



AUG 25 2010

Cliff: 187939

Mr. Walter Paszkowski, Chair
Rail Freight Service Review
Suite 808, 180 Elgin Street
Ottawa, Ontario K1A 0N5

Dear Mr. Paszkowski:

Re: Rail Freight Service Review

The Rail Freight Service Review Panel has been provided with a challenging terms of reference, with the end result being the provision of recommendations aimed at improving the efficiency, effectiveness, and reliability of service within the system, facilitating economic growth and trade expansion, and improving accountability among stakeholders.

The Province of British Columbia is pleased to provide a submission to the Rail Freight Service Review Panel. British Columbia recognizes the importance of safe, economic and efficient rail transportation in supporting and advancing the trade and social interests of Canada. Major investments in port, rail and road infrastructure are being made in British Columbia to facilitate the rapid increase in Asia-Pacific trade, and support British Columbia's role as a Pacific Gateway to North America. Railways, shippers, port authorities, and the federal and provincial governments, have and continue to work collaboratively to plan for anticipated growth in trade through the Pacific Gateway. There is a need to recognize and acknowledge the advances that have been achieved through the Pacific Gateway, and ensure that continued efforts are focused to maximize trade benefits for Canada.

Optimal performance of a complex and multi-stakeholder supply chain is a critical factor in continuing the success of Canada's Pacific Gateway. British Columbia provides the following recommendations for the Review Panel's consideration:

1. Acknowledge the importance of an optimally functioning supply chain to support Canada's Pacific Gateway.

.../2

Ministry of Transportation
and Infrastructure

Office of the
Deputy Minister

Mailing Address:
PO Box 9850 Stn Prov Govt
Victoria BC V8W 9T5
Telephone: 250 387-3280
Fax: 250 387-6431

Location:
5B 940 Blanshard Street
Victoria BC V8W 3E6
www.gov.bc.ca/tran

2. Encourage all supply chain participants to develop and implement bilateral or multilateral level of service understandings or arrangements.
3. Monitor shipper perspectives on rail service levels as a means of identifying potential service and efficiency gains in the supply chain.
4. Identify current, and promote the development of, best practices amongst supply chain participants, including practices implemented in support of Canada's Pacific Gateway.
5. Periodic review of the *Canada Transportation Act* and other transportation-related statutes and regulations which apply to or impact on the supply chain.

The success of Canada's Pacific Gateway arises through the collective efforts of supply chain participants, the sum of which is greater than the results of participants acting alone in an uncoordinated effort to address rail freight service issues.

The Province of British Columbia looks forward to the results of this important review.

Yours truly,

A handwritten signature in black ink, appearing to read 'Peter Milburn', with a large, sweeping flourish extending to the left.

Peter Milburn
Deputy Minister

attachment



Ministry of
Transportation
and Infrastructure

Submission to the Railway Freight Service Review Panel

May 2010

Submission to the Rail Freight Service Review Panel

British Columbia Ministry of Transportation and Infrastructure

1.0 Introduction

The Minister of Transport, Infrastructure and Communities is undertaking a rail freight service review in Canada. The goal of the Review is to develop recommendations aimed at improving the efficiency and effectiveness of the rail-based logistics transportation system in Canada.

The Province of British Columbia is pleased to provide a submission to the Rail Freight Service Review Panel. British Columbia recognizes the importance of safe, economic and efficient rail transportation in supporting and advancing the trade and social interests of Canada. Major investments in port, rail and road infrastructure are being made in British Columbia to facilitate the rapid increase in Asia-Pacific trade, and support British Columbia's role as a Pacific Gateway to North America. Railways, shippers, port authorities, and the federal and provincial governments, have and continue to work collaboratively to plan for anticipated growth in trade through the Pacific Gateway. There is a need to recognize and acknowledge the advances that have been achieved through the Pacific Gateway, and ensure that continued efforts are focused to maximize trade benefits for Canada.

2.0 The Importance of Trade to Canada

Canada's continued economic prosperity depends upon its success in world trade. In the aftermath of the recent global economic downturn, the Organization for Economic Cooperation and Development has revised upwards its forecasts for economic activity in key economies for 2010 and 2011 and is forecasting world trade to grow 6.0% and 7.7% respectively, returning to pre-recession levels by the end of 2011.

As one of the most trade-reliant countries in the world, Canada's prosperity depends fundamentally on international commerce. To maintain our standard of living, Canada must meet the challenge of the rapidly changing dynamics of global trade. These dynamics are driven by rapid, seamless and secure movements of goods and people around the world in global transport and supply chains. (Canada's Asia-Pacific Gateway and Corridor Initiative, Transport Canada, 2006)

Economic growth in Asia offers Canada enormous opportunities to expand trade and tap into existing markets, as well as establish new ones. China is Canada's second largest trading partner and British Columbia's largest off-shore trading partner. By 2020, China is forecast to be the world's second largest economy and trade between China and North America is expected to increase by 300% from its 2006 level. India and other Asian nations, with their newly thriving economies, also have the potential to become far more significant trading partners. India's annual economic growth rate is forecasted to exceed eight per cent over the next 20 years, which would place the country amongst the most powerful economies in the world. British Columbia's geographic location is a tremendous natural advantage as a gateway between Asia and North America. British Columbia's Ports Strategy has set a goal of expanding Canada's share of west coast Asia-Pacific container traffic from 9% to 17% by the year 2020, thereby creating 32,000 jobs and increasing the provincial GDP by \$2.2 billion. Canada's west coast ports, airports and supporting road and rail networks are central to achieving this objective.

3.0 Canada's Pacific Gateway

Transportation policy and investment in infrastructure has always supported regional and national social and economic development. From Canada's Confederation to today, the transportation network and supply chain has continued to evolve to meet new challenges and trade opportunities.

Canada's Pacific Gateway continues this evolution through the ongoing collaborative efforts of supply chain participants and governments to improve transportation networks in Western Canada and expand international trade opportunities. Government and industry partners have come together to fulfill the long-term vision of British Columbia as the preferred gateway for Asia Pacific trade, with the most competitive port system on the west coast of the Americas. The ongoing goal of Canada's Pacific Gateway is a world-class transportation network with an integrated, seamless supply chain connecting Canada and the North American market to Asia and the world.

Today, Canada's Pacific Gateway is a world-class transportation network. Its integrated, seamless supply chain includes airports, seaports, railways, roadways and border crossings, connecting Canada and the North American market to Asia and the world.

Major public-private investments will increase capacity, eliminate congestion, and streamline operations. Projects to expand and enhance port, rail, road and airport infrastructure currently planned or underway total over \$21 billion.

3.1 Strategic Issues Facing Canada's Pacific Gateway

To take advantage of forecasted growth in world trade opportunities requires substantial infrastructure and equipment investments by supply chain participants, notably at ports and for railways. Challenges remain, and undertaking these investments requires a longer

term perspective by all supply chain participants supported by a transportation, trade and industrial policy framework that leverages these investments.

Collaboration to identify opportunities, resolve issues and monitor the effectiveness of the Gateway supply chain is effected through the Pacific Gateway Executive Committee. The Committee includes senior representatives from Canada and Western Canada provincial governments, major port systems in Vancouver and Prince Rupert, and Canada's major railways. This Committee is unique and could be considered a mechanism for other gateway or supply chain oversight initiatives.

3.2 The Importance of Reliability, Competitiveness and Efficiency

Canada's Pacific Gateway is more than just investments in infrastructure.

Pacific Gateway partners recognize the need for an integrated network of people, systems and infrastructure all working to deliver reliable, efficient, seamless access to major North American markets. Pacific Gateway partners have taken concrete action to increase the reliability of the Pacific Gateway supply chain.

Performance

British Columbia's ports and railways are setting clear performance commitments. For example, Port Metro Vancouver, together with railway and terminal operators, have instituted performance standards covering container stays, weather related or operational backlogs, and a strategic reserve of railcars.

The Prince Rupert Port Authority and Maher Terminals have also instituted performance standards that include having import containers loaded and moving within 3.5 days.

Labour Stability

The Government of Canada and the Government of British Columbia are committed to keeping goods moving and have quickly ended past labour disruptions. The commitment to labour stability remains high.

Pacific Gateway government and industry partners are implementing programs to ensure current and future labour needs will be met, including:

- New apprentice and training programs
- Immigration policies that attract skilled workers
- More effectively targeted foreign worker programs.

Facilitating Supply Chain Flow

In addition to port, rail, road and infrastructure expansion to increase capacity, other efficiency measures to reduce bottlenecks and congestion, and enhance competitiveness include:

- The development of smart systems to reduce commercial vehicle stops at weigh-in stations
- A Government of Canada commitment of over \$430 million to more efficient border crossings, as well as increasing the number of border security and marine ports officers
- An increase in truck gate hours at major ports.

These improvements complement rail service investments being undertaken and planned that will assist in maximizing supply chain efficiencies.

3.3 The Importance of Rail Service and Infrastructure in the Supply Chain

Rail system capacity is one of the most critical factors affecting future efficiency of the Pacific Gateway due to reliance of the ports on rail for bulk commodity exports and long-distance container traffic. Statistics compiled by Lower Mainland ports indicate that approximately 60% of inbound and outbound containers at port terminals are transported by rail.

With forecast growth in port container traffic volumes to 2020, the corresponding scale of increase in rail demand is expected to be very large. Using some broad assumptions, rail demand could increase from 1.3 million TEUs¹ to almost 7 million TEUs by 2020. Of this, at least 2 million TEUs would be handled by CN from Prince Rupert over rail lines with sufficient existing capacity. In the Lower Mainland, therefore, there could be up to a four-fold increase in rail demand by 2020 under target growth scenarios.

Rail Improvements

Rail projects will be vital to the improvement of freight supply chains and success of future terminal expansion at Western Canadian ports. CP, CN and BNSF are investing billions of dollars in major capacity and efficiency upgrades near Vancouver and along their routes to North American destinations. Specific action plan initiatives include: sidings, incremental rail access improvements for port terminals, double tracking, tunnel and bridge improvements and grade separation projects. These will expand capacity on CP and CN mainlines across Western Canada, including the northern line to Prince Rupert.

¹ Twenty-Foot Equivalent Unit (TEU)

Operational/business processes and arrangements between shippers and carriers can also mitigate capacity concerns. In January 2006, CN and CP formally announced operational improvements achievable through a new co-production agreement in the Lower Mainland. Under the agreement, CP agreed to handle all trains for both railways from Boston Bar to Vancouver's south shore terminals, and to crew coal trains for both railways to Roberts Bank. CN agreed to handle trains for both railways to Vancouver's north shore terminals. These arrangements will improve freight flows to and from the ports by operating direct-to-destination trains that bypass yards and eliminate railway-to-railway handoffs. Pursuing operational efficiencies will be important in responding to the significant demand expected in rail traffic by 2020.

In addition, innovative operational agreements have been reached between CP and CN and between CN and BNSF to maximize capacity using existing infrastructure in and near Vancouver.

4.0 Environmental Considerations

An effective supply chain is critical to leverage strategic gateways and trade corridors, and to help shippers compete in domestic, continental and international markets.

An effective supply chain, which maximizes transportation efficiencies and minimizes transit and loading delay time, can also provide environmental benefits in the form of greenhouse gas reductions and particulate emissions. This is particularly important at ports and surrounding areas where there is significant marine, trucking, railway, intermodal and value-added activities associated with the supply chain.

In the context of Canada's Pacific Gateway, investment in critical transportation infrastructure projects by port authorities, railways, and federal and provincial governments, combined with complementary policy initiatives and operational process improvements are not only serving to assist in meeting trade targets and objectives, but are also reducing greenhouse gas reductions and particulate emissions through improved transit times and reduced delays at port. An efficient supply chain can assist in achieving both trade and environmental objectives.

5.0 Canada's Pacific Gateway – A Unique and Successful Partnership

Coordination and cooperation between Gateway partners ensures an integrated, reliable, sustainable and responsive transportation network throughout the supply chain. Partners are taking action to eliminate bottlenecks and congestion, improving connections between transportation modes, improving transit times, and undertaking infrastructure investments to add capacity to accommodate forecasted trade growth.

The success of the Gateway arises through the *collective* efforts of supply chain participants, the sum of which is greater than the results of participants acting alone in an uncoordinated effort to address service issues.

6.0 Moving Forward

The Review Panel has been provided with a challenging terms of reference, with the end result being the provision of recommendations aimed at improving the efficiency, effectiveness, and reliability of service within the system, facilitating economic growth and trade expansion, and improving accountability among stakeholders.

Optimal performance of a complex and multi-stakeholder supply chain is a critical factor in continuing the success of Canada's Pacific Gateway. British Columbia provides the following recommendations:

1. *Acknowledge the importance of an optimally functioning supply chain to support Canada's Pacific Gateway.*

All supply chain participants must work collaboratively and in partnership to pursue service levels, seek efficiencies, and resolve disputes in support of trade opportunities and economic growth.

Canada's Pacific Gateway is a collaborative effort by all participants in the supply chain to identify trade opportunities, implement solutions to problems that would otherwise impede the pursuit of these opportunities, and advance Canada's economic and social interests.

2. *Encourage all supply chain participants to develop and implement bilateral or multilateral level of service understandings or arrangements.*

The railways are a major component of the supply chain. An optimal level of railway service performance to meet shipper, railway, port and trade needs is recognized as key to the supply chain, but the railways are just one of many participants. Participants should be encouraged to develop and implement service level arrangements on a collaborative basis to ensure efficiencies are identified and pursued, and to establish a mutual relationship between parties.

British Columbia's ports and railways are setting clear performance commitments. For example, Port Metro Vancouver, together with railway and terminal operators, have instituted performance standards covering container stays, weather related or operational backlogs, and a strategic reserve of railcars. The Prince Rupert Port Authority and Maher Terminals have also instituted performance standards that include having import containers loaded and moving within 3.5 days.

3. *Monitor shipper perspectives on rail service levels as a means of identifying potential service and efficiency gains in the supply chain.*

Several studies were undertaken as part of the Rail Freight Service Review, including surveys of shippers, terminal operators, ports and shipping lines. These surveys were extensive in nature and reveal a variety of concerns of these supply chain participants with respect to railway service. Of particular note to British Columbia is a survey finding that forest product shippers are more likely to have declining satisfaction over the past three years with rail service compared to other commodity shippers. The identification of this concern, and the survey process through which this concern was identified, suggest that a periodic survey of shippers be undertaken by Transport Canada as a means of seeking where supply chain improvements are needed.

4. *Identify current, and promote the development of, best practices amongst supply chain participants, including practices implemented in support of Canada's Pacific Gateway.*

Best practices are the result of collaborate efforts between supply chain participants to "do things better" for mutual benefits. Communications protocols and the timely sharing of information between participants are examples of where best practices can improve efficiencies and prevent misunderstandings between parties. This could also include the sharing of performance metrics as a means of taking corrective measures.

As an outcome of the Review, the Review Panel may wish to consider that an examination of best practices between supply chain participants be undertaken by Transport Canada as a research exercise, and to determine if supply chain legislative and regulatory governance in any way inhibits the development of best practices.

5. *Periodic review of the Canada Transportation Act and other transportation-related statutes and regulations which apply to or impact on the supply chain.*

The *Canada Transportation Act* provides that the Minister responsible for the Act will undertake a comprehensive review of the Act no later than eight years after amendments to the Act were brought into force in February 2008. The Act sets out the regulatory framework for federally regulated railway services in Canada.

Given the importance of this governance framework to supply chain participants, both in respect of Canada's Pacific Gateway and the supply chain in general, a feature should be included either in the Act or as a matter of policy that the rail-related provisions of the Act will be reviewed every five years.