



**BRITISH  
COLUMBIA**

**SHAREHOLDER'S LETTER OF EXPECTATIONS**

**BETWEEN**

**THE MINISTER OF TRANSPORTATION  
(AS REPRESENTATIVE OF THE SHAREHOLDER,  
GOVERNMENT OF BRITISH COLUMBIA)**

**AND**

**THE CHAIR OF THE BRITISH COLUMBIA RAILWAY COMPANY  
(AS REPRESENTATIVE OF THE COMPANY)**

**PURPOSE**

This Shareholder's Letter of Expectations between the Shareholder and the Company is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the Shareholder and the Company on corporate mandate including high-level performance expectations, public policy issues and strategic priorities<sup>1</sup>. It will be reviewed annually and updated as required. The Shareholder's Letter of Expectations should inform the development of the Company's Service Plans and Annual Service Plan Reports. The Letter applies to the Shareholder and the Company. This Letter does not create any legal or binding obligations on the part of the Shareholder or the Company but rather is intended to define and promote a positive and co-operative working relationship.

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<sup>1</sup> The Province of British Columbia's *Governance Framework for Crown Corporations* ([http://www.gov.bc.ca/cas/down/govframe\\_redraft.pdf](http://www.gov.bc.ca/cas/down/govframe_redraft.pdf)) establishes guiding principles for the governance of Crown corporations. The Governance Framework also identifies roles and responsibilities for the Shareholder and Crown corporations and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

**Government has provided the following direction to the British Columbia Railway Company:**

The Company was established through statute, the *British Columbia Railway Act*, to construct and operate a freight railway in British Columbia. In November 2003, government announced CN as the successful private sector operator for the freight railway. CN assumed operation of the freight railway in July 2004. The residual assets and entities currently owned and operated by the Company, with the exception of the railway right-of-way, railbed and track infrastructure, are not required to be publicly owned. As a result, Government has directed the Board of Directors to continue to wind down or exit the remaining operating assets and entities owned by the Company.

The Company will continue to own the railway right-of-way, railbed and track infrastructure that supports the freight railway. In addition, the Company, as landowner, will have an on-going accountability to oversee the long-term lease with CN.

**The Parties hereby specifically agree that:**

**COMPANY ACCOUNTABILITIES**

In responding to government's performance expectations and the general and specific frameworks and direction of the Shareholder, the Company will:

- conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, and customer service;
- prepare Service Plans with clearly articulated goals, objectives, strategies and performance measures and targets, and annual reports that detail progress toward achieving those goals;
- conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by the Shareholder;
- develop and implement strategies to manage risks identified in the Service Plan;
- provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities;
- identify to the Shareholder issues for consideration in drafting or amending legislation which would facilitate or support the Company in achieving its mandate;
- provide information to the Shareholder if the Company is unable to meet the targets identified in its Service Plan; and
- take appropriate action to ensure that if Shareholder-directed transactions affect the Service Plan or financial targets of the Company, the Shareholder is informed of any impacts.

In addition, the Shareholder directs the Company to take the following specific actions:

- Continue to wind down or exit the remaining operating assets and entities owned by the Company in a manner that maximizes a commercial return to the province, including:
  - Vancouver Wharves Ltd.
  - BCRC Captive Insurance Co. Ltd.
  - BCR Properties Ltd.
  - BCR Port Subdivision Ltd.
- Prepare quarterly reports for the Shareholder on the status of the long-term lease with CN and progress of wind down activities which identify all financial impacts anticipated to result;
- Recognizing the Minister of Finance's policy directive, ensure all borrowing activities of the Company and its subsidiaries are undertaken through the Ministry of Finance, unless otherwise directed or permitted.

## **SHAREHOLDER'S RESPONSIBILITIES**

The Shareholder is responsible for the legislative, regulatory and public policy framework within which Crown corporations operate. In order to meet these responsibilities and support achievement of government's performance expectations, the Shareholder will:

- establish, review, revise and communicate Crown corporation mandates;
- establish the overall and Crown-specific financial frameworks under which Crown corporations operate (borrowing, investment, and payment to the Shareholder);
- issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/rpts/>);
- provide strategic input and advice to Crown corporations in the development of their Service Plans and Annual Reports;
- provide broad policy direction and confirmation of general frameworks/principles to Crown corporations, within which the Crown corporations may establish and apply specific policies/processes;
- advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporations; and
- issue directives or orders or sponsor submissions on behalf of Crown corporations from the Executive Council or its committees, seeking decisions or policy direction which may be required to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in their Service Plans.

The Shareholder has recently developed policies for ministries and Crown corporations regarding the Capital Asset Management Framework (<http://www.fin.gov.bc.ca/tbs/camf.htm>), First Nations accommodation and for Board remuneration. As well, during the term of this Letter, the Shareholder also anticipates

providing policy direction in a number of areas that may affect Crown corporations, including:

- Chief Executive Officer and executive compensation;
- risk management;
- zoning and land use;
- property taxation;
- donations; and
- environmental remediation.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown corporations' Service Plans.

## **AREAS OF SHARED ACCOUNTABILITY**

### **Communications**

It is agreed by both the Shareholder and the Company that, to ensure effective and efficient day-to-day communications and relationship building, officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible and the Board of Directors informed of progress.

### **Reporting**

The Shareholder and the Company are committed to enhanced transparency for and accountability to the public. The Shareholder has put in place a public reporting structure set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*. The Shareholder will provide the Company with a financial reporting calendar and details of performance reporting requirements (<http://www.gov.bc.ca/cas>). The Company agrees that it will meet these financial and performance reporting requirements. If government determines that changes to the reporting requirements are necessary, the Shareholder will communicate these to the Company.


In addition to these financial and performance reporting requirements, the Company agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.


The Shareholder and the Company agree that, as a matter of course, each will advise the other in a timely manner of any issues that may materially impact the business of the Company or the interests of the Shareholder.

### **Review and Revision of this Letter**

In addition to co-ordinating the overall process for preparing this Letter on behalf of the Shareholder, the Crown Agencies Secretariat in conjunction with the Company staff, are

accountable for undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the Company will discuss any issues and may agree to amend this letter.

  
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Honourable Kevin Falcon  
Minister of Transportation  
  
November 19, 2004  
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Date

  
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John McLernon, Chair  
British Columbia Railway Company  
  
Nov 21 2004  
\_\_\_\_\_  
Date

- cc. Honourable Gordon Campbell  
Premier
- Honourable Gary Collins  
Minister of Finance
- Kevin Mahoney  
Chief Executive Officer  
British Columbia Railway Company
- Brenda Eaton  
Deputy Minister to the Premier, Corporate Planning and Restructuring  
Office of the Premier
- Dana Hayden  
Deputy Minister and Chief Executive Officer  
Crown Agencies Secretariat