Western Canadian Short Line Railway Association Response to the Consultations on the Canadian Transportation Agency's Approach to Setting Regulated Interswitching Rates

The Western Canadian Short Line Railway Association appreciates the opportunity to contribute to the consultation on the CTA's Approach to Setting Regulated Interswitching Rates. Please find our responses to the Discussion Paper below.

Q1 (a) Should separate regulated interswitching rates be determined for short-line railway companies? If yes, should there be rates for individual short-line railway companies or one single average for all short-line railway companies?

There is only one federally regulated short line in our membership and this short line's location prevents it from being involved in interswitching. We do not see that having separate regulated interswitching rates for short line railway companies would be useful for our members, as interswitching does not apply to provincially regulated short line railways.

(b) Should the CTA expand the current regulated interswitching rate development methodology to include the interswitching service units performed by and the unit costs of participating short-line railway companies?

No.

(c) Should the CTA continue to rely solely on the costs of CN and CP to develop the regulated interswitching rates?

Yes.

Q2 (a) Should the CTA continue to determine a single rate in each zone, to maintain the simplicity and ease of administration of the interswitching remedy, or should the CTA determine multiple rates for each zone, to better match the rates to the costs of providing the service?

The CTA should continue to determine a single rate in each zone.

(b) If multiple rates are preferable, should the rates be by interchange, by province, by region (e.g., Western Canada, Prairies, Eastern Canada) or another alternative?

(c) Should there be different rates for different commodities? If yes, how should the commodities be broken down?

No.

Q3 Are the CTA's current distance based interswitching zones sufficient?

Yes.

Q4 Should the CTA introduce more factors, such as customer characteristics, train size, or grades of track characteristics to create a broader range of rates?

No.

Q5 Should the CTA collapse the four zones and have one interswitching zone for all customers within the regulated interswitching limits?

No.

Q6 Should the CTA reinstitute the use of weighted linear regression to produce rates that increase proportionately by zone?

No.

Q7 Does the CTA's inclusion of a cost of capital and depreciation allowance appropriately inform the consideration of long-term investment needed in the railway companies?

Yes.

Q8 (a) Is the cost of equity model, an input to the cost of capital methodology, currently used by the CTA appropriate for determining an adequate rate of return on investment?

Yes.

(b) If it is not, which cost of equity model or combination of cost of equity models should be considered by the CTA?

N/A

Q9 Should the CTA continue to use the system average total to variable costs ratio as the contribution to fixed costs?

Yes.

Q10 Could alternative approaches, such as a full Ramsey pricing model, be used to determine the contribution to fixed costs?

No.

Q11 If so, how does the alternative approach meet the "commercially fair and reasonable" requirement in section 112 of the Act?

Q12: Is the suggested alternative for calculating railway companies' productivity preferable to the Ideal Fisher methodology?

No.

Q13: Is there another productivity model that the CTA should consider?

No.

Q14: Is the current block size minimum of 60 cars sufficient for recognizing the efficiencies gained from moving cars in a block?

Yes.

Q15: Should the CTA determine rates for smaller or larger shipment sizes?

No.

Q16: Is there another way to collect interswitching service units to accurately calculate the average variable costs of all interswitching movements, as required by subsection 127.1 (3) of the Act? Please provide a rationale for your response.

No.

Q17: How can the CTA make the regulated interswitching rates and/or rate setting methodology more transparent and accessible to Canadians?

The CTA's website is difficult to use, would be nice to see it updated so that information is easier to find. There is currently no real CTA presence in Western Canada. Would be nice to have an individual posted in Western Canada or at the very least to have the CTA have a table at grain shows like the CGC does.

Q18: Are there measures that railway companies can take to ensure shippers are aware of the applicable rate? For example, would it be appropriate to require railway companies to show the regulated interswitching rate, as a separate charge on the waybill? Should this charge be paid by the shipper directly to the railway company providing the interswitching service?

It would be appropriate to require the rate to be a separate charge on the waybill.

While we appreciate the opportunity to submit this document, it is the belief of the WCSLRA that Long-Haul Interswitching (LHI) needs much more attention than 30km interswitching. It is our understanding that not one shipper has used this tool to date, we suspect because it is not useful and is cumbersome and impractical. We feel that it is imperative that consultations be opened to revisit the LHI. It was meant to fill the need that losing 160KM interswitching created and to increase competition, but has not done so at all, to the detriment of shippers and the Canadian economy.