



For Release: 2:00 P.M. July 27th, 1988

B.C. GOVERNMENT NAMES ITEL RAIL CORP. AS SUCCESSFUL BIDDER IN SALE OF B.C. HYDRO'S RAIL FREIGHT DIVISION.

C.P. RAIL ACQUIRES OPERATING RIGHTS TO STRATEGIC TRACKAGE FOR ROBERTS BANK COAL PORT.

LANGLEY, B.C.

British Columbia's Energy Minister, the Honourable Jack Davls, today announced that Itel Rail Corp. of San Francisco, a subsidiary of the U.S. company Itel Corporation, was the successful bidder for B.C. Hydro's Rail Freight Division.

This sale, essentially, covers operating rights. Most of the right-of-way remains in B.C. Hydro's hands.

Itel's offering price was approximately 532 million, which the Minister said was well above book value and provided a good return to the people of British Columbia.

At the same time, the Minister announced that C.P. Rail has purchased running rights over 12 kilometres of Hydro's right-of-way in the Fraser Valley — a strategic section which services the Roberts Bank coal port — for \$6.3 million.

Itel Rail Corp. operates five short line railroads around the U.S.A. It also builds and leases rail cars — approximately 40,000 leased in North America this year — and owns a container subsidiary which accounts for about 13 per cent of the world's market. Its purchase of Rail Freight is described by company officials as a strategic move.

Itel's purchase includes Rail Freight's equipment, facilities and license to transport freight. The Division operates a track network of 131 km. from Chillwack to New Westminster along with 96 km. of siding tracks, railway yards and rolling stock; altogether, an asset value of \$25.2 million. Hydro Rail has 212 employees and more than 300 customers.

It has exclusive operating rights to the Annacis Island Business Park facilities with the transportation of motor vehicles being a significant market for the Division. Transportation of forest products, foodstuffs and a variety of commodities constitutes the rest of its business.

In commenting on the price paid by Itel, the Minister emphasized that the sale relates, essentially, to rolling stock, trackage and rail freight running rights. It does not include land under or either side of the rail bed nor does it include air rights above Hydro's rail corridor. These have been retained in order to accommodate future rail passenger, real estate or other developments along former B.C. Electric Railway routings in the Lower Mainland.

Sale of running rights along a particular section of the line to C.P. Rail meanwhile removes any concern which the coal mining industry in southeastern British Columbia might otherwise have had about rail access to Roberts Bank. A longstanding issue has finally been resolved in favour of continuing access for coal and other shippers to tidewater.

"Adding the C.P. Rail transaction to Itel's offer raises the total value of the transaction to \$38 million", the Minister stated.

In commenting on prospects for economic development in the Lower Mainland, the Minister referred to the possibility of establishing a freight car maintenance facility in the area and more traffic for British Columbia ports as a result of Itel's close working relations with major long distance Canadian and United States railway companies. "The Port of Vancouver and our Fraser River ports will benefit immensely from this new and aggressive 'window on the Pacific'", the Minister said. "More traffic, continent-wide, will move through the Lower Mainland, in and out, as a result of Itel's aggressive marketing strategy and opportunities for increased Canada-U.S. trade."