



Canada News Centre

Railways Exceed Western Grain Revenue Caps for Crop Year 2011-2012

OTTAWA – December 19, 2012 – The Canadian Transportation Agency today issued its [Decision No. 477-R-2012](#), ruling that the revenues of the Canadian National Railway Company (CN) and the Canadian Pacific Railway Company (CP) for the movement of western grain have exceeded their revenue caps for crop year 2011-2012 by less than 0.1 percent.

CN's grain revenue of \$542,756,316 was \$240,185 above its cap of \$542,516,131.

CP's grain revenue of \$494,436,705 was \$400,132 above its revenue cap of \$494,036,573.

In the 2011-2012 crop year, 33.1 million tonnes of western grain were moved, which is 6.2 percent higher than the volume moved during the previous crop year. As well, the average length of haul of 952 miles was 13 miles, or 1.3 percent lower than the previous crop year.

CN and CP now have 30 days to pay the amount by which they exceeded their 2011-2012 revenue cap, in addition to a five percent penalty of \$12,009 and \$20,006, respectively. Government regulations stipulate that such payments must be made to the Western Grains Research Foundation, a farmer-financed and directed organization set up to fund research that benefits Prairie farmers.

Determining the Revenue Cap

The *Canada Transportation Act* requires the Agency to determine each railway company's revenue cap annually and whether each cap has been exceeded. The revenue cap is a form of economic regulation that enables CN and CP to set their own rates for services, provided the total amount of revenue collected remains below the ceiling set by the Agency.

Revenue caps are calculated using a formula containing numerous elements which are established by the Act. The Volume-related Composite Price Index (VRCPI) is one of these elements and is determined by the Agency, no later than April 30 every year. The VRCPI is an inflation index which reflects forecasted price changes for railway labour, fuel, material and capital purchases by CN and CP, the two federally-regulated railways. The index, along with the actual tonnage of grain that was hauled and the average length

of haul during the crop year for each railway, is used to determine the annual revenue caps.

The Canadian Transportation Agency is an independent administrative body of the Government of Canada. It performs two key functions within the federal transportation system:

- As a quasi-judicial tribunal, the Agency, informally and through formal adjudication, resolves a range of commercial and consumer transportation-related disputes, including accessibility issues for persons with disabilities. It operates like a court when adjudicating disputes.
- As an economic regulator, the Agency makes determinations and issues authorities, licences and permits to transportation carriers under federal jurisdiction.