



Network Operations

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Tom Oommen
Chief Compliance Officer
Canadian Transportation Agency
15 Eddy Street
Gatineau, Quebec K1A 0N9

Subject: Agency Decision No. CONF-9-2019

Dear Mr. Oommen,

In accordance with Agency Decision No. CONF-9-2019 dated April 15, 2019, please find enclosed the CN 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 as required by the CTA. Consistent with this decision, CN also includes a 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', written over a white background.

Doug Ryhorchuk
Vice-President, Network Operations and Planning

Enclosures



CN Filing under Agency Decision No. CONF-9-2019 - 2021

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 required CN to provide 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. 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 the end of year.

CN filed its first 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. Last year, we filed our second Plan on July 31, 2020 which was published by the Agency on the same date.

Current Context – COVID 19 and Forrest Fires

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. All segments of the end-to-end supply chain made significant changes to operating protocols in 2020 and 2021 to mitigate the risks associated with COVID-19. After their dramatic plunge in the early months of the pandemic, most commodities, except for the energy sector, have recovered and are now back to normal or heightened levels of volumes shipped. The exception to these all-time lows prior to unexpected sharp recoveries was the overall demand for Western Canadian grain, with record volumes shipped throughout the pandemic, both for North America and overseas markets.



This Plan is built on what the supply chain can handle efficiently. The return to normal demand has been matched by CN, other than the usual 2- to 6-week delay due to ramp-up when the equipment is removed from storage and reinspected, and crews complete their compulsory safety refreshers.

The variations we have witnessed since spring 2020 in the volumes of commodities moved show that in addition to usual market forces, the pandemic has influenced demand for rail service. Importantly, the surges in traffic referenced in the Decision are not expected to materialize in the near future as they did during the period reviewed by the Agency.

Forest Fires in British Columbia have had devastating effects in some areas where CN operates. At the time of writing this Plan, CN's network continues to recover from the impact of the Lytton wildfire which disrupted operations on the mainline to Vancouver. The line was fully reopened on July 13, 2021 with intermittent delays due to ongoing fire activity in the area. At this time, CN does not anticipate that the current situation should negatively impact CN's overall capacity to serve Vancouver this year.

Under the circumstances, this Plan confirms that CN considers being 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 the daily operational track capacity for unloading.

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 two years, CN can confirm the program has showed 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, participants still have not agreed to commit to the program as proposed by CN in a letter sent and filed in 2019 with our Plan as Appendix 4. We believe that the exceptional prevailing circumstances explain why customers show reluctance to commit to the program. As explained last year, current volume levels make unnecessary the establishment of a formal program at this time. All participants nevertheless recognize that efforts towards modulating the flow of traffic to Vancouver at time of peak demand are essential. 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.

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. CN received all



these new locomotives by March 2020, for a total fleet now exceeding 2,200 units. In late 2021, CN will acquire 75 additional units. As traffic volumes moved on CN fluctuate, some locomotives can be placed in storage (while being maintained) in strategic locations across the network for rapid retrieval. 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. Accordingly, CN adjusted the required number of crews across the network. CN stayed in close contact with laid off employees and as soon as traffic volumes recovered, CN started to recall crews selectively. CN can now report that all crews required to meet customer demand are back and operational. As for locomotives, CN assesses crew requirements on a continuous basis, both for the network overall and at the local level, including in Vancouver.

Capacity Investments

In 2021, CN is in the process of investing \$3 billion to expand network capacity, safety and resilience as well as decrease recovery time after an incident or period of extreme weather. This follows our 2018 to 2020 expansion program for a combined total of over \$13 billion in capital investment over the past four years. This record 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 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

Recognizing the critical importance of the Port of Vancouver, as part of the investments in its network CN has committed funds of more than \$150M specifically to the Vancouver area. As described below, this amount is supplemented by funds from other parties. 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 is partnering 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 over \$220M. The federal government, under the NTCF, will contribute \$77M, the Port of Vancouver \$62M and CN \$81M. Engineering work is underway and physical works began in 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. Completion targeted for Q4 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. Completed 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;



- Approximately 5,600 feet of retaining wall structure to support the new track formation in areas along the corridor where the ground profile requires such a wall; 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 Project Component will replace the existing at-grade crossing on Douglas Road with a four-lane overpass with walking and cycling facilities across the rail corridor. Completion targeted for Q2 2024.

Burrard Inlet Road and Rail Improvement

The project has been deferred pending renewal of CN's operating agreement with BN for use of the BI Line in 2026. This agreement renews on a 21 year cycle. In the interim, CN has developed a revised operating plan to handle increasing intermodal volumes from the south shore.

Glen Valley Double Track

The 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 \$84M. A contribution of \$20M from the federal government is confirmed, with the Port of Vancouver making a contribution of \$10M and CN funding the balance. We are requesting additional funding through the NTCF program due to material changes in the project scope and cost, now that design is complete.

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, transshipment 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 and 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. Work will commence upon completion of funding agreements.

Additional Sidings on the Ashcroft Subdivision

CN will also construct two additional sidings on the Ashcroft Subdivision in 2021-22 to increase capacity to the Port of Vancouver at a total investment of \$40M.

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 \$180M in the Prince Rupert corridor and 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 new long 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 Q2 of 2022.

Construction of a new siding in Port Edward

This investment of \$49M in 2018-2020 allowed 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 provides a staging location for trains moving to and from the Port of Prince Rupert when capacity is limited.

Planned Zanardi Bridge, Causeway and Rail Expansion

A Comprehensive Project Proposal (CPP) under the NTCF was submitted in May 2019 by the Port of Prince Rupert (PRPA) with CN as a funding partner. This project consists of a new double track bridge, two new new rail leads connecting CN's corridor to the terminals on Ridley Island and the rehabilitation of the the existing single track bridge. The project will address the existing natural bottleneck of the current single track bridge on the Prince Rupert approach, and will provide significant capacity and resiliency for many years. Construction will be scheduled to complete by 2026 based on projected capacity needs.

Construction of 2.5 miles of double track west of Prince George

CN invested \$16M to extend double track at the western end of Prince George yard, between approximately miles 1.32 and 3.81 of the Nechako Subdivision. This investment increased long train capacity at this location to facilitate the movement of traffic, build resiliency and accommodate traffic growth.

Additional Siding and Siding Extension Investments on the Skeena, Bulkley and Telkwa Subdivisions



In 2020, CN invested \$35M to construct two new sidings on the Skeena and Bulkley Subdivisions to increase build network capacity and increase resiliency. The impact of these two sidings is to increase long train capacity on the corridor to [Network Planning to provide].

By Q4 2021, CN will have completed two additional new sidings on the Bulkley Subdivision and one siding extension on the Telkwa Subdivision at a total cost of \$45M, increasing long train capacity on the corridor.

List of Embargoes

Consistent with the Decision, CN includes (**Appendix 3**) 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
CN003320	Yes	35 used, 250 issued	North Vancouver	Fibreco Export Inc	All	Derailment and Silo collapse	Bulkops@cn.ca	2020-09-12		2020-10-08	Amendment 3, Dec 2: Other-Specify - Updating Permits officer: Bulkops@cn.ca Amendment 2, Dec 2: Allow Permits - Allowing Grain products to have permits. Amendment 1, Sept 14: Add/Remove Stations by Participant
CN003820	Yes	71 used, 1000 issued	Lulu Island, Vancouver, Newwestminster	Ray-mont Logistics	All	Congestion	portops@cn.ca; grnwestfleet@cn.ca	2020-10-22		2020-11-30	Amendment 1, Oct 21: Add/Remove Stations by Participant
CN004020	Yes	241 used, 1200 issued	Vancouver Thornton Yard	Surrey Distribution Center	pipe	Congestion	Service_West_supv_list@cn.ca	2020-11-30		2021-04-05	Amendment 2, Nov 30: Add STCC - Amendment 1, Nov 28: Add/Remove Stations by Participant -
CN004220	Yes	27 used, 400 issued	Vanthoyar, Vancouver, Newwestminster, Lulu Island.	Global Agriculture Transloading	All	Congestion	Portops@cn.ca, Grnwestfleet@cn.ca	2020-12-10		2020-12-28	Amendment 1, Dec 8: Add/Remove Stations by Participant -
CN004520	No	N/A	North Vancouver, Vancouver	Fibreco Export	All	Congestion	N/A	2020-12-31		2021-01-06	Amendment 2, Jan 4: Add CIF Customer - Adding consignee customers who use Fibreco to unload Amendment 1, Jan 4: Add/Remove Stations by Participant -
CN004620	Yes	none required	North Vancouver, Vancouver	Lynnterm	Pulpwood	Congestion	Westcar@cn.ca	2021-01-03		2021-01-04	
CN000521	Yes	73 used, 301 issued	North Vancouver	PKM Canada Marine Terminal	1021110, 1021210	Track conditions	Service_West_supv_list@cn.ca	2021-02-05		2021-02-12	Amendment 4, Feb 12: Remove STCC - Amendment 3, Feb 10: Other-Specify - Removing empties, only loads embargo'd Amendment 2, Feb 8: Allow Permits - Adding commodity Sulphur 1471610 and permits allowed Amendment 1, Feb 5: Add STCC -
CN001521	Yes	52 used, 400 issued to date	Lulu Island, Vancouver, Newwestminster	Ray-mont Logistics	all	Congestion	portops@cn.ca; grnwestfleet@cn.ca	2021-05-31	2022-05-28		Amendment 1, May 31: Add/Remove Stations by Participant -

CN001821	Yes	200 used, 2000 issued	All Greater Vancouver Area	All Customers	all	WILDFIRE	Service_West_supv_list@cn.ca	2021-07-03		2022-07-18	<p>Amendment 8, July 16: Add/Remove Stations by Participant -</p> <p>Amendment 7, July 16: Other-Specify - Removing bi directional</p> <p>Amendment 6, July 10: Add/Remove Stations by Participant -</p> <p>Amendment 5, July 10: Add/Remove Stations by Participant -</p> <p>Amendment 4, July 7: Other-Specify - going back to all empties</p> <p>Amendment 3, July 7: Other-Specify - Excluding system owned empties cars and going to just going to private empties and loads to help with permitting issues.</p> <p>Amendment 2, July 4: Adding FSAC/Junction - Adding Roberts Bank</p> <p>Amendment 1, July 3: Add/Remove Stations by Participant -</p>
CN001921	Yes	61 used, 2000 issued	All Interchanges in the Greater Vancouver Area	ALL INTERCHANGES	all	WILDFIRE	Service_West_supv_list@cn.ca	2021-07-03		2022-07-18	<p>Amendment 6, July 16: Adding FSAC/Junction - ADDING MORE EXCLUDED STATIONS</p> <p>Amendment 5, July 8: Other-Specify - Adding exempt station</p> <p>Amendment 4, July 7: Adding FSAC/Junction - changing exclusion list</p> <p>Amendment 3, July 7: Adding FSAC/Junction - adding excluded locations back</p> <p>Amendment 2, July 5: Add/Remove Stations by Participant - Adding more interchange routing and removing excluded FSAC's</p> <p>Amendment 1, July 3: Add/Remove Stations by Participant -</p>