

WESTERN GRAIN TRANSPORTATION ACT

CLAUSES 213 - 220

SCHEDULES II AND III

Overview

The Western Grain Transportation Act ("WGTA") enacted by Parliament in 1983 provides that the government is required to pay a portion of the total freight costs of moving grains off the Prairies. The WGTA, through increased federal government subsidy payments and increased shipper freight rates, was designed to compensate the railways for the costs incurred in handling grain traffic and thus ensure the long-term viability of the transportation system. Shippers benefit from lower freight rates under the WGTA. The Government makes an annual commitment to the WGTA and over time shippers have assumed an increasing proportion of the grain transportation costs under the statute.

The WGTA subsidy is available to shippers transporting grain grown in the Prairies and shipped east to Thunder Bay and Armstrong, Ontario or to a port in British Columbia or Churchill, Manitoba. Grain shipped through Thunder Bay or Armstrong may be exported or sold in eastern Canada. However, all grain shipped to a port in British Columbia or to Churchill must be exported: this portion of the WGTA subsidy is an "export subsidy".

WTO Agreement Commitments

Article 9(1) of the Agriculture Agreement provides that certain export subsidies such "internal transport and freight charges on export shipments, provided or mandated by governments, on terms more favourable than for domestic shipments" are subject to "reduction commitments".

The Agriculture Agreement requires WTO members to reduce their export subsidies commitments during the implementation period from 1995/1996 to 2000/2001. A Member is permitted to use an export subsidy so long as it does not exceed the level of the annual commitment for that subsidy.

Article 9(2)(a) states that the export subsidy commitment levels for each year of the implementation period represent:

- (a) in the case of budgetary outlay reduction commitments (maximum annual expenditure levels), the maximum amount that can be expended on the subsidy during that year for a particular agricultural product; and