

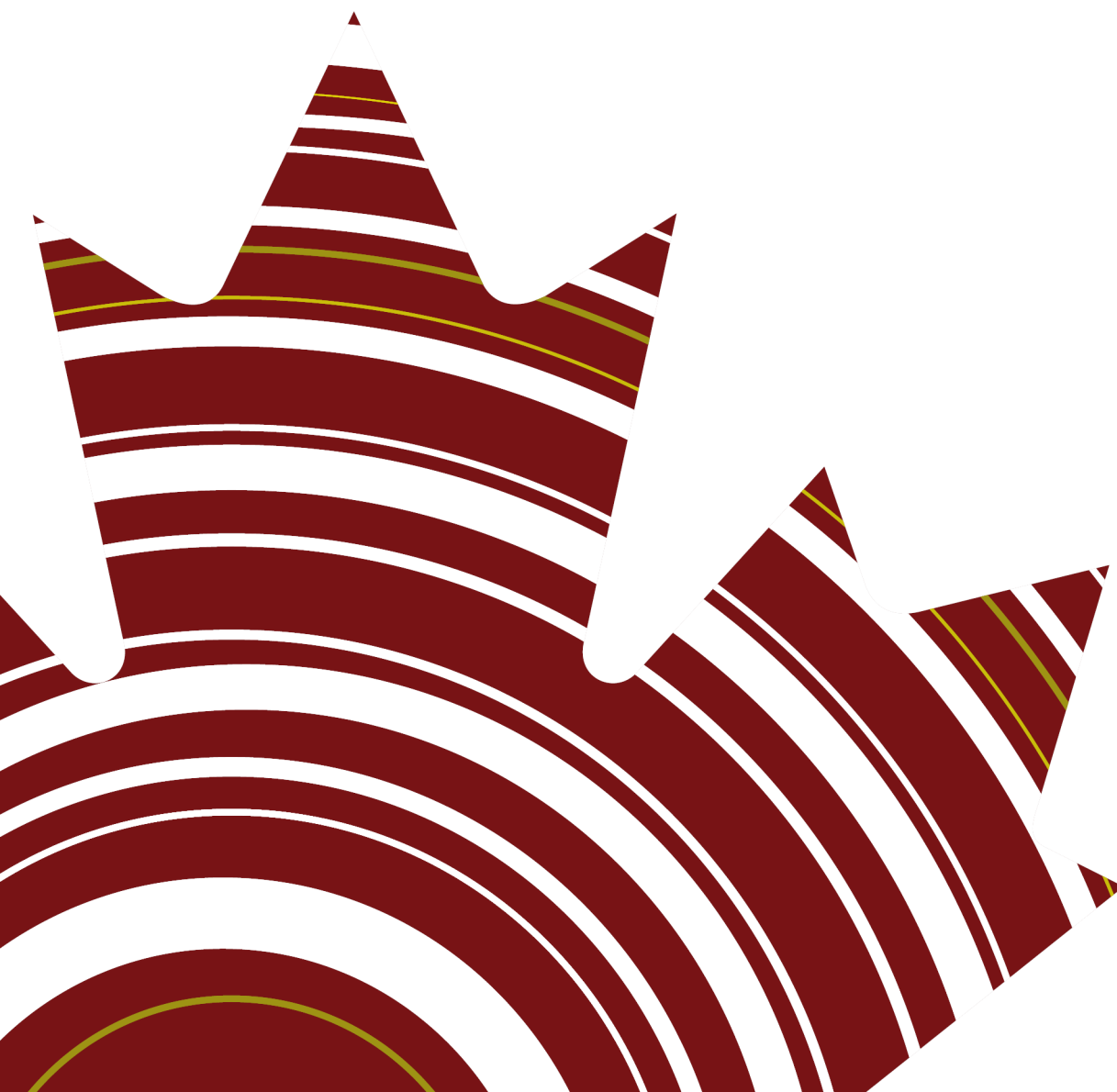


Canadian
Transportation
Agency

Office
des transports
du Canada

The Maximum Revenue Entitlement: A Guide

Canadian Transportation Agency



Canada 

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[Alternate formats](#) are available. Une [version française](#) est disponible.

1. Introduction

This guide explains the Canadian Transportation Agency's (CTA) Maximum Revenue Entitlement (MRE) Program for the movement of western grain by rail. Specifically, the guide describes:

- what the MRE is;
- what railway companies (railways) the MRE applies to;
- what types of crops and routes the MRE covers;
- how the MRE is calculated; and
- what happens if a railway goes above its MRE.

2. What is the MRE?

In Canada, railways are allowed to set prices for the different shipments they move, based on things like the type of product, the type of car, the time of year, and the route.

The CTA used to set the maximum rates that the Canadian National Railway Company (CN) and the Canadian Pacific Railway Company (CP) could charge shippers to transport western grain. In 2000, this system was replaced with the MRE. The MRE does not guarantee western farmers certain rates for rail transportation. It limits the total amount of money (revenue) CN and CP can each receive transporting western grain.

The MRE is designed to make sure railways are compensated fairly for the volume of grain they transport in a crop year (August 1 to July 31) and the distance they carry it. It allows railways to increase their rates in line with prices for the goods and services they use (inflation), but not higher than this. In this way, the MRE offers shippers some price protection.

While the MRE accounts for the impact of inflation on railway costs, it does not consider how efficiently the railways moved western grain each year.

What is ...

Canada's Western Division?

The part of Canada that is west of a line drawn through Thunder Bay and Armstrong, Ontario.

Western grain?

Includes any crop listed in [Annex B](#) that is grown in Canada's Western Division or that is imported into Canada.

3. Which grain movements are covered by the MRE?

The MRE applies anytime CN or CP moves western grain in certain cars by rail in Canada's Western Division.

Covered by MRE	Not Covered by MRE
<p>Any part of a movement:</p> <ul style="list-style-type: none">• that is in Canada's Western Division and goes to, or through, Thunder Bay or Armstrong, Ontario.• that is in Canada's Western Division and goes to the Port of Churchill for export, or a British Columbia port, for export to a country other than the United States (US).• that is to a point in Canada's Western Division, if the grain will then go to a British Columbia port for export to a country other than the US.	<p>Any part of a movement:</p> <ul style="list-style-type: none">• that is outside of Canada's Western Division (for example, east of Armstrong or Thunder Bay, or in the US).• of grain for export to the US.• that starts and ends in the US, regardless of whether it passes through Canada's Western Division.• of western grain in containers on flat cars.

The Port of Churchill

Currently, neither CN nor CP service the Port of Churchill. This means that any grain movements to that port are not captured by the MRE.

4. How is the MRE calculated?

After each crop year, we calculate the railways' MREs for that year. We always start with the same base – the estimate of the railway's revenue per tonne of grain that was calculated when the MRE began in the year 2000-2001. Then, to arrive at the MRE for the crop year, we make calculations that take into account changes since 2000-2001 in:

- prices for goods and services that the railways use (inflation);
- the average length of the railway's western grain haul; and
- how many tonnes of western grain the railway moved.

We also account for any investments the railway made to buy or maintain grain hopper cars, which are the main rail cars used to transport grain.

Our calculations use the grain traffic information CN and CP provide to us each fall, and the inflation rates (volume-related composite price index) we publish before each crop year. [Annex C](#) gives more detail about the formula we use to arrive at each railway's MRE.

Once we have calculated the MREs for the crop year that has just passed, we decide whether CN's and CP's revenues from the transportation of western grain were over or under their limit. We release the results by December 31 on the [CTA website](#).

By limiting revenue, does the MRE discourage railways from carrying western grain?

No, CN and CP must haul all the grain that is offered to them for transport. The MRE doesn't penalize them for hauling more grain or making longer hauls in a given crop year. Instead, each railway's MRE is decided at the end of the year, taking into account:

- how much western grain the railway moved that year; and
- the average distance of those movements.

This means that, for example, if CN or CP transported double the amount of grain one year compared with the previous year, we would expect their MRE to double as well (if all other factors were the same).

5. What if a railway goes above its MRE?

If CN's or CP's revenues in one crop year are higher than their MRE, they must pay the amount that is above the cap, plus a penalty, to the Western Grains Research Foundation (WGRF). This organization funds research helping Prairie farmers, and is both financed and directed by farmers.

Paying excess amounts

If CN or CP has gone over its MRE, they have 30 days to pay the extra amount and a penalty to the WGRF.

If the excess amount is ...	Then the penalty is ...
<ul style="list-style-type: none">• 1% or less of the railway's maximum revenue entitlement• more than 1% if the company's maximum revenue entitlement	<ul style="list-style-type: none">• 5% of the excess amount• 15% of the excess amount

6. We're here to help

If you have any questions about the MRE, please contact the CTA's [Railway, Rail Shipper and Community Help Line](#).

Annex A – British Columbia ports

For the MRE Program, ports in British Columbia include:

- Burnaby
- Fraser Mills
- Fraser Surrey
- Fraser Wharves
- Lake City
- Lulu Island Junction
- New Westminster
- North Vancouver
- Port Coquitlam
- Port Moody
- Prince Rupert
- Ridley Island
- Roberts Bank
- Steveston
- Tilbury
- Vancouver
- Woodward's Landing

Annex B: Grains that qualify for the MRE Program

Canada Transportation Act, SCHEDULE II

Grain, Crop or Product

- Alfalfa meal, pellets or cubes, dehydrated
- Barley
- Barley, crushed
- Barley, pearl
- Barley, pot
- Barley sprouts
- Bean (including soybean) derivatives (flour, protein, isolates, fibre)
- Beans, including soybeans, faba beans, splits and screenings
- Bran
- Breakfast foods or cereals (uncooked) in bags, barrels or cases manufactured from commodities only as listed in this schedule
- Buckwheat
- Canary seed
- Corn, cracked
- Corn (not popcorn)
- Feed, animal or poultry (not medicated or condimental), containing not more than thirty-five per cent of ingredients other than commodities as specified in this schedule, in bags or barrels or in bulk
- Flax fibre
- Flax seed
- Flour, other than wheat, semolina or pea
- Flour, wheat or semolina
- Grain, feed, in sacks
- Groats
- Hulls, oat
- Lentils, including splits and screenings
- Malt (made from grain only)
- Meal, barley
- Meal, corn
- Meal, linseed
- Meal, oat
- Meal, rapeseed or canola
- Meal, rye
- Meal, soybean
- Meal, wheat
- Meal, oil cake, linseed
- Meal, oil cake, rapeseed or canola
- Meal, oil cake, soybean
- Meal, oil cake, sunflower seed
- Middlings
- Millfeed
- Mustard seed
- Oats
- Oats, crushed
- Oats, rolled
- Oil, linseed

- Oil, rapeseed or canola
- Oil, soybean
- Oil, sunflower seed
- Oil cake, linseed
- Oil cake, rapeseed or canola
- Oil cake, soybean
- Oil cake, sunflower seed
- Pea derivatives (flour, protein, isolates, fibre)
- Peas, including splits and screenings
- Rapeseed or canola
- Rye
- Screenings or screenings pellets (applicable only to screenings from grains specified in this schedule)
- Seed grain in sacks
- Shorts
- Sunflower seed
- Triticale
- Wheat
- Wheat, rolled
- Wheat germ

Annex C: Formula for calculating the Maximum Revenue Entitlement (MRE) of a railway company

$$\text{MRE} = [A \div B + ((C - D) \times \$0.022)] \times E \times F$$

Numbers based on the 2000-2001 base year

Letter	This represents the ...	CN	CP
A	railway's revenues for the movement of grain	\$348,000,000	\$362,900,000
B	number of tonnes of grain involved in the railway's movement of grain	12,437,000	13,894,000
D	length (in miles) of the railway's average grain movement	1,045	897

Numbers related to the crop year

Letter	This represents the ...
C	length (in miles) of the railway's average grain movement
E	number of tonnes of grain involved in the railway's movement of grain
F	volume-related composite price index that applies to the railway (inflation index)

What is the volume-related composite price index (VRCPI)?

The VRCPI is an inflation index that we use when calculating the MRE. Using it makes sure the MRE accounts for the estimated changes in the price of goods and services used by CN and CP, such as labour, fuel, material and capital purchases. Compared with more general inflation indexes (like the Consumer Price Index), the VRCPI better reflects changes in each of these railways' costs. It also takes into account some costs that are directly related to grain transportation, like the cost to buy and maintain hopper cars. This supports investments to improve the movement of western grain

The CTA sets a VRCPI for each of CN and CP by April 30, before the crop year begins. This leaves time for the railway companies to factor inflation into their freight rates or put in place other pricing strategies for the crop year, which begins August 1.

What is the \$0.022 in the formula?

This adjustment accounts for any differences in a railway company's average length of haul for a crop year compared with the base year of 2000-2001.

If the railway's average haul is longer than it was in the base year, the railway is entitled to receive another \$0.022 per tonne.