



**CANADIAN  
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June 27, 2014

**VIA E-FILING**

Ms. Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
United States Surface Transportation Board  
395 E Street, S.W.  
Washington, D.C. 20423

ENTERED  
Office of Proceedings  
June 27, 2014  
Part of  
Public Record

Re: *STB Docket No. EP 724-2, United States Rail Service Issues - Grain*

Dear Ms. Brown:

Attached for electronic filing in the above proceeding is Canadian Pacific's report to the Board in response to the Order entered June 20, 2014.

Thank you for your courtesy and cooperation in this matter.

Very truly yours,

Charles W. Webster



Keith Creel  
President &  
Chief Operating Officer

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June 27, 2014

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

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

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

Re: *STB Docket No. EP 724-2*

Dear Chairman Elliott, Vice Chairman Miller, and the Honorable Ms Begeman:

I am writing in response to the Board's Order in Docket No. EP 724 (Sub-No 2) dated June 20, 2014 instructing Canadian Pacific Railway (CP) to produce a plan to resolve the backlog of grain orders including timelines to do so. The Order also directs CP to provide weekly status reports on various metrics.

Before presenting our plan, we think it helpful to provide the Board with context and perspective. The Order makes reference to my testimony on April 10 concerning CP returning to "normal service levels" in four to six weeks "if everyone does their part." My testimony emphasized CP's reliance on fluid interchanges and through-puts in these markets. CP has indeed increased US Grain loading by 27% since this date. Unfortunately even though the extreme winter conditions are over and gone, we are still experiencing congestion/bottlenecks at Chicago and St. Paul. Chicago has improved, but is still congested. More recently we have experienced severe congestion/bottlenecks at St. Paul. These issues are not within CP's control and therefore cannot be addressed effectively by a CP plan alone. I should add that the congestion has affected all commodities, not just grain. Grain is not suffering at the expense of other commodities.

In addition, it is important to understand the dynamics of the grain market on our railroad and the challenges those dynamics pose for us to meet demand. On CP at this time of year, the market predominately directs grain eastward, over the Chicago gateway via Minneapolis/St. Paul. The ultimate destination for this grain is further east and south, beyond Chicago, which makes for long car cycle times. CP also moves some grain west. CP's western routes are more fluid, and have shorter car cycle times. The market has, however, persistently directed grain eastward on CP. Currently, approximately 70% of the grain car demand on CP is wheat destined to mills throughout the US, and thus primarily running through St. Paul and over the Chicago Terminal.

It is also important to note the confusion our grain car request system may have generated in the optics of this situation. CP's grain car request system is unique, unlike that of other US railroads. Under this system a customer can make unlimited car requests. Given this, customers in the current market would, and do, request more cars than they actually take. As a result the number of car requests is not an accurate measure for current demand.

Instead, to understand the grain car backlog on CP we have looked at the grain production data for the US 2013 crop in the States we serve, the last three years of grain car shipments on our railroad in the US, and the actual grain shipments on our US railroad for this crop year to date. Based on the foregoing, we estimate that there may be a backlog demand of up to approximately 10,000 to 12,000 cars on our railroad. In addition, we expect that over the course of the next five weeks we may see an additional demand for approximately 2000 grain cars attributable to the 2013 crop year. The enclosed chart in Annex 1 outlines CP's historical and crop year to date performance.

With respect to the Rapid City, Pierre & Eastern Railroad (RCP&E), the sale became final and control changed on May 31. RCP&E and its owner, Genesee & Wyoming, Inc. (G&W), now manage grain orders. G&W has committed to bring its own cars onto RCP&E by fall. To meet the gap, we at CP will be supplementing RCP&E's grain car supply by approximately 300 to 400 grain cars per week, as needed.

To meet the estimated demand for the remaining 2013 crop year, we plan to move up to 2000 to 2500 CP supplied grain cars per week, inclusive of cars to the RCP&E and assuming adequate market demand. Importantly, in addition to demand, our achieving these numbers is dependent on the fluidity of St. Paul and the Chicago Terminal. In addition to the above guidance, data responsive to the Board's Order is set forth in Annex 2.

Our plan includes the following:

- CP is developing a new system to replace its current grain car request system. CP intends to offer its customers a new Dedicated Train Program (DTP), as well as introduce new method for managing less than trainload demand, and is working with its customers to introduce the new system for the fall harvest.<sup>1</sup> We will continue to monitor capacity and market demand, and adjust equipment resources appropriately. Recent experience has, however, illustrated that adding additional resources in congested areas can compound the problem, and thus we will actively monitor this.
- CP has met with BNSF and is actively engaged in discussions to increase fluidity through St. Paul;
- CP is engaged in regular discussions with the other railroad owners of the Belt Railway Company of Chicago (BRC), and BRC management to improve fluidity of the Chicago Terminal;
- CP is working with its customers and other railroads in an effort to reroute traffic around congested areas. CP's ability to do so is largely dependent on the cooperation of customers and other railroads.

In closing, I would like to state once again that CP is committed to moving as much grain as the market directs to us, and we have taken appropriate actions to do so. We are in continued discussions with customers, and are working through interchange and through-put issues as best we can. CP continues to invest in the Minneapolis/St. Paul corridor and has recently completed a project to install an automatic switch in St. Paul. CP has also committed over \$60 million to a multi-year upgrade from Glenwood to Portal, 81 miles of which will be completed in the fall. These investments are indicative of CP's desire to be an important competitive participant in these markets.

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<sup>1</sup> We note that carry-in is an annual feature of all grain markets. Some storage on farm or in elevators allows for the domestic market to be served over the entire year, and for producers and grain marketers to maximize returns. We expect some 2013 carry-in on our railroad.

You have my continued commitment to work directly with you and your staff to find workable solutions to these challenges.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Creel". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

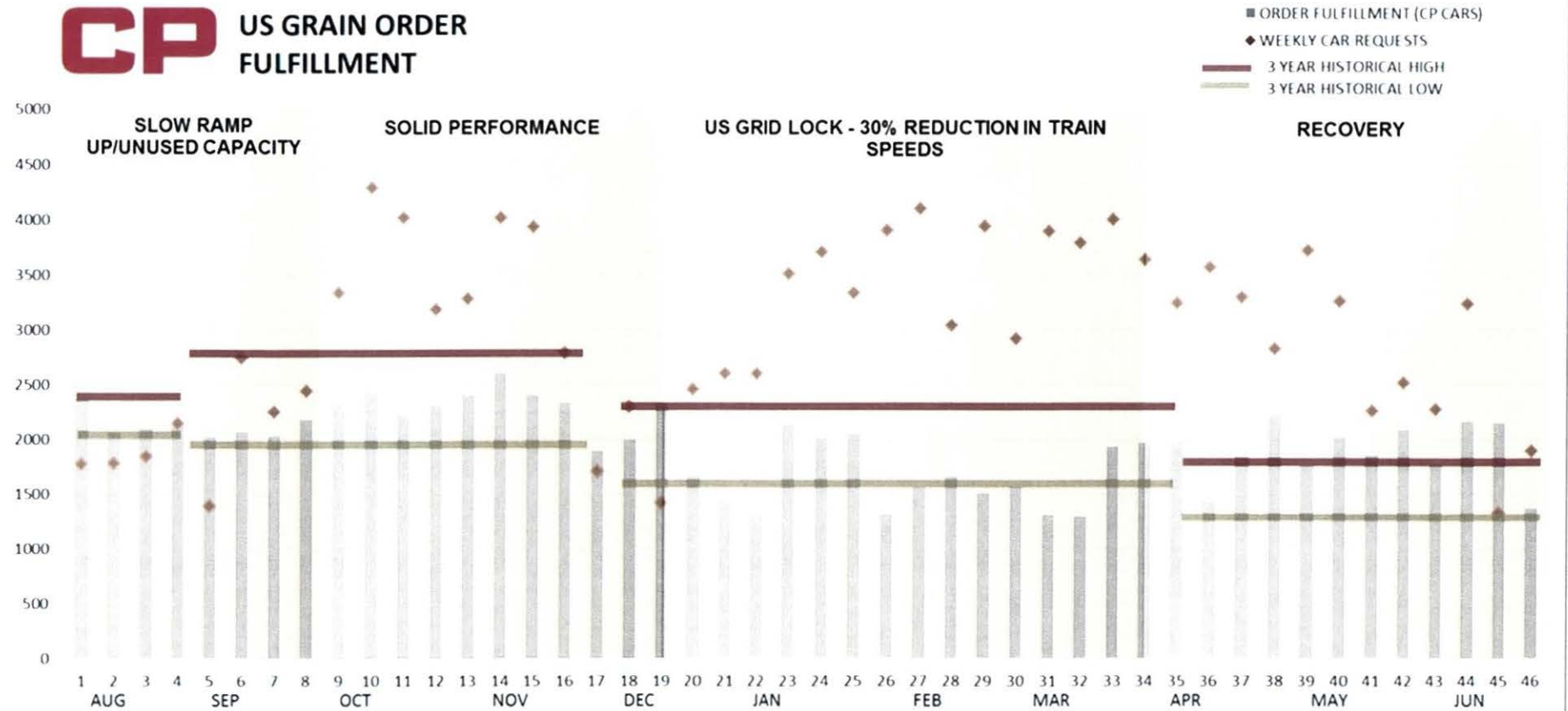
Keith Creel  
President and Chief Operating Officer



## ANNEX 1



### US GRAIN ORDER FULFILLMENT



## ANNEX 2

### **GRAIN WEEK 46**

	ND	MN	IA	IL	WI	WY	MO
Total New Requests (unconstrained)	1,266	25	100			3	
Orders Accepted	1,047	400	100			3	
Cancelled by Customer	200						
Fulfilled	1,003	298	100				
Total Cumulative Open Requests	<b>23,818</b>	<b>8,426</b>	<b>985</b>	-	-	-	-

Average age of open requests 9.02 weeks

### **RCPE**

	201343	201344	201345	201346	TOTAL
Total Requests (unconstrained)		-	400	500	900
Orders Accepted		-	400	500	900
Cancelled by Customer		-	-	-	-
Fulfilled (I/C empty cars)	155	107	196	118	576
Fulfilled (reloaded cars)		21	95	47	163
Fulfilled RCPE leased cars		132			132
Fulfilled Total	155	260	291	165	716

### **FLEET**

CP grain hoppers online	5,197
Private grain hopper billed previous week	161