



November 5, 2010

(By email: [rfsr-esmf@tc.gc.ca](mailto:rfsr-esmf@tc.gc.ca))

Rail Freight Service Review Secretariat  
Suite 808, 180 Elgin Street  
Ottawa, ON K2P 2K3

Attention: Mr. Walter Paszkowski, Chair  
Mr. David Edison, Member  
Mr. William LeGrow, Member

Dear Sirs:

Re: **Rail Freight Service Review Interim Report**

The success of Canada's port system critically depends on all service providers in Canada's supply chain network. The railways are key stakeholders in this supply chain and therefore railway performance, capacity and service are strategic priorities for Port Metro Vancouver. Port Metro Vancouver strongly supports the Rail Freight Service Review process and has been working closely with its partners to improve supply chain reliability, accountability and efficiency.

As Canada's major gateway for international trade, Port Metro Vancouver serves as an economic generator for Metro Vancouver and all of Canada. The busiest and most diverse port in Canada, Port Metro Vancouver trades \$75 billion in goods annually with more than 160 trading economies. Our business generates an estimated 129,500 jobs across Canada, which pay \$6 billion in wages, and contribute \$10 billion in GDP. A lack of consistent and reliable service imposes additional costs and uncertainty upon supply chain participants and increases the financial risks of current and future investments in the port system. This threatens the Vancouver Gateway's international reputation, competitive position and ability to respond to market opportunities.

In order to achieve optimal supply chain performance and management, more coordinated and active involvement of all service providers is required. Port Metro Vancouver is beginning to see the positive results of a signed collaboration agreement with CN. In addition, an agreement in principle with CP has set the stage for that company's involvement and commitment to greater supply chain collaboration and management.

Port Metro Vancouver has carefully reviewed the Panel's Rail Freight Service Review Interim Report and recommendations and applauds the Panel's decision to focus on a commercially-based solution to rail service issues. This preference for largely commercial solutions, in combination with measured regulatory intervention, if needed, was the key element of Port Metro Vancouver's original submission. Based on our experiences and consultations with stakeholders, we believe this approach provides a real incentive for continued and sustained rail service improvements.

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Port Metro Vancouver is aware of the divergent opinions respecting the efficacy of the Panel recommendations in addressing the imbalances in the commercial relationships between the railways and other stakeholders. On reflection, and after careful regard to these various views, we reiterate our support for the Panel's prudent two-phased approach, which affords all stakeholders several years to collaborate and negotiate suitable and effective commercial arrangements and solutions to their rail service and reliability concerns. Based on our experiences and consultations with stakeholders, we believe this approach is appropriate for the port-related aspects of the supply chain.

Port Metro Vancouver also fully supports the recommendations related to negotiation and implementation of service agreements between the railways and those stakeholders with whom they have an operational or commercial relationship (including ports and terminal operators), establishment of fair and timely dispute resolution processes with these same stakeholders, and enhanced performance reporting at several levels.

Over this past year, both CN and CP have signed a number of supply chain collaboration and level of service agreements with port stakeholders. Last mile destination services are critical to the efficient movement of cargo, as well as the collective performance, profitability and reputation of the Vancouver Gateway's supply chain participants. We concur with the Panel's belief that operating and level of service agreements, which set out the parties' respective roles, responsibilities and reciprocal accountabilities (including consequences for non-performance and dispute resolution processes), will contribute to improved relationships between the railways and their stakeholders, and ultimately, towards more consistent, reliable service levels.

The success of these agreements, and other commercial initiatives, in addressing rail service and reliability issues in the Vancouver Gateway needs to be carefully monitored between now and 2013. Port Metro Vancouver is aware that a number of operators of cargo terminals and off-dock freight facilities within the Vancouver Gateway are prepared to enter into level of service agreement negotiations with their railway partners. We therefore suggest the railways be required to provide regular reporting, including an accounting of requests for agreements, status of negotiations and finalized commercial arrangements, over this period.

Port Metro Vancouver has been working closely with its supply chain partners, including CN and CP, to develop mechanisms to measure and monitor the performance of key participants in the port against established benchmarks. The collaboration agreement between Port Metro Vancouver and CN establishes a much-needed framework for engaging stakeholders and establishes a process to communicate, manage, and resolve service-related issues in the Vancouver Gateway. As a result of the agreement, a supply chain executive committee now meets regularly to review and assess performance against evidence-based metrics and reliability indexes.

Members of the supply chain executive committee have committed to negotiate service level or operating agreements with their railway partners. Data sharing and collection between Port Metro Vancouver, CN and CP has been underway for some months. Benchmarks for the intermodal business sector (including container dwell times) have been agreed upon and the supply chain executive committee members have now turned their attention developing the appropriate metrics for the grain and bulk business sectors. These metrics, coupled with regular reporting by the committee secretariat, are contributing to greater understanding and enhanced visibility for all supply chain participants.

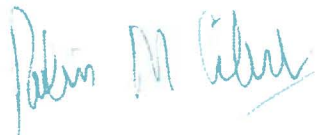
One of the key Panel recommendations is for enhanced performance reporting at two levels: confidential bilateral reporting and public reporting at a sector level. Port Metro Vancouver supports this recommendation and while we have no comment on the form and content of confidential bilateral reporting, we would be pleased to contribute, either directly or through the supply chain executive committee, to the public reporting of the port-related elements of the supply chain. Specifically, we would be prepared to share our aggregated data respecting container dwell times, rail transit times, railcar supply, and vessel on-time performance within the Vancouver Gateway.

In addition, the negotiated dispute resolution process needs to be closely monitored in order to allow a full assessment by 2013. Access to cost-effective dispute resolution, followed by the meaningful implementation of remedies, would be the best measure of success in this regard. Port Metro Vancouver recommends the terms of reference for any mediator appointed by Transport Canada be expanded to include monitoring of disputes and implementation of remedies.

Port Metro Vancouver provides a solid economic foundation to communities and to Canadian shippers, manufacturers and industry stakeholders who use its vital services. The Rail Freight Service Review's recommendations, if accepted, will help us to deliver the full potential of the Asia-Pacific Gateway.

Yours truly,

PORT METRO VANCOUVER



Robin Silvester  
President and Chief Executive Officer

cc: Neil Thurston, Senior Policy Advisor