

WESTERN GRAIN ELEVATOR ASSOCIATION

Ste. 1320-220 Portage Ave.
WINNIPEG, Manitoba
R3C 0A5

Telephone: (204) 942-6835
Fax: (204) 943-4328
E-Mail: wgea@mts.net

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Sent via e-mail

Canadian Transportation Agency

Attention: Mr. Scott Streiner
Ms. Lidia Lebar

Dear Ms. Lebar and Mr. Streiner,

Re: Canadian Transportation Agency Own Motion Investigation – Vancouver Rail Service

The Western Grain Elevator Association (WGEA) wishes to respond to comments made by CN during its testimony before the Agency on January 30, 2019 in Vancouver. In this submission, we quote three of CN's comments from the transcripts of the oral hearing, and provide the WGEA's response to each.

- 1. CN: "The agriculture data shows from October to December 2018 CN provided 95 percent of the cars ordered by grain shippers, and CN moved 10 percent more grain in these three months in 2018 than it did in 2017. Clearly, CN was not discriminating against grain customers. And in fact, we are just two days away from a record January grain movement. This industry is very well served. We are completely current on grain orders, and we actually have grain cars in storage, so we were surprised to hear Mr. Sobkowich's comments on this yesterday, given we talk to our grain customers every day and have not heard that."***

We note that CN has referenced agricultural data showing it provided 95% of the cars ordered by grain shippers. This 95% is shown in the Ag Transport Coalition report for grain shipping week 23, and we assume is the data to which CN refers.

CN has been providing good car order fulfillment in the way of timely spotting of empty railcars for loading since the beginning of the crop year. While CN is not current on grain orders as it claims, it has averaged a 91.8% car order fulfillment rate between grain shipping weeks 14 to 26 (October 28, 2018 to January 26, 2019). However, it is the delivery of these filled orders at the Vancouver terminal for timely and orderly unloading that has been extremely problematic, as described in our submission of January 18, 2019.

Furthermore, the members of the WGEA have calls with CN operations on a regular basis, and sometimes multiple conversations are had daily. While these discussions are not recorded, the WGEA members are adamant they have communicated their concerns to CN about the untimely delivery of loaded railcars to terminals in these discussions.

- 2. In fact, on January 22nd, eight days ago, I met with senior executives from Cargill and Richardson, who are part of the Western Grain Elevators Association, and not once during that meeting did they bring up this concern about breaking up trains or the sequencing of this. You've heard from them we have daily calls. It's not brought up on there. This is obviously an exception, and we do discuss grain that's to be brought into the terminal on a regular basis.***

Likewise, the WGEA members have communicated to CN over the course of years that the breaking up of trains is a problem for them. While it may not have been specifically raised at the meeting on January 22nd, the purpose of the meeting was not to discuss the issues associated with breaking up of grains or grain sequencing.

We have used one terminal as a sample to provide evidence of the breaking up of trains. For this particular company, since the start of the 2018/19 crop year (shipping weeks 1-26), 31% of all CN trains shipped have been broken up and not arrived intact to the port terminal. The CN breaking up events since the start of the crop year are detailed in the attached spreadsheet. This information is commercially sensitive and should be considered proprietary.

Sequencing of trains is important in order to meet quality requirements for vessels calling to the berth. If trains are broken up, the remainder of the train may not be delivered for several weeks. Consequently, vessels may not be completed and may be moved off berth to anchorage until the remainder of the train is delivered.

Breaking up of CN trains has been an operational issue for our members and is a weekly if not daily topic of conversation between grain company logistics teams and CN and CP operations personnel. Due to the frequency of communication these calls are not documented. During Winter Contingency Planning calls, the supply chain difficulties resulting from the breaking up of trains was frequently mentioned and these calls were documented. Attached is a copy of the minutes of the Winter Contingency Planning meeting from December 11, 2015. On page 2 it states that the VTEA (Vancouver Terminal Elevator Association, which is a subgroup of the WGEA) raised concerns about the breaking up of unit trains. This is a sample. It has been raised year after year with CN since the early 2000's. Also enclosed are e-mails between one WGEA member company and CN which demonstrates that CN was aware that the breaking up of unit trains was an issue. More evidence can be supplied if deemed necessary by the Agency. These e-mails are proprietary and commercially sensitive. We ask that the Agency treat them as confidential.

- 3. We heard from Mr. Sobkowich yesterday that he did not say there's any grain terminal capacity issues. However, we have a terminal on the North Shore that regularly departs -- regularly loads a hundred car unit trains in the country. This terminal can only accept 80 cars. How is that not a capacity issue, when you depart a hundred cars, and they only accept 80 cars. Furthermore, those 20 cars are then put into the yard, at either Thornton yard or North Vancouver, and then they go out of sequence. I'd also like to mention about grain, on that meeting that I had on January 22nd with Richardson and Cargill, amongst ourselves was the senior operations people. We also had engineering, senior engineering people, from both Cargill, Richardson and CN***

there. One of the main topics discussed at that meeting was to discuss how can Richardson and Cargill expand their facility so they can take a direct unit train right into their facility. What did they need to do to realign their tracks, work together, and how they can arrive a full train into their facility.

Port grain terminals continue to invest in their facilities to increase capacity and improve efficiencies. In 2017 port terminals invested a combined total of \$472,606,000 and in 2018 the investment dollars totaled \$439,544,000. Improvements to trackage and sidings are included as part of these ongoing investments. However, the above statement from CN would lead the listener to believe that either Richardson or Cargill can only accept 80 railcars. This is not the case, and CN must be referring to a non-WGEA member company. The port terminal facilities associated with the WGEA in Vancouver are; Alliance Grain Terminal, Cargill, Cascadia Terminal, Pacific Elevators, and Richardson Terminal. Track capacity numbers were provided to the Agency as the sixth tab of the spreadsheet included with the WGEA's January 18, 2019 submission. Richardson has the track capacity to accept 220 railcars for unloading at once, and Cargill can accept 112 carloads at a time. This is enough track space to accommodate a full CN unit train at a time.

In the future, our members are prepared to work with CN to find alternative methods to address scenarios that occur when congestion issues arise that affect the entire system. Unilaterally imposed solutions are not the answer. Ideally, Service Level Agreements would contain the proper disciplines in the way of reciprocal penalties to influence behavior.

Thank you in advance for accepting our follow up comments on these items. We look forward to the Agency's decision in this matter.

Yours truly,



Wade Sobkowich
Executive Director