

Canadian Transportation Agency
Attention: Mr. Ryan Dallaway

Re: Uniform Classification of Accounts Consultation

I am pleased to report that Teck Resources Limited, on its own behalf and on behalf of its affiliates (collectively, “Teck”) intends to participate in the Agency’s Consultation on Amendments to the Uniform Classification of Accounts.

As you are aware, many shippers in Canada rely on the Agency’s capabilities to issue unbiased, objective and timely railway cost determinations, for the purposes set out in the Canada Transportation Act, including final offer arbitration, regulated interswitching, CLRs, among others. While it is unfortunate that Canada’s two dominant carriers regularly oppose and even contest the accuracy of these determinations, their usefulness ranks very high among shipper concerns over the exercise by railway carriers of their market power. Hence, Teck favours a process that allows the Agency to more accurately capture railway cost information, ensure accounts are representative of current operations, improve its processes, and maintain modern accounting standards. Further, Teck supports improvements relating to transparency in the gathering and processing of cost information, the elimination of barriers to the disclosure of railway costs, for individual shipments in particular, and mechanisms to allow shippers in Canada access to the same quantity and quality of information available to shippers using CN and CP’s services in the United States. Since the Consultation is related to those sought-after improvements, we are confident that the Agency will seek to provide the best information available in the costing determination process.

We are especially cognizant of the need for shipper participation in the Consultation, particularly in light of the fact that rail carrier reporting requirements are managed on a day-to-day basis between the Agency’s staff and staff at each railway company and the lack of publicly available information in regard thereto. Because rail carriers do not disclose publicly the costing information they provide to the Agency, shippers are not in a position to provide submissions by the Agency’s January 31, 2013 deadline. To that end, we confirm our conversation of Friday, November 16, 2012, that shippers will not be required to make such submissions by January 31, 2013, that, without limitation, they will be permitted to

1. fully participate in the Consultation thereafter despite not making such submissions,
2. receive timely notice of all Consultation information provided by the Agency to carriers to ensure such participation, and
3. comment on the Agency’s accounting rules and structure of accounts, the proposed drafts and final UCA chart of accounts, and revisions thereto.

As you will appreciate, shipper concerns over the exercise of railway market power in the form of upward pressure on rates and inadequate levels of service are of paramount consideration in carrier-shipper interactions. The solicitation by the Agency of input for revising the UCA leading to the publishing by the Agency of a new UCA may be critical to the continued success and viability of many Canadian shipping enterprises. To the extent the UCA is amended or revised in such a manner as to permit rates set in an environment that lacks effective competition for rail services, we believe shippers, and the broader Canadian economy, will suffer. Hence, shipper (and likely other stakeholder) participation is critical in testing the effects of any proposed changes or revisions to the UCA.

We very much look forward to participating in the Consultation and thank you in advance for your favourable consideration of the subject of this letter.

François Tougas*

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*Law Corporation

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Please find below our further comments in respect of the Agency's UCA consultation. We look forward to our continued participation on behalf of Teck Resources. Our comments and questions below refer in particular to the impact of the UCA consultation on railway costing methodology and its impact on rail freight rates and, indirectly, levels of service.

1. We notice a departure by the Agency from Canadian GAAP accounting, or at least a deletion of its mention. We would appreciate knowing whether this deletion is to accommodate the Agency's pension decision, which appears to us to significantly deviate from GAAP, or whether it is intended to accommodate other proposed non-GAAP changes.
2. We understand that the Agency proposes to alter the definition relating to Geographic Cost Centres. To the extent that this change would affect the ability to estimate unit costs in a reliable manner, Teck will be interested in the impact as well as the opportunity to pursue the status quo, if not improve the definition in a manner that does not impair that ability.
3. Given the Agency's recent pension ruling, we are interested in obtaining more detail in relation to what will be recorded in the proposed new account for pensions (account 38). Further, in respect of pension accounting, we would like to know the basis and justification for departing from GAAP accounting, whether it is a one-time accommodation and in what other ways the Agency intends to depart from GAAP.
4. We are especially concerned with the proposal at section 1903 – Schedule C to reduce the number of car categories, especially with respect to gondolas, from two categories to one. Please kindly provide us with assurance that this change would not cause unit car costs for coal cars to increase.

Lastly, in response to our prior submission, we noticed objections to our recommendations regarding public data disclosure, which is not discussed in your document, even though the history is that data disclosure was a significant item when the current UCA was adopted. Canadian costing disclosure in particular has moved a long way toward opaqueness rather than transparency, to the detriment of shippers generally and captive shippers in particular. It should be counted as a glaring affront that it is easier for a shipper in Canada to get readily transparent data about its shipments in the United States than it is to get the same data about the same shipments in Canada. Accordingly, we wish to impress on you the need for timely and fulsome disclosure of Canadian railway accounting/statistical data. It is to be expected that railways

would object, but the grounds for doing so are founded in a desire to maintain market power, not with a view either to the goals of national transportation policy nor the economic well-being of those dependent on rail transportation.

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