



**CANADIAN  
PACIFIC**

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The Honorable Daniel R. Elliott III, Chairman  
United States Surface Transportation Board  
395 E Street, S.W.  
Washington, D.C. 20423

The Honorable Ann D. Begeman, Vice Chairman  
United States Surface Transportation Board  
395 E Street, S.W.  
Washington, D.C. 20423

Dear Chairman Elliott and Vice Chairman Begeman:

I am writing to follow-up our meetings last week, and to respond to the concerns expressed in your letter of March 6, 2014 regarding Canadian Pacific's rail operations and service.

As you know, the Northern United States and Canada have experienced an exceptionally difficult winter. The Upper Midwest has seen temperatures ranging 41 to 116% colder than last year. The winter in Canada has been the harshest in 65 years, and the second coldest in 120 years. We and our employees know winter happens every year, and we prepare for it. Still, when temperatures are as bitterly cold as they have been, we must take steps such as reducing train length to keep air brakes functioning safely and properly. This allows us to continue to move freight and ensure the safety of our employees and the communities in which we operate, but it also affects velocity and dwell.

Compounding the extreme weather are the challenges faced by all railroads operating in Chicago. The Chicago Terminal has been on Alert Level Three since January 6. Alert Level Three requires CP to alter train design to block manifest shipments before those trains arrive at Chicago. The resulting heavy switching and backlog of manifest traffic, together with an overall increase in unit train traffic via Chicago (on all carriers) has resulted in substantial, sustained delays for any traffic moving to or through the Chicago Terminal.

CP's operational performance in the United States is tied to the fluidity of the Chicago Terminal. As a result of the congestion at Chicago, CP's performance metrics in the first two months of 2014 show a year over year drop in train speed of 12% (AAR measure), and an increase in terminal dwell of 54%. The impact was more pronounced in February when train speed fell 21%, and terminal dwell increased 71%, year over year. As you would expect, all commodity lines have been affected by the extreme operating conditions. CP's car loadings since the first of the year have fallen 8.7% in the United States, 7% system-wide, compared to the first two months of last year. (A copy of the data tables showing our car load volume, train speed, and terminal dwell is enclosed.) We expect these metrics to improve in the next several weeks when

the extreme temperatures abate and our mitigating measures (described below) take hold, with perhaps a somewhat slower recovery in Chicago Terminal itself.

In addition, as we explained at our meetings last week grain originating in the United States has been particularly challenging because of the importance placed by the grain market on the Chicago gateway. Given the congestion at Chicago, and the associated impact on rail car velocity and supply, CP has been forced to limit the number of eastbound grain car requests accepted into the Chicago market. Some shippers may have also encountered delay at origin for loaded trains destined to the Pacific Northwest because locomotives for those trains have been tied up on slow moving trains caught in the congestion.

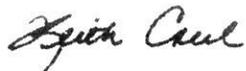
We understand that some have called for more cars and locomotives. To add more cars and locomotives to a system that is congested and impacted by ongoing weather is, however, the wrong thing to do. This would be like adding more automobiles and trucks to an expressway at rush hour—traffic would simply move slower.

We are acutely aware of the impact of reduced network velocity on our customers and their business. As a result, we have taken a number of steps to restore that velocity and our usual level of service, including ensuring a multiple locomotive consist on returning empty US grain trains so as to bring power into North Dakota; returning train length to standard; ensuring that empty eastern grain cars are returned from Chicago; and continuing to hire conductors and engineers in the United States.

Canadian Pacific and its employees—the same employees who have been working 24/7 in extreme weather and under extreme conditions—are committed to turning the current situation around as safely and as quickly as possible. Together with our committed customers, we intend to do just that.

We will continue to update the Board and share information on a weekly basis during our calls with the Board's staff, in particular as relates to agricultural traffic and the car ordering system. We believe that the dialogue between the Board and CP is productive, and are confident that the current situation will resolve favorably.

Very truly yours,



Keith Creel  
President and Chief Operating Officer

cc: Lucille Marvin