



BRITISH COLUMBIA WHARF OPERATORS' ASSOCIATION

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British Columbia Wharf Operators Association (BCWOA) Brief to the Rail Service Panel

The BCWOA is a group of terminal companies, providing the bulk, breakbulk commodity and intermodal transfer interface between the two national railroads and the ocean mode of transportation. They handle the vast majority of the tonnage moving through the Ports of Vancouver and Squamish. Contractual relationships within the export and import supply chains are such that the BCWOA members contract their services to the shippers in Canada-not to the railways. The railways, in most cases also enter into contracts with shippers and steamship lines.

In the non container sector (bulk & breakbulk) BCWOA members often take on agency responsibilities to the shippers and steamship lines within their contracts-their responsibilities are not just physical, but are also legal. Their prices are typically several times less than the rail freight rates charges on the commodities handled. Thus, railway service issues can severely impact BCWOA member financial performance on the contracts as the smallest member of any supply chain is significantly squeezed financially. The relative size and power of the parties is disproportionately biased in favour of the largest players with the supply chain, such as railways.

In a word, the BCWOA's position to the Rail Service Panel is that the railroad-terminal relationships require a very high degree of mutuality. In many cases the serving railroad represents a single service provider to the terminal involved. As reported elsewhere in the national customer surveys, this situation varies by terminal operator and railway. The following points are presented within this context.

Rail Service since 2005

The year 2005 was chosen because the BCWOA commissioned a rail service study in that year. This study was circulated to Ottawa- if the Panel wishes a copy we will be glad to provide it. The conclusion of that Study was that rail service in the Port of Vancouver was poor. It is the collective position of the Association that rail service has not improved universally since that time, rail co-productivity agreements notwithstanding. While container service has improved since the low ebb of the winter of 2006 other BCWOA members feel that their service has not improved. Terminal direct and indirect costs were being badly affected in 2005. Although there has been more frequent rail service dialogue (including the useful winter dialogues) between port stakeholders, in some cases, service levels have reportedly declined since 2005. Some members feel that certain aspects of re regulation, warrants consideration where all else fails.

The concept of mutuality was introduced above. The BCWOA members conceptually support that two-way performance penalties or incentives can play an important role in rail/terminal service performance and this can be accomplished through direct contractual relationships or through the shipper/railway contracts. However, it requires that the mechanisms are even handed. The Terminals feel that the existing penalty mechanism is one sided and unfair. Specifically, demurrage and bunching penalties assessments are definitely one sided and must be addressed by the Panel.

Written Service Models

In 2005, one association member had a written rail service agreement, covering the specifics of switching service. The other association members lacked such an agreement. Unfortunately, since 2005, the railroad unilaterally cancelled the agreement; the operator concerned lacked a useful dispute resolution mechanism. The association feels that the presence of prescriptive service models or agreements will assist in improving rail service through the setting of clearly defined and understandable performance targets and prescribing compensation in the event that either party fails to meet their performance targets. Based on experience to date, the railways have been hesitant to commit to definite service on a local basis. The Panel must consider this issue.

Monitoring and Measuring – Gateway Performance Metrics/ Transparency in Port Operations

The BCWOA would participate in ongoing data collection and performance metrics monitoring. This position recognizes that Western Canadian supply chains must be as economically competitive as possible. It also implies some recognition of lowest point on the total system total cost curves rather than just the railroads' total cost curve low points.

The Association is also in favour of transparency in port operations. Port efficiency overall influences the reputation of the Port as a whole and monitoring and measuring performance is important. This reputation is shared by the individual members and others using the port. Thus, as much operational transparency as possible should be the goal.

Need to Define Rail Infrastructure for Better Service

The funding for a new rail bridge across the Fraser River to replace the current Fraser River Rail Bridge may become an issue. The capital required would be formidable. Given the wide range of parties that would benefit from this infrastructure improvement (governments, the public, railways, shippers, terminals, the port, shipping companies, offdock facilities, etc.) we believe the federal government is the appropriate agency to take on this project.

As rail traffic increases rail road crossing interfaces must continue to be improved. These improvements should include addressing community impacts such as noise (shunting, squealing and whistles).

The Port Railway Concept

In spite of the collective years of operating experience and wisdom, the Association is not able to reach a consensus on the Port Railway concept. Proponents see better service by a more neutral and responsive service provider. Others do not see the need for the introduction of another railway stakeholder and the potential problems associated with communications and labour relations in the Port of Vancouver.

Confusing to many offshore customers, the main nodes of the Port of Vancouver feature different methods of rail access. In the Robert's Bank Rail Corridor the owner, BC Rail allows direct line haul, multi rail carrier access. In the main, the balance of the port areas feature a single switching service provider with regulated interswitching access. This single service switching provider is often a direct competitor to the line haul carrier and creates an interesting dynamic for the terminals and their clients. Expanded co-production efforts have been noted to have improved rail performance and led to better capacity utilization. As noted, in the 2005 BCWOA study there is wide member support for greater railway cooperation, port railway notwithstanding.

As this notion has been brought forward in various venues perhaps the federal government should conduct a study on the port railway concept with input from all stakeholders.

In Conclusion

Monopolist service often implies regulation, Terasen Gas and BC Hydro as local examples. Railroad regulation has historically led to non-entrepreneurial non dynamic performance on the part of management. All would concede the vastly improved railroad management existing today. However the freedom of a private enterprise operating in a monopolistic situation must be kept in balance with the needs of users and the betterment of the supply chain.

It is the challenge of the Rail Service Panel to successfully find a mechanism meeting the needs of all stakeholders and the railroads. This mechanism should respect the franchise held by a particular railroad while assuring a consistent commitment to rail service levels throughout the entire port area. A market mechanism must be created where in reality none exists.

The BCWOA is pleased to have submitted this proposal to the Panel and will cooperate in the ongoing process.

BC Wharf Operators Association