

July 12, 2010

To: Surface Transportation Board

Re: Docket No. EP 290 (Sub-No. 4)
RAILROAD COST RECOVERY PROCEDURES --
PRODUCTIVITY ADJUSTMENT

Docket No. EP 290 (Sub-No. 5) (2010-2)
QUARTERLY RAIL COST ADJUSTMENT FACTOR

To whom it may concern,

I am writing to you on behalf of West Fraser Mills Ltd, an integrated forest products company with operations in both Canada and the United States. West Fraser is the largest producer of softwood lumber in North America.

We are concerned about procedures described in the documents referenced above, which we understand would see changes to RCAF calculations, including those as a result of some errors made in productivity numbers generated in 2007.

The RCAF formula plays a significant role for West Fraser as it is used by shippers and carriers in British Columbia to as a remedy arising out of the acquisition in 2004 by Canadian National Railway (CN) of certain assets of British Columbia Railway Company (BCOL) imposed by the Canadian Competition Tribunal as a condition of the transaction. The annual RCAF-A determination involves the setting of rates to preserve open tariff gateways by adjusting the Open Gateway Rate Matrix (OGRM) up or down at an annual set date. The OGRM is an integral part of preserving a small, though important, level of competition left as a result of the sale of BCOL to CN.

The RCAF methodology is complex and needs to be reviewed more closely to see what impact it will have on the current numbers. We are concerned that the current review conducted as a result of the WCTL inquiry “revealed the inadvertent use of masked revenues from the waybill records in both the 2007 and 2008 calculations, and the exclusion of certain waybill records in the 2007 calculations”.

We unfortunately just received notice of this procedure late on July 9th and are requesting that additional time be granted so that we are given the chance to review, what impact, if any, a change will have on our business.

Sincerely,

Mark Thomson
General Manager, Transportation
West Fraser Mills Ltd.