

Moving Forward

BC Rail Investment Partnership



COMMUNITY BENEFITS

QUESNEL

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 Quesnel. 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 the Cariboo-Chilcotin/Lillooet region. 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.

New tax revenues will help fund local services

The BC Rail Investment Partnership will generate new local government revenues that will help Quesnel reduce the tax burden on residents and businesses and fund municipal services. Because CN will be fully taxable at the municipal level, Quesnel could receive an estimated \$125,000 in revenues, based on current assessment levels—almost tripling the revenues it collected from BC Rail in 2003.

In addition, the BC Rail Investment Partnership with CN could generate local tax revenues of approximately \$927,000 for the Cariboo Regional District, more than 15 times the value of the grants-in-lieu of taxes paid by BC Rail to the regional district in 2003. These significant new municipal revenues paid by CN will help the regional district provide local services to the citizens of communities like Quesnel.

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.

Improved access to 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.

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*.

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.

Investment in new rail cars

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.

Long-term protection of the rail network

CN's substantial investment in the BC Rail system underlines its commitment to protect the long-term integrity of BC Rail's line.

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.

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.

Local suppliers protected

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