



Submission To The Canadian Transportation Agency

Re: Consultation on Capital Structure

The Forest Products Association of Canada (FPAC) is the voice of Canada's wood, pulp and paper producers nationally and internationally. The forest products industry accounts for 12% of Canada's manufacturing GDP and exports about \$30B in manufactured goods throughout the globe to more than 180 countries.¹

The Western Canadian Shippers Coalition (WCSC) is a western Canadian-based, cross-commodity organization focused on areas in the transportation sector, i.e., rail, port/terminals and trucking. Member companies move mainly resource products including cement/aggregates, forestry, metals, mining, petroleum, potash and sulphur through the supply chain to domestic and international customers. WCSC members provide tens of thousands of direct and indirect jobs for Canadians in communities across the west and ship billions of dollars' worth of product annually.²

Members of FPAC and WCSC are intensive users of rail transportation and to a large extent dependent on the services of a single rail carrier at their origin facilities.

In connection with the consultations preceding Agency Decision 425-R-2011, the Agency formulated the following criteria for its assessment of a methodology to develop cost of capital rates for federally regulated railway companies:

1. That it be reasonable.
2. That it be reliable.
3. That it be pragmatic.

FPAC and WCSC believe that these criteria should continue to guide the Agency's consideration of appropriate methodologies, including the consideration of the issues raised in the current agency staff consultation document entitled "Methodology for Determining the Capital Structure of Canadian national Railway Company (CN) and Canadian Pacific Railway Company (CP) for the Determination of the cost of Capital of the two Railway Companies".

¹ For a list of FPAC's members, please refer to: <http://www.fpac.ca/about-forest-products/companies/>

² For a list of WCSC's members, please refer to: http://www.westshippers.com/wp-content/uploads/2016/08/WCSC_Member_Profiles_16Aug2016.pdf

FPAC and WCSC support the principle that the methodology should be consistent with the objective of providing federally-regulated railway companies with a fair and reasonable return. Fairness and reasonableness are matters that require the Agency to formulate an opinion having regard, among other things, to the regulatory context in which the Agency makes cost of capital determinations. That context includes Parliament's recognition that the regulatory purposes for which the Agency determines cost of capital rates are aimed at achieving outcomes that cannot be achieved satisfactorily by competition and market forces alone. The methodology should not produce results that overcompensate or provide windfalls for federally regulated railway companies. It should support and be consistent with the remedial objectives of the statutory provisions concerned.

FPAC and WCSC look forward to reviewing participants' responses to the consultation questions and appreciate the opportunity which this process affords of responding as may be required.

Respectfully submitted this 14th day of October, 2016



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