

**BRITISH  
COLUMBIA**

The Best Place on Earth

**SHAREHOLDER'S LETTER OF EXPECTATIONS**

**BETWEEN**

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

**AND**

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

**PURPOSE**

This Shareholder's Letter of Expectations between the Shareholder and the Corporation is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the Shareholder and the Corporation 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 is the basis for the development of the Corporation's Service Plans and Annual Service Plan Reports. The Letter applies to the Shareholder and the Corporation. This Letter does not create any legal or binding obligations on the part of the Shareholder or the Corporation 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 Crown Agency Accountability System (CAAS) ([http://www.gov.bc.ca/cas/down/shareholder's\\_expectations\\_manual\\_\(version%208\)\\_june\\_2\\_06.pdf](http://www.gov.bc.ca/cas/down/shareholder's_expectations_manual_(version%208)_june_2_06.pdf)) establishes guiding principles for the governance of Crown corporations. The CAAS 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.

## CORPORATION ACCOUNTABILITIES

Government has provided the following mandate direction to the British Columbia Railway Company ("BCRC"):

- to support and facilitate the British Columbia Ports Strategy and Pacific Gateway Strategy, by providing advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments for the Province;
- continue to wind down or exit the residual assets and entities currently owned and operated by the Corporation, with the exception of the railway right-of-way, rail bed and track infrastructure required to support the freight railway and BCR Port Subdivision Ltd.; and BCR Properties Ltd. assets needed to achieve the Pacific Gateway Strategy;
- continue to own and operate BCR Port Subdivision Ltd.;
- the Corporation, as landowner, will have an on-going accountability to ensure effective and efficient management of the Revitalization Agreement between the Corporation and Canadian National Railway Company ("CN"); and
- the Corporation, as landowner, will have an on-going accountability to ensure effective and efficient management of the Operating Lease Agreement between the Corporation and Kinder Morgan Canada Terminals ULC ("Kinder Morgan").

In responding to government's performance expectations and the general and specific frameworks and direction of the Shareholder, the Corporation 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, and post both documents on its website;
- display all annual Statement of Financial Information schedules prepared under the *Financial Information Act* in an easily accessible location on its website (some of this information is included in annual reports and does not need to be otherwise displayed);
- 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;
- comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations;

- encourage staff involvement in developing ideas and new solutions to meet government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved;
- provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities; and
- provide information to the Shareholder immediately if the Corporation is unable to meet the targets identified in its Service Plan.

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

- continue to wind down or exit certain remaining operating assets and entities owned by the Corporation in a manner that maximizes a commercial return to the Province, including BCRC Captive Insurance Co. Ltd.
- provide advice and support to the Shareholder and other stakeholders, in the development and implementation of strategies and actions to further the Pacific Gateway Strategy;
- secure through purchase, option or other means, lands suitable for supporting the objectives as outlined in the Shareholder's Pacific Gateway Strategy;
- make investments in infrastructure projects that support the objectives as outlined in the Shareholder's Pacific Gateway Strategy;
- prepare quarterly reports for the Shareholder on the status of the long-term leases with CN and Kinder Morgan, and progress of wind down activities which identify all financial impacts anticipated to result; and
- ensure all borrowing activities of the Corporation 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 in 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 corporations' 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 that may be required to seek decisions or policy direction by the Executive Council or its committees, in order to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in Crown corporations' Service Plans;

The Shareholder has developed policies for ministries and Crown corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm> and Board remuneration policies for Crown agencies. The shareholder has also issued Best Practice Guidelines for board governance and disclosure (<http://www.fin.gov.bc.ca/ooop/brdo/corporateguidelines.pdf>). During the term of this Letter, the Shareholder may provide policy direction to the Crown agency sector, and will communicate any such direction, including implementation expectations, to Crown corporations as decisions are made.

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

Specific to the Corporation, the Shareholder:

- has continued the Corporation under the *British Columbia Railway Act*; and
- will continue to consult with the Corporation on the development of the BC Ports Strategy and the Pacific Gateway Strategy where aspects of those strategies may impact the operations or strategic direction of the Corporation or its subsidiaries.

## **AREAS OF SHARED ACCOUNTABILITY:**

### **Communications**

It is agreed by both the Shareholder and the Corporation 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 in a timely fashion.

### **Reporting**

The Shareholder and the Corporation are committed to enhanced transparency 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 has provided the Corporation with a reporting calendar which sets out financial and performance reporting requirements (<http://www.gov.bc.ca/cas>). The Corporation 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 Corporation.

It is agreed by both the Shareholder and the Corporation that there will be advance discussion and review of key strategic documents such as Service Plans, Quarterly Financial Reports and Annual Reports. These discussions will be completed sufficiently in advance of deadlines to ensure effective and timely input by the Shareholder.

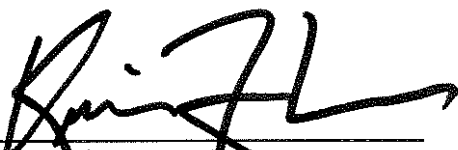
In addition to these financial and performance reporting requirements, the Corporation agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.

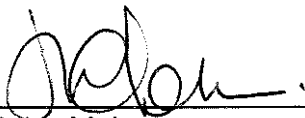
The Shareholder and the Corporation agree that, as a matter of course, each will advise the other in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.

It is agreed that the Corporation will post the most recent signed copy of the Shareholder Letter of Expectations on its website. Crown Agencies Secretariat will also post a signed copy of the Letter on its website.

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

The Minister of Transportation is accountable for undertaking reviews of this Letter and monitoring its implementation. The Crown Agencies Secretariat is responsible for co-ordinating the overall process for preparing Shareholder's Letters of Expectation, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the Corporation will discuss any issues and may agree to amend this letter.

  
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Honourable Kevin Falcon  
Minister of Transportation

  
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John McLernon  
Chair of the Board,  
British Columbia Railway Company

Jan 23 / 2008  
Date

JAN 23 / 2008  
Date

cc. Honourable Gordon Campbell  
Premier

Jessica McDonald  
Deputy Minister to the Premier and Cabinet Secretary

Chris Trumpy  
Deputy Minister and Secretary to Treasury Board  
Ministry of Finance

Molly Harrington  
Assistant Deputy Minister and  
Chief Executive Officer  
Crown Agencies Secretariat

John Dyble  
Deputy Minister  
Ministry of Transportation

Kevin Mahoney  
President & Chief Executive Officer  
British Columbia Railway Company