

## Summary

CN and CP supplied 3,391 (46%) of the 7,430 hopper cars ordered for delivery in Grain Week 32. They supplied a further 3,633 cars that fulfilled customer orders from previous weeks. When railway car orders are not supplied to shippers in the week they are ordered, some shipper grain sales will be lost and some will be deferred. Lost sales cannot be recovered as international buyers will obtain this grain from suppliers outside Canada. Deferred sales may be filled by the grain company in later weeks using cars supplied later on in the year by the railway however they can result in extra costs to the supply chain through higher inventory carrying costs, payment of contract penalties by shippers, payment of ocean demurrage for waiting vessels and loss of goodwill with overseas customers.

The accumulation of each week's unfulfilled demand for hopper cars remains over 23,000 cars for the current grain year and represents the total volume of missed and deferred shipper orders. The net unfulfilled demand – those orders that shippers continue to expect the railways to supply excluding orders associated with rejected cars, denied orders and railway cancellations – is now 9,484 orders.

### Railway Car Supply – Grain Week 32

- CN spotted 3,826 hopper cars and CP spotted 3,198 hopper cars in the country in Grain Week 32 for a total supply of 7,024 cars – this included 3,633 cars that had been ordered for prior weeks. Grain Week 32 car spotting performance for CN was slightly higher than its YTD weekly average of 3,600 cars whereas CP remained below its weekly average of 3,500 cars per week.
  - In Grain Week 32 CN and CP supplied 3,391 (46%) of the 7,430 hopper cars ordered for delivery in Grain Week 32 representing a shortfall of 4,039 cars for Grain Week 32 orders.
  - Timeliness of supply in response to customer orders has been consistently poor throughout the course of the crop year for both railways. To date, the railways have supplied only 44% of customer orders in the week for which cars were ordered with CN (56%) performing nearly twice as well as CP (31%).
  - Grain Week 32 saw CN (60%) and CP (32%) maintain their improved performance for spotting of empty cars in the week for which they were ordered continuing the level of performance experienced last week.
- Through the first 32 weeks of the current crop year, railways have failed to supply 23,813 hopper cars ordered by shippers. This represents a shortfall equivalent to 10% of shipper demand.
  - more than 3,600 customer orders – approximately 38% of unfulfilled orders - have been outstanding for 4 weeks or longer<sup>1</sup>
- Boxcar shippers received only 44% of cars ordered for Grain Week 32. This is a deterioration in performance as compared to the prior 4 week period where shippers received 70% of cars ordered on average each week. Full year order fulfillment remains at 66% of shipper orders.

### Corridor Performance

- In Grain Week 32 traffic destined to bulk terminals in Western Canada received a higher percentage (51%) of cars than other corridors. By comparison, non-bulk corridors including the USA/Mexico, Vancouver transload and Canadian domestic corridors received 41% of cars ordered for delivery in Grain Week 32.
- While CN fulfilled 73% of orders in non-bulk corridors, CP supplied only 12% of cars for current week orders in Week 32 in non-bulk corridors.

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<sup>1</sup> Based on net unfulfilled demand – excluding rejections, cancellations and denied orders – of 9,484

**Railway Dwell Times at Country Origins:**

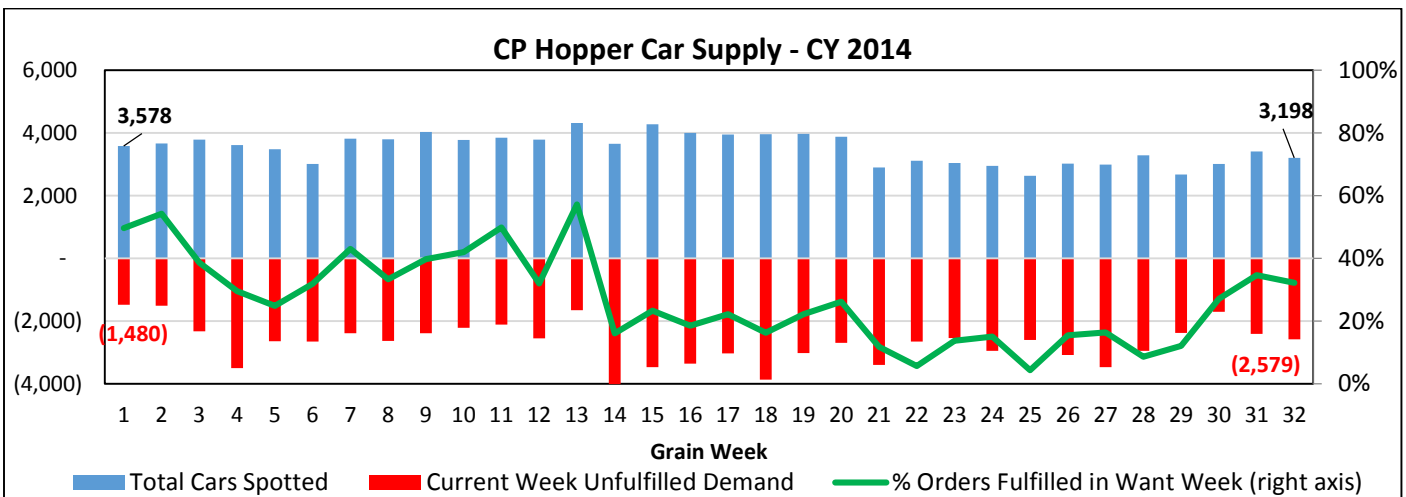
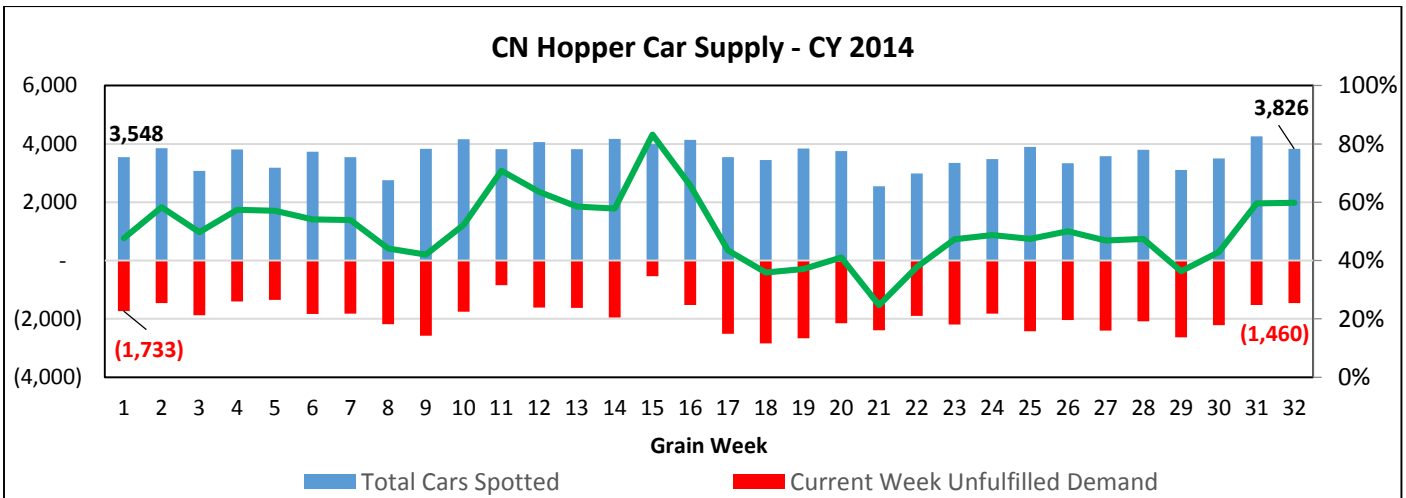
- In Grain Week 32, CN's loaded dwell times for multicar block traffic at country origin locations averaged 34 hours while CP's loaded dwell times averaged 52 hours. CN's performance in Grain Week 32 is below its YTD average of 41 hours; CP performance in Grain Week 31 improved slightly from the prior week and was consistent with week over week improvements for the last four weeks.
  - In the crop year to date, 35% of all bulk grain shipments have waited for more than 48 hours at origin for pick up by the railways after being released by shippers for movement to destination. Only 30% of shipments were picked up within 24 hours.

**Railway Dwell Times at Destination Terminals – Grain Week 32:**

- CN: Thunder Bay (101 hours), Vancouver bulk (18 hours) and Vancouver transload/local (35 hours)
- CP : Thunder Bay (44 hours), Vancouver bulk (25 hours) and Vancouver transload/local (12 hours)
- Thunder Bay dwell times continue to reflect limited traffic volumes as shipments to this terminal have slowed in recent weeks.

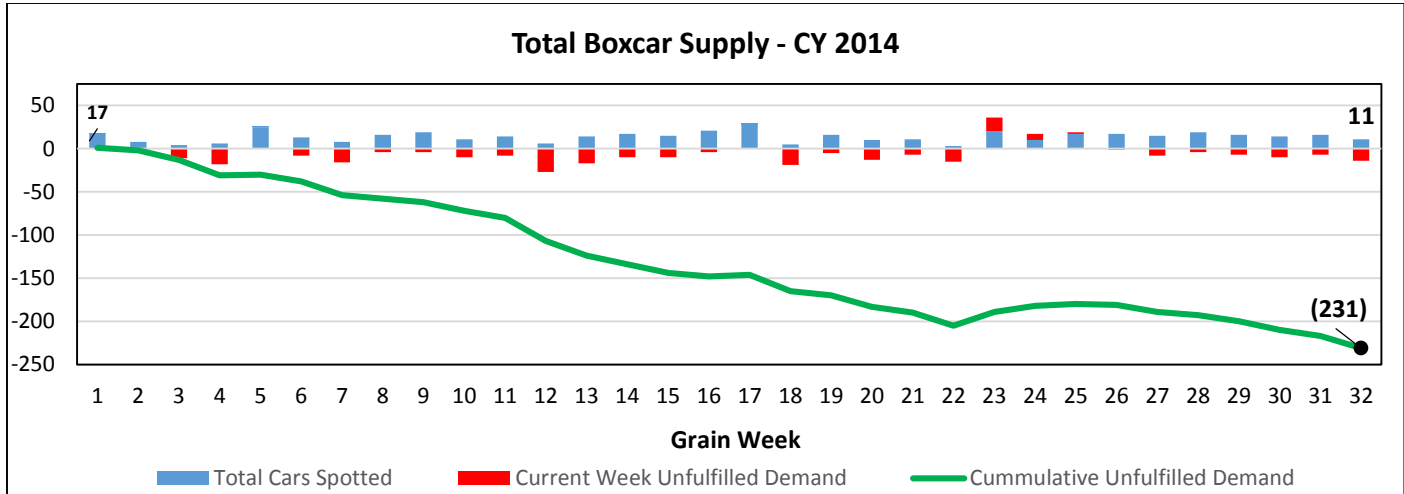
Railway Car Supply Performance for current grain year as of Grain Week 32 (CY 2014)

Crop Year To Date					Average Weekly Performance				
		Customer Demand	Railway Supply	Unfulfilled Demand	Customer Demand	Railway Empty Car Supply			Avg. Weekly Shortfall for Current Week Orders
						Current Week Orders	Prior Week Orders	Total Cars Supplied	
Hopper Cars	CN	123,628	112,149	(11,479)	3,863	1,948	1,668	3,616	(1,915)
	CP	119,017	106,683	(12,334)	3,719	1,023	2,488	3,511	(2,696)
		<b>242,645</b>	<b>218,832</b>	<b>(23,813)</b>	<b>7,583</b>	<b>2,972</b>	<b>4,156</b>	<b>7,127</b>	<b>(4,611)</b>
Boxcars	CN + CP	673	442	(231)	21	14	-	14	(7)

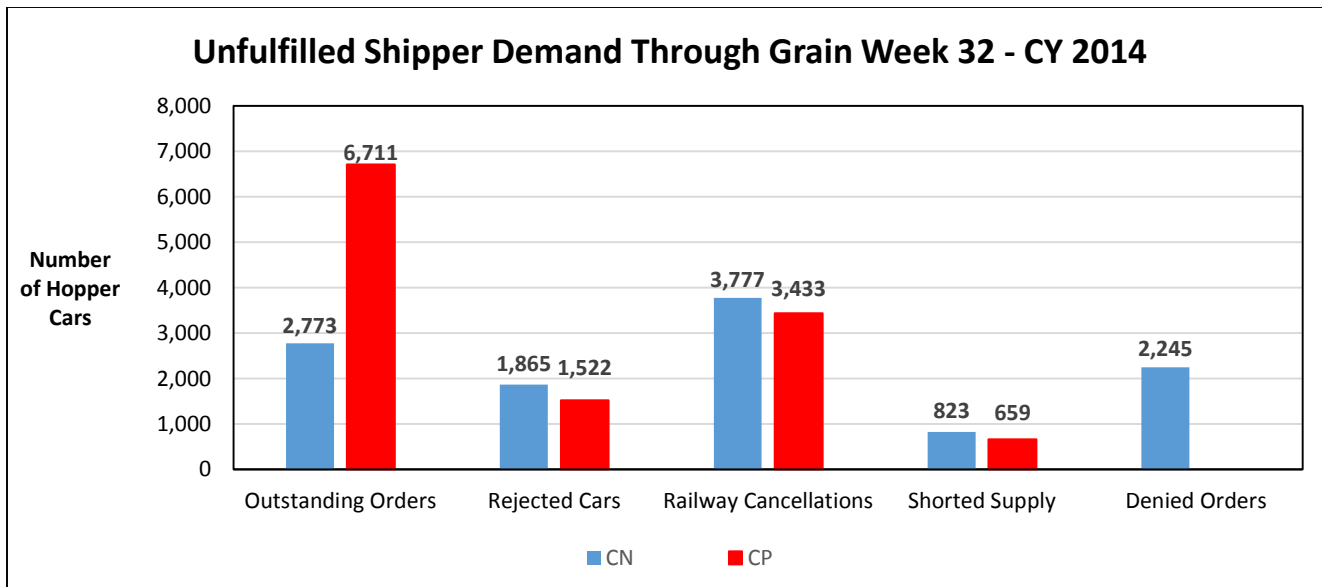


The calculation of total unfulfilled demand for hopper cars represents the accumulated difference across all grain weeks in the year between the number of cars ordered by shippers and the number of cars supplied by the railway for those orders. This total unfulfilled demand therefore represents the volume of missed and deferred shipper orders.

Shipper demand includes all orders placed by shippers in the railways’ car order systems plus orders that have been denied or cancelled by the railways based on car ordering rules imposed on shippers during the current grain year. Supply of railcars reflects total cars supplied excluding cars rejected by shippers as unsuitable for loading due to mechanical or sanitary reasons.

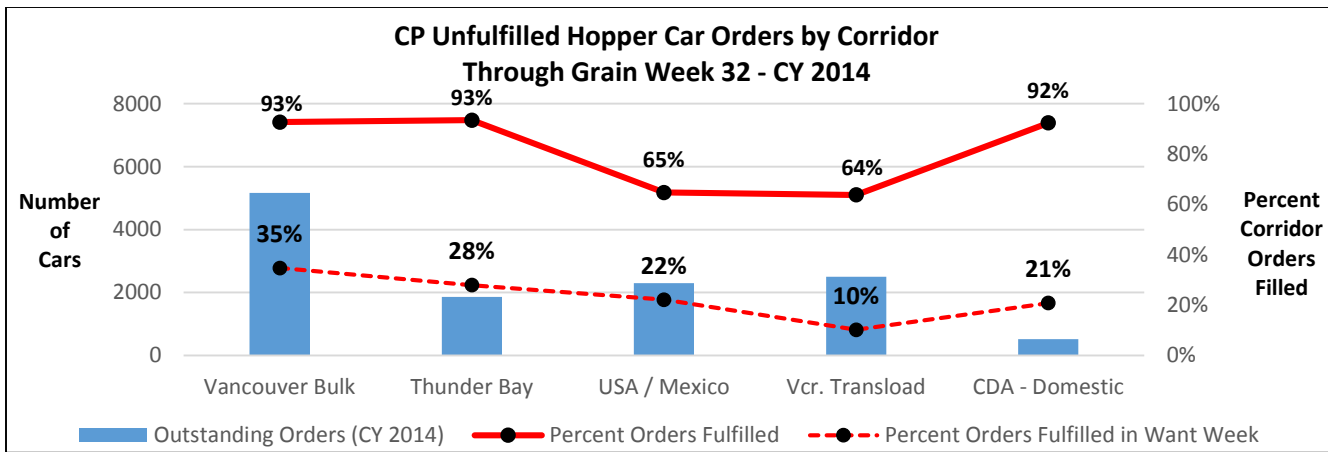
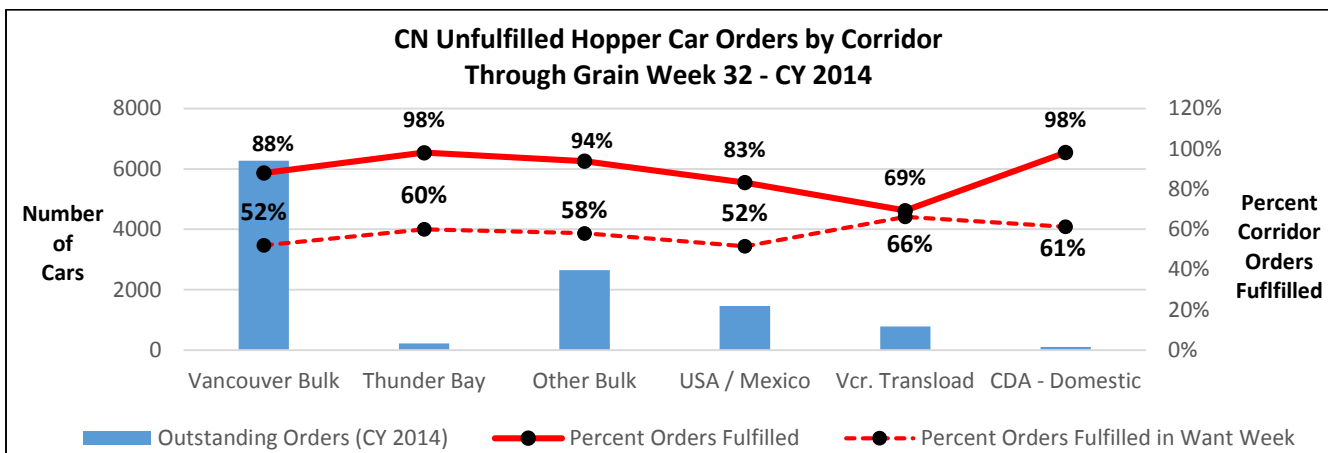


Effective with Grain Week 25 the methodology for calculating the age of outstanding orders has changed. This calculation now excludes all unfulfilled orders related to rejected cars, orders denied by the railways, railway cancellations due to railway car ordering thresholds and orders not completely filled (shorted supply). The chart below provides a breakdown of total unfulfilled shipper demand by category.



Railway Car Supply Performance by Major Corridor – To Grain Week 32 (CY 2014)

	Cars Supplied			Year to Date Unfulfilled Demand		
	CN	CP	Total	CN	CP	Total
Vancouver Bulk	45,933	65,263	111,196	(6,276)	(5,169)	(11,445)
Thunder Bay	11,463	26,563	38,026	(220)	(1,857)	(2,077)
Other Bulk	40,595	-	40,595	(2,649)	-	(2,649)
USA / Mexico	7,232	4,219	11,451	(1,457)	(2,298)	(3,755)
Vancouver Transload	1,767	4,396	6,163	(781)	(2,496)	(3,277)
Canada - Domestic	5,159	6,242	11,401	(96)	(514)	(610)
	<b>112,149</b>	<b>106,683</b>	<b>218,832</b>	<b>(11,479)</b>	<b>(12,334)</b>	<b>(23,813)</b>

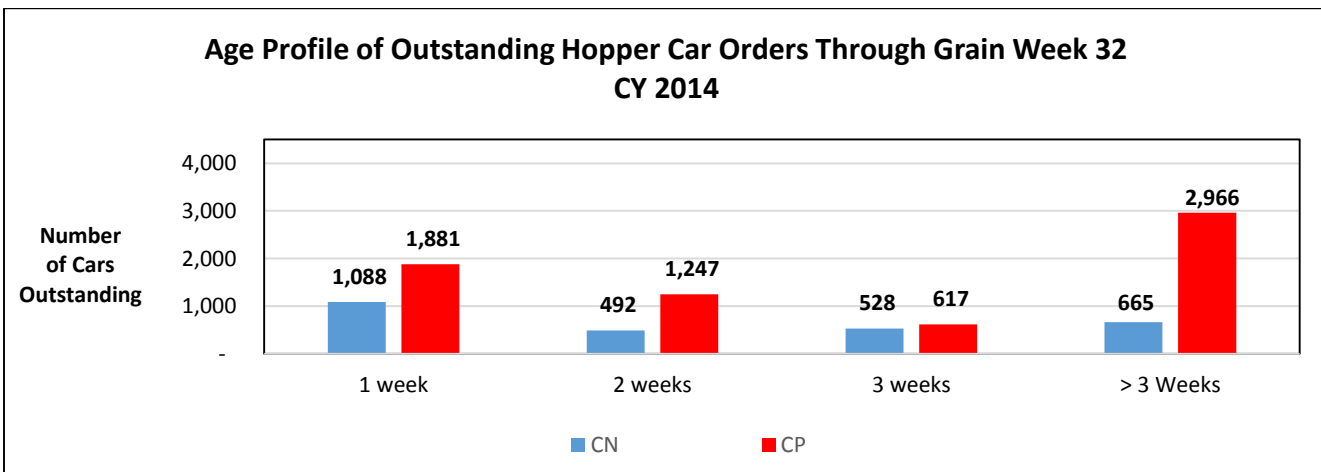
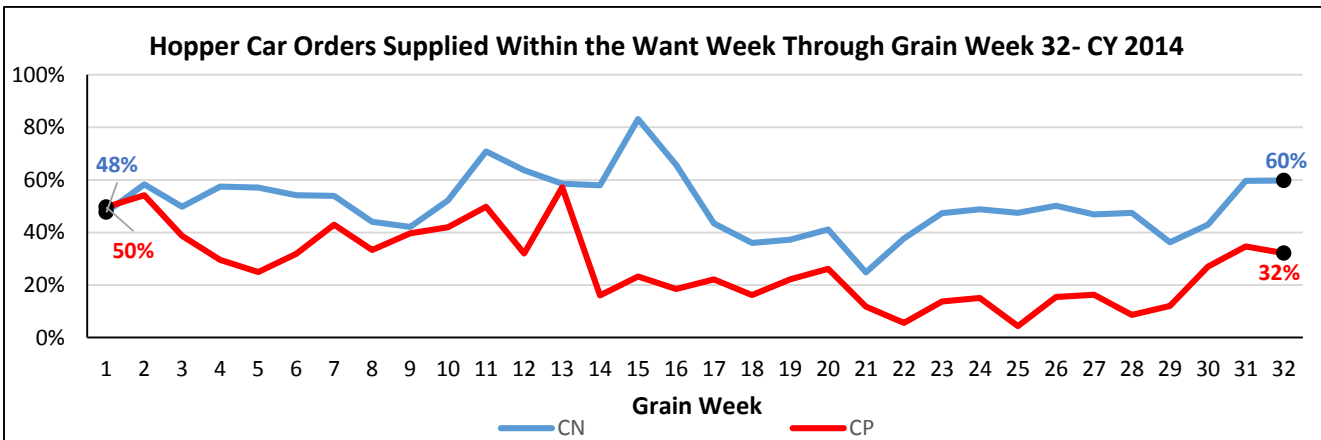
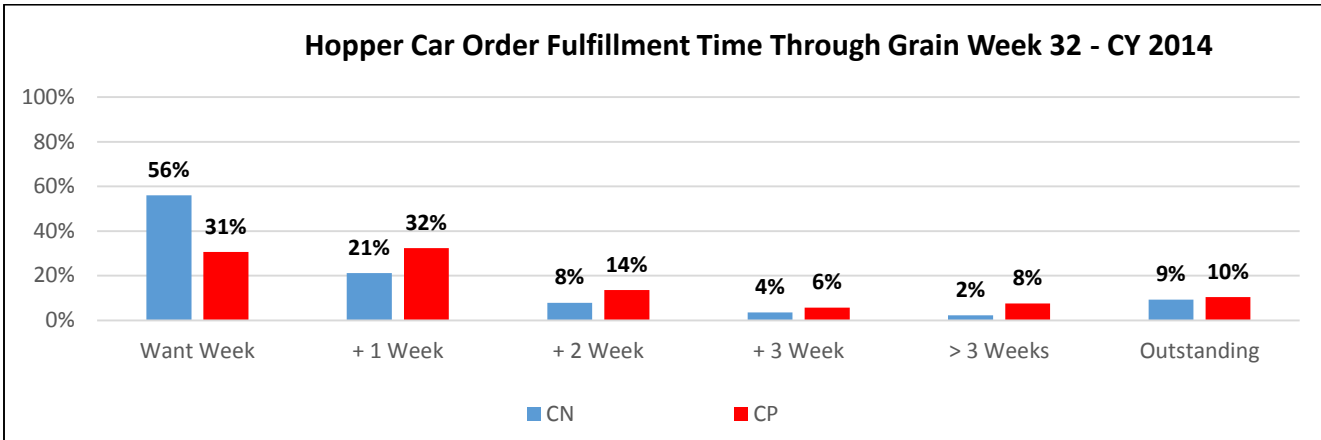


Corridor statistics reflect performance for railway car supply by destination corridor against **current year orders** for each corridor. The number of cars supplied **excludes** cars supplied by the railways during the measurement period that were for prior year orders.

**Timeliness of Railway Car Supply Against Customer Demand**

**Age of Outstanding Orders**

RR	Want Week	+ 1 Week	+ 2 Week	+ 3 Week	> 3 Weeks	Outstanding Orders	Age of Outstanding Orders				Total
							1 week	2 weeks	3 weeks	> 3 weeks	
CN	56%	21%	8%	4%	2%	9%	1,088	492	528	665	2,773
CP	31%	32%	14%	6%	8%	10%	1,881	1,247	617	2,966	6,711
<b>Total</b>	<b>44%</b>	<b>27%</b>	<b>11%</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>2,969</b>	<b>1,739</b>	<b>1,145</b>	<b>3,631</b>	<b>9,484</b>

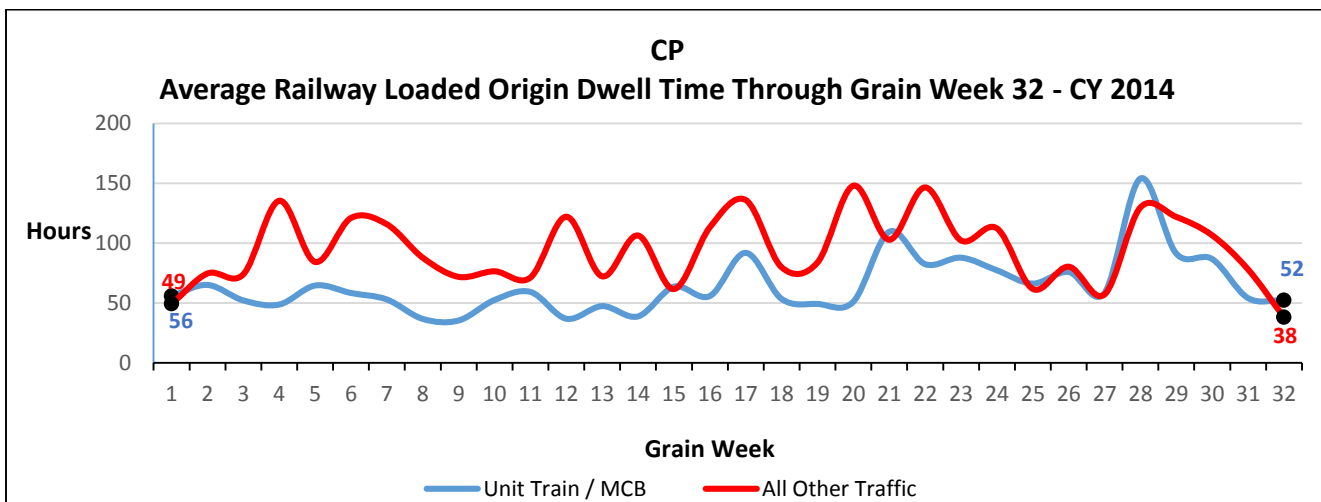
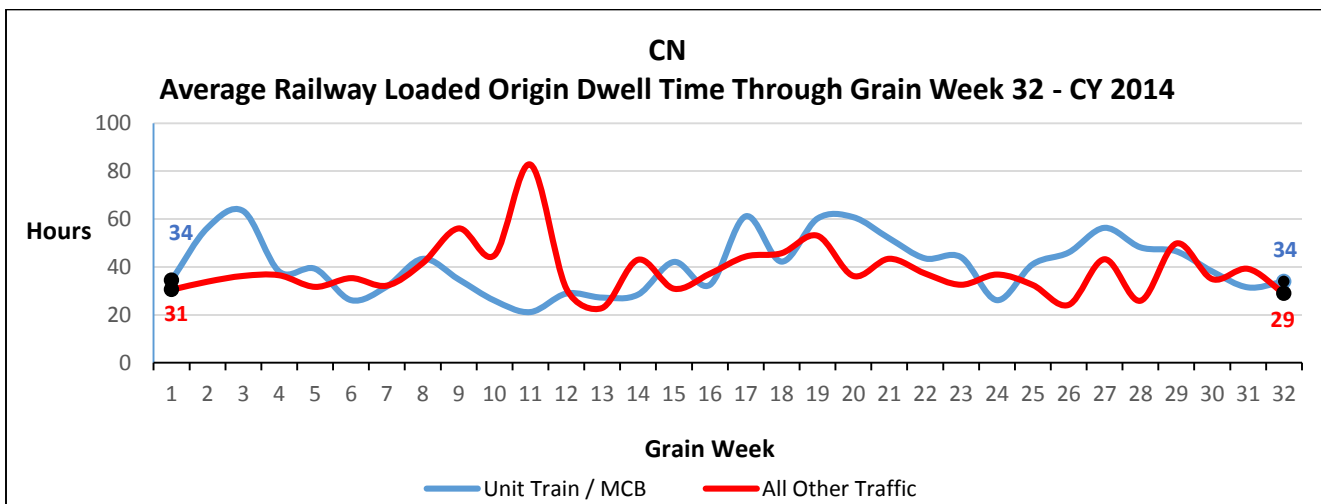


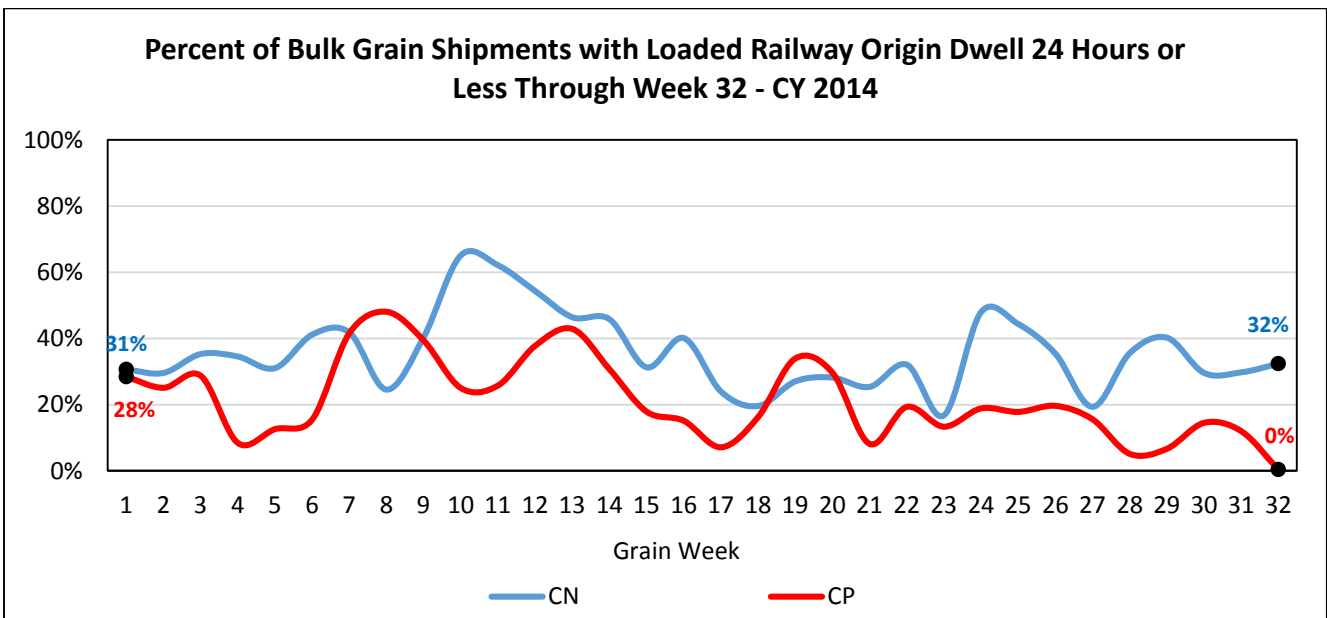
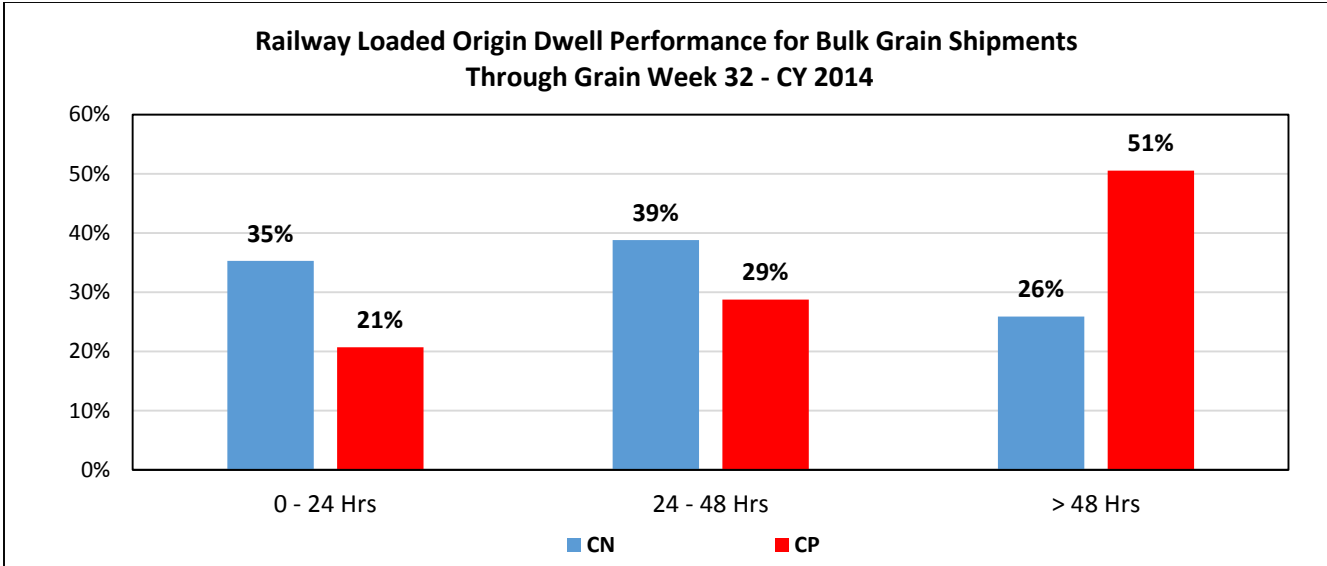
Origin Dwell Performance

Origin dwell time measures the elapsed time from the release of loaded cars by shippers to the time the railways physically pull the cars from a shipper’s siding for movement to destination. Average performance in this area will vary depending on the nature of the shipment.

For bulk grain shippers loading unit trains and multi-car blocks dwell time is generally expected to be 24 hours or less as these shippers load cars within 24 hour windows in order to avoid origin demurrage charges assessed by the railways. Non bulk grain shippers loading less than multi-car blocks will generally have longer dwell times.

The charts below provide a view of origin dwell performance on a weekly basis since the beginning of the current crop year. The last chart looks specifically at origin dwell performance for large multi-car block shippers. Increasing dwell times at country origins negatively impact railcar cycles which in turn impact the ability of the railways to supply empty cars to shippers.





Railway Destination Terminal Dwell Performance

Destination terminal dwell time measures the elapsed time from the time a railcar arrives at the destination railway yard to the time it is placed at the receiver’s facility for unloading. Average performance in this area will vary depending on the nature of the shipment.

Traffic destined to the bulk port terminal at Vancouver for instance is generally placed for unloading on arrival at Vancouver. In contrast traffic destined to transloaders in Vancouver is ordered in by receivers on a car by car basis.

Dwell time ends with the reporting of an actual placement event at the receiver’s facility. The beginning of the dwell measure is initiated by either an arrival at the destination terminal or the constructive placement of a car at the terminal by the railway.

This is not a measure of unloading performance by receivers.



