

29 December 2014

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BHP Billiton Canada Submittal to the Canada Transportation Act Review Panel

BHP Billiton Canada welcomes the opportunity to provide input during the current statutory review of the Canada Transportation Act and is pleased to provide this submission.

About BHP Billiton

BHP Billiton is a leading global resources company; we have over 123,000 employees and contractors in 21 countries and a market capitalisation of US\$120 billion¹. Our strategy is to own and operate large, long-life, low cost, expandable, upstream assets diversified by commodity, geography, and market. Our Potash strategy is to build a material industry position over the long term to complement our portfolio of large, long-life iron ore, copper, coal and petroleum assets.

Potash (potassium chloride) is a globally traded commodity used primarily as fertilizer. Global demand in 2013 for potash was approximately 54 million tonnes per year². Potash demand is expected to rise due to a growing global population, increasing demand for food and decreasing arable land per capita, especially in developing countries where populations are shifting to higher protein diets. This will increase the need for potash and require the construction of new mines to meet increased demand.

¹ Using 16 December 2014 share price

² Based on information provided in Fertecon Potash Report (September 2014)

The Saskatchewan potash basin, considered the world's best undeveloped potash resource, currently produces approximately 29% of the world's potash³. Primary potash export markets include China, Brazil, India, and the United States. The Russian and Belarussian operations are geographically closer to key export markets. In order to maintain competitiveness and increase market share, Saskatchewan potash producers depend on a low cost supply chain.

Within the Saskatchewan potash basin, BHP Billiton has exploration rights to over 14,500 square kilometers. This significant position allows for numerous mine development options and our intention is to build a significant potash business – not only one mine. While the full size and potential of additional development options have yet to be confirmed, our Saskatchewan potash business could reach an annual production capacity of more than 16 million tonnes per annum.

BHP Billiton's Jansen Project is a new mine development in south-central Saskatchewan, 140 kilometres east of Saskatoon. The project will deliver the first greenfield potash mine in Saskatchewan in over 40 years. The Jansen Project includes construction of the largest potash mine in the world, including all associated infrastructure, rail spur, roads, utilities, off-site infrastructure to service the mine, and one or more port terminal facilities to export the potash. The mine is designed to operate for about 70 years, with the potential for future exploration and planning to extend the mine's life.

As a natural resource producer, we generate economic and social value for nations, regions and communities through employment, taxes and royalties, purchasing local goods and services and infrastructure development, and investing in our host communities. We have had a presence in Canada for approximately 40 years, our most significant business interest being the EKATI Diamond Mine in the Northwest Territories. During the time we owned and operated EKATI (1998 – 2013), approximately 80% of EKATI's operating budget was spent with local northern businesses. The Jansen Project will be our first experience as a large bulk shipper in Canada.

To date, BHP Billiton has invested approximately US \$4.8 billion on potash in Saskatchewan, including US\$3.8 billion committed to the Jansen Project.. In addition, over the past four years, we have committed more than US\$9 million to community initiatives in Saskatchewan.

³ Based on information provided in Fertecon Potash Report (September 2014).

Alignment with Review Objectives

The focus of our strategic priorities aligns with many of the objectives of the review panel, including: international trade, high productivity, local labour, environmental stewardship, and technology and innovation.

We are committed to the health and safety of our people, the environment and the communities in which we operate. The long-term nature of our operations allow us to establish long lasting relationships with our host communities where we work together to make a positive contribution to the lives of people who live near our operations and to society more generally. We do this through creating mutually beneficial opportunities in employment, business and community development, including capacity-building initiatives in education, training, and labour force development, including in First Nations communities.

Canada Transportation Act Review

Given the long-term development potential of our position in the Saskatchewan potash basin, a reliable supply chain is integral to our success. We are currently evaluating a logistics solution, including potential port options in Canada and the United States, to identify a reliable, globally competitive strategy for the movement of potash to export markets.

Regulations which promote a reliable and competitive logistics network will increase Canada's attractiveness to shippers and will give Canada an advantage over available logistics solutions to the south, where both port and rail options exist for Canadian resource megaprojects. Consistent regulations, predictable over the long term, will make Canada an attractive location for companies, like BHP Billiton, to make large scale capital investments.

In general, our interest in the CTA review is focused around three main topics: rail cost, reliability, and infrastructure; Port infrastructure; and competition.

Rail Infrastructure

Rail transportation will be the single highest operational cost of the Jansen Mine and is a key value driver for a greenfield development megaproject. Access to ample, reliable rail capacity is critical to support resource development projects – bottlenecks, congestion, and safety are key issues. Investment in rail infrastructure is necessary to address these issues.

We have been watching with interest recent logistics bottlenecks, such as those following bumper grain crops and poor weather which impacted agricultural, bulk and other shippers. We have also noted an increase in transport of crude by rail, which adds to the load on the rail network. The Jansen project will contribute 1-2 long unit trains per day.

Infrastructure improvements should focus on addressing removal of bottlenecks and the provision of sufficient capacity to accommodate, across all shipping sectors, seasonal fluctuations in service level demands, fluctuating export markets, or other changing international and domestic influences on rail capacity and performance.

Infrastructure, such as rail and ports, is critical to operations. An environment where infrastructure or access to infrastructure is inadequate or uncertain will adversely impact the efficient operations and expansions of business operations. Investment in the infrastructure network will serve to support a globally competitive environment for megaprojects and the Canadian economy.

Port Infrastructure

Availability of port infrastructure within the west coast export gateway is a key consideration for supply chains with commodities being exported to China, India, and Southeast Asia. Infrastructure funding and improvement opportunities should focus on expanding Canada's west coast port capacity, improving rail service to ports, and developing seamless, strategic transportation corridors. Improvements to both rail and waterways (e.g. dredging for improved access to ports) are necessary, with a focus on providing an efficient, safe and competitive transportation system.

Competition

To operate, invest in and develop our operations effectively, BHP Billiton is supportive of a transparent, predictable, and consistent regulatory environment. The CTA should encourage a competitive environment (both domestic and international), support provision of reliable, efficient, and consistent service, and require provision of a fair and dependable rate structure.

As we develop our logistics solution for the Jansen Project, we have also sought input from current shippers. It has become clear to us that, in order to provide the reliability required to generate expected financial returns, it is necessary to spend significant time and capital upfront to design an inherently competitive logistics solution instead of relying solely on the current market and regulatory environment.

BHP Billiton is supportive of the provisions in the CTA which provide shippers with access to a fair and competitive market environment.

Rates and Tariffs

BHP Billiton supports provisions which allow for rate negotiation and recourse against the unilateral imposition of rates by rail carriers in recognition of the unique situation of individual shippers.

Final Offer Arbitration

Final Offer Arbitration (FOA) currently requires parties to devote excessive time and resources to dealing with the availability or non-availability of competitive transportation alternatives and, following FOA, there is no mechanism to compel rail service providers to incorporate arbitrated or negotiated rail freight rates in a confidential contract. The extension of FOA to include all shippers is in the best interest of encouraging competition and promoting negotiation between parties.

Adequate and Suitable Service

The CTA requires railway companies to provide an adequate and suitable level of service to shippers; however the Act does not define what level of service is considered to be “adequate and suitable”. BHP Billiton encourages the Review Panel to consider establishing an enforceable definition which focuses on the rail transportation needs of the shipper and inherently supports non-preferential treatment of and fairness among shippers.

Summary

Our business is currently based on four pillars: coal, iron ore, copper and petroleum. Potash is the potential fifth pillar for BHP Billiton. The BHP Billiton Potash development is a long-term investment in Canada which requires a highly efficient outbound logistics solution which includes consistent, predictable, and cost competitive service.

Thank you for the opportunity to provide a written submission. We understand the Review Panel will be available to stakeholders for face-to-face meetings in 2015. We would be interested in meeting with panel to discuss this submission.

Yours sincerely,

BHP Billiton Canada Inc.

For additional information or queries please contact:

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