Agency Case No. 25-34824

CANADIAN TRANSPORTATION AGENCY

IN THE MATTER OF the Determination of the 2026 Regulated Interswitching Rates and Redetermination of Rates for 2024 and 2025

SUBMISSIONS OF CANADIAN PACIFIC RAILWAY COMPANY (CARRYING ON BUSINESS AS CANADIAN PACIFIC KANSAS CITY "CPKC")

DATE: March 6, 2026

TO: **CANADIAN TRANSPORTATION AGENCY**

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I. OVERVIEW

1. In *Canadian National Railway v Canadian Transportation Agency*, 2025 FCA 184 (the "**FCA Decision**"), the Federal Court of Appeal ("**FCA**") held that the Canadian Transportation Agency ("**Agency**") must, in determining regulated interswitching rates pursuant to section 127.1 of the *Canadian Transportation Act* (the "**Act**"), consider relevant "commercial market factors". Specifically, the FCA found that the Agency is required to consider "evidence concerning relevant commercial markets, including any interswitching rates in other markets, and commercial market prices". The FCA also confirmed that the Agency has broad authority under sections 112 and 127.1 of the Act to set "commercially fair and reasonable" interswitching rates and that it may ultimately decide to give any evidence concerning commercial market factors little or no weight (see paras. 21, 40-41).

2. CPKC has consistently advocated that railway rates should be determined by the market wherever possible. Regulated interswitching is a regulatory tool used to provide alternative rail access to shippers and thereby create competition where there is effectively little to no market competition. There is some circularity in attempting to ensure that the setting of regulated interswitching rates considers commercial market factors, when the very existence of the regulated interswitching rates serves to replace that market. Any regulatory tool is inherently imperfect and imprecise in replicating real competition. At best, it is a proxy.

3. Based on CPKC's experience, the Agency's current methodology for determining interswitching rates (the "**Existing Methodology**"), while an imperfect and imprecise proxy, does already consider several "commercial market factors".

4. In its October 18, 2023 submissions regarding the Agency's determination of 2024 regulated interswitching rates, the Canadian National Railway Company ("**CN**") proposed 16 market factors as relevant to this analysis (the "**CN 2023 Submission**"). Many of those factors are already addressed as part of the Existing Methodology, and CPKC's position is that no changes to the consideration of these factors are needed except with respect to the additional costs and risks associated with the transport of Toxic Inhalation Hazard/Poison Inhalation Hazard (TIH/PIH) hazardous goods. Certain aspects of CN's proposed factors not already incorporated therein may be incorporated into the Existing Methodology through a straightforward adjustment. The remaining factors proposed by CN, namely benchmark "commercial" interswitching and switching rates in Canada and "commercial" interswitching rates in the U.S. and Europe, cannot assist the Agency in setting regulated interswitching rates in Canada.

5. CPKC submits that the Existing Methodology should be updated to reflect the additional costs and risks associated with interswitching TIH/PIH hazardous goods. Specifically, CPKC proposes that the annual interswitching rates include a surcharge that would be applied to a base interswitching rate for interswitching TIH/PIH hazardous goods.

6. As to rates in Canada and other jurisdictions, there are presently no such rates that can be used as a reasonable benchmark for regulated interswitching rates in Canada. Even if the U.S. or European interswitching rates could be seen as "benchmarks", the Agency will not have access to meaningful rate data for the U.S. or for Europe. Moreover, even if such rate data were available, it would be necessary for the Agency to adjust any such interswitching rates to account for the differences between those jurisdictions and the regulated Canadian interswitching traffic and data to do so would not be available. Accordingly, it is not appropriate for the Agency to give evidence regarding U.S. or European interswitching rates any weight in its methodology for determining 2026 interswitching rates.

II. THE AGENCY'S CONSULTATION QUESTIONS

7. As set out in Letter Decision No. LET-R-34-2025, the Agency has invited submissions on the following questions:

a. What are the commercial market factors that the Agency should consider in its determination of regulated interswitching rates?

b. What additional data should railways provide in order for the Agency to consider these market factors?

c. What weight, if any, should the Agency give to commercial market factors in its rate-setting methodology?

d. What methodology should be used to apply these weights to calculate interswitching rates?

8. CPKC's submissions below set out key aspects of the regulatory framework surrounding regulated interswitching in Canada and the FCA Decision that prompted this consultation, before addressing each of the Agency's questions in turn.

III. REGULATED INTERSWITCHING IN CANADA

9. Subsection 127.1(1) of the Act requires the Agency to set interswitching rates each year, which are published in the *Canada Gazette.* Section 112 of the Act requires that those rates be "commercially fair and reasonable", and subsections 127.1(2) and (3) set out a limited set of factors that the Agency must consider in setting the rates. Otherwise, the Agency has broad authority to set its own methodology for determining interswitching rates, having regard to its own subject-matter expertise, regulatory experience, policy considerations, and subjective weighing and assessment of the evidence and submissions before it.

10. CPKC interchanges hundreds of thousands of carloads every year at the regulated interswitching rate – each carload represents access for the shipper that otherwise would not have existed. In many cases, interswitching is "structural"—a result of how the Canadian rail network has evolved under the longstanding regulatory environment. Having said that, interswitching adds operational complexity into an already complex system. To address this complexity, reduce congestion and achieve efficiency, CPKC in collaboration with other railroads, notably CN, has over many years, if not decades, developed interswitching agreements and operating protocols, including with respect to the Vancouver Port terminal area and Thunder Bay. It is important to note that, while interswitching rates are a factor that are considered when setting commercial line-haul rates, interswitching rates are effectively costs paid by one railroad to another to transfer traffic at an interchange, rather than a freight rate charged to the customer.

11. Among other things, Canada's National Transportation Policy, enshrined in section 5 of the Act, provides that "competition and market forces" should be the "prime agents" in shaping the transportation services market, regulation should be used only where necessary to achieve outcomes that "cannot be achieved satisfactorily by competition and market forces", and that rates should not impose an undue obstacle to the movement of traffic within Canada or the export of goods from Canada.

12. Against that backdrop, the Agency's methodology for determining interswitching rates should align those rates to market conditions and thereby promote competition. Regulated interswitching rates should also be calibrated to ensure that railways will earn the returns necessary to offer their services and are incentivized to continue to invest in their networks. Finally, consistency and predictability of the Agency's interswitching rate methodology is of critical importance, as is not imposing additional regulatory burden on CPKC (and other railroads) for no public benefit.

IV. THE FCA DECISION

13. The FCA Decision resulted from CN's appeal of the Agency's decision setting interswitching rates for 2024. CN argued that the Agency improperly refused to consider evidence concerning "commercial market factors", which the FCA defined as "evidence concerning relevant commercial markets, including any interswitching rates in other markets, and commercial market prices." The narrow issue before the FCA was whether the Agency had erred in law by determining that these "commercial market factors" were not relevant to setting interswitching rates under section 127.1 of the Act and by not considering evidence in relation to those factors (FCA Decision, paras 5-6, 39).

14. The FCA held that it was not open to the Agency to entirely ignore evidence concerning commercial market factors (as defined above) when setting interswitching rates, considering the requirement in section 112 of the Act that such rates be commercially fair and reasonable to all

parties (FCA Decision, para 28). In other words, the Agency may not fetter its discretion under section 127.1(1) by limiting its methodology to the factors set out in subsections 127.1(2) and (3) of the Act. Beyond that, the FCA emphasized the Agency's regulatory expertise and broad discretion to weigh such factors as it sees fit:

> *This does not mean that the Agency will always have to give significant weight to commercial market factors. Far from it. The assessment of weight is entirely for the Agency to decide on the evidence in each case, relying upon its industry appreciation, regulatory experience, and transportation expertise. As well, in some cases, the Agency may find the evidence concerning the commercial market factors to be unhelpful or deserving of little or no weight.*
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> *It might be that in a particular case or a class of cases, after properly considering all the relevant factors under the Act, including the commercial market factors, the Agency sets rates at a level not much different from previously set rates. On the other hand, the Agency might set lower or higher rates. …*
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> (FCA Decision, paras 40-41)

15. "Commercial market factors" is not defined in the Act and is not an established term of art in the transportation industry. To CPKC's understanding, a market factor is any measurable condition that impacts commercial rates for rail transportation. This includes any factor that affects the supply, demand, price and volume for rail services, such as the railway's cost of providing service, the demand for the products to be shipped, the price of the products to be shipped, and any contingent risk that the railway bears in providing service.

16. Although the Existing Methodology is based primarily on costing, it in fact includes consideration of many factors falling within these parameters, including many of the "market factors" proposed by CN in its 2023 submissions. To the extent these factors are included in the Existing Methodology, CPKC submits that no changes are needed and that any factors that are included in the current methodology should not be considered again, as a separate market factor. To do so would represent a double counting of those factors, leading to distorted interswitching rates. The remainder of these submissions therefore focus on the proposed inclusion of new market factors in the Agency's methodology.

V. SUBMISSIONS ON THE AGENCY'S CONSULTATION QUESTIONS

A. Question 1: What are the commercial market factors that the Agency should consider in its determination of regulated interswitching rates?

17. In CPKC's view, the Existing Methodology considers the factors needed for the Agency to set annually regulated interswitching rates. As this consultation was prompted by the FCA's direction that the Agency consider evidence regarding "relevant commercial markets" as requested by CN, CPKC has considered the 16 factors that the CN 2023 submissions asserted should be part of the Agency's rate-setting methodology. Relevant commercial market (or "benchmark rates in comparable jurisdictions, such as the U.S. or E.U.") was one of these factors. Considering the FCA decision, the utility of this factor is discussed in some detail below.

18. CPKC notes that most of the factors set out in the CN 2023 Submission are either already part of the Existing Methodology, or cannot be objectively measured to be so incorporated. As

such, CPKC does not believe any modifications are required to address these factors, as summarized in **Schedule "A"** to these submissions.

19. CPKC submits that the Existing Methodology could be updated to address the complexities of transporting hazardous (TIH/PIH) goods.

(i) Hazardous goods

20. The transport of TIH/PIH hazardous goods—with the attendant special handling requirements—affect the availability of the rail line to other traffic and thus capacity of the overall network. Additional risks are introduced each time an additional handling activity is introduced in the transportation of any goods, but that risk is significantly elevated when handling TIH/PIH hazardous commodities. The Act recognizes the additional risks and thus has established Minimum Liability Insurance Coverage requirements for railways carrying TIH/PIH materials. Therefore, the presence of hazardous goods is a market factor as it affects the supply side of rail service. Setting a separate interswitching rate for transport of TIH/PIH goods, or a surcharge on the regular rates, would better reflect the additional risks, complexities, capacity constraints and costs incurred by the railways in interswitching these goods.

(ii) CN's "commercial market factor" proposals

21. In the CN 2023 Submission, CN proposed that the Agency consider 1) competitive rates from alternative transportation modes in Canada; and 2) benchmark interswitching rates within Canada and from jurisdictions outside of Canada such as the U.S. and the E.U. As noted above, the FCA Decision directed the Agency to consider these commercial market factors and what weight, if any, should be given to them.

22. CPKC agrees that these factors could be, in the abstract, relevant to determining regulated interswitching rates. However, based on the current contexts of these rates, CPKC submits that these factors should be given no weight in the Agency's determination of interswitching rates for 2026, as explained in greater detail below.

a. Competitive rates from alternative transportation modes in Canada

23. The CN 2023 Submission suggested that competitive rates for movement of traffic by truck should be considered as part of the Agency's interswitching methodology. While truck competition may be effective for the interchange portion of an intermodal container move, it is generally not effective for the interswitching portion of a non-intermodal rail move because that would involve transloading from rail car to truck at, or near, the interchange, incurring significant cost and delay.

24. When trucking is effective competition for the switching portion of a container move, the line-haul carrier could elect to use trucking as the cheaper option. The switching carrier would be free to offer a reduced interswitching rate to the line-haul carrier if it wishes to win the switching traffic. In that case, the competitive market factor would be reflected in a negotiated rate lower than the Agency's regulated rate and therefore It is therefore not necessary to administer a separate rate for intermodal interswitching traffic that may be subject to effective truck competition.

b. "Benchmark" interswitching rates

25. As an economic matter, interswitching rates in comparable markets could be a useful benchmark to assist the Agency in determining rates for regulated interswitching. However, there is presently no comparable market to the regulated interswitching market in Canada that could provide a useful benchmark. Even if there were, the Agency does not currently have and could not obtain the data that would be required to incorporate such benchmark rates into its methodology.

i. Unregulated interswitching in Canada not a comparable benchmark

26. For a non-regulated interswitching rate to represent a comparable for setting a regulated rate, the interswitch must not be eligible for regulated interswitching and the interswitching distance must be reasonably close to the maximum distance allowed under the *Railway Interswitching Regulations* (SOR/88-41) ("**Interswitching Regulations**") (i.e. 40 km).

27. CPKC examined its entire waybill database for the calendar year 2024, using the same database that is reported to Transport Canada monthly. Within this waybill data, CPKC identified all movements that were interchanged between CPKC and another carrier where the movement was not eligible for regulated interswitching. We filtered this list for movements where CPKC moved the carload for a distance of less than 50 miles (approximately 80 km), double the maximum distance allowed under the Interswitching Regulations. In 2024, there were only nine carloads meeting these criteria. When the distance requirement was relaxed to include all movements of 100 miles or less, 4 times the maximum interswitching distance, there were only 48 carloads. CPKC expects that CN would have similar data.

28. These small sample sizes are not adequate for the purpose of benchmark rate comparables. In short, there is no market for non-regulated interswitching in Canada, certainly not comparable to regulated interswitching.

ii. Short-line switching and haulage in Canada not a comparable benchmark

29. Short-line switching and haulage rates in Canada are not comparable to regulated interswitching rates.

30. Regulated interswitching is an activity occurring between two Class-I railroads, which have roughly equal access to markets and similar scope and scale of operations. This contrasts with short-line switching and haulage, which is an activity between a Class-I railroad and a much smaller railroad that most often has access to only one Class-I railroad and delivers all its traffic to that Class-I railroad. In many instances, the short-line railroad leases its trackage from the Class-I. As such, the competitive environment in which a short-line rate is negotiated is not similar to that in which an interswitching rate between two Class-1 carriers would be negotiated in a free market.

31. Being significantly smaller, short-line railroads have much lower overhead and management costs compared to Class-I railroads. They operate smaller and lighter trains, often at slower speeds. They often transport a limited set of products for a small and steady customer base. This greatly simplifies the short-line railroad's operations, which means that it is able to operate at lower rates. The simpler operation also reduces the opportunity cost considerations when assessing new business, whereas Class-1 carriers often need to assess the capacity costs associated with new business. Moreover, while the Agency may be able to compel federally

regulated short lines to provide rate data, it is CPKC's understanding that most of the short lines it works with are provincially regulated.

32. Even if the Agency wished to draw a market comparison to short-line switching and haulage, it would not be possible to do so because there is insufficient data available for that purpose. CPKC has rate agreements with some of of its short-line rail partners, representing a handful of distinct short-line origin: interchange combinations (based on 2024 information). The majority of CPKC's short-line rail partners operate on a "Rule 11" basis, meaning that they invoice shippers directly. CPKC does not have rate agreements with these short-line railroads and therefore does not have the rate information.

iii. U.S. interswitching not a comparable benchmark

33. There are two key facts that make it inappropriate to use United States interswitching rates as a benchmark for Canadian regulated interswitching rates. The first is that US railway network is structurally very different from the Canadian network. The second is that there is insufficient data available to the Agency regarding the US interswitching market.

34. On network structure, the US rail network is considerably denser and more interconnected than the Canadian network. There are three times more Class I railways in the US, and approximately three times more track miles.[1] Due to the greater track density, there are many more interconnections and routing options for most rail traffic. The US rail network also includes approximately 600 short-line railroads,[2] many of which are connected to multiple Class I railroads. It is rare for Canadian short-line railroads to connect to multiple Class I railroads. All of this adds up to greater optionality for rail routing in the US. These structural differences mean that the Canadian freight rail market cannot be meaningfully compared to the US freight rail market.

35. On the interswitching data, the rates charged between US railroads for the interchange of traffic are not a matter of public record. CPKC and CN represent only a small portion of the interswitching activity in the US. A data sample based on their activity would not be representative. Furthermore, CPKC's US interchange data is not formatted in a way that facilitates comparison to Canadian regulated interswitching rates, notably it does not include distance to the interchange or block size. Preparing and submitting this data on an annual basis would represent an undue regulatory burden given that it would have limited value to the Agency.

iv. European interswitching not a comparable benchmark

36. European rail markets do not provide a meaningful point of comparison to regulated interswitching in Canada. The European rail business model is fundamentally different from the North American rail business model. Canadian railways are vertically integrated, meaning that they own and operate their right of way, their rail, and their rolling stock. In contrast, in the European Union ("**EU**"), the vast majority of railways were state owned (the "*incumbents*") until

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[1] Association of American Railroads, "Freight Rail Facts & Figures", 2025, https://www.aar.org/freight-rail-facts-figures/; Railway Association of Canada, " Rail Trends 2025", 2025, pp. 7 and 13, RAC-RAIL-TRENDS-2025-EN10.pdf.

[2] American Short Line and Regional Railroad Association, "The Modern Short Line Industry", The Modern Short Line Industry - ASLRRA.

very recently, and the majority of rail infrastructure continues to be publicly owned.[3] Moreover, the majority of rail in Europe is concentrated on passenger rail service.[4] This, in conjunction with well-developed and efficient road networks and maritime transport, means that only a very small fraction of freight is transported via rail in Europe.[5]

37. Further, cost structures regarding freight rail transportation in Europe significantly differ from North American cost structure, notably due to the shorter distances travelled, different train lengths and weight, and higher modal competition from road freight in Europe at a national and international level. The average distances freight travelled by rail in Europe is approximately 260 km versus over 1,000 km in Canada.[6]

38. Operating within a passenger-centric network, European rail freight is constrained by a 740-meter target length and a 22.5-tonne axle load standard, making European trains significantly shorter and lighter than their Canadian counterparts.[7] In Canada, average freight train length exceeds 7,600 feet—more than three times the European target—and long-haul trains can surpass 12,000 feet and 18,000 tons.[8] The length and tonnage constraints for freight transport in Europe increase the overall cost for shippers per ton mile.

39. Setting aside the above, European railways do not normally engage in interswitching, as the freight operators are assigned complete routing from origin to destination so any interswitching rate data would be limited. While in some instances, separate terminal operators handle the first and last mile (gathering and delivering rail cars to local customers) within the boundaries of a terminal area, for those arrangements, the pickup and delivery fees are often regulated based on costs to serve. As cost-based calculations themselves, these fees do not offer a "commercial market factor" of potential relevance to the Agency's interswitching methodology.

Question 2: What additional data should railways provide in order for the Agency to consider these market factors?

40. We have addressed this question for TIH/PIH hazardous goods in the response to Question 4 (para 43) below.

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[3] The European Rail Freight Market Competitive Analysis and Recommendations Study on behalf of European Rail Freight Association (ERFA) Final Report - April 2022 The European Rail Freight Market - Competitive Analysis and Recommendations-1649762289.pdf ["**2022 ERFA Report**"].

[4] European Commission: Directorate-General for Mobility and Transport and EY, Study on passenger and freight rail transport services' prices to final customers – Final report, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2832/403804.

[5] In 2023, rail transport represented 5,5% of total freight transport performance in the EU. Eurostat: Freight Transport Statistics – Modal Split, https://ec.europa.eu/eurostat/statistics-explained.

[6] 2022 ERFA Report, *supra* note 3, p. 11; Statistics Canada, Table: 23-10-0057-01.

[7] 2022 ERFA Report, *supra* note 3, p. 88; Regulation (EU) 2024/1679, ss. 1(28), 2(b) and (c).

[8] Railway Association of Canada "Rail Trends 2024", p. 23, https://www.railcan.ca/wp-content; CN 2024 Annual Report, p. 1; CPKC "2024 Annual Report", p. 4, CPKC-2024-Annual-Report-Web_Final.pdf ; Transportation Safety Board of Canada's "Rail Safety Advisory 617-06/20" (2020), https://www.tsb.gc.ca/eng/securite-safety/rail/2020; Transportation Safety Board of Canada's "Railway Investigation Report R06T0022" (2006), https://www.tsb.gc.ca/eng/rapports-reports/rail/2006 .

Question 3: What weight, if any, should the Agency give to commercial market factors in its rate-setting methodology?

41. As discussed above, for TIH/PIH hazardous goods, full weight would be given as specific rates would be set for these situations.

42. In CPKC's submission, no weight should be given to the other commercial market factors proposed by CN, namely the rates for competitive modes for interswitching traffic in Canada or "benchmark" interswitching rates. These are not appropriate benchmarks for regulated interswitching rates in Canada.

Question 4: What methodology should be used to apply these weights to calculate interswitching rates?

43. With respect to determining a surcharge or rate for interswitching hazardous products, the railways would need to present freight rate information for TIH/PIH products and comparable traffic. This data would likely take the form of waybill data. The data would need to be provided annually.

44. CPKC is grateful for the opportunity to provide these submissions and would be pleased to respond to any questions the Agency may have with respect to these submissions.

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SCHEDULE "A" - COMMERCIAL MARKET FACTORS REFLECTED IN THE EXISTING METHODOLOGY

	Factor (as described by CN)	Role in Existing Methodology
a	The volume and frequency of the traffic	The Existing Methodology already considers the volume and frequency of interswitched cars from the previous year to calculate the aggregated weighted system average interswitching costs. As the Agency explained in its determination of the 2026 interswitching rates (interim): *Every year, Agency staff visit interchange locations across Canada to meet with Canadian National Railway Company (CN) and Canadian Pacific Kansas City Limited (CPKC) yard supervisors to review interswitching operations at each location. For each interchange location, all of the steps required to provide interswitching services for the major interswitching shippers in each zone and to estimate the service units involved in each step are verified. Agency staff visits interchanges of different sizes, volumes and characteristics to capture the unique operations of interchanges across Canada. Over a two-year period, Agency staff will update service units from all interchanges that are providing regulated interswitching service.* ***[CTA Determination R-2025-197; Appendix A, s. 1.0]*** The interswitching rate calculation is based on the actual operations of CN and CPKC, which includes the actual volumes and frequency of interswitching traffic.
b	The type of traffic, specifically loading and unloading, handling complexities, truck competition, and demand elasticity	This factor is considered in the Existing Methodology as part of the (per-car) handling time required to handle a carload through the interchange process units costing exercise. Handling time captures handling complexity as it pertains to the railroad operations. For example, interchange traffic that must be gathered and classified into a contiguous block of rail cars has a more complex handling requirement than traffic which arrives as a block. This complexity is reflected in the handling time utilized in the Agency's methodology. *Regulated interswitching rates are set as an average across all shipments, shipment distances, terrains, car types (etc.).* From an economic perspective, freight transportation is a derived demand which varies significantly in terms of a range of factors (external to railway rates), such as the shipper, the product being transported by the railway, and all factors which affect demand for that product (Kenneth E. Train, *Optimal Regulation:*

	Factor (as described by CN)	Role in Existing Methodology
		The Economic Theory of Natural Monopoly, MIT Press 1991, pp. 115-116). It is simply not possible to accurately control for all these varying and external circumstances in a single average rate. Moreover, CPKC does not have the data required to estimate demand elasticity nor does CN (or any railway).
c	The distance over which traffic is moved	Distance is already captured in the Agency's current interswitching rate methodology by the use of zones, and the surcharge for each additional kilometre in zones 4B and 5. Movement distance is one driver of the per-car handling time, a key element of the Existing Methodology**.**
d	The conditions of the movement of the traffic (single cars, blocks, unit trains)	Block size is already captured in the Agency's current interswitching rate methodology and separate rates are published for single cars and blocks.
e	The type and ownership of the cars used to move the traffic	The Existing Methodology already applies different costs for ownership and maintenance according to the car type and ownership.
f	Regional or provincial variations	Regional variations are captured in the Existing Methodology in various ways. These include the calculation of interswitching service units, which incorporates data for different regions and also information obtained from Agency site visits and interviews with railway staff. Other regional factors are also addressed in the discussion of volume and frequency of traffic in point a. above and density of traffic in point h. below. For example, an interchange located in an urban setting may have difficulty to scale up its capacity as traffic density increases, leading to greater congestion during peak seasons.
g	Resource requirements for the traffic, including crews and locomotives	Crew and locomotive costs are accounted for in the calculation of single-car and block-train service units in the Existing Methodology.
h	Any undertaking given by the shipper in respect of the volume of traffic	Volume guarantees are specific to individual shippers and generally incorporated into confidential commercial arrangements. It is therefore not possible for the regulated interswitching rate to take these undertakings into account. However, current market practices already reflect this factor.

	Factor (as described by CN)	Role in Existing Methodology
		In practice, where a railway has a volume guarantee from a customer, it may negotiate with the switching carrier for a lower interswitching rate in exchange for an obligation to deliver a given volume or frequency of traffic at the interchange.
l	Any incentives, rebates or any similar reductions in respect of the traffic	Incentives and rebates are the corollary to volume guarantees, addressed immediately above.
j	The density of traffic on the lines on which the traffic is to be moved	The density of traffic, which refers to the volume of traffic moving over a rail line relative to the capacity of the line to handle the traffic, is not objectively measurable. Although carloads, train-feet, or GTM can be measured, there is no objective measurement of traffic volume as it relates to traffic density. This is because these common measures of rail traffic volume do not reflect many qualities of rail traffic that impact effective capacity of the network. For example, shorter trains can start and stop more quickly, and they can fit into more sidings than longer trains. This has a significant impact on the velocity of two-way traffic, where trains must be carefully scheduled to meet each other at the appropriate siding. Dangerous goods have special handling requirements and may have speed restrictions. That impacts the availability of the line to other trains and thus impacts capacity. Manifest trains need to do work along-route, which represents a delay and impacts the availability of the line to other traffic. These are just a few examples. Stated simply, capacity is dynamic, responding to operational requirements and exogenous events (e.g. weather), and any estimate of capacity is specific to a particular route.
k.	Seasonal fluctuations	The CN 2023 Submission proposed seasonal fluctuations as a new market factor. While seasonal demand can impact the rail freight market with respect to many commodities shipped in Canada, it would add significant complexity and impose a regulatory burden on the railway companies and the Agency to adequately take this factor into account in determining the annual interswitching rate. Seasonal fluctuations are, by their very nature, dynamic and volatile and will differ based upon geography and commodity types. As such, CPKC's view is that the Existing Methodology should not be adjusted with respect to this factor.

	Factor (as described by CN)	Role in Existing Methodology
l	Any long-term investment needed in those lines	Capital investments and return on capital, (which incentivizes long-term investment) are a significant component of the Existing Methodology. The Agency applies a contribution to fixed costs to all investments made in rail lines.
m	Trends in general economic activity that could influence rail demand, notably factors such as interest rates, inflation, money supply and employment.	These factors are captured in the Agency's methodology to determine the cost of capital because they impact the cost of debt, risk free rate, and market risk premium. The cost of capital is, in turn, already a key component of the Existing Methodology.