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May 28, 2020

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

**Re: CP's COVID-19 Transition Outlook**

Dear Chairman Begeman:

I am writing to share Canadian Pacific's (CP)<sup>1</sup> preparedness to meet anticipated demand when the economy transitions from the COVID-19 pullback. I am also writing in appreciation of the Board's recognition of the response the rail industry and CP have made to this unprecedented situation. The 12,000 strong employees of CP have sacrificed day in and day out to ensure that the essential services we provide continue for our communities, safely and without interruption. The Board's notice of that effort is appreciated.

Rest assured the same operating model and team that quickly and efficiently adapted our resources to a rapidly constricting environment is just as resilient and nimble in adjusting to a rapidly expanding market. Adjusting, controlling and tempering our assets and costs in lockstep with demand is normal business practice for us. A strength of this operating discipline is as we right size our resources, we do so in response to the right-sizing of customers' resources and needs. This requires communication and working with our customers as they recover their own business and supply chains. I am confident we will emerge from this experience a stronger railroad. As powerful as the PSR model is in good times, it performs even better in the challenging times.

Regarding the Board's specific concerns:

**Employees.** We recognize that this is a people business. Our employees' minds, hearts, and commitment are our greatest assets. We have been transparent with our employees and have worked with our unions to make adjustments during this pandemic so furloughed employees can maintain their health and welfare benefits and not rely entirely on unemployment. In response, our employees have given us their commitment to come back sooner than they would have otherwise. Typically for train and engine employees the standard call back is a 15 days. We have reached agreement in many cases to shorten that to 72 hours.

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<sup>1</sup> 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.

Honorable Ann Begeman

May 28, 2020

Page 2

Currently we have 1,183 train and engine employees on the roster in the United States, 441 of whom are on furlough due to the pandemic. Consistent with our operating discipline, we will promptly call back train crews as we adjust operations in step with demand.

No engineering forces have been furloughed in the United States, and only a few of our mechanical employees are on furlough. The employee base is strong. We are well positioned to meet future demand.

**Equipment.** CP has adequate locomotive power to meet anticipated demand and is continuing with its plan to bring on additional locomotives. As of this writing, our locomotive fleet consists of approximately 1300 units. Of those, 884 locomotives are in active service and/or available. We have 71 additional locomotives in storage that are ready for immediate return to service.

Our SD90 re-build program continues, the pandemic notwithstanding. We have re-built fifty two of those SD90 units, with eight more expected to be completed in the next several months. We are also considering a re-build of thirty SD70's in 2021.

We currently have approximately 24,100 active cars on line in the United States. Of that number 10,400 cars are active, 13,700 cars are inactive. Active cars on line here means various car types in use or potentially available for customer traffic. Inactive cars means in customer storage, CP storage, located on a short line, mechanically unavailable but in repair, or in use by CP for our own purposes. The inactive number is high due to reduced demand. When demand ramps up, we expect most of these inactive cars will be available and sufficient to meet the needs of our customers.

**Communications with Shippers.** Our sales professionals have worked closely with our customers to understand their current needs, changes in demand, and importantly how we can help them succeed when the nation transitions to recovery. That means working with our customers to understand how to leverage our franchise to help them ramp up quicker and right size our assets with them. As you might expect, those conversations have been dynamic over the last 10 weeks or so. We cannot control the macro economy, but a strength of this operating model and our experience with it is staying on top of the business, keeping our finger on the pulse of the operation day in and day out, using the detailed measures we have honed to lead us to pinpoint the right actions for our customers and our railroad.

**Capital Expenditures.** We have not pulled back from our expected 2020 capital expenditure of \$1.6 billion. We are continuing our capacity projects so that we can protect our fluidity and have capacity when business comes back and we need it most. There is an opportunity here as relates to capital expenditures. With demand down, we have additional track time and thus the ability actually to do more with less impact on operations. In a word, we understand this is a long term business.

**Accessorial and Demurrage.** We intend to submit our Q1 2020 US Accessorial and Demurrage revenue data to you under separate cover. We will submit that data on a quarterly basis for the remainder of 2020, as requested.

Honorable Ann Begeman

May 28, 2020

Page 3

I am proud of the work this Company and its 12,000 plus employees have accomplished in face of an unprecedented situation. We will continue to deliver essential freight transportation service to the communities where we live and work, and as always take the necessary measures to do so in safety for our employees and customers.

Sincerely,

A handwritten signature in black ink that reads "Keith Creel". The signature is written in a cursive style with a large, looping initial "K".

Keith Creel,  
President and Chief Executive Officer