiders looking practically at the logistics, the lack of a "can do" attitude at the CWB in relation to utilizing Churchill to its maximum is the biggest barrier of all!

The need for a CIF Rotterdam price from Churchill is necessary to expanding product mix. The CWB should remove this barrier at once!

Transport Canada

The current environment of deregulation (Crow rate benefit ending) with its uncertainty, coupled with the CNNA privatization program, is a major barrier to getting a solid commitment to future infrastructure investment for the Bay line.

The uncertainty surrounding future plans for Ports Canada involves these issues:

- The announced closing of Ports Canada, with only limited financial support for Churchill, and no mechanisms available for future planning of Churchill, or criteria for classifying Churchill as a National Port, or regional or local port, or just a whale watch fisheries port;
- Will the Ministry of Fisheries and Ocean, who will soon take over responsibility for the Coast Guard, wish to make changes at the Port of Churchill?
- Future cost recovery for coast guard service for Churchill;
- Future sale of the port elevator or negotiation of a long term lease;
- Lack of recognition of some sales representatives to coordinate, plan, and sell the use of the Port of Churchill to specialty crop shippers is a major barrier;
- There exists no agent to work with the major buyers in Europe (ie. To work with export dealers);
- There are no concrete plans for investment in infrastructure improvements as outlined in the GNMA report.

It is uncertain whether the Government of Canada or Manitoba maintains ownership of the 1600 buffalo grain rail car fleets. If these cars are turned into cash by the treasury board, they may not be available for Churchill's use in the future. Similarly, if the aluminum hopper cars are successful, how will the 2300 units be transferred by the Government of Canada to priority service for Churchill? A committee of senior officials of the grain industry is currently examining the issue of disposition/allocation of the government-owned grain car fleet. The issue of transferring the cars to CNNA and CP, or to financial leasing corporations will be addressed extensively over the next few months.

The Saskatchewan Car Corporation has done an excellent job of managing the 1000 cars in its fleet over the past years. The location in Melville is very practical from an operating logistics viewpoint. The transfer of the Buffalo car fleet and the 2300 aluminum car fleet to the Saskatchewan Car Corporation via some method agreeable to all players, would put the cars into the hands of a fleet manager in the heart of the growing region responsive to all customers' needs.

There exists a need for a low cost alternative mechanism to be the delivery agency for rail cars to the industry. A logistical computer dispatch center for organizing the grain trains in conjunction with the elevator, the ship chartering customers of CWB and pea marketers could be attached to the rail car corporation in Melville.

Farmers Market Choices:

With farmers wishing to be more proactive in marketing their crops, the following list of barriers exist:

- GNMA is crippled by exposure of farmers using the US route over Canada;
- Should grain shipping freight become a huge farm cost in a falling commodity market creating negative farm reaction toward the railways?
- Today farmers believe they can ship grain to an US destination at a cheaper price by truck. Burlington Northern is arranging shipments to Portland for Canadian farmers. However, North Dakota farmers report that the same BN railroad is charging \$350.00 per car finder's fee to US producers'. These same US producers are choosing trucking wheat to Duluth (300-450 miles) over the BN monopoly service to Portland. Heavy discounted service to Canadian farmers could close the US border to Canadian grain;
- Farm marketing groups cannot arrange grain runs effectively because they are impeded by the lack of interchange service between CNNA and CP; and
- There is a lack of interest by the major farm organizations and their broadly based memberships in actively supporting Churchill as the low cost port.

CNNA

The rush to privatize CNNA takes Churchill along a potentially bumpy road, in terms of the required future investments needed to solidify the GNMA business plan. The recorded level of past capital expenditures, is not enough to solve the railbed instability problems during the summer thaw. Capital expenditures as a percentage of revenues has averaged between 2.2% and 4.9%. A strong shipping program by the CWB would triple revenues and reduce the unit cost, allowing a more sustained investment program.

<u>Year</u>	<u>Car Loads</u>	<u>Revenue</u>	<u>Capital</u>	<u>%</u>
89	6,720	\$13,522	\$671,000	4.9
90	9,471	\$18,073	\$425,000	2.3
92	5,420	\$11,013	\$370,000	3.4
93	5,033	\$10,138	\$229,000	2.3

Other possible CNNA challenges to giving strong support for the Bay Line include:

- Public policies supporting roads over rail, hence the Government of Canada has not seen fit to invest the necessary capital in the Churchill line;
- Research the retrofit of a roof hatch to more easily fill the Buffalo cars. If the aluminum cars do not work, investigate the possibility of altering the steel cars to a lower centre of gravity and/or equip the cars with shock absorbers. Investigate the 15 - 23 km/hr. problems reported with all grain hopper cars;
- There is no cash flow from the line to make the necessary capital investments. Some long term capital investment will be required to upgrade portions of the line in order to handle the higher capacity;

- Train runs and elevator points that are still capable of filling buffalo cars should be inventoried and circulated in the industry;
- Freight rates for non-board grains should be worked out for customers, and service for specialty crops should be looked at, including the start-up of container service for customers within the specified catchment area;
- VIA Rails' services along the Bay Line, should be reviewed to determine the cost allocation to each level of service the line infrastructure attracts. This allocation could be used as a basis for discussion of the level of public budgetary support for the line infrastructure programs, dividing commercial from non-commercial public costs;
- The allocation of union labour to the line, priced at National Contract levels, reflects the higher cost of labour and the lack of flexibility in organizing service outside national labour rules. Local labour market pricing would lead to lower costing and wider service levels. Gaining flexibility on the Bay line may be a huge barrier to introducing needed customer service improvements;
- Overhead costing, at CNNA's current level, is a burden for a regional rail service line to carry. The market prospectus for CNNA addresses the operating efficiency gap that exists when compared to more efficient US competitors. The relatively higher costs on the Churchill line due to train weight that is less than average, and other issues all add to the problem.

Grain Dealers and Inland Elevators

Historically, farmers have not had competitive access to the grain handling system. Churchill, as the orphan of the old system, has the opportunity to write a new chapter in the Canadian agricultural transportation system. Opportunities include:

- Coordination with CWB on trains to Churchill to include specialty crops from the CWB catchment area;
- Attempt to get a smaller grain dealer who is growing rapidly to take over the port elevator operations at Churchill;
- Attempt to get the 18 inland elevators in Saskatchewan interested in Churchill. Contractual operating arrangements between the farm investors of the elevator and the major grain companies, may preclude the opportunity to make shipping arrangements with Churchill;
- Aggressively attract producer car groups in the catchment area, to actively service Churchill;
- The major grain companies, because of perceived or real infrastructure problems at Churchill, are not at all interested in shipping through the port;
- Intense new competition from the Seaway and Prince Rupert's terminal operators and interest groups, who are at a serious long-term freight price disadvantage to Churchill and Vancouver due to distances from tidewater port.

NWT

Rankin Inlet is making a determined effort to replace Churchill as the re-supply point for fuel for the eastern NWT's area and has filed development plans to build an ocean port to replace Churchill for fuel re-supply. It is important to also realize that Rankin Inlet is making a determined effort to build its own health services center for the NWT in competition with Churchill. Finally, Rankin Inlet has replaced Churchill as the center for air services to the north.

STRATEGIC FRAMEWORK

The agency will need to undertake a more formal business planning exercise once the staff and the Directors are appointed. The following is a strategic framework from which the fledgling organization can get started.

Principles necessary for success in 2000

A customer driven sales demand product management. Grain moves to port to order from the farmer network, thereby maximizing operating flexibility and port facility turnover, while contributing significantly to lowering fixed overhead costs to world benchmark levels.

A single management structure focused on managing the JIT supply system to ensure contract delivery of the sold grain to Churchill from both the farm storage position and the rail line (country elevator or inland terminal). The startup position of Churchill will enable the management group to start with a futuristic world's best computer logic system which can be green fielded and installed without significant detraction because of entrenched old systems.

Reliability of "ON TRACK ON TIME" commercial business agreements will be carefully and accurately monitored and reported to each partner on an ongoing basis using effective and simple to understand performance measures. All rewards and payments when practical will be tied to these performance measures and carefully managed and enforced.

Establishment of a "Boutique grain trade," with the intended higher margins and customer service requirements, will require serious marketing efforts. Also efforts to secure 100 % of CIDA's African relief business along with the Mennonite Foundation on an annual contract basis.

Control over 2300 aluminum grain hopper cars and box cars is required to manage the system. Churchill must become Saskatchewan Farmers Port

The Saskatchewan market is the key to Churchill's shipping future. The reasons are very simple, Saskatchewan farmer's cost to move grain is more than \$1.3 billion annually. These farmers produce 55% of Canada's grain export, equal to 22.5 million tonnes. Saskatchewan farmers export 80% of their wheat crop, with 38% currently going to Eastern world markets via the Seaway and 25% to Vancouver.

Today, farmers pay approximately \$61.65 per tonne to deliver, inspect, clean and ship their grain. These per tonne costs are as follows:

\$0.55	road costs	\$4.98	average farm trucking cost
\$9.86	fixed elevator costs	\$33.13	Saskatoon - Churchill cost
\$3.00	Port terminal cleaning	\$7.17	Port terminal handling
\$1.66	marketing cost	\$1.30	CGC inspection costs

How can a Saskatchewan farmer reduce his or her cost? What is in the cost from your farm to on-board the ship? This list approximates the different choices a farmer has in how he gets the crop to market. The more he/she handles at the farm or on a direct basis, the less cash flow is needed to contract out various functions. Choices to be made include:

- grading, may be completed on the farm, at the elevator or terminal;
- cleaning, may be completed on the farm, at the inland elevator or terminal;
- storage, may be completed on the farm, at the elevator, or at the terminal;
- loading, may be completed at the rail line, at the elevator, or at the terminal;
- transport, using farm truck, railroad, lake freighter, or ocean ships.

The farmer lowest cost option could be to grade, weigh, clean on the farm, transport to rail, load on the rail, and ship to a "Quick hit" port, which transfers the grain to the ship.

The Specialty Crop Procurement Plan

The plan is built on possible sourcing in the Saskatchewan procurement plan area. Shippers could be prime users of the Churchill system.

Crop District	Lentil 1994 (acres)	# Cos. Cleaning Lentils	Dry Pea 1994 (acres)	# Cos. Cleaning Dry Peas
1b	12,900	3	26,300	3
2b	140,000	14	54,300	9
5a	56,300	11	96,100	13
5b	4,100	2	56,200	7
6a	92,400	5	67,800	4
6b	135,800	15	86,800	13
8a	10,100	9	104,700	19
8b	43,400	3	164,800	8
9a	20,700	5	141,700	13
Total	515,700	67	798,700	89

Grain Dealers Plan Does Not Include Churchill

The farmer could also buy all the necessary services from a service provider such as SWP (Saskatchewan Wheat Pool). The SWP vision of the future includes a much rationalized system from today, including closing 363 elevators, to slim down from 423 to 60 inland elevators. This "Rapid Grain Flow" vision of the future, includes tandem tractor trailer hauling, a major adjustment from rail to road leading to the closure of 363 towns, and the elimination and abandonment of miles of track in favor of mainline rail, with major community impact along the way.

Churchill Becomes World Class Model

Churchill is Western Canada's world class model for major change for the future. The model incorporates the following basic values:

- each component must add value;
- each component must have enough competition to reflect market prices;
- administration and logistics system reflects least cost market driven;
- all players are integrated into a master planning system on equal basis.

Australia, Argentina and England all feature grain systems which average 350 miles or less to tidewater port by rail. In Australia each grain producing state has

its own railroad, where trains cycle every 30 hours, with each car carrying an average 57 tonnes. Churchill could be Saskatchewan's own Port. See the overheads, "Destination Marketing," "Past Markets Served by Churchill," and "Shipments - Primary Elevators" in the appendix for more information.

Thunder Bay Port Churchill's Main Competitor

Thunder Bay and the Seaway service the Eastern half of the world, inclusive of east coast South America, Europe, Africa, Russia, and involves similar rail distances to direct loading at the port of Thunder Bay from Manitoba market points such as Brandon. The CWB uses the Montreal seaway designation for 4,066,534 tonnes of wheat, 1,700,000 tonnes of durum vs. 220,000 tonnes of wheat from Churchill (3.8%). The active shipping season is 36 weeks, with Lake freighters using iron ore back hauls to reduced costs of shipping grain to the Quebec ocean transfer elevators.

All of Canada's major grain exporter/handlers operate elevators out of Thunder Bay. These firms have made heavy capital investments over the past 5-10 years to ensure economical world class cost advantage. Elevator capacity is in excess of 600,000 tonnes/wk and includes storage and cleaning equipment for a wide range of crops.

There exists a sustained drive by the Great Lakes Union of Ports Employees to keep the St. Lawrence and Great Lakes ports competitive, and open to ocean going ships. Major change in labour negotiations at Seaway locations have addressed the traditional confrontational attitudes of workers and has led to new thrusts to ensure productivity gains, and to help maintain the jobs of 600 workers.

The St. Lawrence ports natural ability to take in larger ships, which can accommodate a wide range of products secured in segregated storage compartments, allows the servicing of grocery ships. Ocean rate negotiations are handled almost exclusively by the exporting companies on behalf of the customer, hence it is easy for them to control the quotations and chartering in favor of their established investments in the Seaway. Ocean cargo insurance is also handled almost exclusively by the exporting companies on behalf of the customer.

Assumptions about the Grain Train and Port Plan:

1. July 1, of each year is designated as day one, of each shipping season.
2. The actual ship loading season is based on 22 weeks, July 1 to Dec. 2.
3. The elevator loading season ranges from May 1 through to December 15, at which time the elevator would close for the season. No receipts are required

after Oct. 22, in 1996 and 1997, until the next season. Elevator loading will be handled by the Aluminum Hopper Cars, with 14 trains needed to fill the elevator.

4. The plan would call for the elevator to be empty at shipping season end, with the exception of the need for balancing stocks left from the train runs. The numbers used on the train loadings are as follows:

Trains		# of Cars	Car Tonnage	Total Tonnage	Trains/wk Total
BBT's	165	58	9,570	3	28,000
AHT's	130	80	10,400	1 or 2	10 or 20,000

BBT - Buffalo Box Car Train

AHT - Aluminum Hopper Car

In order to make the number easily understood, they were rounded off.

The Port Plan

The responsibility of getting Churchill up to a level of 840,000 tonnes in 1996 is equally divided between the farm/producer operators and the CWB. The 1996 plan is about 24 ships carrying 35,000 tonnes. The CWB has responsibility to have 12 ships sold to Eastern world markets. Four of the twelve ships would be Durum, representing early and late season shipments for the CWB.

The Rotterdam Program has responsibility for 12 ships. The GNMA CWB market representative has responsibility to work with the CWB and the Saskatchewan GNMA Rotterdam Peas representative in determining the train runs. The BBT's are envisioned as primarily a producer car trains with at least 60% peas. The AHT's are used to balance the loading on the BBT's, because they can stop at all Manitoba and Saskatchewan elevators, and can't be refused loading by industry shippers trying to force products to Montreal in order to utilize their Thunder Bay facilities.

The shipping plan was made to the year 2000, primarily to focus all GNMA partners on the possibilities of expanding grain shipping. When the CWB is finally forced by its membership to enjoy the least cost benefit's of the Port of Churchill in 2000, the number of ships rises to 72 carrying 2,520,000 tonnes of product. The season extends from CANADA DAY to DECEMBER. The port is a tremendous success story, saving the farmers of Manitoba, and particularly Saskatchewan millions of dollars.

Churchill Shipping Plan Overview (volume is in tonnes)

Client		1996	1997	1998	1999	2000
CWB	Ships	12	16	20	20	34
	Volume	420	560	700	700	1,190
Peas - Rotterdam	Ships	12	16	26	36	38
	Volume	420	560	910	1,260	1,330
Total	Ships	24	32	46	56	72
	Volume	840	1,120	1,610	1,960	2,520

Assumptions:

- all planning statistics based on 1 ship = 35,000 tonnes cargo
- CWB includes both durum and wheat (no barley)
- no pulse crops are included other than peas

CRITICAL SUCCESS FACTORS

The following items must occur in order for the GNMA to be successful.

1. A long term, viable, profitable "On Track on Time" rail service capable of sourcing and handling two way heavy freight trade via the Port of Churchill while servicing VIA Rail or its successors needs.
2. A long term, viable, profitable "On Track on Time" Port of Churchill harbour operation capable of servicing the transport industry - Rail, Ship, Tour ships, Bulk Commodity shippers and supporting suppliers.
3. A long term, viable, profitable port elevator operator capable of servicing the CWB, PEAS, other grains, alfalfa, and special pulse crops industries.
4. A Government of Canada cabinet with the will to invest in the future of Churchill, with no strings attached to needed infrastructure improvements. The Government of Canada should immediately allow Churchill, along with the Governments of Manitoba, Saskatchewan and NWT, to proceed with a program to establish a Port Authority for Churchill. Acknowledgement of the Use it or lose it principle in securing Arctic sovereignty is paramount in securing the Eastern Arctic region from foreign land claims by other nations. Transport Canada should fund the transition program as well as the study.
5. A strong supporting GNMA Board of Directors and a General Manager capable of articulating the vision of Churchill to governments, the public, both domestic and foreign customers' asset owners and individual operators.
6. A new attitude of infrastructure investment in the future of Churchill is just as critical as the "On Track on Time," just do it customer service focuses. The "low cost" operating model is also critical in selling Churchill's major assets.

7. A native employment training program would help alleviate the constant importation of labour to handle in-season jobs. This strategy would help stabilize a fluctuating population in Churchill, and add to long term community stability.
8. Cooperation of all local tourism partners involved in the recreation activities toward leveraging the budgets of Tourism Manitoba and Tourism Canada in expanding an already solid unique business opportunity.
9. The cooperation and partnership of the new Nuntavit region is needed to solidify the available service to the northern region in resupply. An approach to Rankin Inlet identifying strong customer service to the community is needed.
10. Develop a close working relationship with Akjuit in ensuring all efforts are made to please their prospective US customers, thereby ensuring future growth in satellite launching business.
11. Develop a close working relationship with the group that gains responsibility for the grain rail cars from Transport Canada. Help develop a plan for the rail car fleet that would improve the logistics in moving grain on a weekly schedule from country to port.