

Moving Forward

BC Rail Investment Partnership



COMMUNITY BENEFITS

PRINCE GEORGE

Communities and customers of BC Rail told the provincial government that a new investment partnership was needed to secure the long-term future of this vital transportation network.

The BC Rail Investment Partnership responds to their concerns by delivering significant benefits to communities like Prince George. CN's billion-dollar investment in British Columbia will inject needed money into capital improvements, and free taxpayers from BC Rail's \$500 million debt. A focus on growing the business, lower freight rates, faster, more reliable service and improved infrastructure will be strong incentives for B.C.'s resource industries to move more of their products on rail. This will in turn create new jobs, both within the railway and within Heartlands communities.

\$135 million Northern Development Initiative

Proceeds from the partnership will be used to establish a \$135 million Northern Development Initiative to support investments in forestry, pine beetle recovery, transportation, tourism, mining, Olympic opportunities, small business and sustainable economic development.

A sum of \$25 million will go toward an operating endowment, with the interest used to support the operations of the Northern Development Initiative. A further \$60 million will be divided equally among four regions, including \$15 million dedicated for Prince George. The remaining \$50 million will go to a general trust to support cross-regional investments, economic development and job creation.

The initiative will be administered by a board, to be established by future legislation, and assisted by a regional advisory committee for each of the four regions to provide input to spending priorities. The province will make the initial appointments to the board. It will include people with the range of skills required, along with representatives selected by the regional advisory committees. The regional advisory committees will include community representatives that may include mayors and MLAs.

Investment in new Prince George division office creates northern transportation hub

Prince George has been chosen as the location for CN's new BC North Division Office. It will be home to transportation, customer service, engineering, mechanical and general management employees. The office will be responsible for all BC operations north of Lillooet and west of Dawson Creek.

Investment in new Prince George wheel shop attracts jobs

Prince George has also been chosen as the site for a new \$1-million, state-of-the-art wheel shop. As a result of this new investment, CN will perform all its Western Canada wheel work in Prince George, which is now performed in Winnipeg. As well, some of the jobs created will be attracted from work that is currently being outsourced to U.S. suppliers.

Transfer of Locomotive and Rail Car Repair and Maintenance Programs

CN will transfer some forest product car repair programs and overhauls of High HP locomotives from Western Canada into its car and motive power shops in Prince George.

Investing in BC's Northern Development Corridor

The BC Rail Investment Partnership will open up the northern corridor from Alberta to Prince Rupert, transforming Prince George into a major new continental gateway and creating new economic opportunities across the north in resource industries and tourism. By investing in the key transportation gateways of Prince George and Prince Rupert, CN will leverage its unique transportation network in the North to take advantage of the strategic position of the Port of Prince Rupert and its proximity to Asian markets by investing in a new container terminal to move traffic from Asia to Eastern Canada and Chicago.

Prince George Airport upgrade creates gateway

The province will provide \$4 million to the Prince George Airport Authority for terminal and runway improvements to assist in upgrading the airport to serve as a major regional gateway for air travellers and shippers.

New passenger/tourism services

CN will issue a request for proposals (RFP) for passenger-tourist train service providers. CN will provide access to the rail line on reasonable commercial terms to accommodate passenger services. New passenger-tourist train services are estimated to create hundreds of new jobs in B.C.'s tourism and hospitality industry.

New tax revenues will help fund local services

The BC Rail Investment Partnership will generate new local government revenues that will help Prince George

reduce the tax burden on residents and businesses and fund municipal services. Because CN will be fully taxable at the municipal level, Prince George could receive an estimated \$825,000 in revenues, based on current assessment levels—more than doubling the revenues it received from BC Rail in 2003.

The BC Rail Investment Partnership could also generate an estimated \$880,000 in local tax revenues for the Fraser-Fort George Regional District. This will represent a nine-fold increase over the grants-in-lieu of taxes paid by BC Rail to the regional district in 2003.

New land for economic development and jobs

CN will move most of its switching activities from its downtown yard to BC Rail's yard, freeing up significant city real estate for potential commercial, light industrial and recreational development. This will create new opportunities for jobs, economic diversification and community use. CN will donate part of the existing yard to Prince George to expand the scenic Cottonwood Park, thereby expanding the city's recreational system.

BC Rail has a substantial real estate portfolio that is not required for railway purposes. The province will negotiate with First Nations, communities and tenants to transfer ownership of those properties, where appropriate. This land represents a significant potential benefit for communities for economic and commercial development.

Improved access to markets

Forestry drives the Prince George economy and jobs and the Investment Partnership will make the area's industry more competitive. CN is the only railroad connecting directly with BC Rail at Prince George and North Vancouver, and offers BC Rail shippers the shortest and fastest route to key U.S. markets

The partnership will provide access for the first time to an integrated, continental rail network, including the introduction of a new "Chicago Express" that will transport freight to U.S. markets two days faster. The improved access will make B.C.'s resource industries more competitive in the U.S. market.

New benefits for First Nations

CN has extensive experience in working with First Nations and they support the BC treaty process. They will honour BC Rail's existing agreements and protocols with First Nations.

In addition, a \$15 million First Nations Trust will be established to support economic development, educational advancement and cultural renewal for the 25 First Nations along the BC Rail network. This may include funding to: build capacity and provide seed-capital for aboriginal enterprises and joint partnerships; protect and promote First Nations' languages; and support initiatives for aboriginal youth apprenticeship training.

The trust will be administered by a board to be established by future legislation.

Investment in new rail cars means a stronger Interior forest industry

Shippers have indicated that BC Rail was unable to provide sufficient rail cars to meet their needs. This concern will be answered by a contractual commitment by CN to purchase 600 centre beam cars and to upgrade 1,500 cars to ensure customers have access to rail cars when and where they need them. This will help boost the economic strength of the Interior's top job creator.

Lower rates and costs

Shippers will receive an average rate reduction of seven per cent for interline rail shipments. Lower rates will help make B.C. forest products more competitively priced and that will help companies protect and create jobs. Virtually all of BC Rail's current customers will enjoy the benefits of lower freight rates with CN, and there will be regulatory protection for rates—for the first time ever—under the *Canada Transportation Act*.

Shippers using the BC Rail system will no longer need to carryout extensive switching to the Vancouver interchange, helping to reduce transit times from Prince George by 30%.

Competitive transportation choices for shippers

CN will establish an Open Gateway Rate and Service Commitment to ensure competitive access to other interline carriers at Vancouver. Shippers will have the choice to use CN's improved service to reach their markets or use competing alternatives at Vancouver. These choices include CN's single-line services to key markets, or continued competitive access to other railroads at Vancouver at lower average rates than currently charged by BC Rail. In addition, the Open Gateway rates are backed up by a service commitment that will ensure shippers using BC Rail to reach competing railways in Vancouver receive the same service as shippers using CN.

Fair treatment for BC Rail employees

CN has prepared a comprehensive plan to minimize and mitigate job impacts. BC Rail employees have worked hard to build the company and all will be treated fairly, respectfully and generously. Employment impacts will be minimized considerably through early retirement, attrition, relocation, and severance payments where no alternative exists. Throughout the entire BC Rail network of 1,380 employees, there will be only 180 involuntary job reductions over the next three years.

Only 25 positions will be reduced from BC Rail in Prince George over the next three years.

Local suppliers protected

CN will honour all current BC Rail contracts, including those with local suppliers in Prince George.