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August 3, 2015

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

Re: Railroad Service Outlook Fall 2015

Dear Chairman Elliott:

Thank you for the opportunity to share Canadian Pacific's (CP) outlook on its U.S. rail service demand for the remainder of 2015, and our plans to meet our customers' expectations safely and efficiently.¹

Before addressing the specific issues outlined in the Board's Railroad Service Outlook Fall 2015 request, I would like to provide an update on CP's continued operational progress since new management took the helm. In a word, our operating team continues to execute extremely well, to the benefit of our customers, shareholders, employees and the public. Comparing the recently concluded second quarter of 2015 to the second quarter of last year, average terminal dwell on CP has improved 22%, average network train speed has increased 21%, and our operating ratio, which had improved to 65.1%, has now improved even further and stands at 60.9%. Importantly, over the same period CP's Federal Railroad Administration (FRA) personal injury rate has fallen 17%, and our FRA train accident rate has improved 10%.

These significant gains in operational efficiency and productivity have resulted in better service and greater financial stability, and have been made while maintaining a firm commitment to safety. We are proud of what we have achieved so far, but are not satisfied. Rest assured, we believe that working cooperatively with our employees we can provide better service to our customers, greater value to our shareholders, and a safer workplace for all of us. Turning to the Board's specific questions, as we explain below CP does not anticipate a seasonal peak for most commodities, and believes that we can accommodate those increased volumes and peaks that do occur.

Expectations for Fall Peak Demand 2015

Looking forward to the Fall period in the United States, CP anticipates overall traffic volumes will be consistent with current levels, and that we may see a modest increase in volumes for some commodities. Like other Class I railroads, CP is experiencing softness in volumes in certain markets compared to last year. More specifically, we anticipate that fertilizer, crude oil and automobile volumes will be lower than they were in 2014. We expect our coal volumes to remain flat. We do anticipate that forest products, chemicals and intermodal will experience

¹ Canadian Pacific is a trade name under which Canadian Pacific Railway Company and its United States subsidiaries, Soo Line Railroad Company, Dakota, Minnesota and Eastern Railroad Corporation, and Delaware and Hudson Railway Company, Inc. operate.

growth consistent with current trends, and that we may see an increase in grain volumes in Q3 and Q4 compared to 2015 to date.

Our business model of operational efficiency and velocity driven capacity is nimble—it is able to react to the ebbs and flows of market demand. As a result, we believe that CP is well prepared to respond to any increase in Q3 and Q4 grain volumes, and also believe that CP is better positioned to accommodate unexpected surges in volumes caused by challenges experienced by other rail carriers, non-rail components in the supply chain, or the weather.

We do not anticipate any particular challenges in meeting customer service and operational performance this fall. We are well staffed with the right equipment in place to meet current and anticipated market demand. In 2014, we hired over four hundred train and engine employees in the United States and have continued to hire and train, train and engine personnel in 2015. CP's available locomotive fleet is sufficient to meet current and anticipated demand. We note too that compared to Q2 2014, the productivity of our locomotive fleet has increased 13% (as measured in gross ton miles per available horsepower unit). With respect to rail cars, we believe that our existing car fleet is also sufficient to meet current and anticipated demand given the operational improvements we have made in the last several years, in particular as relates to velocity.

While we do not expect any particular supply chain issue at present, we note that network service disruptions do not occur in a vacuum. Rather, they are the product of multiple factors throughout the supply chain. As a result, we will continue to work with our interchange carriers and the other components of the supply chain to maintain interchange fluidity, optimize loading and billing, and balance car cycle flows.

Capital and Capital Related Improvements

We expect our total network capital investment in 2015 will reach \$1.5 billion (CAD), up from \$1.4 billion in 2014. This represents approximately 22% of our expected revenue this year. From these capital funds, CP plans to install or has already completed the following new sidings, siding expansions, track improvements, yard extensions and Centralized Traffic Control (CTC) in the United States this year:

- Yard Track Extension & Reconfiguration (Colonie Subdivision)
- CREATE Projects (Tower B12 and Tower B17)
- New Crossovers (Ottumwa Subdivision)
- New Siding (Marquette Subdivision)
- New Crossovers (Tomah Subdivision)
- Yard Reconfiguration Year 1 of 2 (Tomah/Marquette Subdivisions)
- Siding Extension Year 1 of 2 (River Subdivision)
- Receiving Yard Track Extensions (River Subdivision)
- Siding Extension (Elbow Lake Subdivision)

- Siding Extension (Carrington Subdivision)
- Siding Extension (Carrington Subdivision)
- Siding Extension (Carrington Subdivision)
- New Siding (Carrington Subdivision)
- Siding Extension (Carrington Subdivision)
- Siding Extension (Carrington Subdivision)
- Yard Reconfiguration (Portal Subdivision)
- New Crossovers (Portal Subdivision)
- Yard Track Extensions Year 1 of 2 (Portal Subdivision)
- Yard Track Extensions (Newtown Subdivision)
- New Siding Year 1 of 2 (Newtown Subdivision)
- Elbow Lake Subdivision – Complete CTC Installation
- Portal Subdivision – Year 1 of 2 CTC Installation

Our capital investment will enhance the fluidity, capacity, resiliency and safety of the railroad. We note that the items above represent CP's current plans. Individual projects are subject to change because the health of the network demands the flexibility to adjust capital investment to respond to changes in market demand and consequent operational needs.

The Chicago Terminal

From an operations perspective, the Chicago Terminal is healthier today than it was a year ago in our opinion. As we explained in our March 2, 2015 Comments in Docket No. EP 724-4, United States Rail Service Issues, we believe this is due to progress at the Chicago Transportation Coordination Office (CTCO), and the daily coordination among Class I's at Chicago. CTCO has become more effective because, in our view, of CP's insistence that the metrics, action items and countermeasures used to identify and react to congestion be meaningful. As a result of the participation of all Class I railroads that serve Chicago, including CP, these metrics, responses, and countermeasures were re-worked and improved. Significantly, the Operating Conditions Plan (OPCON) is no longer discretionary. As a result, the Terminal's overall response to operational challenges is more effective as evidenced by the reasonably prompt return to normal operating condition following the February 1-2, 2015 snow storm, one of the heaviest on record at Chicago.

CP is committed to doing its part to keep Chicago fluid, and believes that the other Class I railroads who serve Chicago are likewise committed. CP and the other Class I's continue to discuss operations at Chicago and explore potential steps to improve the Terminal's efficiency, fluidity and capacity. In addition, CP continues to participate in the CREATE program, and to fund its share of CREATE projects.

Amtrak

CP is engaged with Amtrak and other Class I freight railroads to improve Amtrak's performance. As a result, CP now experiences the fewest delay minutes in the industry as measured by Amtrak. CP intends to continue to communicate and work with Amtrak regarding and improvement opportunities.

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Customer Communication

CP is committed to customer communication and responsiveness. Our Sales and Marketing personnel are in regular contact with our customers to better understand their business and how CP can help meet their demand. We also utilize a number of other tools to facilitate direct communication and provide access to up-to date shipment and network information. These tools include availability of shipment based information, carload and intermodal tools, as well as bulletins and messages on our website (cpr.ca—Customer Station); the ability to reach CP representatives at our Network Service Center day or night via toll free telephone (888-333-8111); email; and on-line messaging (“log an issue” feature). In addition, we continue to update and share information with the Board’s staff on our regular calls. We believe that this dialogue, together with ongoing dialogue with our customers, is productive. We look forward to our continuing to work productively with our customers, stakeholders, and the Board.

Sincerely,

A handwritten signature in cursive script that reads "Keith Creel".

Keith Creel
President and Chief Operating Officer

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