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September 15, 2014

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

Re: Railroad Service Outlook Fall 2014

Dear Chairman Elliott:

I am writing in response to your letter of August 19, 2014 regarding Canadian Pacific's (CP) expectations regarding service demand for the remainder of the year.

CP does not anticipate a seasonal peak in crude oil, frac sand, forest products or non-automotive merchandise, but does expect growth in these commodities for the full year consistent with current trends. We do anticipate strong grain car loadings in the latter part of the year in view of positive forecasts for grain production in the Midwest and indications of a stronger export market. We believe CP will have sufficient resources, locomotives, cars and crews, on hand to accommodate any increased traffic volumes and peaks that may occur, to the extent of its ability to do so. CP's ability to meet customer demand is of course dependent on a number of factors outside of its control including a stable regulatory environment, adverse weather conditions, and congestion issues in Chicago and the Upper Midwest.

With the possible exception of some remaining North Dakota grain orders, CP is current with customer demand. With respect to grain we note that over 20,000 orders have been cancelled by customers in the last month including one customer who recently cancelled an order for 600 cars. In addition, the grain shipment study by North Dakota State University, cited by many at the Board's hearings, has now been withdrawn as an official publication by the University as the study's assumptions have been called into serious question. Our expectation is that the older grain orders will be cleared up by October 1 with the possible exception of a few customers with whom we are working with closely. CP expects a fall 2014 cyclical peak that is consistent with those of recent years. Grain, autos, fertilizer and intermodal are expected to be up, but in amounts that are in line with the seasonal traffic gains that are usually seen at this time of year.

Turning to capital, CP is investing approximately $1.2 to $1.3 billion in its core system in 2014. The focus of our capital plan is on expenditures that increase capacity and system velocity, such as new sidings, siding extensions, and further implementation of centralized traffic control (CTC). Over the next two years, CP's capital plan includes investing over $500 million for expansion and renewal of infrastructure in the US network, $184 million of which is specifically targeted for capacity expansion.

CP senior operating management has been engaged with our Class I counterparts to increase through-put at Chicago and St. Paul, and will continue to do so. We understand the importance of keeping these terminals fluid, and will do what we can to maintain and increase that fluidity. In addition, our marketing and sales team is working to develop alternative routes to eastern markets to take pressure off St. Paul and Chicago gateways, where possible.

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The August 19 letter also requests that we comment on CP's coordination with the Rapid City, Pierre & Eastern Railroad (RCP&E), and efforts to improve Amtrak service. As you know, since the June 1 control date we have taken a number of steps for the benefit of RCP&E and its customers such as supplying additional grain cars, supplying additional locomotives, and running extra trains. We intend to continue such measures, as warranted, to effectuate a smooth transition of operations. With respect to Amtrak, our operating team has improved the run time of the Empire Builder, to the extent of our control, and has invested $3 million to replace jointed rail with continuous welded rail in New York.

In conclusion, we look forward to the rest of the year and serving our customers safely and efficiently.

Sincerely,

E.H. Harrison
Chief Executive Officer

cc: The Honorable Deb Miller, Vice Chairman
The Honorable Ann D. Begeman, Commissioner