



PORT DE QUÉBEC

Brief of the Quebec Port Authority and Rail Users of the Port of Quebec

Review of Rail Freight Services in Canada

Quebec City, April 26, 2010

Canada

Review of Rail Freight Services in Canada

Quebec Port Authority

Introduction

The Quebec Port Authority (QPA) is pleased to submit a brief to the Rail Freight Service Review Panel. This initiative provides the QPA and its end users with an opportunity to express their opinion on various aspects of the delivery of rail freight services at the Port of Quebec.

The QPA is a Canadian port authority constituted in accordance with the *Canada Marine Act*. Over the years, it has been able to develop its activities, through business partnerships with private operators, to the point where, in 2008, it was ranked 2nd in Canada in terms of freight handled (27.2 million tonnes).

The Port of Quebec is the Canadian domestic port with the deepest water for receiving large vessels, and it also boasts highway and railway links (CN and CP). It is a front line player in the grain sector (Bunge of Canada Ltd., Sillery Distribution Centres), agriculture sector, liquid bulk sector (Ultramar, IMTT-Québec Inc. and Canterm Canadian Terminals Inc.) and dry bulk sector (Arrimage du Saint-Laurent). Moreover, the Port of Quebec offers transshipment services and specialized terminals for major players like Rio Tinto Alcan, Xstrata Nickel, Vale Inco, Redpath Sugar, along with competitive business solutions for companies such as Air Canada at Pearson Airport in Toronto.

Excluding traffic generated by the Ultramar refinery on the South Shore, which accounts for some 41,000 freight cars, more than 31,000 cars moved through the Port of Quebec in 2009. They were used equally for grains, dry bulk and liquid bulk. For comparison purposes, there were 20,000 cars in 2003; this represents an increase of 50% during the six-year period.

The presence of CN and CP is necessary to operate the marine terminals, and is an essential element in ensuring the future development of the Port of Quebec, given the growing needs of Canadian importers and exporters. The Ontario-Quebec Trade Corridor initiative has highlighted the need to eliminate bottlenecks in the St. Lawrence-Great Lakes system and create conditions supporting the growth of trade in Canada. Ports along the St. Lawrence and Great Lakes account for 41% of Canadian port traffic.

Based on the major features of its strategic plans, the QPA expects that it will have to invest close to \$400 million over the next 10 years to build marine infrastructures. This would lead to significant growth (approximately 10 million tonnes) in dry and liquid bulk cargoes handled. Although the prime function of the Port of Quebec is to provide ship-to-ship transshipment services, we believe that a considerable portion of the new traffic will require the use of the CN and CP railways.

In order to improve rail service in Canada, the Quebec Port Authority, in cooperation with its business partners, wishes to make certain comments and suggestions to the Rail Freight Service Review Panel.

Status

The Port of Quebec has three sectors, each with different characteristics, serving distinct markets. The Anse au Foulon sector has rail links to CN and CP. Given the significant drop in the volumes of breakbulk on the St. Lawrence, the number of cars has decreased significantly; rail services have dropped in frequency, along with the quality of infrastructure maintenance. Nevertheless, the Anse au Foulon sector offers substantial potential for importing and exporting cargoes related to industrial production in the Great Lakes market. For example, 40,000 metric tonnes of steel was transported by CN in 2008 between Hamilton and Quebec City, generating a volume of approximately 430 cars. Regular shipments such as this could help to exploit the under-utilized potential of the two railway lines and thereby improve services to shippers.

Historically, the Estuaire sector was served by CN and CP. For reasons of urban renewal and public safety, the CP line was shut down and replaced by a 20-year agreement whereby CP would have special access to the CN system. Unfortunately, this agreement has now expired due to lax management by CP. As a result, unit trains coming from the CP system must now use the Allenby interchange, which has a negative impact on the flow and cost of movements. The elimination of CP's access to the Estuaire sector is detrimental to the development of the Port of Quebec, although Quebec Gatineau Railway provides a satisfactory service despite these operational limitations.

The Beauport sector is only linked to the CN system. Since operational port terminals serve shippers and companies located throughout Canada, it follows that a large percentage of rail traffic is bound for the CP system, which requires the use of the Allenby interchange. This situation results in longer transportation times and higher costs for shippers, two factors that are having a negative impact on the Port of Quebec's competitive edge and the ability of Canadian shippers to increase their overseas exports.

Observations and Recommendations

The following comments were submitted by users of Port of Quebec rail services; their names are listed in Appendix 1. The QPA is adopting these comments, as it believes that its future development is closely linked to the performance of rail services provided by CN and CP.

- 1. For shippers and operators at the Port of Quebec, efficiency should be measured from the cargo's point of origin to its point of shipment, or vice versa.*

Performance indicators currently used by railways only document the travel time from the rail yard at the point of origin to the rail yard at the point of arrival. In general, railways perform well from that point of view. Unfortunately, the inefficiencies are related to the time required to move cargo between port railway facilities and the yard. An overall improvement in this area could lead to a significant reduction in the number of cars needed for a turnover, thereby enhancing the competitiveness of Canadian shippers on the global market.

Recommendation: The QPA wants to see the implementation of performance indicators that can measure the total travel time from the point of origin (port) to the point of destination (industries in Canada or the United States) to assess the true quality of services provided by CN and CP.

- 2. Shortage of cars*

Both ports and railways are affected by decisions made by Canadian importers and exporters. The strength of Canada's economy depends on the ability of these players to be able to react to Canada's international trade fluctuations. At present, railways are using their equipment heavily on a regular basis. They therefore have little ability to deal with fluctuations in demand. This problem is one of the major issues faced by marine operators at the Port of Quebec.

Recommendation: It would be better for CN and CP to have a greater capacity, in terms of railway equipment and work force, to deal with fluctuations in demand.

3. Enhancement of rail access

One of the main features of the Port of Quebec is its position as the entrance or exit gateway for many businesses located within the Ontario-Quebec Trade Corridor. With their capacity to increase productivity already uncertain, businesses served by the Port of Quebec are penalized by the current rail system configuration and CP's previous decision to withdraw from sectors east of Montreal. As a result of this situation, rail cargo traffic must frequently use the Allenby interchange, which prolongs overall travel time and adds considerable costs.

Recommendation: As in the Greater Vancouver area, the QPA believes that CN and CP could use each other's tracks, provided that a fee structure and accounting mechanisms were first put in place. This major change would increase the overall efficiency of the railway system and would allow new traffic to develop.

4. Protection of rail access and rail yards

Rail access to the Port of Quebec has been available for over a century. The same is true for the main yards serving the Port of Quebec, with the exception of the yard along the Dufferin-Montmorency Highway, which was built during the 1970s. Effective operation of the Port of Quebec and its future development are highly dependent on the federal government's ability to protect rail access and rail yards against urban pressures and demands made by the population to convert them into bicycle paths or some other public use. Since it is practically impossible to enhance rail access or increase the capacity of yards, it is important for railways to be aware of this issue and to work with ports to protect these assets.

Recommendation: The QPA should ask the federal government to enforce current legislation and/or regulations or to implement new legislation and/or recommendations to protect rail corridors that serve ports and yards.

5. Increased cooperation between port operators and railways

Port operators are in a sense intermediaries between shippers, who choose a railway company to transport their cargoes by land, and shipping companies who deliver their cargoes overseas. Marine operators are therefore at the mercy of decisions made by third parties, which are at times contradictory. They do however find it possible to improve services when the parties have effective communication strategies.

Recommendation: Given the diversity of rail traffic at the Port of Quebec, combined with current and expected traffic volumes for the next few years, marine operators would like to see CN and CP assign a local-regional representative to act as liaison between the marketing and operations departments of these railway companies.

6. Other observations and recommendations

- The quality of rolling stock is sometimes lacking.

With certain types of cargo being handled, the defect rate for CN or CP cars can be as high as 10%. This situation affects marine operators' ability to fulfill contractual obligations and results in additional costs for shippers.

Recommendation: CN and CP need to make the effort necessary to improve the quality of maintenance for rolling stock.

- Improvement of rail service requires increased utilization by marine and port operators.

The weak point in rail services lies in CN and CP's ability to provide rapid and effective delivery between the rail yard and port facilities.

Recommendation: Marine and port operators would like to have the possibility of retrieving and/or delivering their cars directly from/to the yard, which would cut down on total travel time. Such a measure would be beneficial to the entire system since CN and CP would see their rolling stock used more heavily and more efficiently.

Conclusion

The observed growth at the Port of Quebec over the past few years is partly due to an increased use in the rail services provided by CN and CP. Despite problems encountered, port users are generally satisfied with the services. However, they would like to obtain a solid commitment from these partners in order to improve the total travel time between the cargo's point of origin and point of destination, improve delivery of empty cars and retrieval of loaded cars, increase the ability of rail services to respond to fluctuations in shipper service requests and enable them to invest in enhanced infrastructures, including rolling stock, and hire enough staff to deal with operational challenges.

The Quebec Port Authority and its partners/operators are convinced that the growth of their activities lies in the development of an effective partnership with CN and CP. The result will be an increase in productivity, which will be beneficial to Canadian importers and exporters and the Canadian population as a whole.

As a concrete initiative, the QPA and its partners/operators would really like to see CN begin to provide direct, regular rail service between Quebec City and Toronto in the coming months. The result would be considerable increases in productivity, offering stakeholders along the supply chain a strategic means of facilitating their current operations and their future development. We have also noticed CN's recent interest in introducing performance indicators that will measure the real performance of rail services provided to shippers and marine terminals.

Finally, despite the efforts of Quebec Gatineau Railways to ensure satisfactory CP services in the Quebec City area, we have found that the withdrawal of CP's rail operations east of Montreal has in practice resulted in an almost complete lack of marketing and business development. This situation is detrimental to the Port of Quebec, which is the key player in the Ontario-Quebec Trade Corridor in terms of dry bulk and liquid bulk.

APPENDIX 1

List of partners-operators who contributed to this brief

Grains and Agricultural Products

Bunge of Canada

Sillery Distribution Centres

Coop fédérée

Bulk Liquids

IMTT-Québec Inc.

Canterm Canadian Terminals Inc.

Bulk Solids

Arrimage du Saint-Laurent

Breakbulk

Compagnie d'arrimage de Québec Ltée

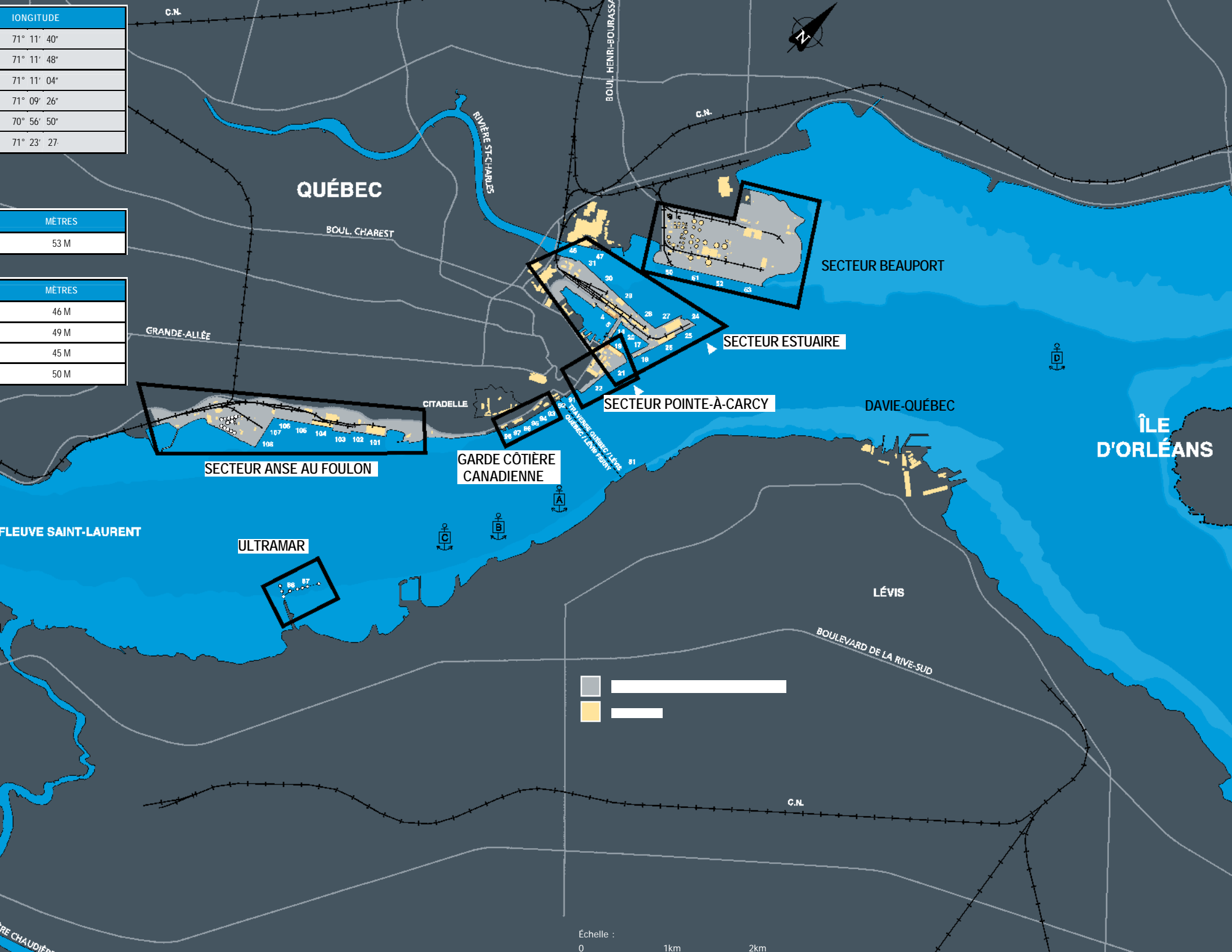
APPENDIX 2

Port of Quebec and its Three Sectors

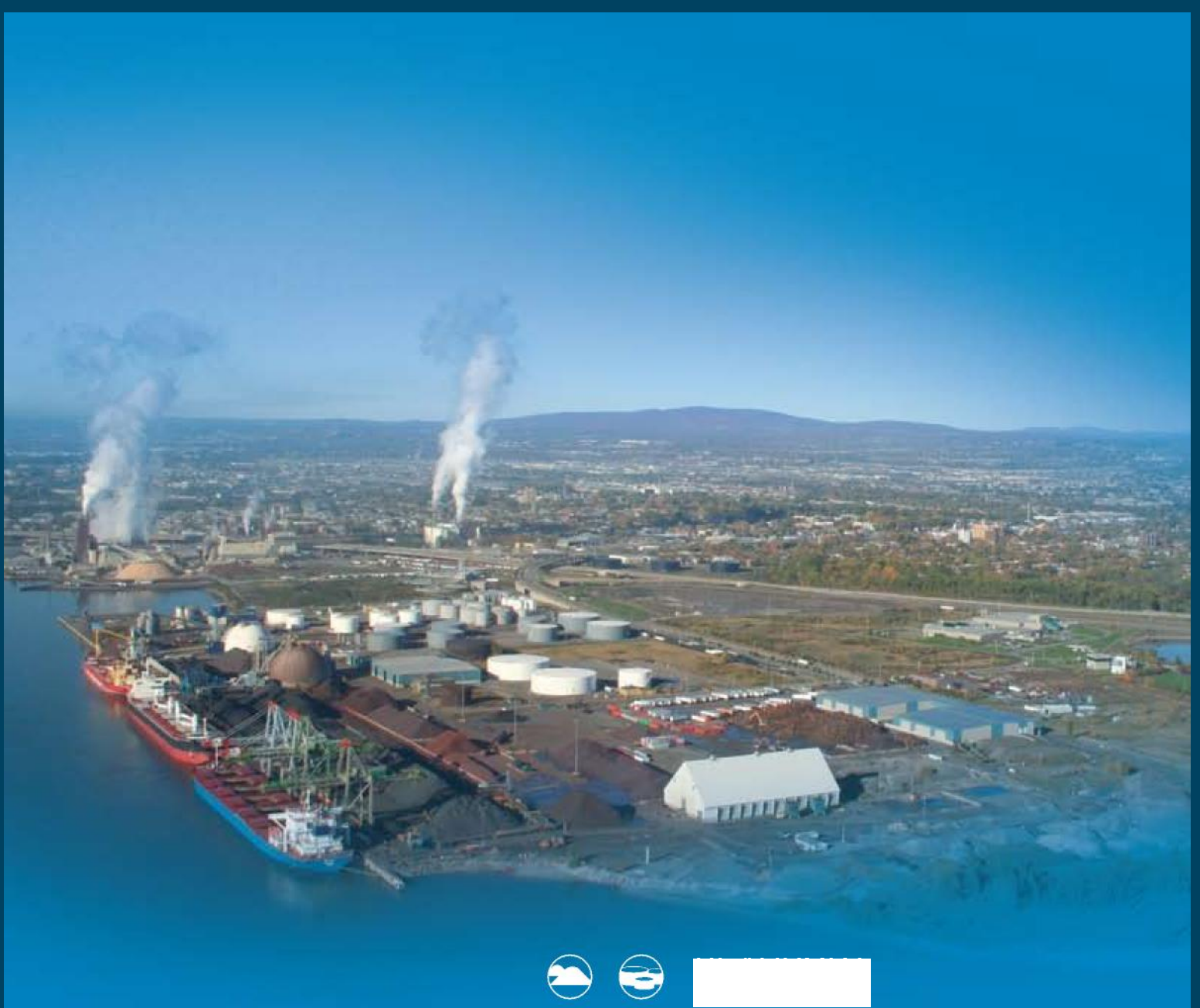
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71° 11' 48"
71° 11' 04"
71° 09' 26"
70° 56' 50"
71° 23' 27"

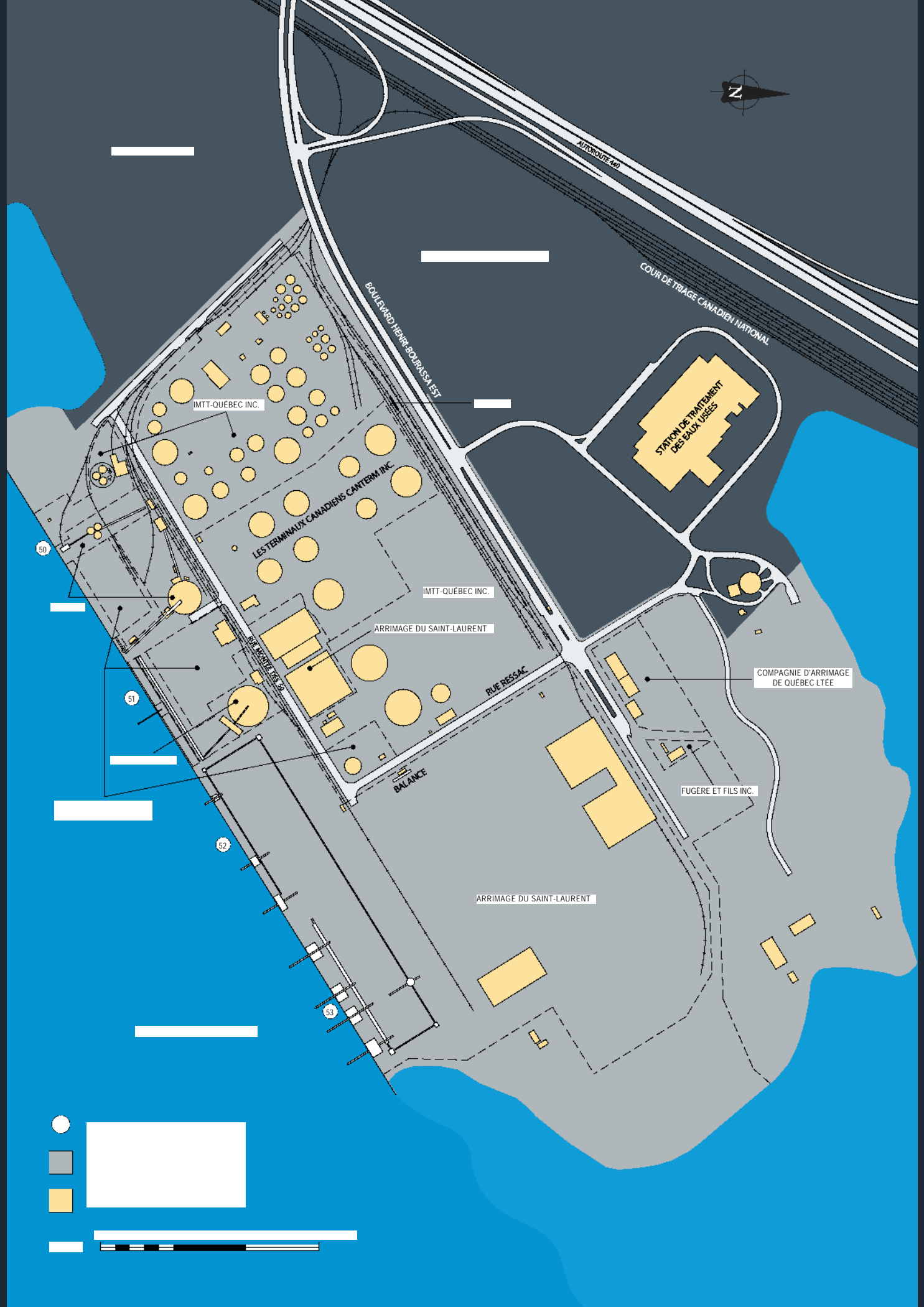
MÈTRES
53 M

MÈTRES
46 M
49 M
45 M
50 M



Échelle :
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IMTT-QUEBEC INC.

LE TERMINAUX CANADIENS CANTERM INC.

IMTT-QUEBEC INC.

ARRIMAGE DU SAINT-LAURENT

RUE BESSAC

BALANCE

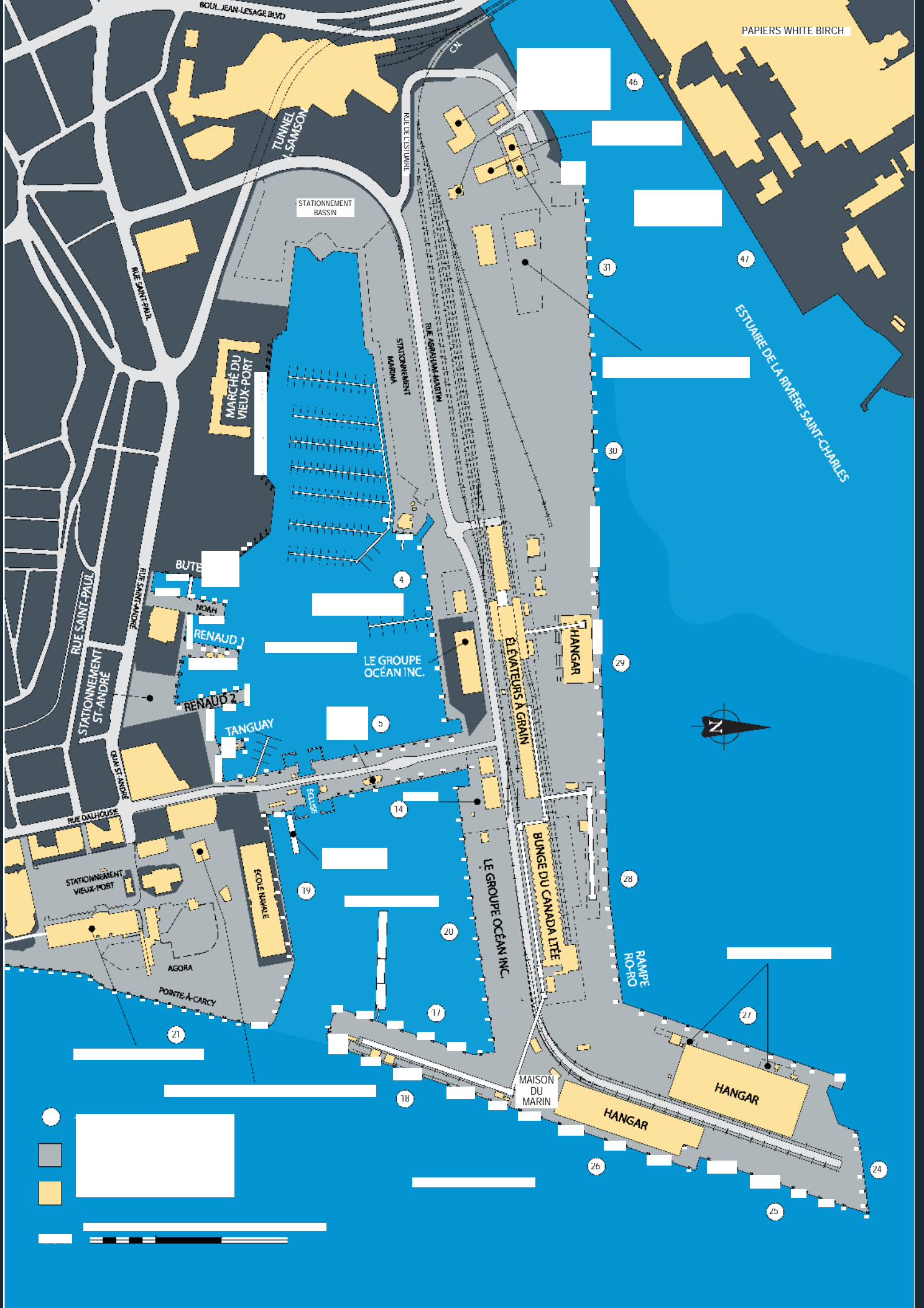
COMPAGNIE D'ARRIMAGE DE QUEBEC LTEE

FUGERE ET FILS INC.

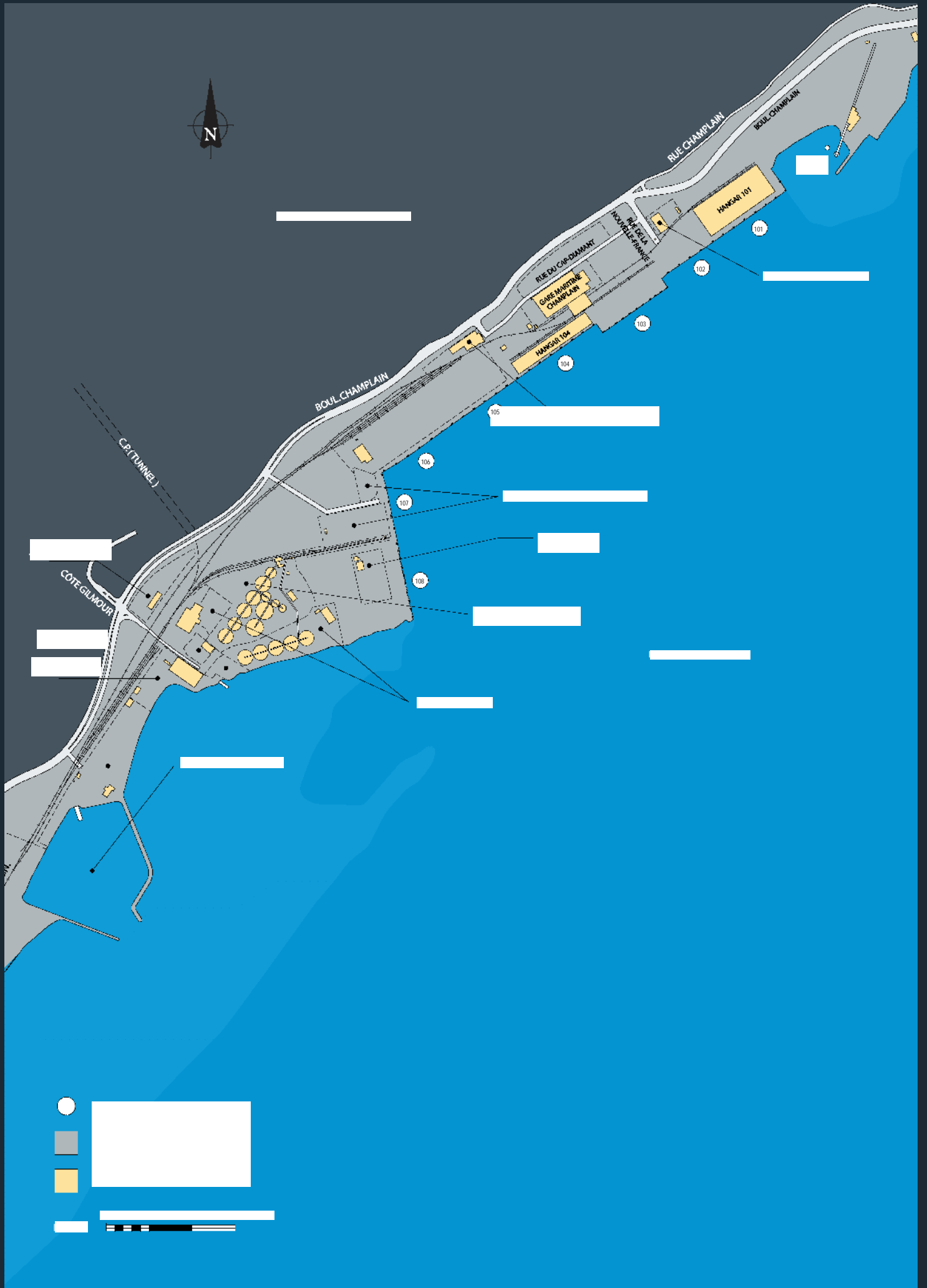
ARRIMAGE DU SAINT-LAURENT











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- White rectangle: [Redacted]

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