



November 18, 2016

VIA E-MAIL

Canadian Transportation Agency
15 Eddy St
Gatineau, Québec

Attention: Consultations@otc-cta.gc.ca

Re: 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

We represent the Forest Products Association of Canada (FPAC) and the Western Canadian Shippers' Coalition (WCSC).

The submissions of Canadian National Railway Company (CN) and Canadian Pacific Railway Company (CP) advocate a radical departure from the established methodology followed by the Agency in their proposals that in its determination of net rail investment, the Agency:

- include land; and
- use market values or market value proxies instead of book values.

Following the proposals put forward by CN and CP can reasonably be expected to increase significantly the equity component of the railways' capital structure and inflate the cost of capital rates determined by the Agency. As noted in the original submission of FPAC and WCSC, the Agency's 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.

In the absence of concrete data supporting a conclusion that a fundamental change in the treatment of land or the valuation of assets included in the net rail investment is required to allow CN and CP to raise sufficient capital for necessary investment, FPAC and WCSC

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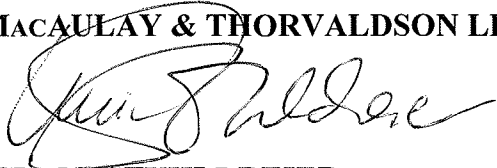
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respectfully submit that the radical departure advocated by CN and CP is not warranted. As noted in the submission of several other participants, in the absence of adequate disclosure of information to permit meaningful comment by affected stakeholders, the Agency should not embark on such a radical departure.

Yours truly,

AIKINS, MACAULAY & THORVALDSON LLP

Per:



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LMS/pk