



**Network Operations**

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July 31, 2020

Tom Oommen  
Chief Compliance Officer  
Canadian Transportation Agency  
15 Eddy Street  
Gatineau, Quebec K 1 A ON9

Subject: Agency Decision No. CONF-9-2019

Dear Mr. Oommen,

Under the order found in Agency Decision No. CONF-9-2019 dated April 15, 2019, CN is required to file a plan to respond to surges in traffic that occur in the Vancouver area towards the end of the calendar year with a view to avoiding or minimizing the use of embargoes and maintaining the highest level of service reasonably possible.

In accordance with this order, please find enclosed the 2020 CN plan as well as the list of all embargoes imposed by CN for traffic within, or destined to, the CN Vancouver area in the last twelve months.

Yours truly,

A handwritten signature in blue ink, appearing to read 'D. Ryhorchuk'.

Doug Ryhorchuk  
Vice-President, Network Operations and Planning

Enclosures



## **CN Filing under Agency Decision No. CONF-9-2019**

This is CN's Plan filed in accordance with Agency Decision No. CONF-9-2019 dated April 15, 2019 (the Decision). In the Decision, the Agency found "that CN breached its level of service obligations when it announced its intention to impose embargoes on wood pulp shipments in September 2018, several months before rail transportation challenges emerged in the Vancouver area, and then imposed those embargoes in December 2018, rather than making every reasonable effort to deal with those challenges before unilaterally restricting the receipt, carriage, and delivery of traffic." The Decision requires CN to provide a detailed plan, each year for the next three year, to respond to surges in traffic that occur in the Vancouver area towards the end of the calendar year. CN encloses the relevant section of the Decision as **Appendix 1**.

The Decision deals with circumstances, which, at the end of 2018 and beginning of 2019, led CN to issue embargoes with permits respecting specific terminals retained by shippers of wood pulp. Those embargoes were necessary to avoid the risk of congestion at a time of high demand because total orders placed with CN by shippers of wood pulp for those terminals exceeded the stated capacity of each terminal. Demand for shipments of wood pulp to Vancouver is typically high at the end of each year as these shippers prefer to lower their on-hand inventory before year's end.

Last year, CN filed its Plan on July 31, 2019. We also filed two subsequent letters in answer to questions from the Agency, on October 28, 2019 and November 12, 2019. This information was published by the Agency on its website on November 25, 2019.

### **Current Context – COVID 19**

The context in which CN is filing its Plan this year is different. The COVID 19 pandemic has affected volumes of traffic moved globally and Canada is no exception. To date in 2020, CN has moved 360,433 less carloads than at the same period in 2019, a reduction of -11.7%.<sup>1</sup> The traffic mix moved by CN to Vancouver has also changed significantly. To illustrate this, the Port of Vancouver reports a reduction of -18.5% in the volume of lumber products moved so far this year when compared to 2019 and reports an increase of +10.2% in grain movements.<sup>2</sup> These variations in the volumes of commodities moved show that in addition to usual market forces, the pandemic is influencing demand for rail service as the economy suffers from its repercussions. Importantly, the surges in traffic

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<sup>1</sup> <https://www.cn.ca/en/investors/key-weekly-metrics/>.

<sup>2</sup> <https://www.portvancouver.com/wp-content/uploads/2020/07/Cargo-Year-to-Date-May-2020.pdf>.



referenced in the Decision are not expected to materialize in the near future as they did during the period reviewed by the Agency.

Under the circumstances, this Plan confirms that CN considers itself to be in a position to adequately move traffic to the Vancouver area in support of the Canadian economy.

### **Facilitating the Wood Pulp Supply Chain**

Last year, the Plan referenced a pilot project aimed at facilitating the movement of wood pulp traffic to terminals in the Port of Vancouver (“the Port”). As the Decision prohibits CN from using embargoes with permits as a planning tool to avoid congestion and considering that CN is not privy to the commercial agreements between wood pulp producers and terminals, preventive action on the part of CN alone is therefore limited. Understanding that the efficiency of any measure aimed at supply chain management depends on the participation of all involved, we explained last year that we must rely on the voluntary participation and collaboration of wood pulp shippers and terminals. These are the parties which have agreements respecting the unloading of their product from railcars and trucks; the storing of their wood pulp in warehouses; and the loading of vessels to deliver their pulp to overseas markets.

We also explained last year in our plan how we acted to design a collaborative remedy. With the cooperation of shippers who have traffic destined to the terminals in Vancouver operated by Western Stevedoring (Lynnterm and Squamish Terminals) on April 24, 2019, CN initiated a pilot project aimed at ensuring that demand for railcar spotting at those terminals would not exceed their daily operational unloading capacity.

Under this initiative, the management of traffic flows relies on the terminals to provide pre-authorization to shippers before CN allocates railcar supply. Unlike the embargo/permit process, which prevented the generation of a waybill without CN supplied weekly permits, this process relies on greater communication and collaboration between the shippers of wood pulp and the receiving waterfront terminals. It links the shipper’s volume of railcars and the terminal’s ability to match the volumes to (i) the daily operational track capacity for unloading, (ii) terminal warehouse capacity and (iii) the coordination of incoming vessels. Given that CN has no visibility on these last two elements, the pilot project helped foster fluidity in a manner that CN alone is unable.

For CN’s part, railcar supply allocation is based on the terminals confirming, in writing, their ability to receive the shipments. Conference calls between CN, shippers and terminals are organized to determine reasons for deviation from the plan, to assess



progress and to propose how this initiative can be improved. This project is based on a similar program which was successfully implemented several year ago with shippers of unit trains of grain products into the Greater Vancouver area.

After one year, CN can confirm the program has demonstrated that when all parties are willing to do so, it is possible to coordinate efforts. From that perspective, the program has been a success and CN would like this pilot project to become part of the standard operating procedure for wood pulp shipments in Vancouver.

However, while participation in the pilot project by both shippers and terminals was successful, they have not agreed to commit formally to the program as proposed by CN in a letter sent and filed last year with our Plan as Appendix 4. We believe this highlights the temporary nature of their original concerns and that the uncertainty of global markets and related impact to shipment volumes will continue to underpin why customers show reluctance to commit to a long term permanent program. As explained earlier, current exceptional prevailing circumstances and the ensuing volume levels make unnecessary the establishment of a formal program at this time. The majority of participants in this supply chain nevertheless recognize that efforts towards modulating the flow of traffic to Vancouver at time of peak demand are essential to fluidity and efficiency. For this reason, CN intends to maintain this pilot project in place in order to avoid embargoes in the event volumes would peak in the future.

### **Locomotives and crews**

At the hearing which took place on January 29 and 30, 2019, CN provided evidence respecting the number of locomotives and crews in service in the Vancouver area at the end of 2018.

CN operates a fleet of approximately 1,960 high/mid-horsepower locomotives. To accommodate future growth opportunities and drive operational efficiency across its system, CN announced in 2017 the acquisition of 260 new locomotives over the next three years from GE Transportation. CN is the only North American railway company that acquired such a large number of locomotives. It was an unequivocal statement about our commitment to improving our capacity to serve the Canadian economy. By March 2020, CN had received all these new locomotives. As traffic volumes moved on CN fluctuate, some locomotives can be placed in storage (while being maintained) in strategic locations across the network. CN continuously assesses the need for those resources and assigns them as traffic volumes require.



Furthermore, after CN undertook an aggressive hiring campaign in 2018 and 2019 to ensure sufficient crews were in place, including in Western Canada, a significant decline in traffic volumes moved on CN occurred in 2020, due to COVID-19.

CN responded by adjusting the required number of crews across the network. In these kinds of circumstances, CN stays in close contact with laid off employees and as soon as there is evidence of sufficient traffic volumes recovery, CN initiates a selective recall of crews in response. As for locomotives, CN assesses crew requirements on a continuous basis, both for the network overall and at the local level, including in Vancouver.

### **Investment in Grain Cars**

In support of Canadian farmers and to ensure CN is well positioned to continue to move the record volumes of grain shipped so far this crop year, CN plans to acquire 1,500 new generation, high-capacity, grain hopper cars with delivery starting in January of 2021. These new railcars will also encourage the economic recovery through job creation in the North American manufacturing sector and help CN continue to meet the growing needs of grain farmers and grain customers.

### **Capacity Investments**

In 2020, CN is investing \$2.9 billion to expand network capacity and resiliency. This follows our record investment of \$3.9 billion in 2019 and \$3.4 B in 2018 for a combined total of \$10.2 B billion in capital investment over three years. This infrastructure spending includes the addition and extension of both passing and yard tracks, and the addition of new sections of double track on key mainline corridors. Although some of these investments are taking place in areas outside of the Greater Vancouver Area, due to the network nature of rail transportation and the variety of different supply chains (intermodal, manifest, unit train), these investments will allow greater flexibility and system fluidity in times of high demand to plan and slot trains into the lower mainland. This benefits all shippers who use Vancouver for either exporting or interchanging to another railway.

### **Capacity Infrastructure Projects - Vancouver**

Supply chain participants know that the Vancouver area is challenging in terms of offering little industrial and trade-enabling land for expansion. Times of high demand make this area prone to congestion issues along all parts of the supply chain, not just rail. Because



of these challenges, CN continues its partnership with the Government of Canada and the Ports of Vancouver and Prince Rupert on a number of key projects under Transport Canada's National Trade Corridors Fund (NTCF). These investments will address bottlenecks and increase capacity in crucial parts of the network leading to the West Coast. They are investments aimed at ensuring the long-term capacity of the Port of Vancouver and the option of Prince Rupert.

Under the NTCF, several multi-year initiatives are underway to increase capacity at the Port of Vancouver in collaboration with the Government of Canada and the Vancouver Fraser Port Authority. Some of these infrastructure projects have been given the green light and other are pending approval. The following are those where CN is an active partner:

#### The Burnaby-North Shore Rail Corridor Improvement Project

The purpose of this major initiative is to increase the capacity of the railway corridor to the North shore of the Port of Vancouver, which currently operates near capacity because trains must proceed at no more than 20 minutes intervals through Thornton tunnel in order to allow fumes to escape. This significant limitation on capacity contributes to congestion in the area. The total cost of the Project is estimated at \$214M. The federal government, under the NTCF, will contribute \$77M, the Port of Vancouver \$62M and CN \$75M. Engineering work has been underway since 2019 and physical work began in September 2019. There are three individual components to the Project which will enable more trains to move in the corridor:

- Thornton Rail Tunnel Ventilation Upgrades: The first Project Component will implement a new system of longitudinal ventilation by adding jet fans each at two locations within the tunnel. The result will be to reduce the current clearance interval from 20 to between 5 and 10 minutes. Proof of concept and detailed design have been undertaken in 2020, and the order of the specialized fans will be complete mid-summer with up to a 30 week lead time required for delivery. Completion is targeted for Q1 2021
- Rail Corridor Improvements: The Rail Corridor Improvements Project Component consists of a new 18,000-foot siding track, to be built on the north side of the two existing tracks. This track will run from the Willingdon Junction in the west to Piper Avenue in the east and will allow trains to cue prior to entering the Thornton Rail Tunnel. Completion of these improvements is now targeted for Q1 2021. The major rail elements for this project component include:



- 18,000 feet of new track work and approximately 2,000 feet of realigned existing track, including all subgrade and track structure;
  - Two new turnouts to tie in the new siding; and
  - One new 16-metre span single track rail bridge over Eagle Creek immediately east of Piper Avenue.
- Douglas Road Grade-Separation: The Douglas Road Grade-Separation, also known as the Holdom Overpass, will replace the existing at-grade crossing on Douglas Road with a four-lane overpass with walking and cycling facilities across the rail corridor. Converting the at-grade crossing to an overpass will allow trains to stage 1 mile closer to the Thornton tunnel without blocking vehicular traffic. Completion is targeted for Q2 2024.

### Burrard Inlet Road and Rail Improvement

The Project will include the construction of a 13,700 foot railway track parallel to the existing Burrard Inlet mainline (the “BI Line”) on the New Westminster Subdivision. The total cost of the Project is estimated at \$85M. A contribution of \$22.5M of the federal government is confirmed, with the Port of Vancouver making a contribution of \$34M and CN funding the remaining \$38M. Initial design work started in 2020; but may require refinement over time depending on property acquisition and input from strategic stakeholders. The Project target completion is now Q2 2022. The key objectives are:

- Substantially increase the capacity of the BI Line to accommodate growing trade volumes through the container terminals located on the south shore of the Burrard Inlet;
- Make the south shore rail network more resilient to disruptions by ensuring that an alternate route for south shore access to the North American rail network is maintained. Rail operations on the south shore are constrained by limited rail support facilities at or near the terminals. These facilities are confined to a corridor bounded by the terminals to the north and urban development to the south. The BI Line provides access to additional rail support facilities one mile south in the False Creek Flats area of Vancouver. This important south shore support area provides for necessary staging and railcar processing capacity to support the south shore. The Project vastly improves the utility of these support facilities as an alternative to the congested south shore corridor; and,
- Improve the capacity and reliability of operations in the area, as both container terminals on the south shore have plans to expand their terminal capacity. The Centerm expansion is underway and will increase the terminal's throughput capacity from 900,000 twenty foot equivalent containers (TEUs) to 1,500,000



TEUs by 2020. The private investment required to complete this expansion is in the order of \$450M. To handle the additional import and export traffic, private investment in receiving intermodal terminals across the country along with investment in rail network capacity, equipment and additional manpower will be necessary.

### Glen Valley Double Track

This multi-year Project will address a significant bottleneck consisting of 3.7 miles of single track within the 25 mile double track rail corridor between the end of the Directional Running Zone (DRZ) and CN's Thornton Yard which supports industry and port facilities in the Lower Mainland.

The Project is located near Abbotsford, B.C. on the CN Yale Subdivision at west end of the DRZ. The DRZ is a track-sharing agreement between CN and CP to maximize rail capacity through the Fraser Canyon that connects the Port to the rest of Canada. In the DRZ, both railways travel west to the Port on the CN Yale Subdivision and east on the CP Cascade Subdivision.

Unlike the DRZ, the Glen Valley 3.7 mile section of single track is operated bi-directionally. It is within the corridor that CN and CP use to access the Roberts Bank Rail Corridor (RBRC) serving the Deltaport container terminal and Westshore coal terminal and which will eventually serve the proposed T2 container terminal and/or Deltaport fourth berth expansion.

The total cost of the Project is estimated at \$40M. A contribution of \$20M from the federal government is confirmed, with the Port of Vancouver making a contribution of \$10M and CN funding the remaining \$10M. Design work was initially undertaken in late 2019 and is ongoing, the target completion timeline for the Project is Q4 2021.

The key objectives of the project are to:

- Increase the capacity of the rail corridor to support anticipated growth in trade through the Port of Vancouver, in conjunction with previously approved NTCF projects;
- Make the rail network more resilient to disruptions by stabilizing unstable grade slopes with a retaining wall and adding a second track in the last single track section linking the Direction Running Zone (DRZ) and CN's Thornton Yard; and,



- Improve capacity and reliability for trains travelling to/from terminals in the Port of Vancouver including passenger rail services provided by VIA and Rocky Mountain Rail tours.

### Portside Blundell Overpass and Upgrade Project

The Project is located within the Vancouver Fraser Port Authority's Fraser Richmond Industrial Lands (FRIL), more commonly known as the Richmond Logistics Hub.

The Portside/Blundell corridor generates some of the highest volumes and most concentrated port drayage truck activity in the Greater Vancouver Gateway with over 12,500 external vehicle trips (roughly 60 per cent of which are trucks) on a typical weekday, plus additional internal trips between import and export logistics facilities within the FRIL.

In addition to alleviating current traffic congestion issues, the Project is intended to facilitate further investment in a combination of marine terminal, short sea shipping, trans-shipment and distribution facilities in support of port operations and international trade at the Port Authority's Area IV and Area V sites, as well as adjacent privately-held sites.

The Project includes the following key elements:

- Widening Blundell Road from a two-lane undivided to a four-lane divided urban cross section between Portside Road and west of York Road.;
- Constructing a new two-lane roadway bridge and pathway to extend Portside Road across No. 7 Road Canal; and,
- Grade-separating the entire Portside/Blundell intersection so it passes over the CN corridor.

This last element of the project, the grade separation, not only eliminates conflict between the high level of truck activity and the rail corridor, it will allow for the extension of the yard tracks serving the FRIL by 1500 feet, thereby increasing staging and processing capacity to service this expanding logistic centre.

The total cost of the Project is estimated at \$110M. A contribution of \$40.5M from the federal government is confirmed, with the Port of Vancouver making a contribution of



\$40.8M and CN funding the remaining \$28.7M. The design work has been undertaken in 2020 and will continue in 2021. The projected Project completion timeline is Q4 of 2023.

### Thornton Yard

In support of fluidity in Thornton Yard and to facilitate some expected new business, CN plans to commence the construction of a 12,000 foot bypass track as well as an additional 4,800 foot yard track. Initial construction will be undertaken in 2020, with a goal of completion of these tracks by the end of Q1 2021.

### Kamloops Yard Expansion

The Kamloops Yard Expansion involves the construction of 3 12,000 foot tracks, as well as a new lead in Kamloops Yard to support expected new business. The Project also improves interchange with CP in the area. The investment associated with this Project is \$18.5M. The initial construction began in September 2019 and track will be installed in the second half of 2020. It is expected that this work will be complete in Q4 of 2020 but that signals work for power switch will only be complete in 2021.

### Okanagan Connector Upgrade

The Okanagan Connector involves the upgrade of existing track structure for Okanagan Connector due to increased new business and interchange with CP. The scope of work for 2020 includes turnout upgrade, rail relay on a bridge, and road crossing work. The associated investment represents \$1.9M and the work is expected to be complete in Q3 of 2020.

### **Capacity Infrastructure Projects – Prince Rupert**

Alternative access points to the West Coast other than at the Port of Vancouver exist and need to feature in shippers' logistics toolkits. There are viable alternatives at Prince Rupert that allow export-focused shippers to by-pass the Vancouver area completely. Over the past several years, CN, private business interests, and the Canadian Government have invested in infrastructure expansions at Prince Rupert to make this a viable import/export supply chain. CN is investing in excess of \$120M in the Prince Rupert area. This multi-year capacity expansion initiative continues with these most recent projects:



### Ridley-Fairview Connector Road and Kaien 2,3 Siding Project

PRPA, with CN as a partner, has started construction of a 3 mile roadway connecting container stuffing logistics on Ridley Island to Fairview Terminal operated by Dubai Ports World (DPW). As part of the project, two additional 12,000 foot sidings will be constructed to support current operations and future terminal expansion and will provide optionality for broader port area resiliency. The overall project is budgeted at \$130M, including CN's committed investment of \$36M. Works are scheduled to be complete Q3 of 2021.

### Construction of a new siding in Port Edward

This investment, now recalculated to \$48M, allows CN to construct a siding track between mileage points 81.82 and 85.38 of CN's Skeena Subdivision, near the community of Port Edward, BC. This additional track will provide a staging location for trains moving to and from the Port of Prince Rupert when capacity is limited. Due to some delay in construction in relation to soil relocation, work is underway but the expected date for completion has been delayed until end of October 2020.

### Second additional Skeena Siding

A second additional siding is being added along the Skeena subdivision between mile 57 and 60 in order to increase capacity along the subdivision. The siding length is 12,000 feet and will allow for more frequent passing trains and increases throughput along the subdivision by approximately 1 train / day thereby improving fluidity. The investment represents \$15.5M for this Project. It is expected that the siding will be in service by the end of September 2020.

### Additional Siding in the Bulkley Canyon

The addition of the new 12,000 foot siding in the Bulkley Canyon will again increase capacity to move traffic towards Prince Rupert. The preliminary engineering for this Project is completed, and construction is underway. The siding will require an investment from CN of approximately \$22.2M and should be operating in Q4 of 2020.

### Planned Zanardi Bridge, Causeway and Rail Expansion

A Comprehensive Project Proposal (CPP) under the NTCF was submitted in May 2019 with a total value of \$120M by the Port of Prince Rupert (PRPA) with CN as a funding



partner. The project, which is under development, seeks to address the existing natural bottleneck of the current single track bridge on the Prince Rupert approach.

#### Construction of 2.5 miles of double track west of Prince George

This double track at the western end of Prince George yard, between approximately miles 1.32 and 3.81 of the Nechako Subdivision was completed in late 2019 at a cost of \$16M. The purpose of this initiative was to increase long train capacity at this location to facilitate the movement of traffic, build resiliency and accommodate traffic growth.

#### List of Embargoes

Consistent with the Decision, CN includes as **Appendix 2** the list of all embargoes issued by CN in the last 12 months.



## APPENDIX 1

### CONCLUSION OF CTA HEARING ON VANCOUVER INQUIRY:

[133] The Agency finds that CN breached its level of service obligations when it announced its intention to impose embargoes on wood pulp shipments in September 2018, several months before rail transportation challenges emerged in the Vancouver area, and then imposed those embargoes in December 2018, rather than making every reasonable effort to deal with those challenges before unilaterally restricting the receipt, carriage, and delivery of traffic.

### ORDER

[134] In respect of its operations in the Vancouver area, the Agency orders CN to:

1. Develop a detailed plan, each year for the next three years, to respond to surges in traffic that occur in the Vancouver area towards the end of the calendar year with a view to avoiding or minimizing the use of embargoes and maintaining the highest level of service reasonably possible, as required by the CTA. The plan is to be submitted to the Agency's Chief Compliance Officer by August 1, of each calendar year beginning on August 1, 2019, and should include a list of all embargos imposed by CN for traffic within, or destined to, their Vancouver area rail network in the preceding year;
2. Only resort to embargoes on an exceptional basis where factors beyond its control make the timely carriage and delivery of traffic difficult and all reasonable alternatives to address those challenges have been attempted and found to be insufficient; and
3. Only implement embargoes that are targeted to address specific and actual challenges, are designed to minimize impacts on traffic carriage and delivery while in place, and are temporary and lifted at the earliest reasonable opportunity.”

Embargo	Permits	# Permits	Location	Consignee	Products	Reason	Embargo Officer	Effective Date	Expiry Date	Cancelled Date	Amended Dates
CN004219	NO	NA	CDN NETWORK - INLCUDING BC	ALL	VARIOUS CONTAINER TYPE EQUIPMENT	WORK STOPPAGE	NA	11-22-2019	11-19-2020	11-27-2019	
CN000120	YES	126 total	VANCOUVER, LULU ISLAND YARD, SOUTH FRASER, NEW WESTMINSTER	RAY-MONT LOGISTICS	ALL COMMODITIES	CONGESTION/ ACCUMULATION	GRAIN_PERMITS @CN.CA	01-05-2020	01-02-2021	01-15-2020	
CN000820	YES	1935 total	CDN NETWORK - INCLUDING BC	ALL	FLAMMABLE COMMODITIES AND TOXIC INHALATION HAZARD	MINISTERIAL ORDER - CONGESTION	TANK_PERMITS@CN.CA	02-10-2020	02-07-2021	02-17-2020	02-07-2020 - Added STCCS, 02-08-2020 - Added STCCS, 02-08-2020 - Added STCCS, 02-08-2020 - Added participant station northwest Territory, 02-10-2020 - Added Stcc 4909382
CN001320	YES	619 total	VANCOUVER THORN YAR, LULU ISLAND YARD, SOUTH FRASER, NEW WESTMINSTER, VANCOUVER	RAY-MONT LOGISTICS	ALL COMMODITIES	CONGESTION/ ACCUMULATION	GRAIN_PERMITS @CN.CA	03-09-2020	03-06-2021	05-12-2020	03-07-2020 - Remove station participant CPRS
CN001720	YES	1929 total	Autoport Locations including : VANCOUVER THORTON YARD	ALL	FINISHED AUTOMOBILES	CONGESTION/ ACCUMULATION	CNAUTO@CN.CA	03-23-2020	03-20-2021	05-17-2020	03-23-2020 - Added FSACs, 03-26-2020 - Added Edmonton FSAC 04-15-2020 - Remove FSAC junct: Toronto, Moncton, Saskatoon, Winnipeg 04-29-2020 - Remove Fsc Edmonton, Clover Bar, Calgary
CN001820	YES	37 total	VANCOUVER THORN YAR, FRASER SURREY, LULU ISLAND YARD, NEW WESTMINSTER, VANCOUVER	GLOBAL AGRICULTURE, ARGLIENT AGROLINK ENTERPRISE	ALL COMMODITIES	CONGESTION/ ACCUMULATION	GRAIN_PERMITS @CN.CA	03-31-2020	03-28-2021	04-13-2020	
CN002220	YES	2020 total	VANCOUVER, NORTH VANCOUVER, SAPPERTON	MULTIPLE	WOOD PULP	CONGESTION/ ACCUMULATION	WESTCAR@CN.CA	04-17-2020	04-14-2021	05-12-2020	04-14-2020 - Add station participant CPRS, 04-17-2020 - Add station participant BNSF,



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**Law**

**Eric Harvey**

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September 11, 2020

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**RE: CN 2020 PLAN FILED UNDER DECISION No. CONF-9-2019**

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On August 1, 2020, CN filed in accordance with Agency Decision No. CONF-9-2019 "its plan [for 2020] to respond to surges in traffic that occur in the Vancouver area towards the end of the calendar year with a view to avoiding or minimizing the use of embargoes and maintaining the highest level of service reasonably possible as required by the CTA."

On August 26, 2020 you asked CN to comment on the following question: What planning or measures is CN putting in place to handle potential congestion in the BC Lower Mainland at the end of the calendar year that might result from increased demand as the pandemic situation eases? Here is our position on this question.

The COVID-19 pandemic has created a situation affecting in an unprecedented way the global movement of goods and supply chain. At this time, the duration of the pandemic and the measure of its full impact are undetermined. Most customers cannot forecast with certainty their demand for rail service for the next 6 months and observers only proceed with great caution and warnings when making looking forward statements about the future of the economy. The decline experienced in the economy continues to affect most sectors and the return to pre-pandemic levels is difficult to predict given the weaker economy, the uncertainty about a second wave and the moment a vaccine will be available. Any attempt to establish the evolution of the pandemic is speculative and cannot be done with certainty. Our answer to your question must therefore be read in this very challenging context.

Under the circumstances, CN is taking all measures available to move traffic in support of the Canadian economy by "rightsizing" the resources on the basis of the best information available. We have called back the vast majority of furloughed employees and we are placing cars and locomotives back in service where market demand justifies it such as automotive, intermodal and lumber.

Understanding that CN cannot plan for hypothetical demand, we continue to monitor the situation across our network in an effort to react in a timely manner to variations in market

September 11, 2020

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forces as influenced by outside factors such as the pandemic or trade restrictions. To do so, we maintain close contact with our customers and we make decisions on the basis of their demand, market analysis and recovery indicators.

It is also important to remember that ramping up rail service takes time as stored equipment must be inspected before being placed back in operation and recalling crews may require up to 30 days due to collective agreements. Crews also need railroad re-familiarization, typically lasting up to a week in order to ensure safe operations. In general, the lead-time for making resources operational is as follows:

- Three to five weeks for recalled employees.
- Approximately six months for new hired employees.
- Six to twelve months for railcars and locomotives.
- Six to eighteen months for infrastructure.

As you can appreciate, the challenge of aligning resources with demand in the context of uncertainty associated with the pandemic is a daunting task. Experience shows that even in regular times, forecasting can be difficult. We nevertheless consider that we are taking all necessary steps to support the recovery across our network, including at the Port of Vancouver.

Yours truly,



Eric Harvey  
Senior Counsel - Regulatory