

Mexico

A. CPKC Mexican Rate Setting

CPKC is allowed under Mexican rate setting procedures to engage in of price discrimination on the Mexico segment of a CPKC movement. In Mexico, railroad companies are free to apply Ramsey Pricing subject to a requirement to file a table of maximum tariffs in order to prevent individual abuse of dominance. Tariffs below this maximum are unregulated and agreed in voluntary and confidential commercial contracts.¹ The Ministry of Communications and Transport of Mexico, Secretaría de Comunicaciones y Transporte (“SCT”) has the legal power to set and enforce maximum rail rates through collecting data on payments by shippers to railways and auditing whether actual rail rates exceed posted maximum rates.² If the SCT determines that prices hamper fair competition, they can request an opinion from the Federal Economic Competition Commission (“COFECE”) about the market conditions.^{3, 4}

B. CPKC and FXE Trackage Rights

“Very shortly after the concessions were initiated, the concessionaires commenced negotiations on trackage rights. Until 2010, however, negotiations remained unproductive because the stakes were high for the concessionaires and because the basis on which to formulate them was undefined. In 2010, Ferromex and KCSM finally reached agreement on the most important segments: access by KCSM to Guadalajara and Silao, and access by Ferromex to the main KCSM line from Viborillas to Ramos Arizpe. These agreements will expand competitive access for domestic traffic. However, the companies agreed not to use these trackage rights for export/import traffic”⁵

¹ OECD (2017), Review of the Regulation of Freight Transport in Mexico, p.86, available at [https://www.oecd.org/centrodemexico/publicaciones/OECD%20\(2017\)%20Review%20of%20%20Regulation%20Freight%20Transport.pdf](https://www.oecd.org/centrodemexico/publicaciones/OECD%20(2017)%20Review%20of%20%20Regulation%20Freight%20Transport.pdf).

² OECD (2017), Review of the Regulation of Freight Transport in Mexico, p.84, available at [https://www.oecd.org/centrodemexico/publicaciones/OECD%20\(2017\)%20Review%20of%20%20Regulation%20Freight%20Transport.pdf](https://www.oecd.org/centrodemexico/publicaciones/OECD%20(2017)%20Review%20of%20%20Regulation%20Freight%20Transport.pdf).

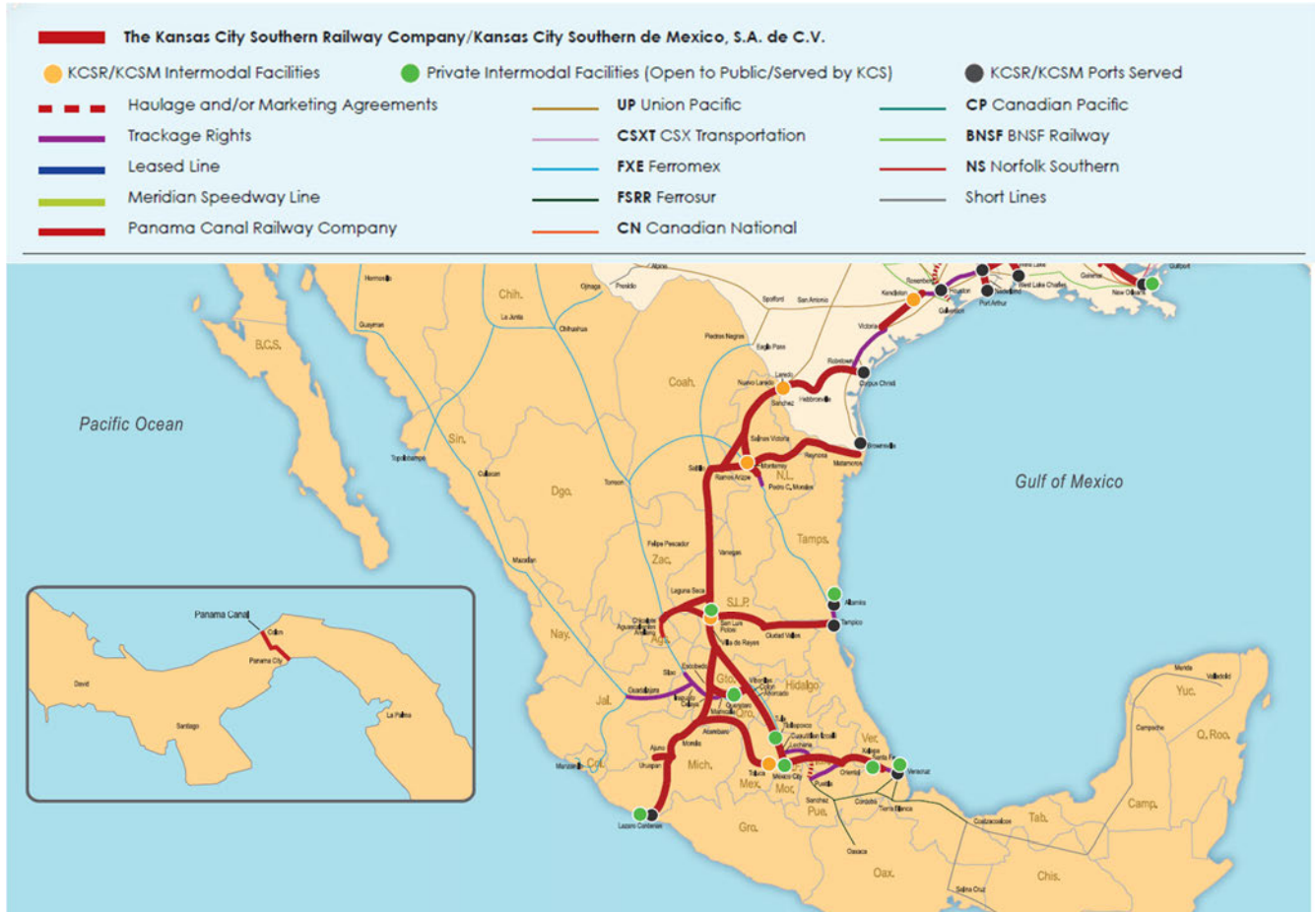
³ OECD (2017), Review of the Regulation of Freight Transport in Mexico, p.77, available at [https://www.oecd.org/centrodemexico/publicaciones/OECD%20\(2017\)%20Review%20of%20%20Regulation%20Freight%20Transport.pdf](https://www.oecd.org/centrodemexico/publicaciones/OECD%20(2017)%20Review%20of%20%20Regulation%20Freight%20Transport.pdf).

⁴ Law of Rail Service (Ley Reglamentaria del Servicio Ferroviario, LRSF), Article 46 (Translated from Spanish) Art. 46 of LRSF, available at https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/Mexico_1_Ley_Reglamentaria_del_Servicio_Ferroviario_ES.pdf

⁵ See 2014 OECD, Freight Railway Development in Mexico, p.24 <https://www.itf-oecd.org/sites/default/files/docs/14mexicorail.pdf>

C. Intermodal and Automotive Competition in Mexico:

Figure 1: KCSM Intermodal Facilities⁶



- [REDACTED]
- [REDACTED]

⁶ See APP VOL. 1 at p. 71

Figure 2: FXE Intermodal Facilities⁹

⁹ Ferromex network maps available at <http://www.ferromex.com.mx/ferromex-lo-mueve-eng/sistema-ferromex.jsp>

Figure 3: FXE and KCSM Route Comparison from Pacific Ports to the U.S-Mexico Border ¹⁰

- The map below shows the 1,254 mile route on FXE (orange) from Manzanillo, CL to Eagle Pass, TX compared to the more direct 922 mile route on KCSM (blue) from Lazaro Cardenas, MH to Laredo, TX, a difference of 332 miles.

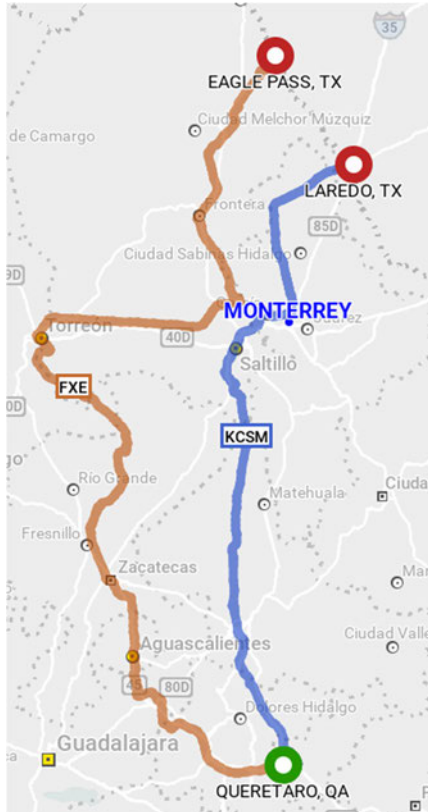


¹⁰ Maps from PC Miler

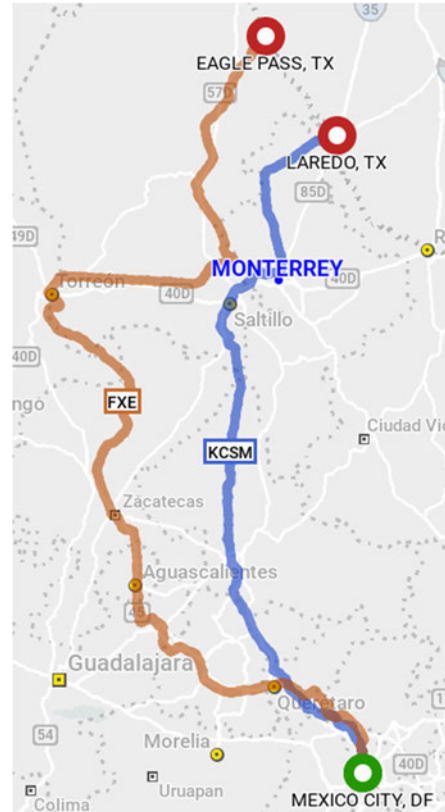
Figure 4: FXE and KCSM Route Comparison from Jointly Served Intermodal Facility Areas to the U.S-Mexico Boarder ¹¹

- The maps below from Queretaro, QA shows the 958 mile route on FXE (orange) to Eagle Pass, TX compared to the more direct 608 mile route on KCSM (blue) to Laredo, TX, a difference of 350 miles. The map below from Mexico City, DF shows the 1,121 mile route on FXE to Eagle Pass, TX compared to the more direct 728 mile route on KCSM to Laredo, TX, a difference of 393 miles.

From Queretaro, QA



From Mexico City, DF



¹¹ Maps from PC Miler

Figure 5: FXE and KCSM Route Comparison from Interpuerto, SL to the U.S-Mexico¹²

- The map below shows the 376 mile truck route (aqua) from Interpuerto, SL to Gomez Palacio, DG and the 408 mile route on FXE (orange) from Gomez Palacio to Eagle Pass, TX; a combined total of 784 miles. This compares to the more direct 473 mile route on KCSM (blue) from Interpuerto to Laredo, TX, a difference of 376 miles.

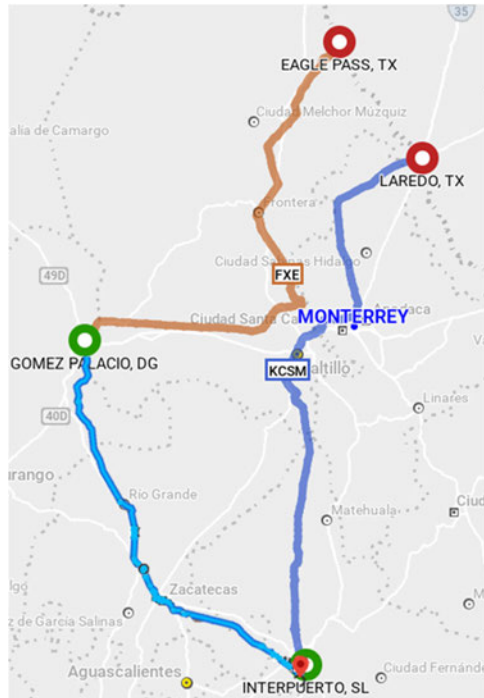
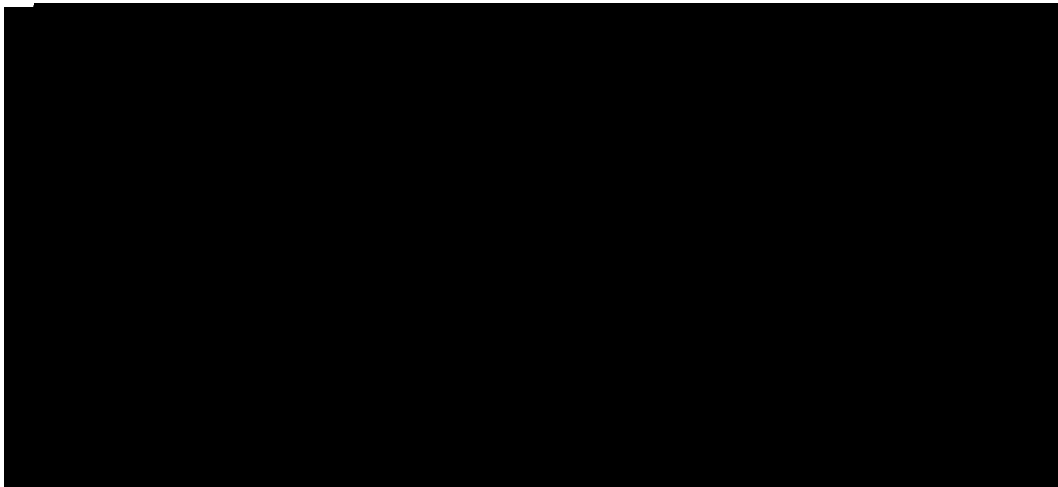


Figure 5: Proportions of Cross Border Traffic for Both Northbound and Southbound Traffic¹³



¹² Map from PC Miler. Truck route from google maps at [Google Maps Interpuerto to Gomez Palacio](#)

¹³ See [REDACTED]

Figure 6: Reproduction of Figure 8 from Wahba and Naatz V.S¹⁴

- Automotive traffic generally falls into two categories of shipments: auto parts and finished vehicles. Auto parts are extremely time sensitive due to “just-in-time” transit commitments agreed to between the rail carrier and the customer (usually an automotive manufacturer or “OEM”). Auto parts with time sensitivities move in general manifest (or, if containerized, intermodal) trains but are managed to ensure tight connections between trains to protect service commitments.¹⁵

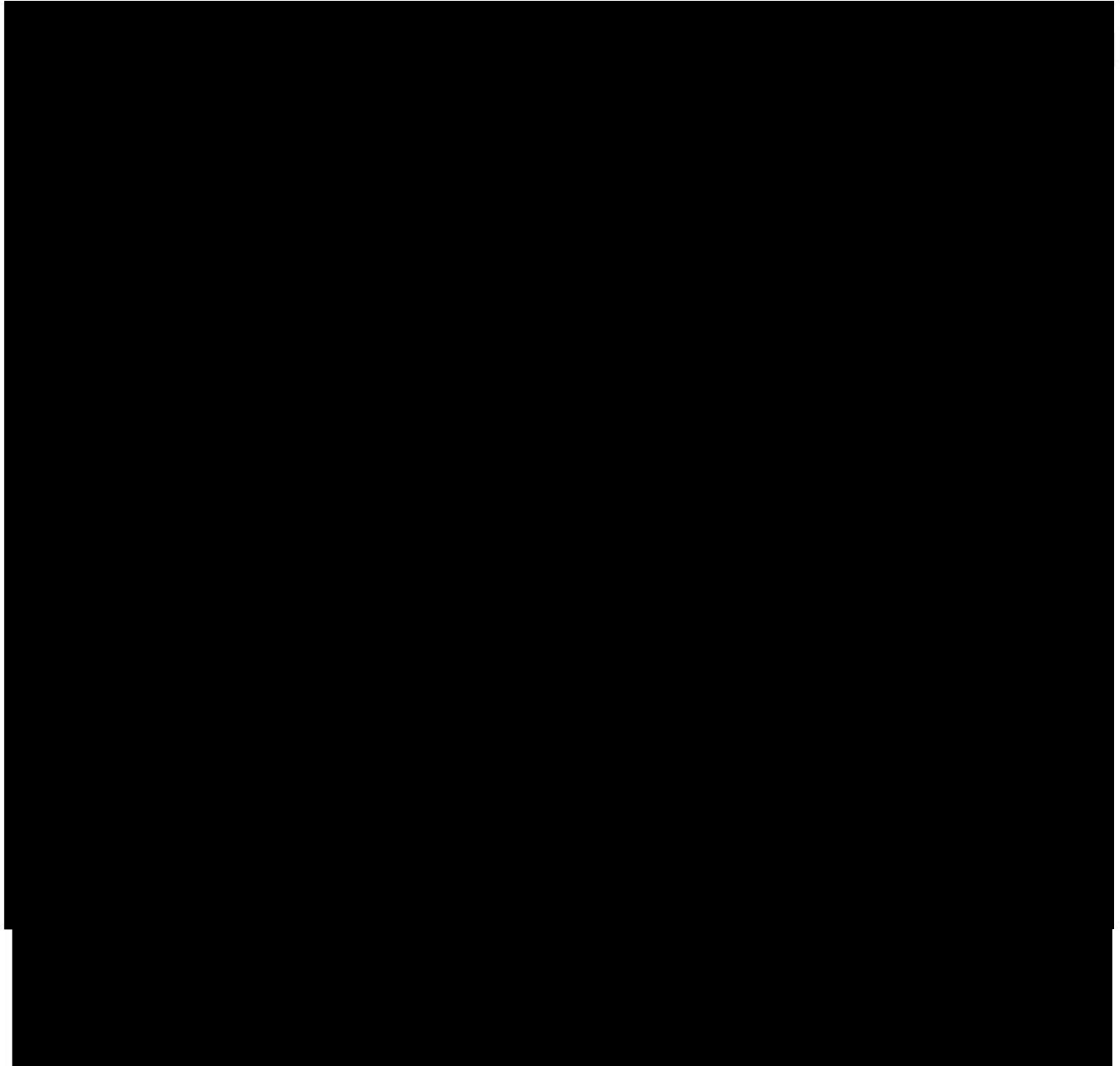
Figure 7: FXE Automotive Facilities¹⁶

¹⁴ See Wahba and Naatz V.S. ¶ 70

¹⁵ See APP Vol. 2 at 289, Exhibit 13 Operating Plan ¶ 91.

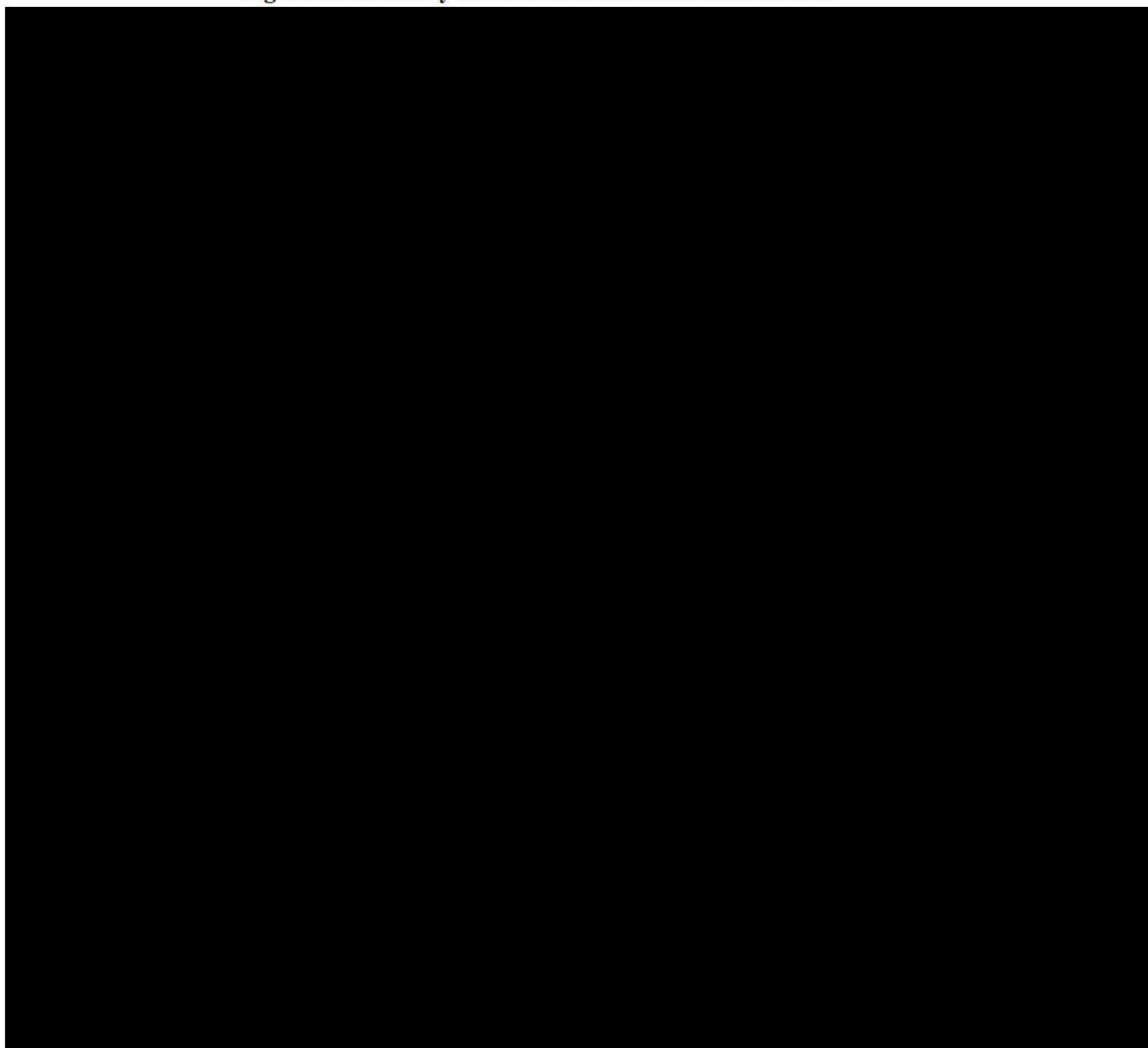
¹⁶ Ferromex network maps available at <http://www.ferromex.com.mx/ferromex-lo-mueve-eng/sistema-ferromex.jsp>

Figure 8: Summary of KCS Mexico Intermodal Traffic¹⁷



¹⁷ See Carey HC-WP “HC-KCS Mexico Intermodal and Auto - FXE Access.xlsx” at tab “Summary of Total Intermodal”

Figure 9: Summary of KCS Mexico Automotive Traffic¹⁸



¹⁸ See Carey HC-WP “HC-KCS Mexico Intermodal and Auto - FXE Access.xlsx” at tab “Summary of Total Automotive”

D. Majure Exhibit 2 Replication Tables

Figure 9: KCS (Potential) Market Share for US/Canadian Movements involving Mexico Traffic for (Accessible Locations) KCS Northbound/Southbound Traffic through Laredo (by BEA Areas)¹⁹

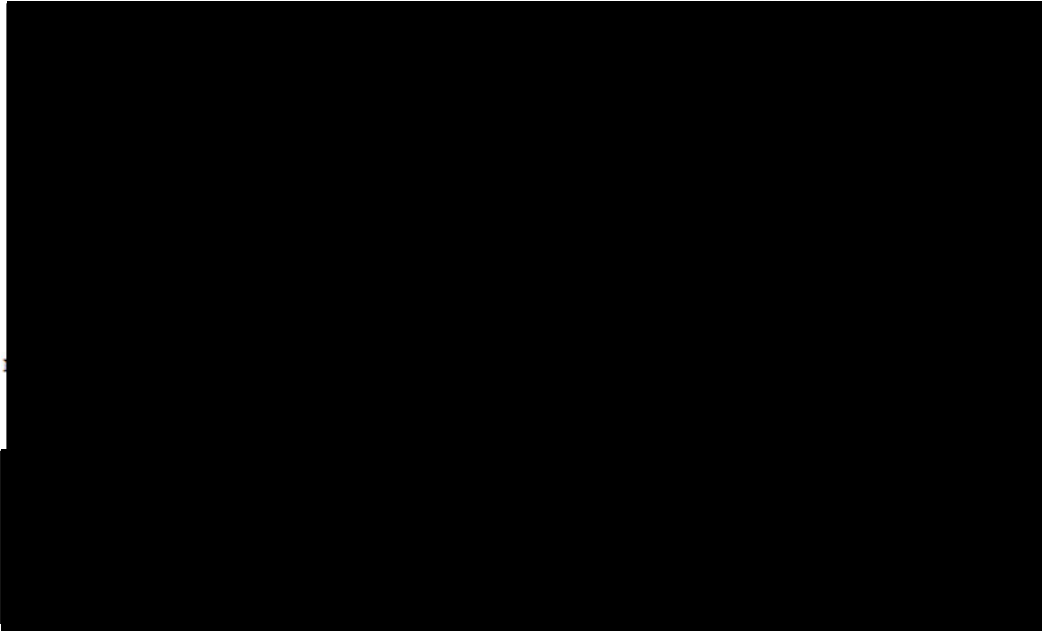
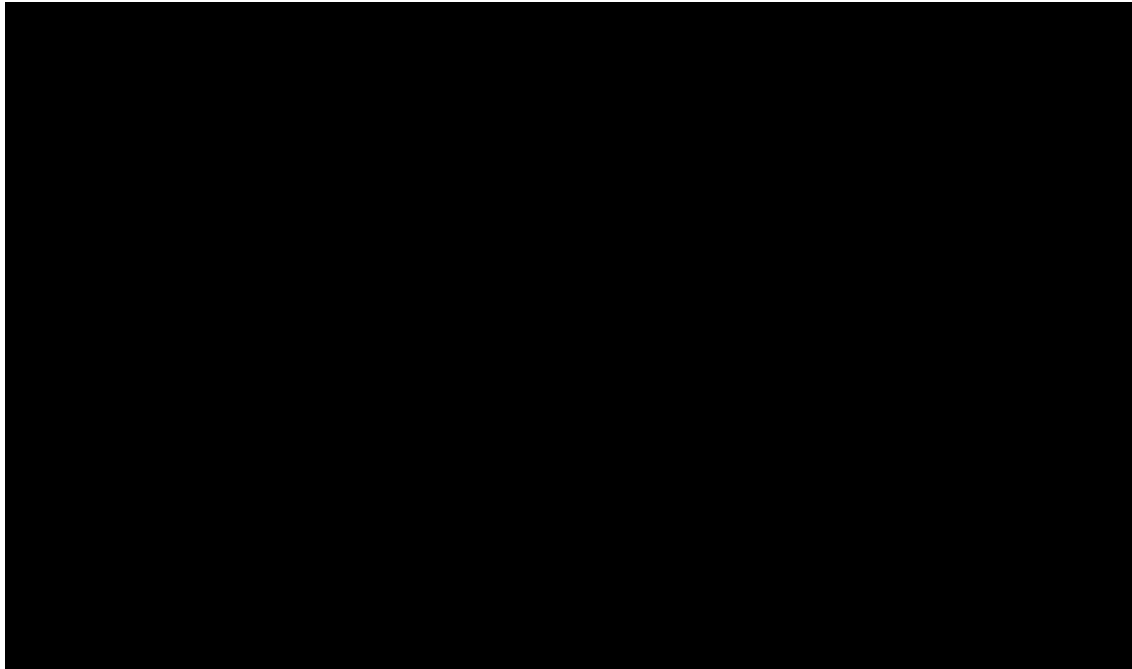


Figure 10: KCS (Potential) Market Share for US/Canadian Movements involving Mexico Traffic for (Accessible Locations) KCS Northbound/Southbound Traffic through Laredo (by Station Location))²⁰



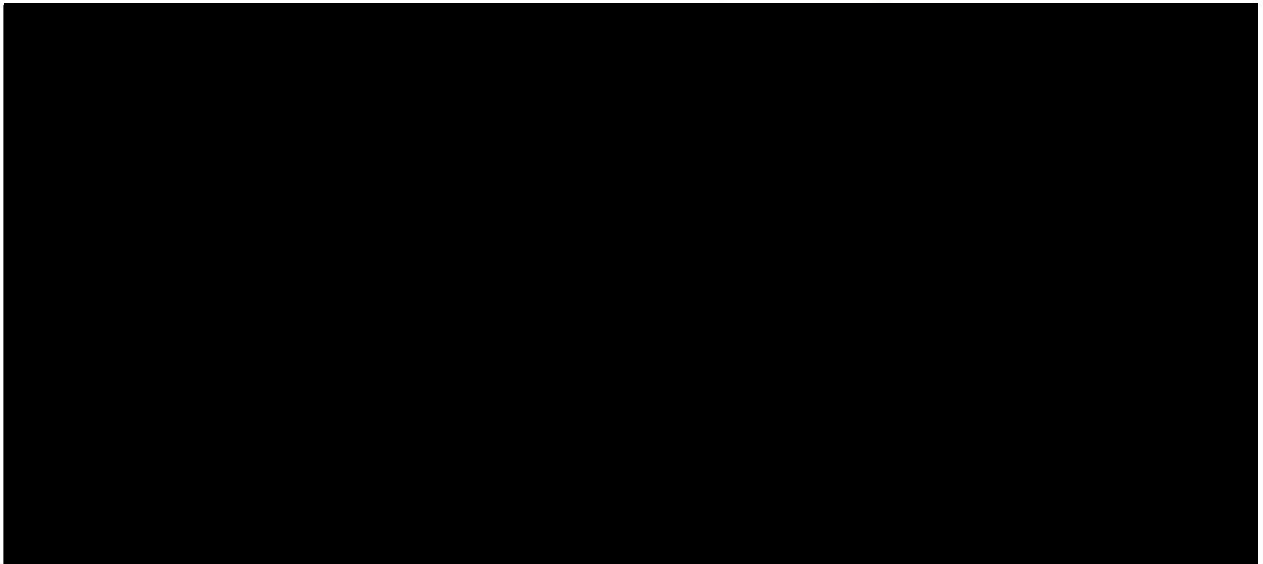
¹⁹ See Carey HC-WP “HC-Combined Majure Tables Summary.xlsx”

²⁰ See Carey HC-WP “HC-Combined Majure Tables Summary.xlsx”

Figure 10: KCS (Potential) Market Share for US/Canadian Movements involving Mexico Traffic for (Accessible Locations) KCS Northbound Traffic through Laredo (by BEA Areas)²¹



Figure 11: KCS (Potential) Market Share for US/Canadian Movements involving Mexico Traffic for (Accessible Locations) KCS Southbound Traffic through Laredo (by BEA Areas)²²



²¹ See Carey HC-WP "HC-Combined Majure Tables Summary.xlsx"

²² See Carey HC-WP "HC-Combined Majure Tables Summary.xlsx"

Figure 12: KCS (Potential) Market Share for US/Canadian Movements (Excluding Intermodal movements) involving Mexico Traffic for (Accessible Locations) (Northbound Traffic and Specific Customer Stations (SPLCs))²³

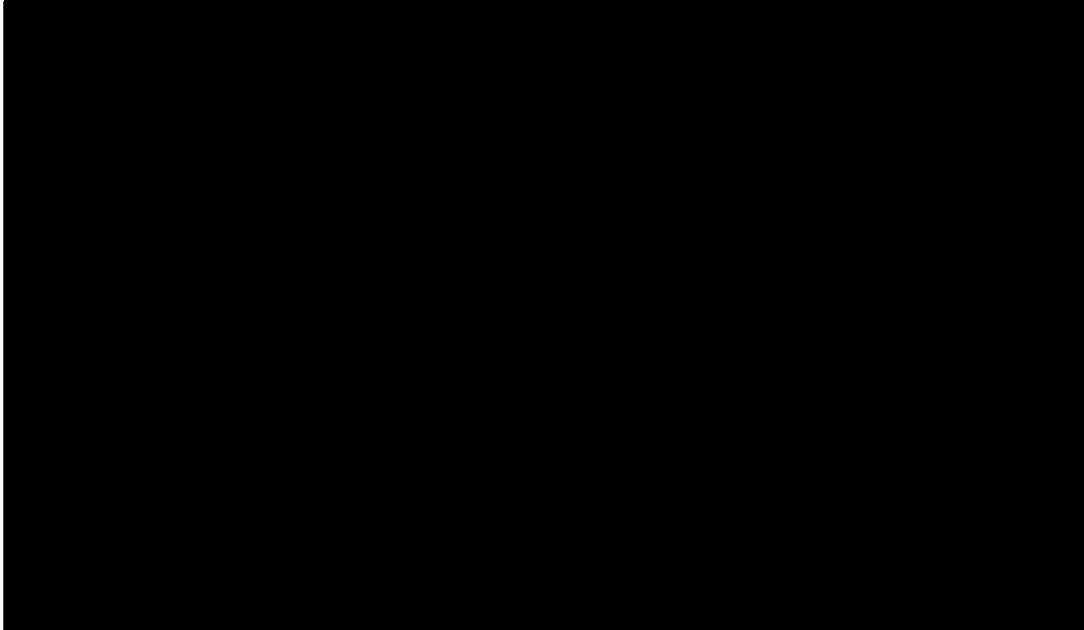
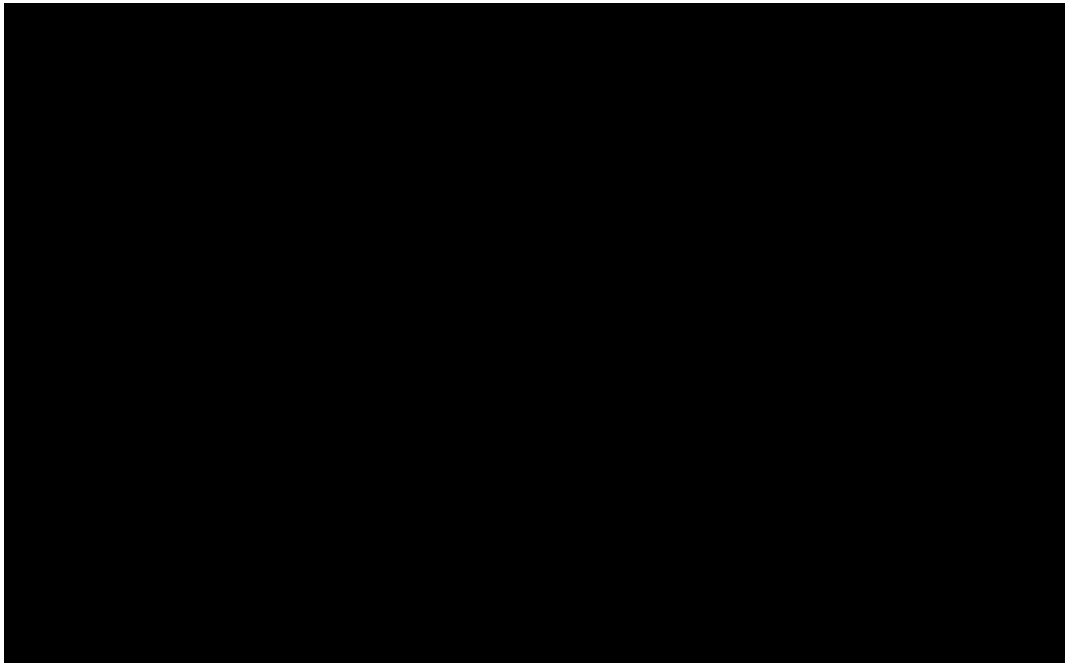


Figure 13: KCS (Potential) Market Share for US/Canadian Movements (Excluding Intermodal movements) involving (Southbound Traffic and Specific Customer Stations (SPLCs)) Mexico Traffic for (Accessible Locations) (Southbound Traffic and Specific Customer Stations (SPLCs))²⁴



²³ See Carey HC-WP “HC-Combined Majure Tables Summary.xlsx”

²⁴ See Carey HC-WP “HC-Combined Majure Tables Summary.xlsx”

Figure 14: KCS (Potential) Market Share for US/Canadian Intermodal Movements involving Mexico Traffic for (Accessible Locations) (Northbound Traffic and BEA Areas)²⁵

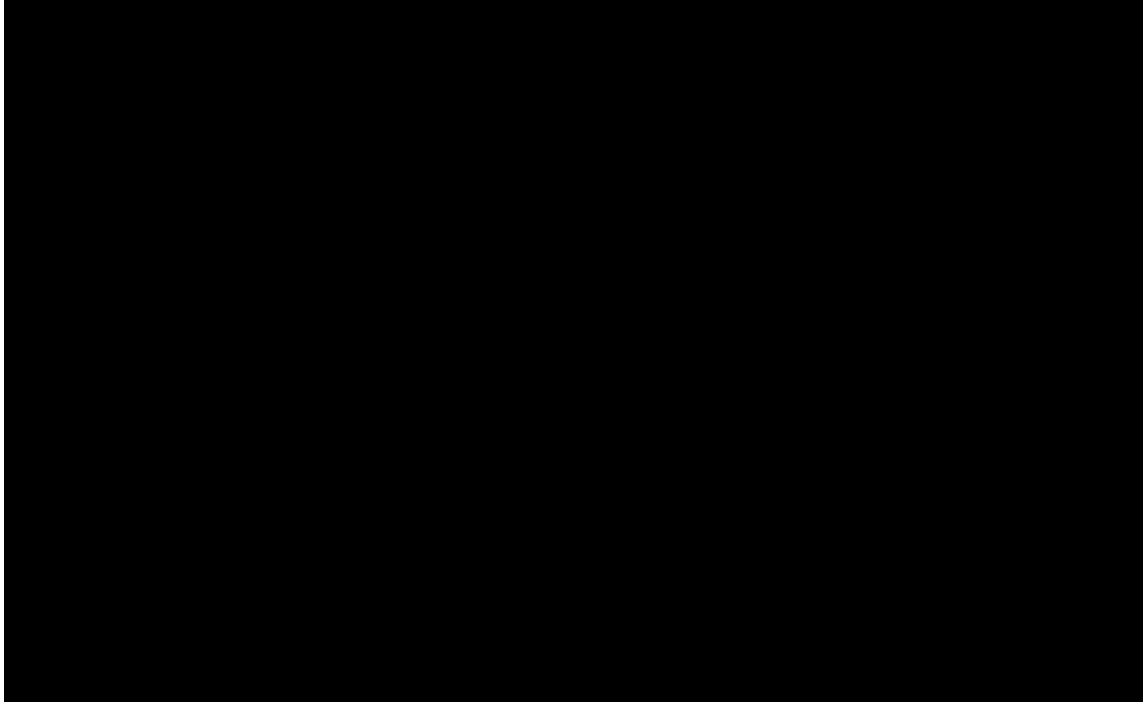
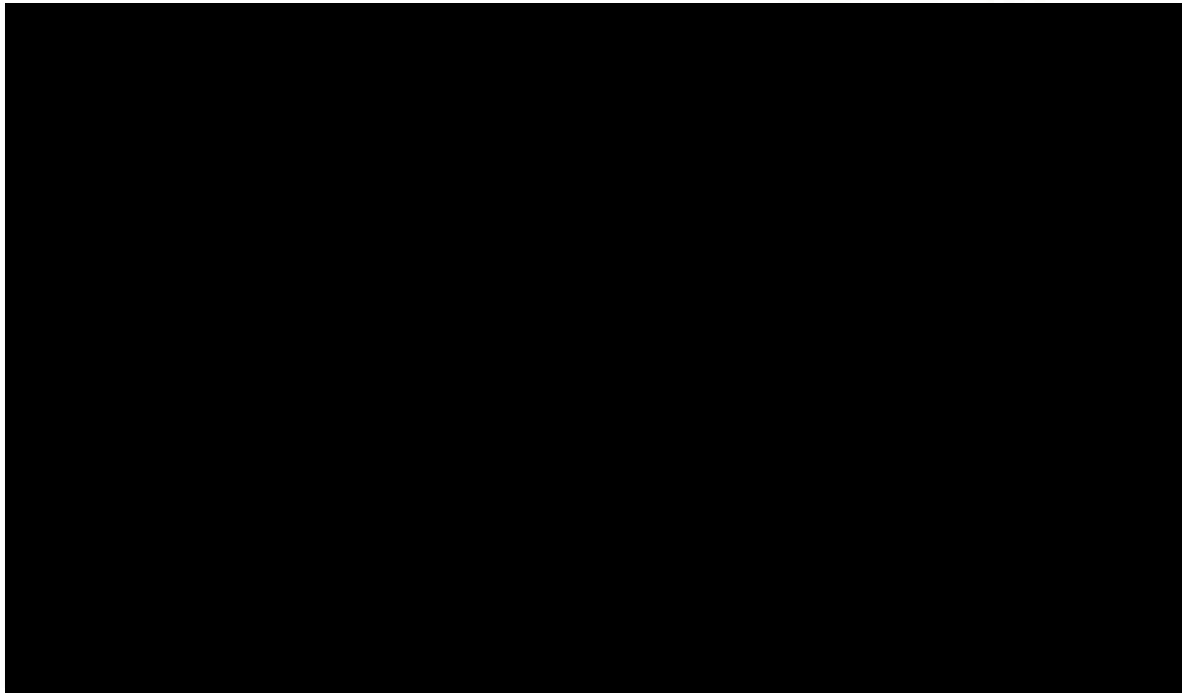


Figure 15: KCS (Potential) Market Share for US/Canadian Intermodal Movements involving Mexico Traffic for (Accessible Locations) (Northbound Traffic and BEA Areas)²⁶



²⁵ See Carey HC-WP “HC-Combined Majure Tables Summary.xlsx”

²⁶ See Carey HC-WP “HC-Combined Majure Tables Summary.xlsx”

E. Rate Strategy:

Figure 14: Potential CPKCS Revenue for Automotive and Intermodal Movements Interchanging with UP at Laredo from Mexico Price Strategy Under Allowable Rate Caps²⁷

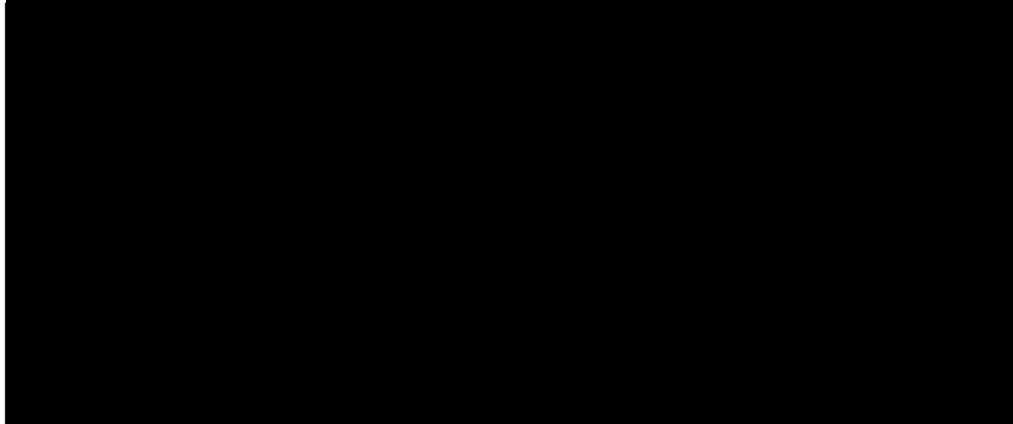


Figure 15: Determination of Rate Strategy Using Total Revenue, Variable Costs and Cars by US and Mexico Portion for CPKCS Application Routes Interchanging with UP at Laredo, TX²⁸

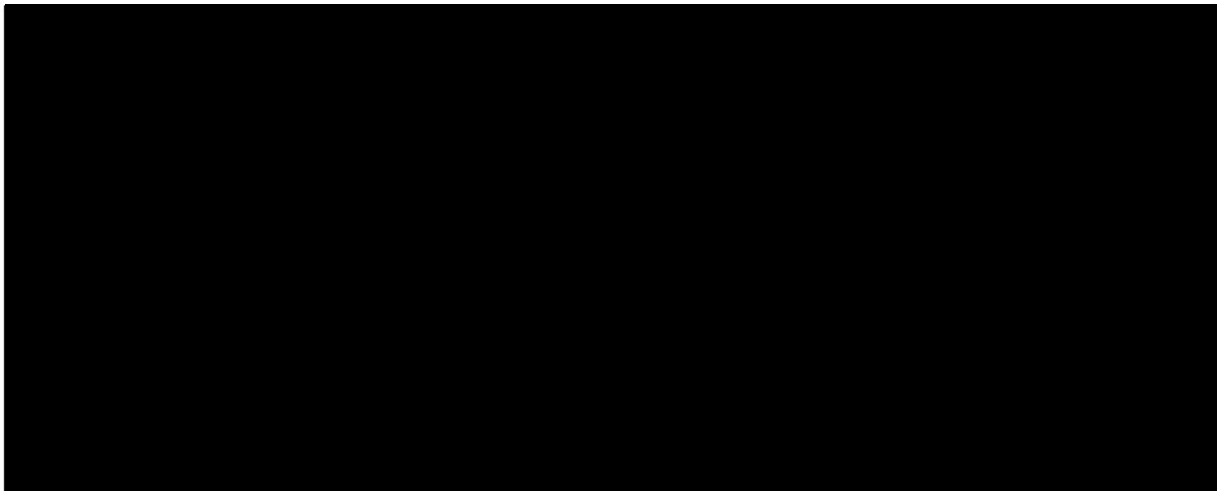


Figure 16: Variable Costs and Revenue for CPKCS Application Routes that Originate or Terminate in Mexico and are Interchanged with UP at Laredo²⁹

²⁷ See Carey HC-WP “HC-Mexico Rate Foreclosure by Line of Business.xlsx” at tab “Potential Revenue”.

²⁸ See Carey HC-WP “HC-Mexico Rate Foreclosure by Line of Business.xlsx” at tab “Summary”.

²⁹ See Carey HC-WP “HC-Diverted Intermodal and Automotive VC and Revenue.xlsx” at tab “Summary”.

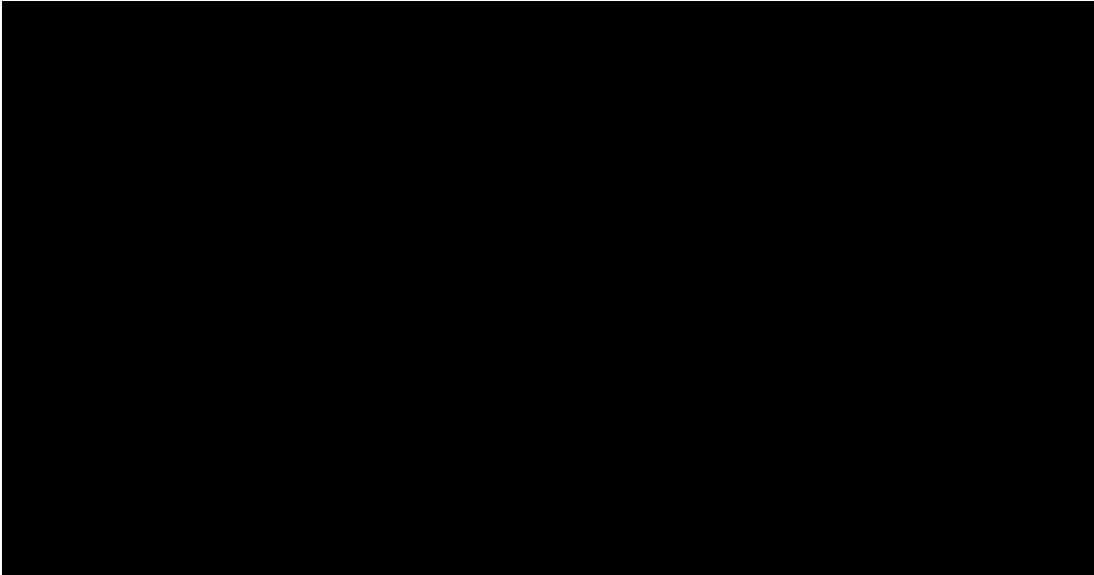


Figure 17: Variable Costs and Revenue for CPKCS Application Routes that Originate or Terminate in Mexico and are Interchanged with UP at Laredo³⁰

³⁰ See Carey HC-WP “HC-Diverted Intermodal and Automotive VC and Revenue.xlsx” at tab “Variable Costs & Rev Cleaned”

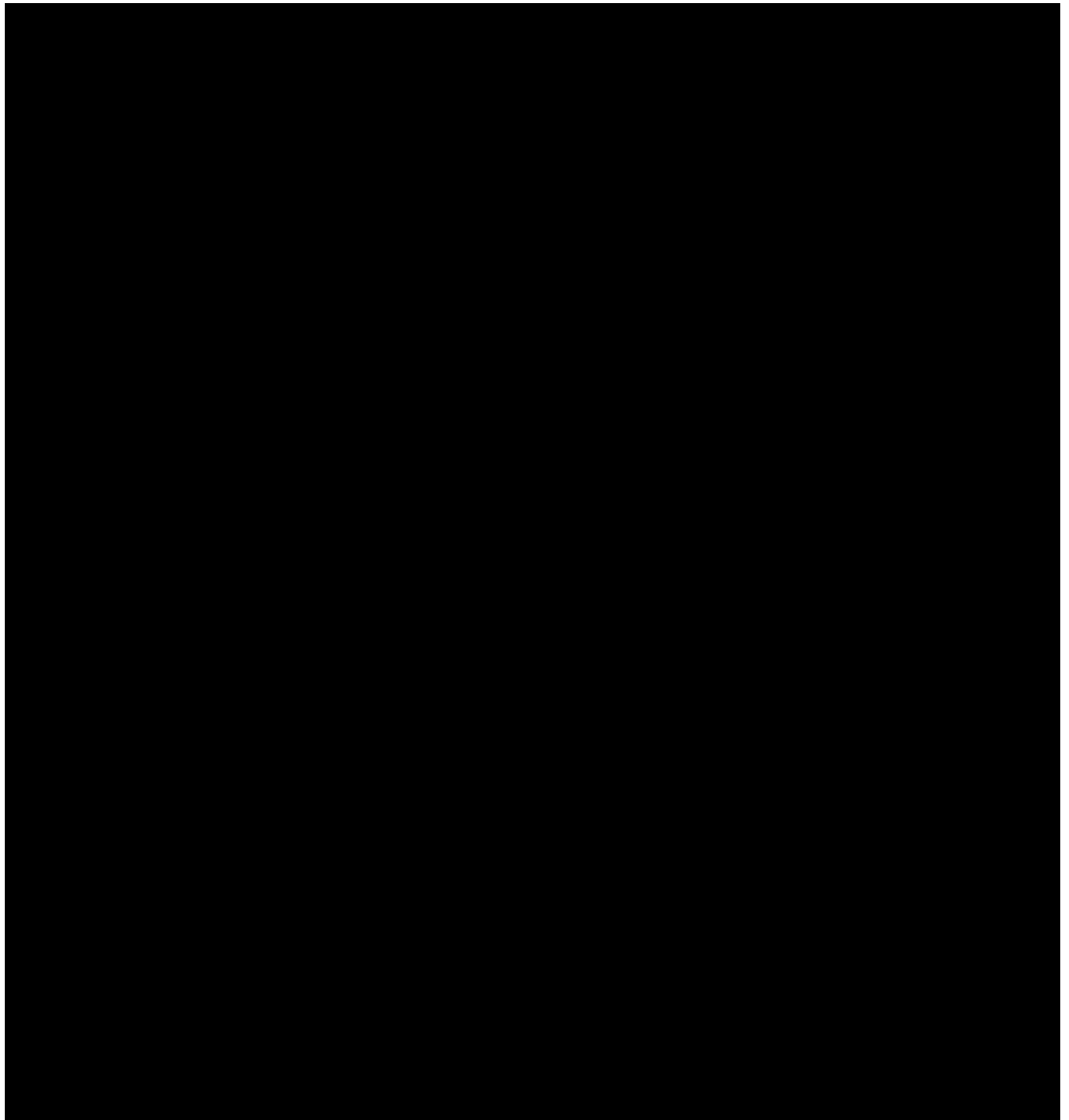


Figure 18: Summary of Potential Revenue from Charging Maximum Rates for KCSM Intermodal Traffic Interchanging at Laredo, TX with UP³¹

³¹ See Carey HC-WP “HC-KCSM Potential Intermodal & Automotive Revenue.xlsx” at tab “Summary of Intermodal Final”

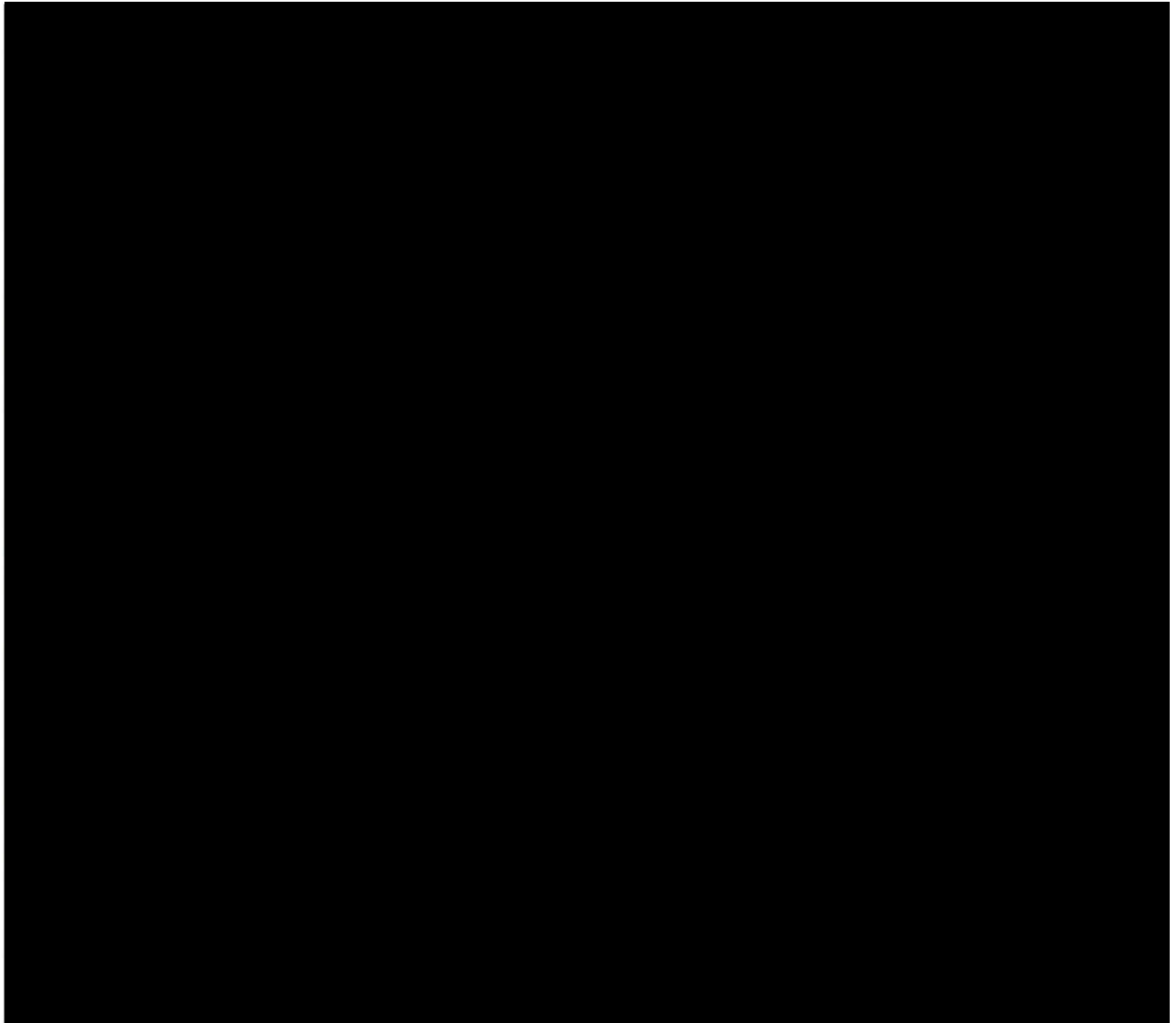
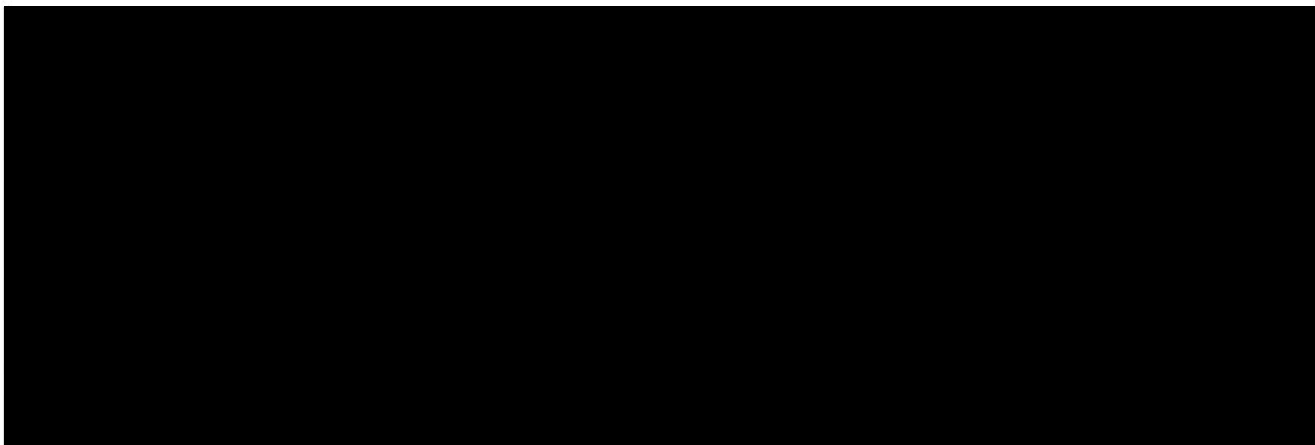


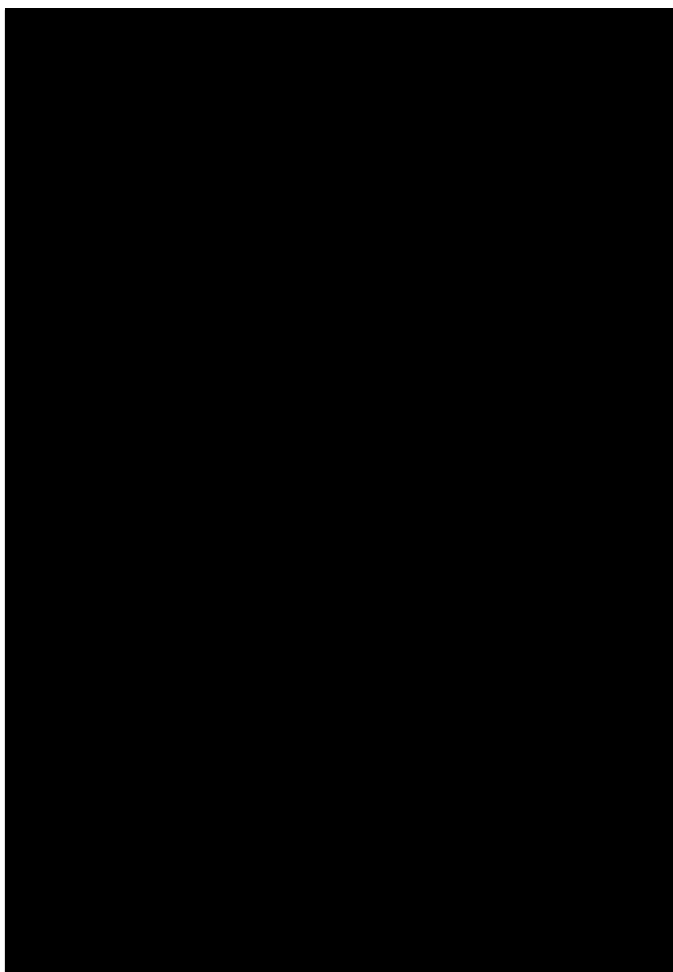
Figure 19: Summary of Potential Revenue from Charging Maximum Rates for KCSM Automotive Traffic Interchanging at Laredo, TX with UP³²

³² See Carey HC-WP “HC-KCSM Potential Intermodal & Automotive Revenue.xlsx” at tab “Summary of Automotive”



F. CP and KCS Mexico Traffic Access

Figure 20: CP and KCS Mexico Traffic Market Shares³³



³³ See Carrey HC-WP “HC-CP and KCS Mexico Traffic Access.xlsx” at tab “Market Shares”

Figure 21: Summary of CP and KCS Mexico Traffic Access³⁴

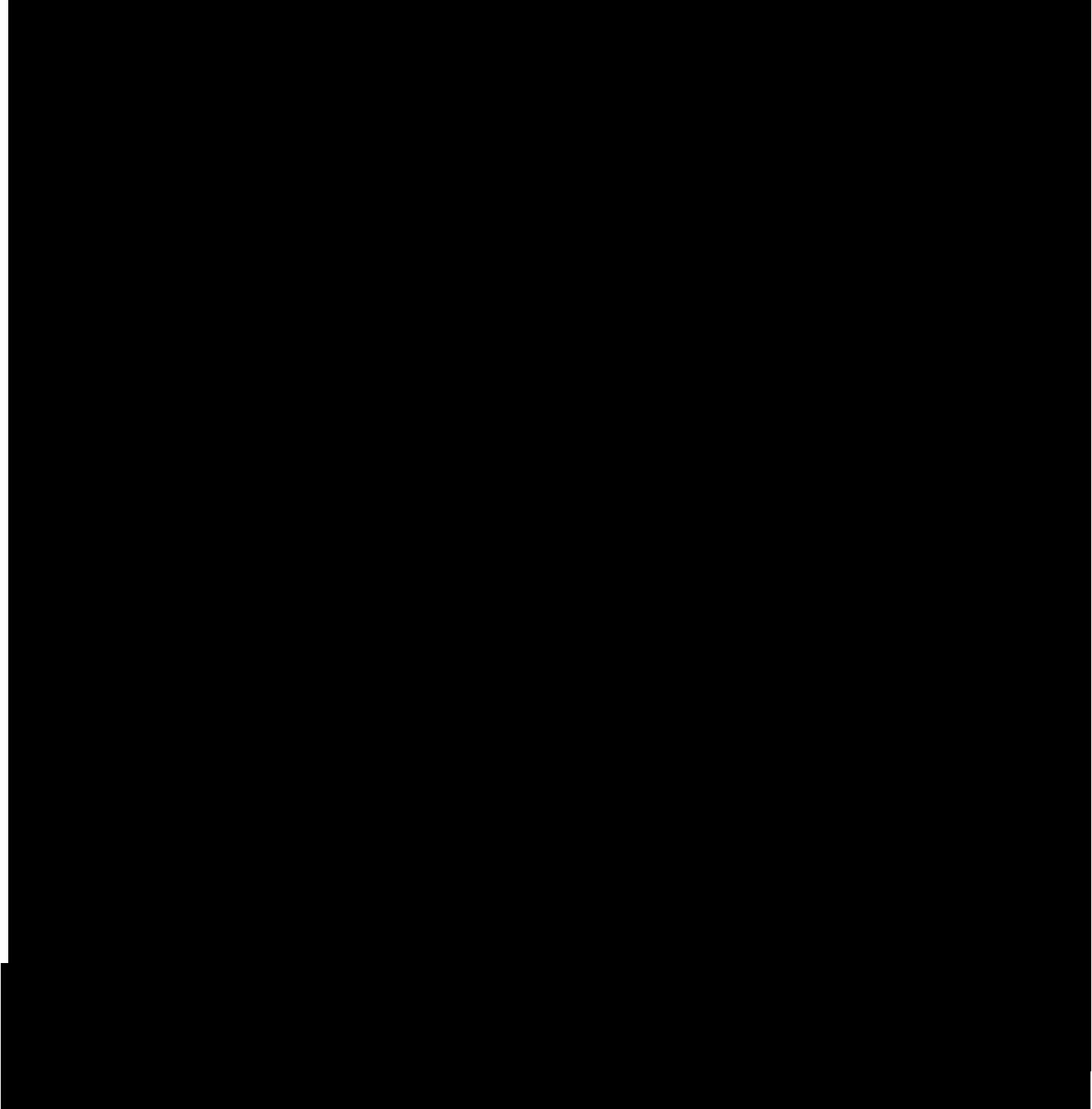


Figure 22: Mexico Automotive Mapping³⁵

³⁴ See Carrey HC-WP “HC-CP and KCS Mexico Traffic Access.xlsx” at tab “Summary Combined”

³⁵ See Carey HC-WP “HC-Mexico Auto Mapping.xlsx” at 3D Maps “Tour 1”

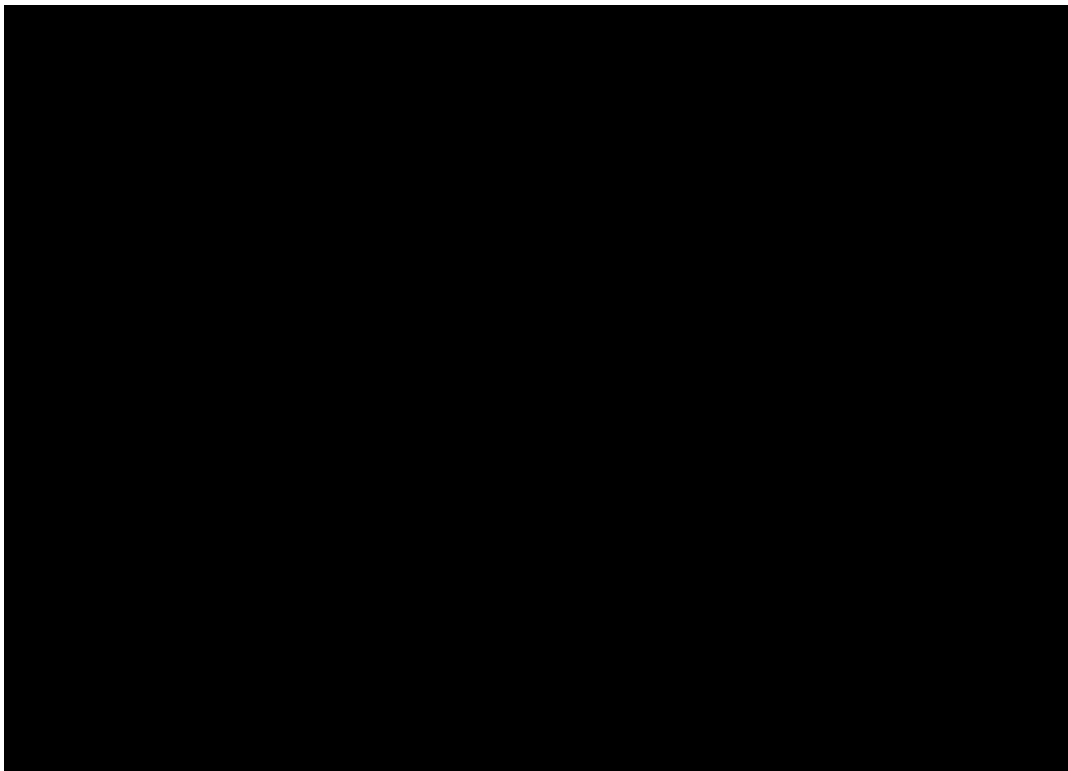
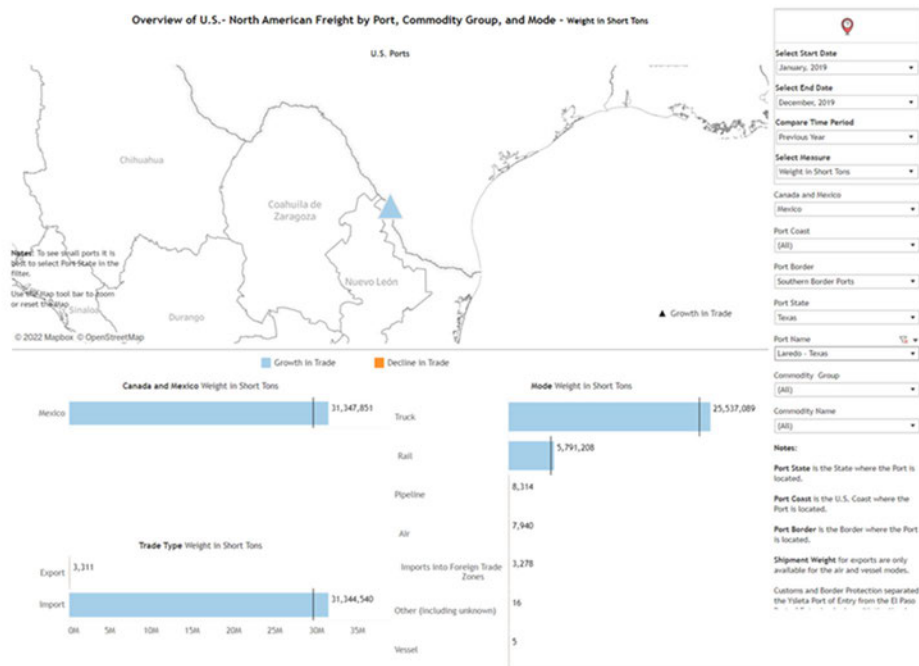


Figure 23: North American Freight by Port, Commodity Group and Mode³⁶



³⁶ See Department of Transportation at https://explore.dot.gov/views/Dashboard_PortbyCommodity/Overview?iid=3&isGuestRedirectFromVizportal=y&embed=y

Figure 24: Eagle Pass and Laredo Border Crossing Comparison³⁷

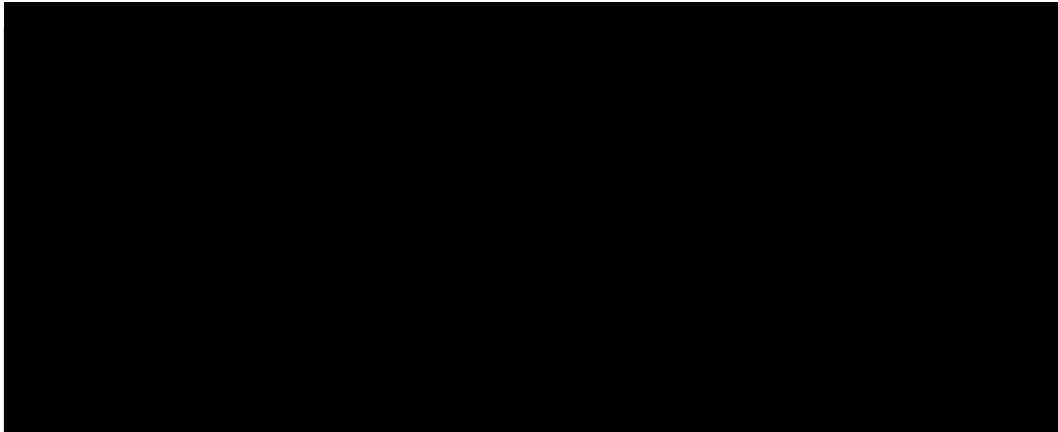
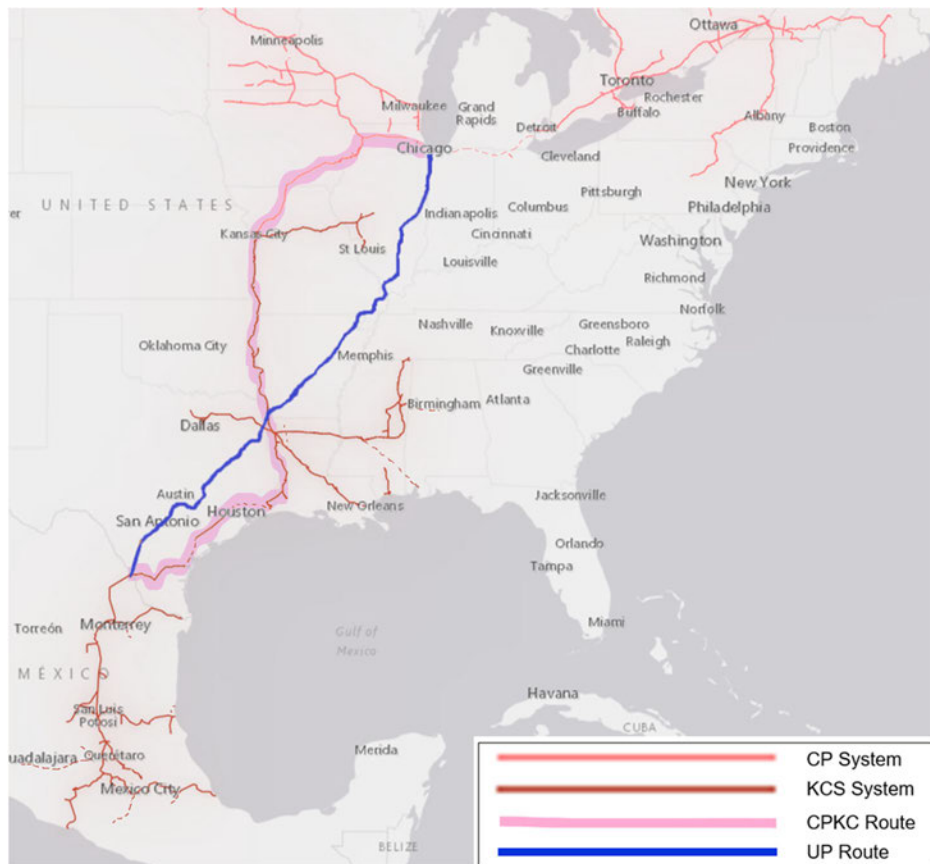


Figure 25: CPKCS' Rail Route from Laredo to Chicago versus UP³⁸



³⁷ See Carey HC-WP “HC-WP Laredo Eagle Pass Border Crossings xlsb” at “Border Crossing Summary

³⁸ NERA generated map utilizing STB ArcGIS software available at <https://stb.maps.arcgis.com/apps/mapviewer/index.html?webmap=96ec03e4fc8546bd8a864e39a2c3fc41>. Laredo, TX to Chicago, IL route with UP was confirmed by checking miles reported in the 2019 CWS