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June 26, 2017

**By E-Filing**

Ms. Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Re: Docket No. FD 35981, *Finch Paper LLC – Petition for Declaratory Order*

Dear Ms. Brown:

Accompanying this letter for e-filing in the referenced docket is the Supplemental Opening Statement of Finch Paper LLC ("Finch"). Because this filing contains materials designated as HIGHLY CONFIDENTIAL pursuant to the Protective Order instituted in this proceeding on May 11, 2015, Finch is e-filing a Public Version and a version to be filed under seal. Please note that some of the Exhibits to this filing contain color documents.

Do not hesitate to contact the undersigned with any questions or if you need additional information.

Sincerely,

Thomas W. Wilcox  
*Attorney for Finch Paper LLC*

cc: Counsel for the Delaware and Hudson Railway Company, Inc. t/a CP Rail  
(Via Email and Hand Delivery)

**PUBLIC VERSION**

**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**STB Docket FD 35981**

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**PETITION FOR DECLARATORY ORDER – FINCH PAPER LLC**

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**SUPPLEMENTAL OPENING STATEMENT OF FINCH PAPER LLC**

In accordance with the Decisions issued in this proceeding on March 24 and April 12, 2017, Finch Paper LLC (“Finch”) hereby submits its Supplemental Opening Statement. This supplements Finch’s Opening Statement with information and data that the Delaware and Hudson Railroad, *d/b/a* CP Rail (“CP”)<sup>1</sup> was ordered to produce to Finch by the Administrative Law Judge (“ALJ”) assigned to this case in his decisions dated August 24, 2016 and January 18, 2017, which decisions were upheld by the Board on March 24, 2017. The additional information and data were produced by CP on May 17, June 15, June 21, and June 22, 2017.

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<sup>1</sup> As Finch explained in its Opening Statement, although the Delaware and Hudson Railway, Inc. (typically referred to as the “D&H”) is the legal name of the CP subsidiary railroad that serves Finch’s mill, all of the facts surrounding this dispute involve the policies and practices instituted by CP and administered by employees of CP. Moreover, the complaint filed in the United States District Court for the Northern District of New York that gave rise to the issues referred to the Board set forth in Finch’s Petition was filed by “Delaware & [sic] Hudson Railway Company [sic] a Delaware Corporation trading under the trade name of CP Rail.” As such, all of the documents in the District Court proceeding refer to the plaintiff as “CP Rail” or “CP.” Virtually none of the documents produced in discovery reference the D&H. Finch adds that the January 18, 2017 Order of the ALJ granting Finch’s Motion to Compel also refers to the D&H or “CP Rail” as simply “CP.” Because there is essentially no distinction or separation between the D&H and CP for purposes of the issues in the court case and this proceeding, Finch continues to refer to both the D&H and the Canadian Pacific Railway as “CP.”

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### **I. INTRODUCTION**

Finch filed its Opening Statement in this proceeding on August 24, 2016. At that time, the parties were awaiting a ruling from the ALJ on a Motion to Compel Discovery filed by Finch precipitated by CP's refusal to produce information sought in discovery by Finch related to CP's implementation of system-wide reductions in crews and equipment, and changes to its operations beginning in mid-2012. The discovery sought information related to the connection between CP's precipitous cost-cutting measures designed to maximize its revenues and reduce its operating ratio, and CP's failure to fulfill its common carrier obligations to Finch and to wrongly assess Finch huge demurrage charges. The Motion also sought discovery related to enforcement actions brought by the Federal Railroad Administration ("FRA") and CP's Customer Audit Safety Forms.

The Board assigned the Motion to Compel to the ALJ on August 16, 2016 after CP adamantly refused to produce *any* documents in response to this discovery. This assignment was not accompanied by an extension of the procedural schedule. Accordingly, Finch filed its Opening Statement pursuant to the then existing procedural schedule, reserving the right to supplement its opening filing with additional information and documents that the ALJ might order CP to produce. Finch Opening Statement at 13, note 8. On that same day, on August 24, 2016, the ALJ granted Finch's motion "in all respects." This Supplement to Finch's Opening Statement was delayed for the next *10 months*, however, while CP unsuccessfully appealed the ALJ's August 24 ruling not once, but twice. These misguided appeals, which resulted in no changes to the August 24 ruling, substantially delayed the processing of this declaratory order proceeding. This Supplemental Opening Statement addresses CP's wholesale elimination of crews and equipment, and the impact those and other measures had on Finch and other CP

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customers.<sup>2</sup> It also supplements the Opening Statement's discussion of CP's decision to shut down portions of Finch's track, without any advance notice, as a result of CP having derailed a loaded ammonia car on CP track approximately one mile from the Finch facility. CP's immediate shutdown of the track was without substantial justification and contrary to CP's established procedures. CP's precipitous shutdown of much of the tracks used by CP to service Finch's facility substantially contributed to Finch having to obtain chemicals and raw materials by other, more costly, means in order to stay in operation.

As an additional introductory point, Finch notes that the original amount of demurrage at issue in the court case commenced by CP has been reduced by \$267,540. Payment of this amount, plus interest pursuant to CP's Tariff 2 terms from September 1, 2016, was made on or around May 8, 2017, after further review of some of the prior invoices received from CP starting on October 8, 2016.<sup>3</sup> See Letter from Stuart W. Alheim to Angela Smikles, dated May 8, 2017, Attachment 1 to this Supplemental Opening Statement.

## **II. SUPPLEMENTAL STATEMENT OF RELEVANT FACTS**

In its Opening Statement, Finch briefly discussed the material change in management and ownership that occurred at CP Railway in mid-2012, which change had widespread implications for CP and its customers, including Finch. Opening Statement at 11-12. New senior management drove the sudden, unilateral decision by CP to reduce switching service to Finch's

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<sup>2</sup> The Board entered an amended procedural schedule in an Order served on April 12, 2017. The amended procedural schedule provided for Finch to file this Supplemental Opening Statement on or before June 26, 2017.

<sup>3</sup> The payment made by Finch on May 8, 2017 included undisputed demurrage from past invoices and interest on the undisputed amounts dating from September 1, 2016 to April 30, 2017, as invoiced by CP. Finch disputes that CP is entitled to interest on amounts that remain in dispute. Further, in any event, CP is not entitled to interest on any unpaid demurrage charges prior to September 1, 2016, which is when CP first submitted an invoice (dated October 8, 2016) seeking interest on demurrage.

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paper facility from five to three days a week, and contributed to CP's inability to meet even that reduced schedule. This decision was made as part of CP's overall strategy commencing in mid-2012 to rapidly cut costs, maximize profits and substantially reduce CP's operating ratio. Indeed, at the same time it reduced service to Finch, CP was implementing drastic employee reductions system-wide that ultimately led to the elimination of between 7,000 to 8,000 jobs (or approximately 44% of CP's workforce). Also contemporaneously with its failure to adequately provide service to Finch, CP began to dramatically and rapidly reduce its equipment assets, including locomotives and railcars, as part of its plan to slash costs and maximize profits. These far-reaching system-wide cuts greatly contributed to CP's failure to fulfill its common carrier obligations to Finch. The service deficiencies resulting from CP's system-wide actions between 2012 and 2015 also contributed to the assessment of the demurrage charges CP now seeks to collect in its federal court complaint because CP's actions (and/or inaction) contributed to the delays in delivering cars to Finch and returning them to CP. A timeline of the foregoing actions, the involvement of this Board in the matter, and the adverse effects of CP's system-wide actions on Finch, is set forth below:

### **A. CP's Drastic Cuts in Staff, Equipment and Service Frequency**

When new management took over at CP in mid-2012, it promised investors, rail labor interests, and others that it would maximize profits and shareholder earnings, and would do so on an accelerated basis. Upon his arrival in June of 2012, the new President and Chief Executive Officer, Mr. E. Hunter Harrison, announced that he expected {{

}} and that he {{

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}}.<sup>4</sup> Pursuant to that four-year plan, CP immediately began to eliminate employees, rid itself of locomotives and railcars, and make other changes to CP's operations to cut costs. In a meeting with investors in December of 2012, Mr. Harrison announced that in the first five months after his arrival CP's new management had already "taken about 1,800 people as we speak out of the organization," and it was going to eliminate 2,300 employees by the end of the first quarter of 2013. Exhibit X (CPFinch0014731). In 2012, CP further stated its intent to eliminate 4,500 employees by 2016. Exhibit Y (CPFinch0016690).<sup>5</sup> At the same time, CP announced that it was reducing crew starts by over 14,500, or almost 5%. *Id.* As a result of the new management, including the appointment of Mr. Harrison as President and CEO of CP, CP recorded a charge of \$38 million with respect to compensation and other transition costs. *Id.*

Thus, CP estimated that it would be able to eliminate 5,700 employees by the end of a four year window Mr. Harrison had identified to complete his transformation of the railroad to be more attractive to investors and more profitable. Mr. Harrison further noted that in addition to eliminating employee "paychecks," CP was also going to eliminate a much larger number of contractors, thus further reducing CP's operating costs. Exhibit X (CPFinch0014740).

CP subsequently reported in April of 2013 that it had its best 1<sup>st</sup> quarter performance ever and that its earnings per share were up 51% from the last year. Exhibit Z (CPFinch0015661-62). CP also reported 40% year-over-year earnings. In May of 2013, CP informed Bank of America Merrill Lynch that CP should be able to eliminate 4,000 employees by the end of 2013, which was ahead of schedule. Exhibit AA (CPFinch0015526). CP also said that Mr. Harrison was seeking a higher number of staff reductions because "Hunter's always aggressive" in that regard

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<sup>4</sup> September 26, 2012 internal CP email summarizing a meeting between {{  
}}. Exhibit W (CPFinch0017785).

<sup>5</sup> As reflected below, once CP management began eliminating jobs, it did not stop until it had hacked away between 7,000 to 8,000 positions.

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and thus CP was leaning towards exceeding the original estimated number of staff reductions. *Id.* In this regard, CP was training its officers to become train conductors. *Id.* (CPFinch0015529).

Coincidental with its drastic staff reductions, CP was also eliminating locomotives and slashing its fleet of railcars. In December of 2012, CP reported that it had shed 195 locomotives from service in just 4 months and had returned or declared as surplus an additional 460. Exhibit BB (CP Finch0014829). In addition, CP had identified a total of 5,400 railcars for lease return. *Id.* CP also reported that it had its “gun sights” on another 900 cars and that the number of eliminated railcars would continue to grow. Exhibit CC (CPFinch0014749).

In the midst of CP’s cost-cutting frenzy, a financial analyst inquired as to the “resiliency” of CP’s network given that it was taking a lot of cost out of the system and planning to reduce CP’s workforce by 25% in a very short period. He specifically inquired whether CP had “any concerns that when you hit adverse and inclement weather conditions, as CP often does and will, how resilient will the new network be to those types of risks.” Exhibit CC (CPFinch0014765). CP assured him that “we will not sit in front of you and explain operating difficulties based on weather. That won’t happen.” *Id.*

Subsequently, when questioned again about the impact of winter on CP’s ability to provide service, CP stated that railroading is an “outdoor sport.” Exhibit Z (CPFinch0015673). Mr. Harrison further emphasized that “we are always going to have winters to deal with. Sometimes they are going to be worse than others. That is part of our job. We will deal with it . . .” *Id.*

As a result of its drastic cuts in staff and equipment, CP enjoyed record profits. In its 2013 earnings review, CP reported that its earnings per share had increased by 138% and that its

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operating ratio was reduced by 1,060 basis points. Exhibit DD (CPFinch0015705). Thus, it was a “[r]ecord performance by all accounts.” *Id.*

By December of 2013, CP had reduced the total number of locomotives in the South Region by more than {{ }}. Exhibit EE (CPFinch0017272). Because CP also reduced the {{ }}. *Id.*

In its Investor Fact Book for 2014, CP boasted that it had significantly fewer locomotives and more than 10,000 fewer railcars than when new management came into place. Exhibit FF (CPFinch0015070).

In December of 2013, CP reported that it had met its initial goal of eliminating 4,500 employees faster than it had anticipated. “We are clearly way ahead of the quote, four-year plan. The headcount now is down in excess of 4,500, which was the original four-year plan and we are there in 18 months with the associated benefits that brings.” Exhibit GG (CPFinch0015569).

By the end of 2013, CP’s workforce had been reduced to less than 15,000 individuals. Exhibit HH (CPFinch0016826). Contemporaneously with these reductions, the number of personal injuries per 200,000 employee hours and train accidents per million train miles increased from 2012 to 2013, 9% and 7% respectively. *Id.*

The huge, rapid reductions in crews and rail equipment between June of 2012 and the end of 2013 in the name of cutting costs, increasing profits and improving CP’s operating ratio was accompanied by reductions in the frequency that CP provided rail service. Finch’s Opening Statement details how its service was summarily and arbitrarily cut in September of 2012. CP also cut service to other rail shippers in New York in 2012. These customers included {{ }} which is located along the same CP track that serves Finch’s facility. {{

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}} was also cut from five days to three per week in October, 2012. Exhibit II (CPFinch0017775). In July, 2014, {{ }} complained that CP's {{

}}." *Id.* As a result, {{ }} sought a return to five day a week service so that it could continue to survive. Although CP was making record profits at that time, off the backs of its customers, there is no indication in the documents produced in discovery by CP reflecting that {{ }} request was granted or that CP otherwise increased its service.

Similarly, senior CP management in Canada also made a decision to reduce service out of CP's Whitehall rail yard to another customer, {{ }}. While CP officially informed {{ }} that its service was being reduced {{

}} Calgary made the decision to reduce services {{

}}." Exhibit JJ (CPFinch0017799). The local officials from CP's Northeastern United States ("NEUS") division admitted to the customer that {{

}}." *Id.* (CPFinch0017800).

At the same time CP was informing Finch that it was drastically reducing its service to Finch because purportedly it was not economical for CP to service Finch five days a week, CP's service to another paper customer in nearby {{ }}, New York – {{

}}." Exhibit KK (CPFinch0017790). {{ }} complained that: {{

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}}.” *Id.* (CPFinch0017788). {{

}} further observed that CP had {{

}}. (CPFinch0017789) (CP needed {{

}}.”

Crew shortages persisted despite CP {{

}}<sup>6</sup>

*Id.* at 177787 (*emphasis added*).

**B. The Board Opens Docket No. EP 724 to Address Severe Service Problems on CP**

The rapid reductions in personnel and equipment in 2012 and 2013 predictably resulted in more widespread service failures on CP’s system. “Numerous CP customers, large and small” began voicing their concerns to the Board in late 2013 and early 2014 via the Board’s informal, confidential processes administered by the Rail Customer and Public Assistance (“RCPA”) department. *See* Finch Opening Statement at 11-12 (quoting letter from Chairman Elliott and Vice Chairman Begeman to E. Hunter Harrison, dated March 6, 2014 (“STB March 6 Letter”). Documents produced in discovery by CP do not reflect the same level of concern on CP’s part. For example, in December, 2013, Mr. Harrison had dismissed complaints from representatives of some of CP’s customers regarding CP’s service, in particular grain shippers, who had suffered the most as a result of CP’s service failures in 2013, as “paid bitcher[s]” who were never happy. Exhibit GG (CPFinch0015574).

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<sup>6</sup> The email was written on September 25, 2012, so this was {{  
}}.

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Notably, none of the documents produced in discovery by CP reference the STB March 6, 2014 letter or CP's internal reactions to it. Indeed, as demonstrated below, while lower level CP employees recognized CP's service problems, and how those problems were being exacerbated by employee shortages, CP's new senior management ignored or dismissed those concerns in their obsessive pursuit of record-setting profits. The refusal of CP to adequately address the issues identified by the Board in early 2014 and stated in the STB March 6 Letter was a major impetus for the Board opening Docket No. EP 724, *United States Rail Service Issues* on April 1, 2014, and to hold several public hearings beginning April 10, 2014. The public record from that proceeding – as well as, apparently, the confidential record developed by RCPA – is replete with similar stories of CP customers being harmed between 2012 and 2015 by significant reductions in service to their facilities by CP, and CP being non-responsive to their concerns. See, e.g., Transcript of April 10, 2014 Public Hearing in *EP 724, United States Rail Service Issues* at 8-9 (Statement of Chairman Elliot: "Shippers have also contacted the Board to express concerns such as slow and unfulfilled orders, car delays, and increased cycle times particularly on Canadian Pacific . . ."). Some examples of the testimony on CP's service failures included the following:

- Testimony of an American Chemistry Council representative summarizing lack of service, lack of responsiveness, abrupt changes in service that cost one member plant \$30,000 per day, and "ambiguity around demurrage charges," including "deceiving tariff language" that resulted in higher demurrage charges. *Id.* at 57-60;
- Testimony of refinery owner in St. Paul, Minnesota that in late 2013 CP reduced its service over an eight mile distance from one switch per day, seven days per week to "sporadic and irregular," to then only nine days in the entire month of March, 2013 *without* a missed switch or failure to pick-up and deliver ordered cars, failures that were exacerbated by a complete breakdown in communication from CP. *Id.* at 413-421;

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- Testimony of Occidental Petroleum representative that CP service deteriorated to the point that the plant at issue had to reduce its operating rates six times, costing the company an estimated \$7 million. CP also failed to execute plans that would have prevented service failures to this location. *Id.* at 437-432; and
- Testimony of a CP industrial customer that in 2013 CP's service deteriorated due to a significant reduction in railcars, resulting in wildly erratic service, which not only harmed the company's operations, but also triggered imposition of demurrage charges due to numerous cars being delivered at the same time ("bunched"), overwhelming the ability of the plant to unload and process them. *Id.* at 448-453.

Throughout the course of EP 724 in 2014, while CP's disastrous service was a concern throughout the United States and Canada, CP steadfastly failed adequately to respond to the Board's requests to identify a plan to improve service to its customers. In a June 20, 2014 Decision in EP 724, the Board noted that CP's submissions to date in that proceeding had failed to clearly identify plans for resolving its ongoing service shortages, primarily pertaining to grain customers. EP 724, *United States Rail Service Issues* (served June 20, 2014) at 2. Testimony in another public hearing in September of 2014 in EP 724 confirmed that CP essentially had still taken no steps to respond to the Board's concerns. *See, e.g.*, Transcript of September 4, 2014 Public Hearing in EP 724, *United States Rail Service Issues* at 31-31 (U.S. Senator John Hoevan of North Dakota complained that CP's backlog of grain cars was up to 7,500 and CP had presented no plan to resolve it); and 53 (North Dakota State Senator George Sinner voiced his frustration that "it appears CP is more concerned about their stock price than they are about customer service.")

Following the September hearing, the Board served another decision in EP 724 on October 14, 2014 specifically directed to CP's continued failure to adequately explain how it was going to improve service to its customers. The Board noted that neither CP's hearing testimony nor its prior written submissions contained the level of detail necessary for the Board to fully

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assess CP's plan for resolving its service problems. EP 724, *United States Rail Service Issues* (served October 14, 2014) at 1. The Board specifically recognized that CP merely stated that it expected to have sufficient resources, locomotives, cars, and crews on hand to accommodate its rail traffic volumes "*to the extent of its ability to do so.*" *Id.* at 2 (*emphasis supplied*).

The Board also noted the prior published reports referenced above that indicated CP eliminated or planned to eliminate 4,500 to 6,000 jobs on its U.S network. *Id.* The Board also recognized that customers had expressed difficulty in communicating with CP about service problems. *Id.* at 3. Finally, the Board recognized a need for information as to the extent of the delays in CP's service on a month-by-month basis.

The October 14 decision in EP 724 took the extraordinary step of requiring CP to answer, in a verified statement by an executive-level official, specific questions directed to finally obtaining clear answers from CP on steps it was taking to resolve its service problems. *Id.* The data CP eventually submitted showed that its elimination of personnel had translated into service delays. Specifically, in response to one of the Board's questions, CP identified the number of trains held for four hours and/or longer, including the D&H, for 2013 and for 2014 to date. That data showed a steady increase in held trains due to lack of crews from zero in May of 2013 to a peak of 395 in August of 2014, eventually totaling 2,308 held trains between May of 2013 and October, 2014. CP Letter Response to October 14 decision in EP 724, *United States Rail Service Issues* (filed October 24, 2016) at 6.<sup>7</sup>

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<sup>7</sup> The August 2014 peak is in the time period during which most of the demurrage now sought by CP was allegedly incurred.

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### C. **In the Face of Service Failures, CP Doubles Down on Staff and Equipment Reductions**

During 2014, while CP was not being responsive to the Board's data requests or developing a plan to resolve its service issues, CP continued to zealously pursue Mr. Harrison's four-year plan of heightened profits by reducing CP staff and equipment. In a March 12, 2014 presentation to investors, Mr. Harrison did not mention the STB March 6 letter from the Board or any of the service-related issues and concerns identified in the letter. On the contrary, he attributed CP's inability to meet its investor projections in the first quarter of 2014 primarily to bad weather, and stated that "the plan has come together pretty well, and now it's just fine-tune and keep executing." Exhibit LL (CPFinch0015560-61). CP also doubled down on its reduction of personnel, reporting that "within 'the plan,' quote, that will be somewhere close approaching the 6000 number" by late 2015. *Id.* (CPFinch0015563). CP also reported that between 2012 and 2015 CP would take a 'big whack' out of IT and "the people that maintain our track." *Id.*

In addition to thumbing its nose at the Board, CP attacked the Canadian government for its efforts to try and force CP to correct its service deficiencies. In the same March 12 investor briefing, Mr. Harrison angrily volunteered to financial analysts, "before you ask," that "the quote 'emergency action' of the Canadian Government was a sideshow, was strictly political, and had not a lot to do with moving grain, and will have virtually no bottom-line impact on CP." *Id.* (CPFinch0015558).

That CP simply continued its implementation of the four-year plan undeterred by the service problems suffered by Finch and other CP customers is confirmed by CP's other presentations to Wall Street investors. In September of 2014, a Morgan Stanley analyst noted that CP had done "tremendous things on costs" but inquired whether the ongoing "service issues" would have any impact on its quarterly earnings. CP assured Morgan Stanley that the

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service challenges “have constrained a little bit of revenue,” but it would not have a material impact on cost. Exhibit MM (CPFinch0015358). Thus, CP refused to let its poor service to its customers impact CP’s cost-cutting measures or its goals for maximizing profits for its investors. Further, in response to a question by a Morgan Stanley representative whether the STB’s hearings in EP 724 posed risks to investors, or whether “is it really just monitoring and nothing we have to worry too much about,” CP’s COO assured Morgan Stanley that although the hearings had “consumed a lot of time,” he was not sure that the proceeding was warranted. *Id.*

The realization that the four-year plan was adversely affecting rail service, particularly rail service in New York, was recognized by CP’s own employees who actually had to service customers. In August, 2014, senior management announced that it was consolidating {{  
}}. This proposal was immediately {{

}}.” Exhibit NN (CPFinch0017753). This pushback was {{

}} *Id.*<sup>8</sup>

In March of 2015, CP reported that it had eliminated close to 1,000 locomotives. Exhibit OO (CPFinch0015475). CP further noted that by the end of the year, it would have reduced in the range of 6,000 employees (from a starting point of approximately 19,000). *Id.*

CP also reported in its 2015 Earnings Call that CP was going to be able to go six or seven years (dating back to 2012) without acquiring any locomotives. Exhibit PP (CPFinch0015965).

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<sup>8</sup> If there was additional email correspondence on this subject, including how the issue was resolved, it was not produced by CP in discovery.

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At the end of 2015, CP reported that it had reduced its employee workforce by an additional 12% during the year. Exhibit QQ (CPFinch0016001). As of 2015, CP had eliminated between 6,000 and 7,000 positions and expected to eliminate another 1,000 employees in 2016. *Id.* (CPFinch0016005).

Not surprisingly, these drastic cuts significantly impaired the quality of CP's service. In April of 2015, at around the same time that CP's repeated missed switches were putting Finch at drastically low levels of ammonia, pulp and other chemicals, *Alheim V.S.* at ¶¶ 72-91, CP admitted that it was {{ }} not only for Finch, but for {{

}}." Exhibit RR, (CPFinch0017926).<sup>9</sup> In some instances, CP had to resort to {{ }}

Despite these acknowledged shortcomings in service and staffing, in summarizing its performance over the time period from 2012 to 2015, CP proudly reported that as a result of its drastic reductions in employees and equipment, it had enjoyed 19% year over year economic growth during that time period. It further boasted that for the year 2015 alone, CP had generated a "record free cash flow of nearly CAD \$1.2 billion." Exhibit QQ (CPFinch0016003).

The service failures of 2012-2015 and the STB's commencement of EP 724 and related data submission requirements did not deter CP from its dogged implementation of the four-year plan of Mr. Harrison to drastically cut costs, raise revenues, and improve CP's operating ratio for Wall Street investors. The service failures experienced by Finch, as well as CP's other customers

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<sup>9</sup> Although the ALJ's and the Board's Orders required CP to provide documents related to CP's implementation of system-wide reductions in crews and equipment, and changes to its operations beginning in mid-2012, Exhibit RR was not produced in discovery until June 21, 2017, and then only after repeated prodding from Finch and follow up requests for all related emails. Unfortunately, despite the Orders granting Finch's Motion to Compel "in all respects," substantial questions exist as to whether all responsive documents have been produced by CP.

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during this four year period, were a direct result of this focus at the expense of CP fulfilling its common carrier obligation to provide service upon reasonable request pursuant to 49 U.S.C. §11101.

### III. ARGUMENT

#### A. **CP's Unlawful Demurrage Practices and Violations of 49 U.S.C. §11101 were Caused in Part by Excessive Reductions in Employees, Equipment and Services between 2012 and 2015**

##### 1. **The staff reductions had a harmful effect on Finch**

As part of CP's draconian cost reductions in late 2012, it curtailed its scheduled service to Finch from five to three days per week. CP did this knowing that it would create significant operational risks to Finch if it did not stringently adhere to the newly reduced schedule. Indeed, a senior CP employee recognized that {{

}}." Exhibit J

(CPFinch0008955). CP's Trainmaster, George Newell, who was responsible for CP's day-to-day service to Finch similarly recognized that {{

}}.<sup>10</sup>

As demonstrated in Finch's Opening Statement, far from providing service without fail, CP's service was woefully inadequate. Throughout the 2012-2105 time period when CP was furiously eliminating "paychecks," discarding railcars and locomotives, and taking "big whacks" out of IT and maintenance personnel (and enjoying record breaking profits), CP routinely missed switches, to Finch, provided late switches, and was unable to keep track of where railcars were on its tracks. As explained in the Verified Statement of Stuart Alheim, many of the missed and

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<sup>10</sup> Dep. Transcript of George Newell at 66:7-11; 66:19-67-6, Exhibit K.

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delayed switches were the result of crew shortages or engine failures. Further, as reflected therein, these were not sporadic occurrences but instead were regular and repeated failures. The problems with missed switches and delayed switches became more pronounced with the passage of time as CP's employee eliminations approached 8,000 and equipment cut backs accelerated. *Alheim V.S.* at ¶¶ 82-95.

### 2. Website-Related Failures

The service failures experienced by Finch after CP reduced service to the mill in September, 2012 were compounded by CP's decision in late 2012 to cut personnel and other costs related to its customer service departments and replace the employees with a website. *Deborah Taylor V.S.* at ¶ 3. When CP, as part of its cost reduction regime, began requiring its customers to order service and to resolve service problems by logging on to the website instead of actually speaking with a live person, CP's customer service rapidly deteriorated. *Id.* To Finch, CP's website was "a disaster," fraught with problems, and could not meet Finch's needs. *Id.* at ¶ 4. Finch's just in time operations and geographical constraints made it vital for Finch to at all times be fully aware where in the pipeline the chemicals and pulp it had ordered were so that its plant could remain fully operational. *Id.* at ¶ 8. Finch thus needed to know where the railcars containing chemicals and pulp were located on CP's system, when the cars would arrive, and if there were going to be any unexpected delays in delivery. *Id.* This proved impossible for Finch, not only because, as reflected above, CP routinely missed switches – without any advance notice – but because CP's website made it impossible to accurately track the location of railcars and to order those railcars into its facility. *Id.* at ¶ 5. Problems with the website occurred nearly every day. *Id.* at ¶¶ 17-53.

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Finch's problems with CP's website were so persistent and systemic into 2013 that CP itself {{ }}. *Id.* at ¶ 18, Attach. 3. CP {{

}}. *Id.* at CPFinch000729.

The problems with the website continued into the fall of 2013, however, and, if anything, became more pronounced. *Id.* at ¶ 22. As a result of the defects on the website, Finch could not order in ammonia cars to a specific spot to be unloaded upon their arrival, which was imperative for its "just in time" operations. *Id.* at ¶ 11. In early 2014, the problems with being unable to call in cars from the website continued but additional problems also arose. Frequently, the website contained inaccurate information, such as reporting that cars were available to be called in to Finch when they were already at the mill and in some cases, had been for weeks. *Id.* at ¶ 24, Attach. 10.

When confronted by the Board in EP 724 regarding its severe and prolonged service deficiencies in in 2014, CP flouted the Board's authority by failing to provide meaningful responses to the Board's inquiries – leading the Board to conclude that CP's submissions failed to clearly identify plans for resolving its ongoing service shortages. Indeed, as summarized previously, the best that CP could offer was that it expected to have sufficient resources, locomotives, cars, and crews on hand to accommodate its rail traffic volumes "*to the extent of its ability to do so.*" See p. 11, *infra*. CP provided this tepid non-assurance at the same time that its earnings per share were reaching record numbers and during a time period when CP was on its way to generating a "record free cash flow of nearly CAD \$1.2 billion." Exhibit QQ (CPFinch0016003).

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CP's focus on profits at the expense of customer service was further evident by its decision to accelerate job reductions during the service crisis by eliminating 6,000 employees. Exhibit LL (CPFinch0015563). This was also around the time that Mr. Harrison happily reported that CP was going to take a "big whack" out of IT and "the people that maintain our track." *Id.* Indeed, during the period when CP was facing its most withering criticism from the Board, the Canadian and United States Government, and its customers for failing to provide even minimally adequate service, CP stoutly reassured Morgan Stanley that it would not let its service failures impact its earnings. Exhibit BB (CPFinch0015358).

### **B. CP's Violations of §11101 Resulted in Harm to Finch Recoverable Under §11704(b)**

As demonstrated in detail in Finch's Opening Statement, CP's service failures that have occurred since October, 2012 have resulted in Finch incurring significant costs and logistical and operational complications. CP's drastic reductions in employees, including in its rail operations and IT staff, and its wholesale elimination of locomotives and railcars, have dramatically impaired its ability to provide adequate rail service to Finch. This failure constituted an ongoing violation of 49 U.S.C. §11101.

### **C. CP's Knee-Jerk Actions in Shutting Down Finch's Facility Were Unreasonably Precipitous and Harmful to Finch**

As also demonstrated in Finch's Opening Statement, CP's precipitous decision to close, on no notice, much of the tracks used by CP and Finch to service Finch's facility substantially contributed to Finch having to obtain chemicals and raw materials by other, more costly, means in order to stay in operation. CP suggests that the track shutdown, which resulted in additional

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trucking, demurrage and related costs, was due to Finch's own failure to properly maintain its tracks.<sup>11</sup> The evidence is to the contrary.

On April 7, 2014, CP derailed a loaded ammonia car on its track approximately one mile from the Finch Mill. Petro V.S. at ¶ 2, Attach. 1. Two weeks later, CP summarily shut off its service into the Finch Facility based upon a unilateral determination that some of the switches and track were unsafe. Finch demonstrated in its Opening Statement that CP's action was an unreasonable, knee-jerk reaction to the derailment of an ammonia rail car on track upstream from Finch's facility and therefore completely unrelated to Finch. The action was also highly unusual because CP, the FRA, and Finch itself (through its maintenance contractor) regularly inspected the Finch track and none had ever determined that it was unsafe and therefore needed to be shut down. Petro V.S. at ¶¶ 2-5.

In addition, as referenced above, in April of 2014 CP was embroiled in a larger, system-wide scale service crisis due resulting in large part from its drastic cuts of personnel, equipment, and services starting in mid-2012. This crisis had resulted in the aforementioned letter March 6, 2014 to Hunter Harrison, the commencement of EP 724, and the April 4, 2014 public hearing discussed above. Accordingly, shutting down Finch's tracks and restricting deliveries to the Facility provided CP with a useful pretense and relief from its system-wide failures. Unfortunately, however, this precipitous action caused great harm to Finch.

Finch vigorously disagrees that its track was unsafe, let alone in such poor condition that it justified CP's unprecedented action. The shutdown of Finch's track was not only unprecedented for Finch, it was inconsistent with CP's well-established practices with other

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<sup>11</sup> Although as reflected herein, Finch at all times had sufficient available track to have ammonia cars immediately brought in, consistent with the parties longstanding instructions, Finch was forced to have cars containing starch, sulfur, pulp and other chemicals trucked in at considerable expense due to CP's precipitous decision to shut down portions of CP's track.

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customers. In other situations, both before and after the shutdown of Finch’s track, when CP identified even allegedly serious safety issues regarding track, CP regularly gave its customers a chance to remedy the situation rather than immediately shutting down operations to the customer’s facility. Thus, for example, Jason Blanchfield, who conducted the inspection at issue on Finch’s track, {{ }}.

Exhibit SS (CPFinch0016105). In that inspection, he reported a {{

}}. Risk Level A consists of {{

}}. *Id.* Despite that finding, CP {{

}}. *Id.*

On December 7, 2015, Jason Blanchfield determined that there was a {{

}}. Exhibit TT (CPFinch0016155). Mr. Blanchfield

also determined that the track posed a Risk Level A. CP, nonetheless, gave the customer until {{ }}.

Similarly, prior to the shutdown of Finch track in 2014, on April 16, 2013, CP conducted an inspection of {{

}}. Exhibit UU (CPFinch0016200). “Red Status” signifies that {{

}}. CP identified {{

}}. *Id.* {{

}}. *Id.*

On April 24, 2014, CP conducted an inspection of a customer’s track and determined that the track had {{ }}. Exhibit VV (CPFinch0016342). Although CP found that this posed a Risk Level A, {{

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}}.

Similarly, on April 16, 2013, CP identified a customer's track {{  
}}. (CPFinch0016186). Again, rather than {{

}}. *See also*

CPFinch0016188 {{  
}}; CPFinch0016206 {{  
}}; CPFinch0016324 {{  
}}; CPFinch0016356  
{{  
}} (the documents are collectively attached as Exhibit  
WW).

In some instances, CP identified numerous defects indicating Red Status risks, but  
{{  
}}. Instead,  
CP requested that {{  
}}. CPFinch0017336,  
CPFinch0017354, CPFinch0017246, CPFinch0017242, CPFinch0017254, CPFinch0017238;  
CPFinch0017236, CPFinch0017234 (collectively Exhibit XX). In other instances, CP  
determined that track was in Red Status, {{  
}}. Exhibit YY  
(CPFinch0016256).

CP's deviation from its own procedures in refusing to allow Finch a reasonable  
opportunity to perform track repairs was unreasonable and caused Finch to suffer unnecessary  
damages in the form of: 1) incremental costs of shipping raw materials by truck; 2) incremental  
supplier demurrage costs; 3) emergency starch deliveries; 4) purchase of pulp to maintain mill  
digester rate; and 5) offsite storage of raw materials. The failure of CP to follow its own

## PUBLIC VERSION

standard operating procedures and instead to immediately shut down Finch track was particularly unwarranted given that CP was guilty of failing to maintain its own track. In April of 2012, the FRA notified CP that it {{

}}. Exhibit ZZ (CP Finch 0016025-28). The FRA noted that {{

}}. *Id.* (CP Finch 0016028). The FRA

also noted that {{

}}. *Id.* The track

inspector also noted a location with less than 2 bolts per rail at a joint, and a {{

}}. *Id.*

Approximately twenty (20) days later, CP informed {{

}}. Exhibit AAA (CP Finch

0016033). These documents belie CP's suggestion that it carefully maintained its own track. At a minimum, it is inequitable for CP to seek to impose demurrage charges for a period when Finch was unable to transport goods due to CR's arbitrary shut down of track for reasons unrelated to Finch and contrary to CP's own well-established precedent.

## IV. CONCLUSION

This Supplemental Opening Statement further evidences that CP engaged in unreasonable practices under 49 U.S.C. §10702 by assessing exorbitant demurrage charges against Finch at a time when CP's service failures, both directly to Finch and system-wide, contributed to the delays that gave rise to the demurrage charges. The supplemental evidence further establishes that CP violated its statutory obligations to Finch under 49 U.S.C. §11101 by summarily

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reducing service to Finch's facility from five to three days per week, and then failing to meet even that unlawfully reduced schedule.

Respectfully submitted,

/s/ Thomas W. Wilcox  
Thomas W. Wilcox  
Brendan Collins  
GKG Law P.C.  
1055 Thomas Jefferson Street, N.W.  
Suite 500  
Washington, DC 20007  
(202) 342.5248

*Attorneys for Finch Paper LLC*

Dated: June 26, 2017

# ATTACHMENT 1



Finch Paper LLC  
One Glen Street  
Glens Falls, NY 12801  
tel 518-793-2541  
fax 518-793-7364  
www.finchpaper.com

Monday, May 08, 2017

Canadian Pacific Railway Company  
P.O. Box 77000  
Detroit, MI 48277-0299  
Attn: Angela Smikles

Dear Angela:

Enclosed is a check in the amount of \$288,737.96 to be used for payment of the following amounts contained in certain invoices received from CP Railway beginning in October, 2016:

| <u>Invoice No.</u> | <u>Amount Paid</u> |
|--------------------|--------------------|
| 900606480          | \$51,290           |
| 900608310          | \$64,200           |
| 900611576          | \$70,790           |
| 900612723          | \$33,020           |
| 900616655          | \$48,240           |
| <u>Total</u>       | <u>\$267,540</u>   |

Because Finch does not dispute that it owes the foregoing portions of the listed invoices, it agrees to the payment of interest associated with these amounts as calculated in the invoices we have received starting in October. We calculate that amount to be \$21,197.96 for the period September 1, 2016 to April 30, 2017.

Finch continues to dispute CP's claims for the balance of the amounts contained in the listed invoices, and the assessment of interest on any of the remaining balances. Finch also reserves all set off and recoupment rights regarding amounts owed to it by CP due to CP's continued failure to satisfy its statutory common carrier obligations to Finch.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Stuart W. Alheim  
Transportation Manager

# REDACTED EXHIBIT W

# EXHIBIT X

Company Name: Canadian Pacific Railway  
 Company Ticker: CP CN  
 Date: 2012-12-04  
 Event Description: Investor Day - Day 1

Market Cap: 17,190.22  
 Current PX: 99.28  
 YTD Change(\$): +30.27  
 YTD Change(%): +43.863

Bloomberg Estimates - EPS  
 Current Quarter: 1.320  
 Current Year: 4.304  
 Bloomberg Estimates - Sales  
 Current Quarter: 1495.368  
 Current Year: 5683.760

## Investor Day - Day 1

### Company Participants

- Janet Weiss
- E. Hunter Harrison

### Other Participants

- William J. Greene
- Thomas R. Wadewitz
- Chris Wetherbee
- Jeff A. Kauffman
- Chris J. Ceraso
- Ken Scott Hoexter
- Walter Spracklin
- Brandon Robert Oglenski
- David Tyerman
- Fadi Chamoun
- Cheryl R. Radbourne
- Scott H. Group

## MANAGEMENT DISCUSSION SECTION

### Janet Weiss

Good evening. My name is Janet Weiss, and I'm the Vice President of Investor Relations for Canadian Pacific. On behalf of CP's executive team, I'd like to welcome you to the first segment of our 2012 Investor Conference. As you're going to hear, Canadian Pacific is moving forward. We just issued a press release setting out our game plan, and I know our executive team are looking forward to discussing the details of our plan this evening and tomorrow, starting at 8:30 sharp.

Before turning the podium over to Mr. Harrison, I'm obliged to advise you that the presentation you're about to hear does contain forward-looking information, including but not limited to CP's operations, anticipated financial performance, business prospects, strategies, priorities, and plans. Forward-looking information is based on current expectations, estimates, and projections, and actual results may differ materially. The risks, uncertainties, and other factors that could influence actual results are described on the slides and in reports filed by CP from time to time with security regulators in Canada and the U.S.

All dollars quoted in the presentation are Canadian unless otherwise stated. We may make reference to assumptions used in our guidance and will provide sensitivities to these assumptions in our commentary and presentation materials. Please read carefully, as these assumptions could change throughout the year. This presentation also contains non-GAAP measures set out on slide four.

And now, with my preamble complete, we're going to start with the formal presentation. Thanks, and welcome.

[Video Presentation] (01:40 – 02:40)

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## E. Hunter Harrison

Thank you for that welcoming. I'm sorry we got started a little late. I was back in the makeup room, and this is the best they could do at this point in time. But I'm nice. I'm extremely pleased to welcome all of you and delighted to see you. I can't imagine why the room is so full today. But I'm back and we're back, and I'm proud to be in that position. I think it'd be good if I could – my remarks today, can talk to you a little bit about the first 160 days I've spent with the new organization. And I didn't have a lot of experience with – thankfully, with proxy contests prior to this, but I feel like a seasoned veteran at this point in time, I can tell you that.

But having said that, as most of you know, May 17, at the annual meeting, we had an election where a new slate of directors were elected, 16 directors. Since that point in time, we've had three resignations and one addition, which happened to be me. And so now we have a slate of 14 what I think are outstanding directors. And I can proudly report to you that that team is coming together, building some chemistry, some esprit de corps. We have turned the page from the proxy contest and are ready to move this organization forward.

But if I reflect back on what I heard throughout the contest from both shareholders, from employees, from customers, was we need change. And it was obvious to me that I agreed with those thoughts. I've spent a great deal of my career managing change, and change is tough to manage. In a way, I would suggest you manage it best is through inspired leadership, and I've been very pleased to say that I've never seen in my many years in this industry a management team and a group of employees that have embraced change like this team appears to be embracing it.

I have a favorite quote about change, and I think it's very appropriate for the situation we're in and dealing with, and it's a quote from J. Paul Getty, which says, in rapidly changing times, which I would suggest we're going through, experience may be your worst enemy. And that clearly is what we're facing. We're facing a lot of us that have gone through situations where we've experienced one set of circumstances and we're dealing with a totally different set now. But we're embracing the change and ready to deal with it.

Make no mistake; this is clearly, initially, a cost-takeout story, and almost simultaneously, a story of improving our service, which is not unlike the model that I have been working with now as CEO for 20-plus years. And I would emphasize to you this is not some experiment in a laboratory. This is a proven, tried, and tested model. And we've always said that it all started with service, service to our customer.

There was a great deal of dialogue about service to the customer from CP's standpoint during the contest. But I think that I am very pleased, after having been able to spend a great deal of time with a lot of our customers, I think they are very open-minded; they are pleased with the changes they've seen, and looking forward to even more changes.

And the one thing we talk to them about is trying to define service, which is very difficult when you're dealing with as many customers as we're dealing with. And this model likes to define service as simply doing what you say you're going to do. The second thing we try to do in this model is very simply control cost, and I would suggest to you that control is the operative word there. This model has done very well there. The third issue is to try to place a great deal of emphasis on asset utilization, on turning your assets and making them sweat and all the positives they have for you.

The fourth, which is a place that CP has excelled, is in, simply said, not getting anybody hurt. Whether you want to call it risk management, loss control, safety, whatever the word is; this organization has done well there, and we expect that to continue and hopefully even be able to improve on it to some degree. And the fifth, and probably the most important, the one I'm going to probably spend the most time on today, is people, the team. Those are the people that accomplish these things that we've talked about.

And I would hasten to add that there's two little things I would like to add to that. And I think what you need to do is to take those values, those four important values, add the fifth, the people, and then season that with two things: the high degree of integrity and passion. And that's what we've tried to do, and instill those values in this organization.

So the first thing I felt like I had to do was to, number one, evaluate this team and see where we were, to really, truly look in the mirror and do a self-evaluation. And we've made a lot of changes as a result. We've seen seven vice presidents and above leave the organization for various reasons. We have not felt necessary to fill in behind those

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positions. That has allowed us to take layers out, to take bureaucracy out of the organization.

And if you will, let me just use – for a moment, because I think it applies to us to a degree – a baseball analogy. Those of you that played baseball or followed it or have been fans or even better on the sport where it is legal, you hear the term in a baseball team that you want to be strong up the middle. And that refers to, number one, the catcher, who's kind of quarterback on the field; and the shortstop and second baseman who are so important with the double-play combination and the chances, they have many more chances than the first or third baseman; and the center fielder who covers the outfield and gets anything he can get.

Now, we have a very, very strong nucleus up the middle. If you were evaluating us and looking back, the only place you might take a little exception is in our pitching staff. And the pitching staff might be related to our transportation group. Have we had some weaknesses there? Yes. And we spent a lot of time in the last four or five months on strengthening the pitching staff that you can relate as your transportation department. And if you've ever – I know most of you haven't, but if you ever wagered on baseball, you would – and it's been 50 years since I've placed a bet, I think. At one time, before my railroad career, I thought that was going to be an easy way to make a living, but somebody taught me he always gets his man, and he did, and so quickly I learned that a railroad career was better for me.

But one of the things you'd be amazed to find was the odds from night to night on the same teams playing against each other was governed by the pitching staff. It wasn't so much who was the home team or who was the visitor or the rest of the nucleus of the team. It was the pitching staff which really made the difference. And that's why we're spending so much time and attention in trying to strengthen our pitching staff so we can be a much stronger team.

Now, we have clearly already started down the road of making some appropriate reductions in the organization. I know there's been a great deal of discussion about this. But at this point in time, I can tell you that the plan is – not to get a little ahead of myself, and the organization is tomorrow, but the plan calls it over the four years we'll probably take in the neighborhood of 4,500 people plus out of the organization.

Now, one of my evaluations initially was that we were clearly, in my view, top-heavy. We had too many nonunion officer, managers, supervisors, leaders, up to the range of 28% to 30%. That's far too much. And right now people that are skeptical about the ability to achieve that number, I'm proud to say that some of the team that you're going to see tomorrow – and really I'm just kind of the opening act. The stars of the show will be up here tomorrow with more detail than I'm going to share with you tonight. But that group has already taken about 1,800 people as we speak out of the organization in the first five months, and I would expect, and I think our forecasts are, by first quarter, that number will be up to 2,300.

Now, that's not a number that we brag about a lot, are real proud of, except I would point out this to you. We are fortunate with the demographics of this organization. We have an older workforce that our natural attrition is pretty high. It runs in the 9% – 8%, 9% area. So if you look over the life of this plan, the four years, you will see that just through natural attrition, we will take out a potential for about 5,700 people to leave the organization. Now, one of the things we've said is this: we do not want to lose good people. When you've got talent, you protect it. So we've said to people, this: if you're willing to be cross-trained in another discipline, if you're mobile as far as being able to move, we've got work for you. And hopefully they will be able to take advantage of that.

A couple other things on the people side of the ledger is we also, in the engineering group, are creating what I would call a stable workforce throughout the 12 months rather than have peaks and valleys with our maintenance season. A lot of railroads typically – which we have done the same – feel like they cannot be productive with capital during the winter months, so we typically, five, six, seven months out of the year, would lay off a substantial portion of the workforce.

And I never have thought it was the right motivator or driver or inspiration to people that we call them back in the spring and we say, look, we want you to go out there and work real hard and real safe and very productive, because as soon as you get rid of this capital work, we get to lay you off again. That's not really a driver that you want to look for.

And if you look and kind of evaluate, and you say, well, why can we not be productive in those winter months; well, the weather comes up, and we have snow and we have floods and we have a lot of the things that this organization went

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that process? Have evaluated all of the yards? Have you gone through all of the service metrics? Are there places where we can see quick changes over the next 12 months as well?

<A - E. Hunter Harrison>: Yeah, I think, for an example – Guido will tell you tomorrow, but I think, for an example, that he was working something like 23 assignments in Calgary a day. When we say assignments, conductor, engineer, and sometimes a helper, and I think today he works like five. Now, that's significant to me. And I looked at all the yards, all the ones of any size. And now I'm down to the ones I can't pronounce, okay, looking for further opportunities. So there's a lot to do yet. So what did I miss? I maybe missed this. I thought we were going to walk in and do a whiteboard, which is kind of starting from a Greenfield approach, if you want to say it a different way, and schedule every movement.

Well, I learned that that wasn't the way to do it because we weren't ready with our basic skill sets to do that. So we needed to go back and improve our blocking and tackling first before we did the whiteboard, because we were going to fail on the whiteboard. But are there more ideas we haven't thought of? Always. Are there some we haven't gotten to yet? Yes. Is this going to be fun watching the race? Yeah, I think you're going to – two or three years, you're going to nod and say, they did it again. God damn them. Because some of you are missing this train, I'm telling you, okay?

Yes?

<Q - David Tyerman>: David Tyerman, Canaccord Genuity. You put some very impressive numbers up on the employee front, I think 1,700 out by the end of the year and 2,300 out by the end of Q1 and 4,500 out by 2016. So my question is, will I see, when I look at the head count, 1,700 out at the end of the year from the 14,500 roughly you had at the end of last quarter, and so on down?

<A - E. Hunter Harrison>: No, because I can't find out what the head count number is, myself. It's a tricky issue. If you've gone back and looked historically at our reportings, we have shown active expense employees, capital employees. We went through a outsourcing exercise. So let me give you another number you probably never heard. I got frustrated with that exercise, and I said how many checks are going out the door, and there's 19,000 checks. Now, that includes contractors, consultants, advisors, capital employees, full-time expense employees, people that have been disabled for 15 years, a whole host. What we're going to do, because of your question – because I knew if I couldn't answer it, you all were going to have a hard time answering it – we are tentatively going to say, in another place, here's the checks-going-out number as we go forward.

We made a decision, right or wrong, that one time we were going to outsource IT. And we have – and it got away from us. And we brought in a new IT chief, which you're going to get to meet, and we have somewhere around 800 or 900 people working in IT, but about 300 are employees. So I would suggest some of you sometimes don't put a lot of emphasis on revenue per employee, because you drive the wrong kind of behavior. But we'll help you with the count. But you're not going to see – that was one of the amazing things I looked at, public information just like you did, pre-proxy contest, and it's 14,500 and 16,500, and it's confusing. We're going to have 4,500 less people drawing checks. And the contractors, for an example, are much higher than "employee" because of lodging we furnish and other perks and stuff. So we'll help you sort through that.

<Q - David Tyerman>: That would be very helpful. Thank you.

<A - E. Hunter Harrison>: Yep. We've got time for a couple more.

<Q - Fadi Chamoun>: One here, Fadi Chamoun, BMO Capital Markets.

<A - E. Hunter Harrison>: I know the – oh, I know the voice.

<Q - Fadi Chamoun>: We're accustomed to see, usually when the top line is growing, CapEx grows with it, and here what you showed us is really some material capital efficiency in the next four, five years. Where is this coming from and how is it becoming so -?

<A - E. Hunter Harrison>: Well, I told everybody that in the exercise, and nobody listened to me, a couple of places it coming from. One, if you're taking two sidings and making one, and the only thing you're capitalizing is the labor,

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and you're reutilizing the rail and the ties and some of the other jewelry, that's pretty efficient, and much more efficient than laying new, certainly initially. The second thing is I would bring to your attention is this. We are involved heavily right now in what I would call capital productivity. I don't remember hearing in my career – I remember hearing about OR and about productivity in this area. I've never heard about anybody talk about productivity with capital.

And so what we're saying is this. We hadn't been measuring it maybe appropriately, and we do an audit, and we say we're getting 3.5 ties per man-hour. We ought to get 5. If I can get 5 ties a man-hour instead of 3.5, I can put much more hardware actually in the railroad rather in "labor" that I don't get any return for, effectively. I can do the same thing with rail, with ties, and with those things, particularly also if we can plan better, even though this is a bulk railroad, and get longer, more effective work blocks, we can be much more efficient with capital.

Now, I have questioned, for an example, some of our practices, and I'm not an expert yet, and I don't say this in the way of criticism, but in my view, when you go out and take the railroad out for five or six hours, you'd better put all the resources there you've got. Don't have a 25-person gang here taking five hours; 200 miles down the road, somebody else taking – when you're going to take the railroad, I'll give it to you for eight and put 125 people in there, and let's do everything. Let's do rail, ties, ballast, bridge, signal all at once.

So I'm more sensitive, contrary to popular belief, to free cash flow than I am anything, okay? I learned that the hard way, okay? And I won't bore you with that story, but attention to capital, okay, and always the rule of never spend \$1 in capital until you've explored every, every operating potential efficiency before you spend that capital. And then put the same emphasis on productivity with the capital dollar you do with an operating dollar, and you see the ability to grow without spending capital. It's not some linear, straight-line movement.

Two more, if somebody's counting. I got one here.

<Q - Cherilyn Radbourne>: It's Cherilyn Radbourne from TD Securities.

<A - E. Hunter Harrison>: Where are you, Cheryl?

<Q - Cherilyn Radbourne>: Back here.

<A - E. Hunter Harrison>: Oh, gotcha.

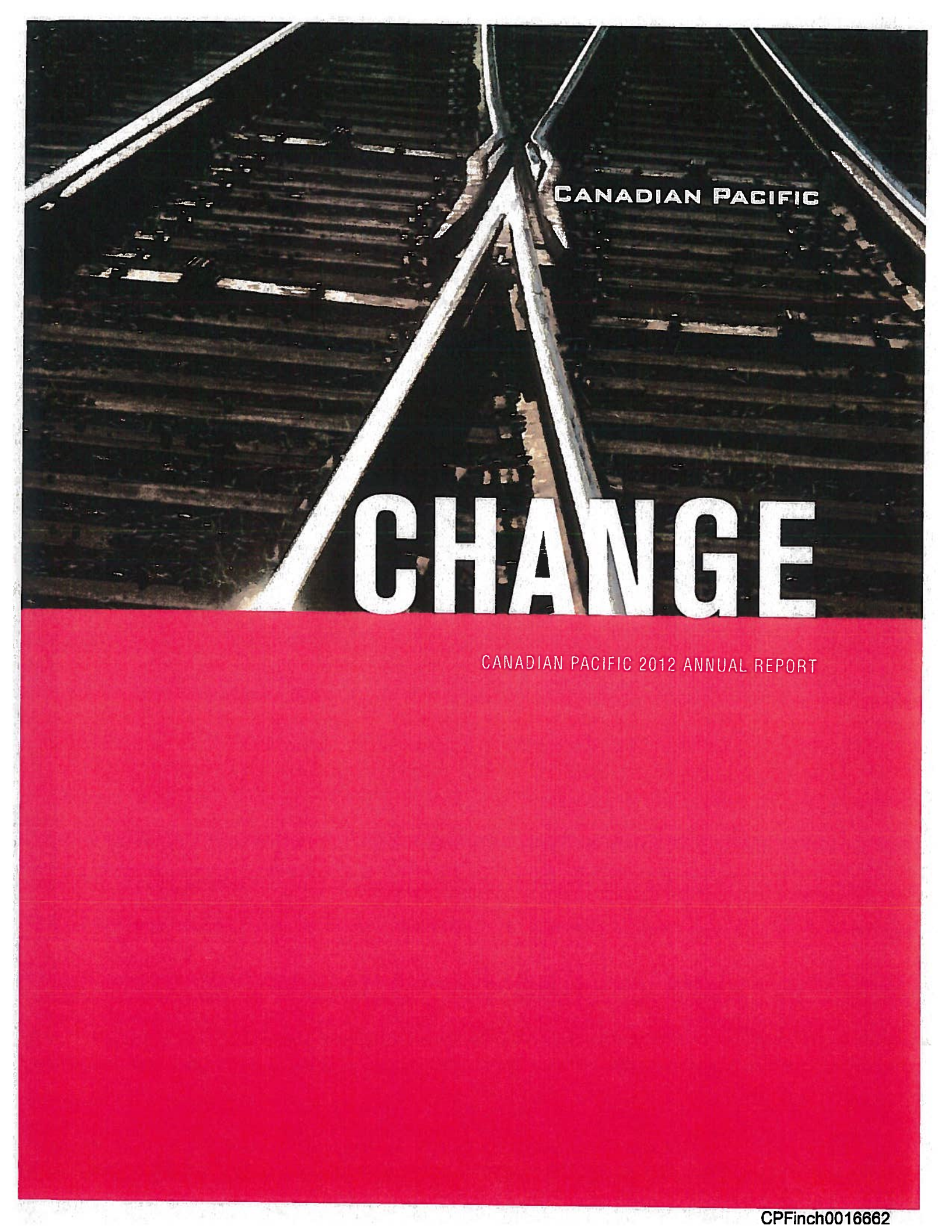
<Q - Cherilyn Radbourne>: I think one of the areas where we all understood CP to be behind CN was with respect to information technology and not having the kind of system visibility that they do with [data cities]. So I wonder if you could just speak about whether you were positively or negatively surprised in that respect and what role technology plays in your four-year plan.

<A - E. Hunter Harrison>: I was not surprised because you all told me about it. So your questions were, wait a minute, CP is way behind in IT, and there's going to be big capital spends and so forth. I think we've got a little handle on this now. I think the best way I can describe it, we were trying to do MNO before we did ABC. And we had a lot – and it's easy and nice for people to go out and say, I need this, and I need that, and I need SAP, and I need to look pretty, and I need graphics, and I need all this, until you say, okay, how's it going to help you in your budget? You mean I've got to pay for it? Yeah. It's going to be competitive.

We're okay; we can run the railroad like we are, fine. We need to build up a better foundation and base to build on. And then we need to take a little breather and decide what do we really want our information systems to do beyond the basic information to operate the railroad. What other things can they do? And then we're going to have some long internal strategic discussions about those, and let people start getting an appreciation for what does it really do for us besides look nice and win you some IT award in the book.

And I don't think that we need to spend a lot more money. In fact, I think we can be more effective with far less people, but have the right type leadership. I mean, look, I don't have anything against contractors, except when my IT chief is a contractor, I don't feel very good about it. I'd like him to be on the team. And so we're behind, but it's not going to affect that, okay? And if I see opportunities that it will push us in another realm that we can do certain things, we'll certainly make the investment that we need. But I've just been out there too long that, right now, you ask the customer

# EXHIBIT Y



CANADIAN PACIFIC

# CHANGE

CANADIAN PACIFIC 2012 ANNUAL REPORT

**Develop People:** CP recognizes none of the other foundations can be achieved without its people. Every CP employee is a railroader and the Company is shaping a new culture focused on a passion for service with integrity in everything it does. Coaching and mentoring managers into becoming leaders will help drive CP forward.

At Canadian Pacific's Investor Conference in New York on December 4-5, 2012, the company outlined plans it will execute to continue to improve service reliability, increase the railway's efficiency, and grow the business in 2013 and beyond. Key highlights include:

- the reduction of approximately 4,500 employee and/or contractor positions by 2016 through job reductions, natural attrition and fewer contractors;
- the installation of longer sidings that will improve asset utilization and increase train length and velocity. The plan will allow CP to move the same or increased volumes with fewer trains, and is expected to reduce crew starts by over 14,500, or 4%, crew starts;
- exploring options to maximize full value of existing and anticipated surplus real estate holdings;
- the relocation of CP's current corporate headquarters in downtown Calgary to new office space at the Company owned Ogden Yard by 2014;
- the review of options for the Delaware & Hudson (D&H) in the U.S. Northeast, while maintaining options for continued growth in the energy business; and
- assessing the opportunities that will come from an expression of interest issued in December 2012 for the 660-mile portion of the Dakota, Minnesota & Eastern (DM&E), west of Tracy, Minnesota.

## 2012 Summary

During 2012, the Company experienced a number of other noteworthy events summarized below:

### Proxy Contest

In January 2012, Pershing Square Capital Management, L.P. ("Pershing Square") launched a proxy contest in order to replace a minority of the Board of Directors of the Company (the "Board") and to advocate for management change (the "Proxy Contest"). As a result of this contest, the Company incurred \$27 million in advisory costs ("advisory costs associated with shareholder matters") in the first six months of 2012 with a further \$6 million incurred in the fourth quarter of 2011. The proxy contest was settled in May 2012 with changes described below in "Change in Board of Directors" and "Management transition".

### Change in Board of Directors

On May 17, 2012, following the Proxy Contest Messrs. John Cleghorn, Tim Faithfull, Fred Green, Edmond Harris, Michael Phelps and Roger Phillips advised the Company that they did not intend to stand for re-election to the Board.

At the Company's annual shareholders meeting held on May 17, 2012, seven new directors were elected to the Board, namely Messrs. William Ackman, Gary Colter, Paul Haggis and Paul Hilal, Ms. Rebecca MacDonald, and Messrs. Anthony Melman and Stephen Tobias. In addition, Mr. Richard George, Ms. Krystyna Hoeg, Messrs. Tony Ingram and Richard Kelly, the Hon. John Manley, Mesdames Linda Morgan and Madeleine Paquin, and Messrs. David Raisbeck and Hartley Richardson were all re-elected to the Board at the May 17, 2012 meeting. Following the meeting, the new Board selected Ms. Paquin to serve as acting Chair of the Company. On June 4, 2012, Mr. Haggis was appointed Chairman of the Company's Board.

Subsequent to the May 17, 2012 shareholders meeting, Messrs. Raisbeck, George and Ingram resigned from the Board on June 11, June 26 and July 5, 2012, respectively. In addition, effective July 6, 2012, Mr. E. Hunter Harrison was appointed to the Board.

As a result of the aforementioned changes to the composition of the Board, certain accelerated vesting provisions for certain grants under the Company's management stock option incentive plan, performance share unit plan and deferred share unit plan were triggered effective June 26, 2012. The effect of such accelerated vesting on the Company's second quarter financial statements was a credit to Compensation and benefits of \$8 million and the recognition of a related liability under the accelerated vesting provisions of these plans of \$31 million, which liability was settled in full in the third quarter of 2012.

### Management Transition

On May 17, 2012, following the Proxy Contest, Mr. Fred Green left his position as President and Chief Executive Officer of the Company. That same day, Mr. Stephen Tobias, a new Board member elected at the Company's annual shareholders meeting held on May 17, 2012, was appointed by the Board as Interim Chief Executive Officer and served in that role until June 28, 2012. On June 28, 2012, Mr. E. Hunter Harrison was appointed by the Board as President and Chief Executive Officer. As a result of the appointment of Mr. Harrison, the Company recorded a charge of \$38 million with respect to compensation and other transition costs, including \$2 million of associated costs, in the second quarter of 2012. This charge was recorded in the Company's financial statements in Compensation and benefits and Purchased services and other, in the amounts of \$16 million and \$22 million respectively.

# EXHIBIT Z

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

CP.TO - Q1 2013 Canadian Pacific Railway Earnings Conference Call

EVENT DATE/TIME: APRIL 24, 2013 / 3:00PM GMT

## OVERVIEW:

CP.TO reported 1Q13 revenue growth of 9%. Expects high single-digit revenue growth for 2013.



## CORPORATE PARTICIPANTS

**Nadeem Velani** *Canadian Pacific Railway - EVP of IR*

**Hunter Harrison** *Canadian Pacific Railway - CEO*

**Keith Creel** *Canadian Pacific Railway - President and COO*

**Jane O'Hagan** *Canadian Pacific Railway - EVP and CMO*

**Brian Grassby** *Canadian Pacific Railway - SVP and CFO*

## CONFERENCE CALL PARTICIPANTS

**Ken Hoexter** *BofA Merrill Lynch - Analyst*

**Tom Wadewitz** *JPMorgan - Analyst*

**Jacob Bout** *CIBC World Markets - Analyst*

**Fadi Chamoun** *BMO Capital Markets - Analyst*

**Chris Wetherbee** *Citigroup - Analyst*

**Bill Greene** *Morgan Stanley - Analyst*

**Steve Hansen** *Raymond James - Analyst*

**Scott Group** *Wolfe Trehan & Co. - Analyst*

**Chris Ceraso** *Credit Suisse - Analyst*

**Jason Seidl** *Cowen Securities - Analyst*

**Cherilyn Radbourne** *TD Securities - Analyst*

**Walter Spracklin** *RBC Capital Markets - Analyst*

**Brandon Oglenski** *Barclays Capital - Analyst*

**Keith Schoonmaker** *Morningstar - Analyst*

**Benoit Poirier** *Desjardins Securities - Analyst*

**Jeff Kauffman** *Sterne, Agee & Leach - Analyst*

**Steven Paget** *FirstEnergy Capital - Analyst*

**David Tyerman** *Canaccord Genuity - Analyst*

## PRESENTATION

### Operator

Good morning. My name is Jonathan and I will be your conference operator today. At this time I would like to welcome everyone to the Canadian Pacific's first-quarter 2013 conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions). Thank you.

Mr. Velani, you may begin your conference.



Many more opportunities to convert. In fact, our upcoming as I have noted on the presentation, the white boarding session which for those of you that don't know what I am talking about effectively, it is a roll your sleeves up marathon session where Hunter and I will go in with the operating team, we will effectively schedule every car, every train across the network. Two or three sessions to get this thing done but once we get that done we will be able to take another step in improving both our service performance as well as controlling costs for our shareholders.

So with that said, I am sure you can sense my enthusiasm. I will keep my comments brief but let me publicly state in closing and reaffirm a commitment that I made to Jane about three months ago when I started at this Company and that it is my number one objective to produce a vastly improved service offering for both our existing and our future customers that she nor any member of her team has to ever apologize for in the future, one that is going to create value for our customers and for our franchise.

Jane, this first quarter was a pretty significant step in that direction. Over to you to provide some color on how our team is converting at the market place.

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**Jane O'Hagan - Canadian Pacific Railway - EVP and CMO**

Thank you, Keith. Again, we are very pleased to report the best Q1 revenue performance ever for CP and our seventh consecutive quarter of double-digit revenue growth in merchandise. I can tell you our team is in the market, we are visible, we are delivering on our growth plans and we are benefiting from the strong operating performance by a team who managed winter well. With that I want to turn to our revenue results.

We reported a solid revenue gain of 9% on a currency adjusted basis where price, volume and mix accounted for 8% of the gain and fuel surcharge was 1%. Our RTM growth was 10% carload growth was flat driven by a significant increase in volume of long-haul crude oil traffic and potash exports. Just to let you know, we will begin reporting total RTMs weekly beginning in May.

Our average revenue per car was up 8% and we delivered on our price renewal target of 3% to 4% and expect to deliver inflation plus pricing through 2013.

In grain, as Keith said, we had our biggest Vancouver export program ever. We moved more grain than last year with fewer assets and we moved over 20% more than the previous three- and five-year cross averages.

We also adjusted to a reduced Canadian Eastern export program brought about by changes in the CWB and we remain nimble to increase each inbound corn and US soybean traffic. So with our improved strong service, improved asset utilization and good crop carry out on our territory, we expect year-over-year Q2 volume increases in the double digits for our grain franchise. Again it is too early to call the next crop year but we will keep you informed as we move along.

In terms of sulphur and fertilizers, the Canpotex export recovery ramped up much faster and stronger than we expected but our team worked hard to ensure the supply chain geared up efficiently to handle traffic as it came on. The higher volumes of export potash moving in private cars kept average revenue per car gains at a moderate level and decreased overall cents per RTM.

But as we look out at Q2, the ramp up of Canpotex volume signals the potential for a strong year but second-half upside remains uncertain with seasonal and market volatility. Our near-term focus is taking full advantage of strong ratable volumes throughout the balance of the first half.

In coal, our revenue was up 9% and units were up 4% from strong met coal supply chain management and overall performance. As Keith said, all our export trains are operating at 152, allowing us to move the same volume with an 18% reduction in train starts.

For the outlook, we have modeled to Teck forecasts and we are watching global markets carefully for certain signs of volatility. PRB traffic continues to be opportunistic and we are ready to capitalize should it continue and in Q2, tax volume unit growth could be offset by softness in the US thermal domestic and export traffic resulting in total coal volumes being flat year-over-year.



In Intermodal, I am pleased with the progress of our rebalancing and renewal as this continues and our progress is consistent with our expectations. The Q1 results reflect revenue and unit impact of international contracts we let go, purposeful decisions we made to exit select lower profit and low growth markets while focusing on improvement on the quality of our book. We are very pleased with the progress we are making. We are growing in the right lanes with the right customers aligned with our service capabilities and taking advantage of our service improvements by growing where we create competitive advantage, price for value and improve the operating income of the book.

In terms of the outlook, performance reflects focus on sustained profitable growth by creating value through service improvement and disciplined pricing but the service offerings made in 2012 and the ongoing house cleaning we continue could keep Q2 2013 units flat versus Q2 2012.

In merchandise, the strong growth story continues. Our RTMs were up 28% versus a carload growth of three. Again, strong gains made in long-haul crude oil. I will remind you the mix changes increased average revenue per car 12% and decreased cents per ton mile 10% as I have told you we expect this to continue as crude forms a larger part of our book.

Of course, a lot of the growth was driven by crude oil. RTMs in this segment were up 36% on gains in long-haul crude oil volumes. This growth momentum continues as loading network expands, our destination network diversifies and shippers commit to the crude by rail model.

We have clear line of sight to two to three times previously mentioned 70,000 carload run rate and we believe the two times target run rate can be likely reached 12 months earlier than our original 2016 prediction.

Fracs and shipments from new mines are ramping up in Q1 and other industrial products will trend with GDP growth. So overall for Q2, we expect another quarter of double-digit growth.

In the autos, revenues were down 8% and carloads were down 17% due to much of the decline being major customer downtime for a major new model conversion. But again, we will benefit as the new model volumes grow. We exited some low-margin short-haul markets to improve the book but we expect a recovery of the Q1 short-haul over the remainder of the year and the delayed model start up and the book improvements will temper the recovery of growth in Q2.

So in terms of summary, our strategic initiatives are delivering value and growth. We are pressing harder and faster on our work to strengthen our book of business. There is multiple opportunities for growth across the franchise with crude oil remaining the strongest opportunity and I reiterate my expectation of high single-digit revenue growth for 2013.

And with that, I'll turn it over to Brian.

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**Brian Grassby - Canadian Pacific Railway - SVP and CFO**

Thanks, Jane, and good morning, everyone. I do not use superlatives very often but I have to say this Company and more specifically the operations group did an outstanding job this quarter. And our record results show it. The operations team continued to drive efficiency while improving service and dealing with a harsher winter. A job well done.

So let me get into the numbers. As Jane mentioned, revenues were up 9%, a record for Q1. Operating expenses were up only 3% despite an increase in RTMs of 10%. Earnings per share were a Q1 record, up 51% from last year. And finally, our operating ratio decreased 430 basis points to 75.8, another record for Q1.

Our effective tax rate came in just under our annual guidance of 25% to 27% due to a US tax credit recognized in the quarter. For the remainder of the year you can expect us to be closer to the higher end of this range. A great start to the year and the improvements we have seen this quarter give us greater confidence that 2013 will be a record-setting year for both operational and financial performance.

Turn to the next slide and I will give you details on our expense line items. Our workforce reductions are ahead of schedule. At our December investor day, we outlined a reduction of 4500 positions. To date we are at 3400, 75% of our target and we are looking at additional opportunities.



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**Brian Grassby - Canadian Pacific Railway - SVP and CFO**

I think from DM&E, we have received -- there has been strong interest. We have received preliminary expressions of interest and we are presently going over them and then in short order we are going to be deciding next steps and narrowing down the number of people we are going to be talking to. So again on that front, I will be able to give you more updates as the year unfolds.

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**Scott Group - Wolfe Trehan & Co. - Analyst**

That is really helpful. Then just maybe a bigger picture question. We've talked over the past year at length about kind of structural differences between CP and some of the other rails. And Hunter, we've gotten your thoughts over the past few quarters but haven't really heard from Keith on this discussion.

So maybe Keith, if you can give us your thoughts on that and, Hunter, if you do have anything to add now that you have been through your first winter at CP just in terms of some structural differences.

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**Keith Creel - Canadian Pacific Railway - President and COO**

I guess I can bottom line that there are puts and takes at every railroad, we all have our challenges. It is an outdoor sport. But I see nothing of any meaningful structural difference that should have an adverse impact on our performance. In fact I see some structural opportunities on some assets, some particular rail lines that previous management in my mind have not utilized properly.

Case in point, we have got a north line that runs up to Edmonton, you can take that route, go west to Edmonton, come south to Calgary and to the coast and it is about 200 miles shorter than the current or previous route we were running with some of those potash assets and grain assets and eventually will be oil assets. So as we convert that structural opportunity, we are going to see cycle times reduced. We are going to see crew savings and we are going to see fleets turn and revenue go to the bottom line.

So I'm pretty excited about the structural opportunities, not very concerned at all about the structural challenges.

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**Hunter Harrison - Canadian Pacific Railway - CEO**

My position has not changed at all. This is a strong franchise. I think over time you are going to see the seasonality factor level even more and more and we are always going to have it, we are always going to have winter to deal with. Sometimes they are going to be worse than others. That is part of our job. We will deal with it, we will deal with it more effectively. And I guess to get best case in point is to produce the OR that was produced this first quarter.

And I'm not making excuses for weather but the winter was a little harsher than normal this year and if we could produce those kind of operating results that gives you some indication of what the potential is on the other three quarters when you don't have that factor involved.

So I love the franchise. I don't see any structural issues that we can't deal with.

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**Scott Group - Wolfe Trehan & Co. - Analyst**

Okay. Great to hear it. Thanks, guys.



# EXHIBIT AA

Ken: I'm Ken Hoexter, Merrill Lynch's Air Freight and Service Transportation Analyst. Thank you for coming to day two of our 20th Annual Global Transportation Conference here in Boston. Great to see everybody here bright and early. Let me jump right in. Today, we've got a bit of a coming out party for Keith Creel, the President and COO of Canadian Pacific. Obviously CP is in the midst of a very massive operational turnaround. It's definitely been exciting to see after following the industry for a dozen years, knowing both Keith and Hunter from their prior roles at CN and before. It's great to see how quickly we've seen this company do an operational turnaround. And as Keith mentioned this morning, still a lot more to go, a lot of exciting things to hear about. Canadian Pacific is a \$22 billion market cap, just shy of \$6 billion in revenues. They operate a transcontinental railroad in Canada and into the United States and it's been a big operational story really since Hunter joined last year and Keith earlier this year. With that, let me turn it over to Keith Creel, President and COO.

Keith: Thank you. Appreciate the opportunity to come and speak again. I guess what a difference a year makes. I've heard Hunter say that and certainly myself. I was here a year ago, worked for a railroad that started with a C but it did not end with a P. I had no idea at that time that a year later I would be in the midst of this transformational journey that we've started here at this railway. And I'll tell you, I'm having a wonderful time.

It's an honor. It's certainly a surprise. I never thought when I started railroading I guess 22-23 years ago that I'd have an opportunity to be part of three transformational journeys in my railway career, with IC, coming to IC, part of that, on the tail end of that success, learning what a precision scheduled railroad is all about, the power of that operating model, and applying that to my previous employer and now again a third time at CP. And the thing that's different if you look at those three ops, at this railway I've never been embraced by a team of railroaders that are so willing to change and so eager to change and that have tasted some success over the past 10-11 months and it's just the tip of the iceberg.

It's been a great time. Three months into it, it seems like I just started yesterday and it seems like -- I go out on the property every week and I'm spending opportunity and time to visit with employees and to visit both officers and craft alike and that same enthusiasm that I get from the officers or that I get in the corporate office in Calgary is the same enthusiasm that I'm greeted when I go to the Leeds(?) in Toronto or last week and again this week in St. Paul even. It's a wonderful time to be in this industry. It's a wonderful time to be in this position. And again, I'm honored to have the opportunity.

Let's talk about that. Ninety days into it now. Started building the team as soon as I got here. Hunter had done a lot of the work at a high level as far as some of the senior officers I've inherited. I'm very, very pleased with them. A lot of the guys,

at least two of the three of my senior operating officers I've interacted and worked with them over the past ten plus years in my previous position, so certainly they're not new to me and I understand what their strengths are, I understand their talents and it's been a pleasure to work with these guys at a very much more intimate level on a day-to-day basis.

But at the same time, it's important that we build the bench strength at this railway because in the past the focus on building the bench strength and the operating department and developing the bench strength and the operating department, quite frankly in my assessment was not where it needed to be. It was not run as an operating railway. And I'm not going to be critical of predecessors. I'm just saying that in our business, the way we run this business day in and day out you're not an executive, you're not a marketing officer, you're not an operating officer. You're a railroader and it's going to be an operational focus to create a service, to control the costs, to put something in the marketplace that our marketing team can go out and confer with our customers.

As I've said embracing change, as I've said talking about building the bench, I've actually went external. We brought in a couple of key players. I'm going to continue to do strategic injections of new blood into the organization on the operating side as I at the same time identify through daily interactions some of the I think talent that was buried in the bowels of this company, people that are eager to learn, people that are eager to change, people that have some tenacity, people that have an ability to do more than they ever thought they'd do in the past.

Actually a couple people, key positions, general managers, I've got a guy, he's again who I previously worked with at CN that left several years ago to work for a short line up in Northern Quebec. He's taken over the eastern half of the property. He's general manager of operations and a very also talented superintendent that works with Gee(?) in Toronto, Jason Ross. Jason and I worked together as well at my previous employer. He, much to my chagrin when I worked at my previous employer, left and went to work for Gee(?) at this same short line railway in Northern Quebec. I got a package deal with the two of those guys and I couldn't be more tickled to death. Their ability to do what they're doing and understanding why we do what we do, as everyone else learns, is helping us to accelerate change and accelerate the learning process in the eastern half of the railway. And also, in the St. Paul operation we've got our US operation dispatched and controlled from the center in St. Paul. We've got a guy running that center by the name of Mike Ferrell(?), who also I've worked with previously at CN and also he had some previous experience at UP.

Those three guys, among others, I've got a few more that I'm at the cusp of bringing online that will further inject talent in this operation. And again, the

talent, the buried talent in this corporation, the intelligence, the intensity, the work ethic, it's very, very encouraging. It certainly has exceeded my expectations.

What are we paying attention to? It's a model that works. I mean I've been doing this model for quite some time. Stick with what got you to the dance. It's all about paying attention, precision scheduled railroad and effectively that's not just scheduling the cars. It's scheduling the people. It's scheduling the locomotives. It's scheduling the maintenance. It's scheduling the way we service our customers and the way we run our trains from top to bottom.

You create a service that's at a low cost and you put it in the marketplace. Customers recognize the value of it and we recognize the return. We're doing that.

It's all based on sweating the assets, not just sweating the assets first and that's what we're doing now is right-sizing the assets. You've got to understand what you need against the current level of business. You've got to understand how long it takes to move that car through the terminal. We've got to understand how long it should take to move a train from point A to point B. You put all that in a blender. You put the assets against it, be it people, be it locomotives, be it equipment, and you start turning the business and that's exactly what we're doing.

That's the reason and you'll see this in a minute, some of this operating performance, quantum leaps compared to the way it was run because it was the age-old mentality on a railway where more is better. And when you run a scheduled railroad more is not better. More means more costs. More means worse service. That's what allowed us, and I'll speak to this in a moment as well, to do what we did in the first quarter in spite of a very challenging winter.

Let's talk about the operating performance side, the financial side. Record first quarter, best ever in CP's history. Revenues up nine percent, RTMs up significantly. While carloads were flat, that has a lot to do with some of this very exciting crude business that we've taken on, longer haul versus some of the carloads that we have not grown as far as being flat or loss, even like some of the grain going to Eastern Quebec that we didn't run this year that in the previous years we would've run.

It's creating a very strong operating performance, over 400 points off your operating ratio; 75.8 was the number in the first quarter. Earnings per share pretty impressive, up 51 percent despite, again, the tough operating conditions that we had. And this is comparable and I know our peers in the industry had a very challenging time as well.

We operate in very similar conditions up in Canada and that corridor between Edmonton and Winnipeg, record snowfall. The first time in my career that I had a

train actually get stuck in the snow. And if I had a picture says a thousand words, think about a train buried in the snow, cars, locomotives, the entire works. It's some pretty challenging conditions. The point the crew got stuck, I think the crew ended up spending about five days in a farmhouse in Saskatchewan. People were kind enough to take them in and literally these employees, after the snow stopped to dig the train out, they were out there with shovels with our maintenance(?) employees digging their own train out. That's how committed these employees are. Had an opportunity, we were going to helicopter them out. And they said, "No, we're going to stay here, we're going to get this train and we're going to get it moving tomorrow." It was pretty inspiring to be quite honest about it.

Operating highlights, these are all areas, the levers that we talk about. To oversimplify this, when you right-size those assets, when you take out train starts, when you stop running shorter trains and you start running longer, more fuel efficient trains the performance is going to follow, the cost is going to come out. The train length is up. All these metrics, train weight, car velocity, terminal dwell, high single digits, double digit improvements and the success and the momentum is continuing into this quarter as well.

What's next? How do you sustain this? Well, this is an evolution and I've talked about this as well in the past, how do you keep outdoing yourself time and time again. Well, every opportunity that you identify and you fix, you could have a top ten, it's a continual momentum of excellence and improvement. As soon as I change those top ten, I've got another top ten. What I call noise in the system is going to develop and give us our additional opportunities.

What we've decided to do and we've done this in the past, Hunter and I decided to roll our sleeves up though and do this whiteboard exercise. And to oversimplify it, it's not a very sexy exercise. It's about getting down to customer level, sighting(?) level, car level across the entire railroad.

We started this week in Chicago and literally he's still there this morning. I flew in here late last night. We spent two days, two very long days, the past two days and they're going to wrap up today about lunch, doing the Eastern half of the network, effectively from Windsor across to the DNH down into Albany. And through that exercise, we talk about opportunities.

It's amazing what you learn about the network and it's amazing what the officers that have run the network for a long time learn as we ask questions. And that why word is a very, very powerful word. You think about why we've done something in the past, why are we in a particular market trying to compete when effectively we can't make a buck in it or why we're not in a market competing more aggressively where we can make a buck. Case in point, you'll see us make some significant changes or I think significant, meaningful changes that I think will be

recognized in the marketplace with our intermodal service, domestic intermodal service, which is an area that we've grown as compared to some of the international that we've lost. But I'm telling you domestic service, the services are going to improve, the transit times are going to improve and I feel confident that Jane and her team will convert that in the marketplace in some additional domestic growth as we go forward the balance of this year.

There's a list and I've got them summarized and I couldn't even -- my head was cluttered last night when I went to get on the plane to come here with all the different issues. They've got it on literally a whiteboard, all the opportunities that we're going to convert. We'll put a timeline against it. You'll start seeing some changes in the operation in 10 days to 15 days and it will gradually get better and better.

Next up, we're going to take a week off next week to digest and implement some of these changes. We'll be in Calgary the week after that to start on the western half, the Vancouver area toward Calgary. And then the last piece we'll do will be the center of the railroad, relative to Saskatchewan, Alberta and then the US operations down to St. Paul.

Investments: Free cash flow, we're starting to actually create some cash to invest in the properties. There's an opportunity as part of this learning the operation, looking at the way we run the business. I never really understood fully on the other side of the table how our cycle times were so much better than CP going to the west coast and

I'll give you a for instance, potash. Certainly our lines sort of parallel each other. We should be doing the same thing. In my mind it was the way that CP ran their business philosophically, too many assets, versus the way my predecessor used to run the business and the way I guess they still run the business today. Little did I know that decisions had been made to actually run some of that potash, and I'm speaking specific to potash now, a different route to the west coast than what I feel should've been run. We've got a route, CP has a route that parallels our competitor's route to Edmonton and then from Edmonton you can go straight south to Calgary and you can hang a right and go straight to the west coast.

For a multitude of reasons, the quality of the track, the condition of the track and operationally, they decided to actually run potash in and around Saskatchewan, Saskatoon, Saskatchewan. They would run it east to land(?) again and then down to the main line which is way east of Calgary and then send it to the west coast. If you start looking at the distance, the miles that you're running it out of route or additional miles, it's about 200-225 miles. You start adding that up times the number of potash trains we run per year, it provides a pretty meaningful opportunity to reduce costs, reduce train starts, at the same time turn those fleets

more. And if you're \_\_\_\_\_ and you've got an ability to reduce your fleet or move more business with less fleet, that provides a pretty compelling value in the marketplace as well.

That's something that's underway. That's part of this money that we're spending. The track speed up there is only 25 miles an hour. We're going to spend some money. We're going to get up to Class 3 track and we're going to be running 40 miles an hour. It's going to take about a year to get it all done. It's going to take an order of magnitude, ballast and tides, probably \$50 million all in. But forever we'll be able to run the traffic that way and we'll get synergies and we'll pick up car velocity time not only on the potash fleets but on grain that's going to the west coast that way and also eventually as crude starts to move to export markets in the future -- that's part of the future growth story -- we'll be able to run it that way as well.

Financial outlook: Record-setting 2013; this train is gaining momentum. What we've done in the first quarter I'm cautiously optimistic and I'm going to err on the -- I'm going to say caution because I'm responsible. But at the same time, I'm enthused and I'm pretty excited about the opportunity for the balance of this year. Low 70s operating ratio, over 40 percent EPS growth by the end of the year, certainly on track for what we've committed to for 2016 and some would argue and I would agree, I wouldn't argue with you that we'll certainly exceed our expectations and what we initially set out as our objectives last year.

With that said, I'll open it up to questions. I've got some time. Feel free. I've got Nadine here with me. Nadine I think is the only officer of the company that may be junior to me as far as time in service. I've got three months. He's got about six weeks. But between the two of us we'll do our best. If you have specific questions about some numbers that aren't just off the tip of my tongue yet and if we can't the answer to you today, then we'll get back with you. But hopefully we'll be able to cover anything you might have this morning. With that, I'll open it up.

Ken: Wonderful. Keith, let me jump in and get started, maybe just something on the people and employees. Obviously, Hunter's put out an employee number. Any update in terms of speed on the employee reductions or efficiency gains from the staff?

Keith: I think the number Hunter originally said back in December was around 4,500. We'll be close to that number by the end of this year, about 4,000 by the end of 2013. Certainly Hunter's talked about a higher number. There may be additional opportunities there. I think Hunter's always aggressive but at the same time normally, even if I don't know how we're going to get there, we get there. I'm more apt to lean towards exceeding that number as far as just achieving that

number. Sometime, probably by the end of next year I'm sure we'll be north of the number that we said in December.

Ken: In terms of gains on -- I'm sorry, let's jump to crude by rail, obviously one that's a big topic, a big one yesterday. Maybe can you walk through what you're doing now, what the opportunity is and how fast you see that growing and gaining scale?

Keith: Yeah. I'll do my best. But right now we've already hit our annualized run rate of about 70,000 carloads. I think last year we did 52,000-53,000. By 2015, which is ahead of what we initially thought in 2016, we've got line of sight two to three times that number. We've got an opportunity. We continue to move light crude out of the Balkans. We've got additional opportunities in the near future that are coming online with the heavy crude from Northern Alberta, from taking it from pipeline and unit train side, taking it to the Gulf, taking it to the east coast to refineries. And then part of that 2014-2015 vision as well, you're going to see and you're seeing export capability being developed and the process of that on the west coast US side you'll see us enter into that game as well to take heavy crude and maybe some light crude as well from Alberta, from the Balkans to west coast export.

Ken: When I'm out on the road we get asked a lot about in the interim while you're trying to figure out the benefits that you push the network hard, it causes some derailments and there's a mandate to try to test the limits. Maybe can you walk us through is that just coincidence? Is it really stress testing the railroad to see where the weakness points are and to see where then you need to make those capital investments? Can you walk us through your thoughts on that?

Keith: Probably. I wouldn't say stress tests. I mean sometimes issues and areas develop. You've got branch lines that haven't had the tonnage they've had on them in the past that certainly pop up and they require capital investment. But that number in and of itself, train accidents, it's important that you understand the way it's calculated. The denominator is based on train miles. You've got to think about a railway that runs a lot of train miles, which means you run a lot of trains, shorter trains. Making a transition to running fewer trains, longer trains, the denominator gets smaller. The change is amplified.

Effectively, if you look at it, I think the number that was reported that I've read is 25 percent. It was actually 20 percent worse the first quarter versus last year. Number one, you've got a winter that's about 200 percent worse. You had a lot of issues with snow and ice and those kinds of things, Mother Nature, curveballs they throw at you. But the actual number of reportable derailments was only up two. When you go up two, you've got train miles coming down, your ratio automatically is going to go up. That's what happened; it amplified the number.

Today, if you take a look at it and I looked at it this morning, we've already went from 20 percent, even with this train mile reduction, down to about 11 percent year-to-date. But if you adjust it and you actually look at GTMs smoothed, we're actually four percent better.

It's all in the way you do the math. You've got understand that. If I want to go back to running more shorter trains, I can create some train miles and I can make my number look a lot better and I take myself out of criticism. But I'm going to be talking to you and you'll have different questions for me.

Ken: When you start looking at metrics, maybe what's the initial read on? Is it lengthening the trains? Is it velocity? Can you start and tackle everything at once or where do you, when you sit down with these whiteboard sessions, what do you start to look at and say this is what we need to hit first to get the easy?

Keith: Well, the velocity is going to -- It's about trains, train consolidations, train start eliminations. Take a look at a territory, look at a corridor. You look at what the effective length you can run in a particular corridor and keep the corridor fluid. And you've got to deal with the crews getting(?) over the road. You've got to understand the markets. But you take a look at that and you start seeing, for instance and I'll just make this simple, if I've got two train sets out there are running 5,000 feet apiece and I've got a corridor that I could run a 10,000 foot train and I could take some distributive power and create a 10,000 foot train and reliably get it over the railroad then effectively I've got 50 percent less trains running out there. And that's 50 percent less need(?) which allows you to increase your velocity, which allows you to cut your costs.

If you take one train start out, coast to coast one train start, it equates to about \$20 million in expense. And that's \$20 million of just crew expense. It compounds. It multiplies. You think about the cars, you think about the locomotives. I mean locomotive-wise I think -- I looked at it this morning -- we're about 420 less locomotives versus last year and we're running about with seven-eight percent more GTMs. It's a very, very powerful lever to turn as soon as you get a handle on it. It starts to really hit the bottom line pretty quickly.

Ken: Wonderful. Let me open it up to questions.

Q: \_\_\_\_\_ Last year sometime, I think it was late May, there was a strike and I think CP had said that that cost \$80 to \$90 million in revenue. And I'm curious, number one, when we're thinking about forecasting we should probably be thinking about last year's base as being plus \$80 to \$90 million. But then I'm wondering do you just lose a fair amount of that volume or does it essentially just shift into the next quarter or maybe the quarter after that?

Keith: As far as...?

Q: When there's a strike.

Keith: Some of it you lose. I mean I happen to have a little inside knowledge on it. Some of it's just the competitor that I worked for last year. But once it comes back you pick it back up. You'll never gain it all back because some of that product went to market and it's just not there to ship anymore. But a pretty large percentage of it you do. As long as you do your best, I've been through a couple of strikes also in my career and we're doing a lot now should we have to deal with one and I certainly hope we don't. We're applying some of the same strategies at CP that we've applied in the past.

We've got hundreds, hundreds of officers that are in training to become conductors. They'll become better railroaders. They'll understand the way we work and why we work the way we work and they'll be able to be more efficient at their jobs. But should we also have to say no at the bargaining table, which we'll be prepared to do, then we'll have a different outcome. We'll intend to run the railway. We won't shut the railway down the way it was. Effectively they had no choice but to shut it down last year. They didn't have managers trained to be able to do that.

Q: Keith, you mentioned \_\_\_\_\_ on that employee issue you mentioned that the ease of everybody accepting the change and willingness to take the change. How have you found the knowledge, though? When you go into a yard, do you say, "Well, this is really what we need to do," the ability to them to go enact it, now you're talking about training them as engineers, a little bit different, but how are they able to do the follow-up to what you're aiming to target? Does it take a little bit more training that you thought from this point so far?

Keith: Well, no. It's not rocket science. I mean it's all about understanding the basics of blocking and tackling. It doesn't take long when you go into an operation. You can look at two or three different things and you understand if they do or don't understand. And you can point it out. We can spend time with them. I can go in the terminal and spend a day with the train masters and spend a day with the yard masters and spend seven or eight hours in a tower and I say, "Listen, you need to do this, this, this and this and this is what's important and this is what you base your decisions off of," and literally it's all about process management. That's what it is. If you understand the process each individual piece from when a train arrives at terminal, the car department gets done and how long it should take to inspect a car, how long it should take when the car department gets finished, we get it up on the hill, do we start switching the cars, how long should it take to pull the cars out, how long should it take to set the train, inspect the train, to depart the train, how

long for the locomotives to get to the train. I mean it's all about taking a very what can and to some appears to be a complicated process and breaking it down to its most single elements and measuring it and determining how long it takes at a particular terminal and then you measure against that standard.

It's a pretty simple process to do. You just have to have people to understand it. And once you teach them that and you establish those processes, you measure it when you hold a candle against it. And most people, I'd say 90-95 percent of the people it's like a light bulb goes off and they're like, "Wait a minute. That's not..." They're almost embarrassed. But it's just the way it works. If you understand the nuts and bolts of it and you take the time to get involved in the nuts and bolts and don't just stay up here at a high level and dictate to people, then people follow.

Q: A lot of the changes you've talked about seem refreshingly old school because you're not using any sort of technology or computers or whatever to make the changes you want to make. But technology has had a role in improving how railroads run. And so, how are you incorporating technology into sort of these other changes that you're making?

Keith: We've gotten to we're in the process of, number one, rebuilding our technology systems, our IT. A lot of our IT was outsourced in the past and we really didn't control. We had a lot of legacy systems that we're consolidating, that we're getting down to more fewer systems, main systems as opposed to multiple systems. And then we're going to take it from a data standpoint. I think the number Hunter told me when he got to CP, they ran, I don't know, 2,600-3,000 operating reports a day. And that means you've got a bunch of people over the years that they think a particular set of data is important for them to do their jobs. And there's 15 other people that think 15 other sets are important.

Well, what we do is we define the ones that are important. You get everybody on the same selling(?) sheet, the key levers that we know affect the health of running the business. Everybody understands that. You eliminate all the other things. You simplify the systems. And then there are some technologies out there to help you run the railway more safely, to help you run the railway more efficiently that we'll invest in, something like Ytronics(?). Ytronics is a technology that's not very expensive, you can put on a locomotive and effectively on the fly I could be in Calgary or I could be in my hotel room here and use the technology and know how much fuel is in a locomotive, know how the engineer is running that train, know if he's aggressively using the throttle, know if he's aggressively using the brakes, know if from a fuel efficiency standpoint if we control and tell the crew from an HTPA standpoint, "You don't need all the power the locomotive gives you so don't drag race to the next red light so to speak, go at a steady speed and burn less fuel, get there at the same time and we'll save money."

You can use technology like Ytronics to effectively communicate back to headquarters if the crew is not doing that and there may be a reason. There may be a headwind they're dealing with. There may be something, the locomotive's flipping(?) one \_\_\_\_\_. But you get on the radio and you start asking the crew, "What's the situation? What's going on? You're supposed to be in throttle seven, you're running in throttle eight. Explain what's happening." And that starts to drive culture change. You have some employees that will do exactly what you ask them to do but you also have some old school or older, more experienced, seasoned employees that have done it so long they think their way is the right way, which their way may work but if the focus is on saving fuel their process and my process, the outcome is dramatically different.

Through technology you can take additional steps to drive and improve safety. And when I say safety, that same technology from a safety standpoint if a train goes into emergency and normally when a train goes into emergency because the air line's broken or because maybe an operating crew came upon a situation that they weren't handling the train the way they should be handling the train because they're not thinking ahead, maybe they're not focused the way they should be focused for whatever reason and they end up putting the train in emergency. And every time you initiate an emergency, all that train, that longer that train starts tacking in, the slack starts bunching, those cars run into each other, it's a potential for a car to come off the track. It's an issue. It's a potential derailment every time it happens. You don't want it happening anymore than it needs to. It gives you an opportunity when that happens through technology, before you may never have known about it unless a car derails, the crew recovers their air, they keep going, you never hear anything about it. That unsafe behavior or that unsafe instance, whatever triggered that emergency event you never know.

With this technology you know real time. You have an ability to get on the radio again and ask and find out what's happened and to mitigate. And if it's a training issue or if it's just an employee not paying attention you have an opportunity to address that behavior with the employee. They become a better, safer, more efficient railroader. We have fewer derailments. We have fewer accidents. You have a more productive system, lower cost, better service. It just multiplies across.

There are some applications with technology. The thing you've got to be careful, though, you can technology yourself to death and if you don't use it and you don't apply it, it's a waste of money. It just convolutes and confuses things. That's something you have to be careful of.

We're going to develop the systems. They're important. Figure out what's important, be the best at it, that's what we're doing with our IT systems and

leverage them and use them day in and day out, sweat that asset too and that's exactly the path that we're on.

Ken: As you've dug in and you've looked at the -- that was a \$75, the \$50 to \$100 million, that was for just the eastern network portion or is that, I'm sorry, the western network?

Keith: Yes. That \$50 million is just particular on that route to get the 200 miles quicker to the west coast.

Ken: Now that you've looked and you've reviewed the east coast network, you mentioned expediting intermodal a little bit faster and some of the projects that you're working on. Is this more capital-based as well or are these just re-routing and improving?

Keith: No. Actually, our route is, from a competitive standpoint our route across the continent is actually shorter. I can get to the west coast quicker, fewer route miles. I can get from the west coast to Chicago quicker, fewer route miles. I have a franchise advantage that we just need to effectively convert in the marketplace. And what you find, it's not about capital. It's about process. It's about what you're doing and why you're doing it.

For instance, this whiteboarding session, I'm sitting there scratching my head yesterday. I'm saying, "Wait a second, this doesn't make sense." And it's not just operating guys that come to this. You've got to get the marketing team in there as well. I had the marketing head for intermodal there. I had -- Tracy was there, Matthew was there, a couple of their colleagues were there. There's 35 of us literally with whiteboards and we're sitting up there. It's like a coaching session.

You start asking questions. "Wait a minute. I know my route's shorter. Why in the world can my competitor get to a market quicker than I can?" Well, let's talk about the nuts and bolts of it and I find out through about five questions you get to the point where you're taking traffic out of Montreal and you're marrying it up with traffic out of Toronto but I'm waiting for the traffic coming out of Montreal and Toronto for 12 or 13 hours. A lot of the gain in route miles I'm giving it away just because I'm sitting here dwelling, waiting on the traffic to come from Montreal.

There's a better way to do it and there's a way to change that, which is exactly what we're going to do. And now effectively, for that particular service we're going to take about 20 miles off the transit time or 20 hours off the transit time. You pick up almost a day in the market(?). It's an opportunity for the marketing team to go out and convert.

Ken: And that is something you can implement immediately or as you did on the west coast improving the intermodal speeds or is that...?

Keith: Yeah, no, that particular one is one we'll be admitting(?) within weeks.

Ken: Any other questions?

Q: Can you just provide some examples of when you're dealing with potential new customers if they're buying off on your change in the competitive position of your railroad? And over time, how much market share do you think you could gain and in what areas would you say would be your best bet?

Keith: When you say -- be a little more specific with customers as far as change the way we're running the railways, how they're embracing that change or...?

Q: Well, I think you gave your presentation about how the competitive position of your railroad is better, right? What does that mean for your customer?

Keith: Well, what it means for the customer is they can get to the market quicker, obviously. But there's a transition or a regain our respect, regain our credibility with our customer period that we have to go through. I think there's a lag effect. There'll be some time I think before we truly start to see the recognition in the marketplace. In the past, the service that we've given to our customers has been less than stellar. The cost may be attractive, the service not as attractive. And maybe they made a business decision where cost meant more than service.

The real gain is to get the cost competitive with your competitors so that you can provide a better service at the same cost and you're going to make more money and you're going to pick up more share. Where that number is, I don't quite know yet. We're going to put it out there. We're going to find out. But I'm certain that it's meaningful. I'm certain that there's an opportunity there. And as we regain credibility, and I told Jane this my second week on the job, we had to go -- she wanted me to go meet with a customer that we were in, a pretty large customer, a contract negotiation with that quite frankly for whatever reason it was a pretty sweetheart deal and we weren't making any money on it. And when I looked at it, I said, "Listen, we're going to give a good service for the marketing team to sell. It's my job for you to stop apologizing for our service." And that's exactly what we've overcome, what we're continuing to overcome. And as we continue to produce quarters and quarters of success -- This past winter, if you look at that alone, if the customers didn't understand what we did in spite of the winter versus our competitor, versus what our sales have done in the previous past, it was quite remarkable. We're starting to earn those stripes again and we're starting to get that credibility, and in time customers that understand and value service. And that's what my marketing team needs to sell, the value of that service. We'll start

converting market share and start making more money at the same time, top line and bottom line.

Ken: A quick follow-up to that. I know we're just about out of time. But Tech(?) and Campitech(?), you signed long-term contracts while they were going through the proxy battle. Are there things operationally you can do to improve what is a fixed contract as you enter the door or is it already set and you've got to kind of live with the terms?

Keith: Yeah, no. The terms are fine. There are things that we can and we have done. Actually, with Tech they started this before we arrived. Before they had smaller train set(?). They had a mixed bag of type of equipment. We've gone to a standardized 150 car aluminum coal sets and they're turning like clockwork. And Tech has worked hand-in-hand with us to be able to do that. From the load out to the processing to spacing of the trains to the port they're working closely with us on the West Shore, they're working closely with us with Neptune, and we're moving tons of coal, more coal than we've moved in the past with less equipment, fewer sets out there, which is good for Tech and obviously it's great for us. We get to pick up those synergies for all the additional cost savings. And it's not just the Tech business that improves. You take those sets out, you've reduced those fleets. You're running more. Then my intermodal is going to improve profitability there. My Campitech business, merchandise business, oil business, it's a win/win across the board for us.

Ken: Keith, appreciate your time here today. Thank you very much.

Keith: Thank you.

END

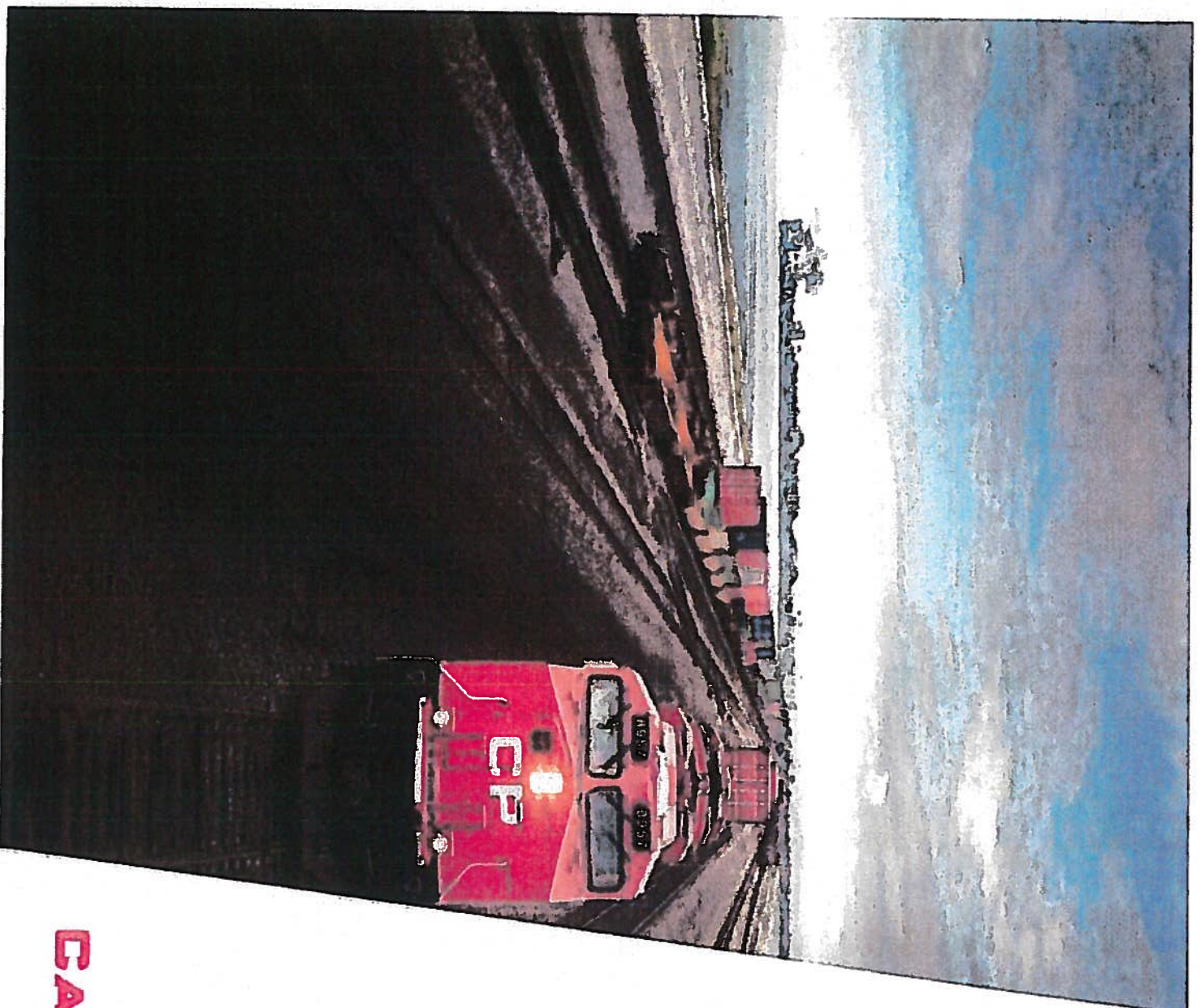
# EXHIBIT BB

# QUESTION AND ANSWER

**CANADIAN PACIFIC**

CPFinch0014812





**INVESTOR DAY**  
**DECEMBER 2012**  
**New York City, NY**  
**December 5<sup>th</sup>, 2012**

**CANADIAN PACIFIC**

CPFinch0014813

## NEW MODEL ALREADY SHOWING RESULTS

|                |                                                                                       |
|----------------|---------------------------------------------------------------------------------------|
| Network design | Reduced by 39,000 train miles per week,<br>7% improvement                             |
| Crew starts    | Removed ~30 crew starts per day from the<br>design, 5% improvement                    |
| Locomotives    | Removed 195 since July 1; currently stored,<br>returned or declared surplus 460 YTD   |
| Rail cars      | Identified 3,200 for lease return since July 1;<br>total of 5,400 cars identified YTD |
| Yards          | Operating and capital annual savings<br>~ \$40 million                                |

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**CANADIAN PACIFIC**

TSX/NYSE | CP 25

# EXHIBIT CC

Company Name: Canadian Pacific Railway  
 Company Ticker: CP CN  
 Date: 2012-12-05  
 Event Description: Investor Day - Day 2

Market Cap: 16,916.64  
 Current PX: 97.70  
 YTD Change(\$): +28.69  
 YTD Change(%): +41.574

Bloomberg Estimates - EPS  
 Current Quarter: 1.320  
 Current Year: 4.296  
 Bloomberg Estimates - Sales  
 Current Quarter: 1496.368  
 Current Year: 5681.920

## Investor Day - Day 2

### Company Participants

- Janet Weiss
- E. Hunter Harrison
- Scott MacDonald
- Guido De Ciccio
- Doug McFarlane
- Peter J. Edwards
- Jane A. O'Hagan
- Brian W. Grassby
- Tracy Robinson

### Other Participants

- William J. Greene
- Chris Wetherbee
- Tom Kim
- David F. Newman
- Thomas R. Wadewitz
- Ken Scott Hoexter
- Walter Spracklin
- Scott H. Group
- Chris J. Ceraso
- David Tyerman
- Sami Hazboun
- Cherilyn Radbourne
- Jeff A. Kauffman
- Turan Quettawala
- Benoit Poirier
- Steve Hansen
- Steven I. Paget

## MANAGEMENT DISCUSSION SECTION

### Janet Weiss

For those of you who don't know me, my name is Janet Weiss. I am the Vice President of Investor Relations for Canadian Pacific. On behalf of CP's executive team, I'd like to welcome you to the continuation of our investor conference this morning. Now I think Hunter did a terrific job last night outlining our game plan and today, we're going to jump a little bit deeper into the detail.

Before beginning our formal presentation, once again, I'm obliged to advise you that this presentation contains forward-looking information, including but not limited to CP's operations, anticipated financial performance, business prospects, strategies, priorities and plans. Forward-looking information is based on current expectations, estimates and projections and actual results may differ materially. The risks, uncertainties and other factors that could influence actual results are described on the slides and in reports filed by CP from time to time with securities regulators in Canada and

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Hunter mentioned, we had thought about many of these questions before he arrived in the property and in a lot areas we were prepared for the answers. But there were questions like, why do you hump cars instead of flat switching? Why do you restrict the number of driving axles in your locomotive fleet? Why don't you get on and off moving equipment? And there's a few more questions that he asked over time. But I'm proud to tell you that the three of us have acted on each and every one of those observations and we're proud of our teams because they stepped up and they have taken action, and you'll see in this light of what we've done, they're delivering hard results.

Speed of decision-making. Again, decisions in hours and days not months and years. And you'll see examples from terminal closures to productivity first investments that we've made that we're not waiting for all the information to come in. We're going on our gut, we're making quick decisions. Not every one of them is going to work, but we're going to learn from that and we're going to quickly move forward.

We're getting back to the basics. We call it taking a clean-sheet approach and I'll talk about that in a minute. We have a lot of great railroaders here at CP. We're challenging our teams every minute of every day and with our new coach, we're proving that we're capable of much more than we ever thought.

So let me tell you what I mean by this clean-sheet approach. It's really simple. It's based on the principles of simplicity, efficiency and doing more with less. Simplicity in train design and in our yard processes, efficiency in longer trains and fewer blocks, and doing more with less, less cars, less locomotives, less train starts, less crew starts, less assets, less people. Of course, it's all about finding that balance between cost and service. As we dig into the details over the next half hour or so you'll see these principles and their benefits repeatedly emerge.

So applying these design principles that we just spoke of to terminals, what have we done? Well, you heard last night in Chicago, we combined Schiller Park operations into the Bensenville Yard ops. We're delivering the same or better service with record volumes moving through that one facility. In Milwaukee, the volumes didn't justify the terminal costs and we closed that facility down. It was 1% of our intermodal business.

In Toronto, we combined Obico into Vaughan's, two intermodal terminals in the Greater Toronto Area. The overall benefits, reduced cost, more efficient terminals, less handlings, a reduced footprint which frees up further land sale opportunities. Applying those same philosophy to our yards, again you heard last night, five humps to one. That's really easy to say, you can say it quickly, but that's an incredible feat. And as you heard last night, something that has not been done in the industry before. So the new model is producing results.

With our network design changes, we've reduced 40,000 train miles per week, that's a 7% improvement. From a crew start perspective, we've reduced 30 crew starts per day, a 5% improvement. And actually I was on with my team yesterday and the new numbers that have just come out from a crew start perspective, that number is now closer to 50 crew starts per day. These savings – or these reductions have generated or are generating over \$10 million per year in savings. Along with the crew start reductions, we've also seen a significant improvement in our crew efficiency, what we call our crew to train ratio. If you look at this quarter over last quarter, that ratio is over 20% better.

On the locomotive front, you heard me talk about 195 locomotives out since July. Well, the big number, the total number of locomotives when we look at locomotives stored, lease returned or declared surplus is now over 460 locomotives, and there's more to come there. On the car side, we've taken 3,200 cars out since July. The total number by the year end will be around 5,400 cars. More importantly, we have our gun sights on another 900 cars, and that number would just continue to grow as we drive cycle times down and velocity up across the network.

Stealing a little bit of Doug and Guido's thunder here, they're going to tell you that they've taken \$40 million of expense and capital savings out of each of their yards and terminals, but as Mr. Harrison mentioned last night, there's a lot of ancillary benefits that go with that, so that number would just continue to grow.

Let me walk you through two examples that show you the power of this clean-sheet approach. We've talked about the paradigm shift that we had from going from a hump to a flat switching operation. Our previous train design was based on driving all of our cars or the vast majority of our cars into our five humps, and we would generate or produce a large number of destination blocks. Moving to a flat switching operation, we had to collapse a number of blocks, make them longer and fewer, and use road crews to further refine blocking for local delivery. This simplified our train design and

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superintendents just simply get on the phone and say, look, I'm having some issues here. I think we have a better design. They phone up Peter Marotta in Moose Jaw and they make it happen.

Now my team's still involved. We want to make sure from the network that everything still fits. But again, it's removing that red tape and that bureaucracy. So even from a design perspective, it's going to be much more fluid and dynamic and there won't be any additional costs, in fact, there'd be more cost coming out.

Did that kind of answer the question, Ken?

<Q - Walter Spracklin>: A question here, Walter Spracklin, RBC Capital Markets.

<A - E. Hunter Harrison>: Yes, two more.

<Q - Walter Spracklin>: Yes. So, my question, was to Hunter last night and I'd like to ask you three, whichever one would like to answer it, but it was really about the resiliency of your network. You're obviously taking a lot of costs out of the system. You're taking 25% in your plan to reduce the workforce by 25%, cutting four humps out of the system and that's all being done in a very short period of time, particularly on the hump side, during a June to November type of timeframe when typically you can run pretty well. And where I want to just get comfort and if you can help me and please let me know if you have these concerns that when you hit adverse and inclement weather conditions, as CP often does and will, how resilient will the new network be to those types of risks...

[audio gap] (01:52:29-01:53:28)

<A - Scott MacDonald>: ...into the mix, you actually want to do everything that we're are doing right now. As you drive more velocity, you take cars out. You don't have cars in yards. You don't have the old locomotives out there and learned the hard way.

So, really there are resiliencies in driving the performance that you're seeing and taking the assets out so your best performing locomotives are out there. You have fewer cars in the network. All the work that Doug and Guido are doing in the yards, it actually makes you not only more productive during the summer and fall and spring months, but it makes you much more resilient during the winter time. Guido?

<A - Doug McFarlane>: We've hardened the infrastructure in a number of locations where we've previously had difficulty too and the changes that we've made operationally and from process perspective and planning and execution perspective in no way minimize the hardening of those assets or hardening of those conditions would have exposed us to winter any more than we were exposed before.

And I think you heard from the talk last night, we will not sit in front of you and explain operating difficulties based on weather. That won't happen. We will experience it and it will change our operation over a short period of time, but that will not become the explanation for extended non-performance.

<A - E. Hunter Harrison>: We've also... Sorry. Sorry.

<A - Guido De Ciccio>: We've also experienced winter already up in Canada. We've had snow in Edmonton, we've had snow in Calgary. And part of our new plan as I indicated to you earlier, we're not so much worried of these hump operations as we no longer have to worry about making sure the retarders are clear of snow, freezing ice, that our compressors are working. Lot of difficulties when it's minus 30, minus 35 up there to keep those compressors working as intended on those hump systems. So, we've experienced, I'm not going to say conditions that I've never seen before, but we have had winter up in Canada and thus far the plan stayed intact and is working excellent.

<A - E. Hunter Harrison>: One more operating question.

<Q - Scott H. Group>: Scott Group from Wolfe Trahan. So a lot of changes have happened quickly. I'm wondering Hunter what's different about DM&E West and the D&H, why you think it might be better to monetize those assets rather than fix them? Is there any color you can give us on operating margins or profitability of those lines? And maybe just as a quick follow up with that, you haven't been shy about acquisitions in the past. Are there assets out there that you think you need that might make the railroad run better?

# EXHIBIT DD



# Q2 2013

EARNINGS REVIEW  
24 July 2013

**CANADIAN PACIFIC**

CPFinch0015701

## QUARTER HIGHLIGHTS

▼ OPERATING RATIO

**-1,060**  
BPS

▲ EARNINGS PER SHARE

**+138%**

- Record performance by all accounts
- Proud of the team's ability to recover given historic floods
- Stage set for strong second half

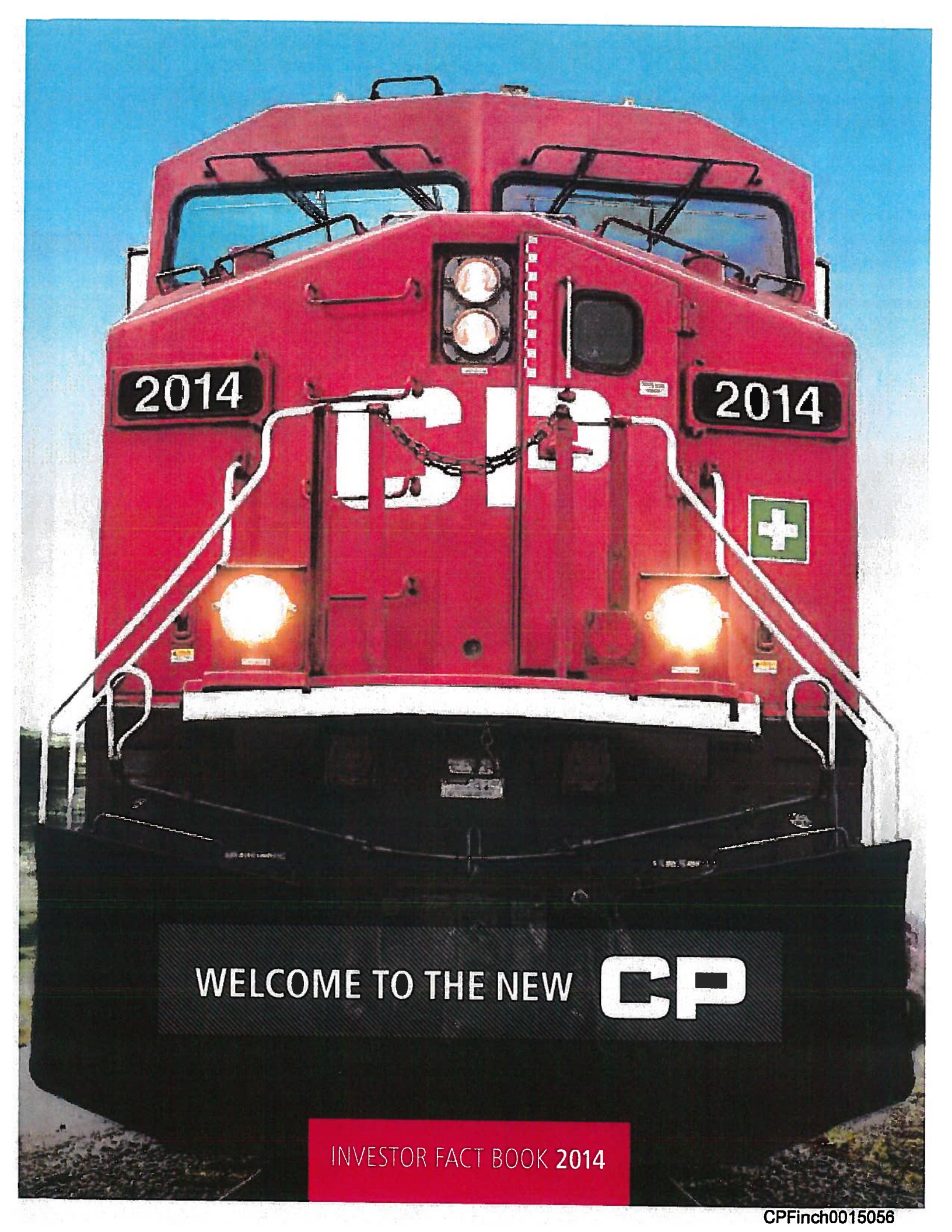
**CANADIAN PACIFIC**

TSX/NYSE | CP 5

CPFinch0015705

# REDACTED EXHIBIT EE

# EXHIBIT FF



2014

2014

WELCOME TO THE NEW **CP**

INVESTOR FACT BOOK 2014

CPFinch0015056



## OPTIMIZE ASSETS

Highly productive assets drive better service at a reduced cost.  
Doing more with less drives profitable growth.

### OPTIMIZING OUR FLEET

We continue to streamline our asset base, resulting in significantly fewer locomotives and more than 10,000 fewer railcars. These surplus assets have generated more than \$17 million in scrap metal, saved \$30 million in annual lease charges, and enabled our company to earn rental income through the sublease of 75 high-horsepower locomotives to another rail carrier. The opportunities don't stop there. Dramatic improvements to cash flow generation also enable us to

optimize our balance sheet and further reduce expense savings as we buy out leases on core assets.

### TAKING A HARD LOOK AT THE NETWORK

We are developing a network that provides customers with the best possible service at the lowest possible cost. That means carefully assessing the entire network for other opportunities to optimize our track infrastructure for velocity, cost efficiency and alignment with growth initiatives. In 2014, we announced the sale of 660

miles on the west end of our Dakota, Minnesota & Eastern line for US\$210 million.

A comprehensive process is currently underway to inventory and monetize up to an additional \$2 billion in other non-core real estate over the next several years.

### STRATEGY

Through longer sidings, improved asset utilization and increased train lengths, we will move more traffic with fewer locomotives and railcars while unlocking capacity for future growth potential.



*“We are always watching for opportunities to be more efficient. If a locomotive is going to sit for any reason, break it off and do something with it. Look for opportunities to capture every moment. The goal is to utilize our locomotives 24 hours a day, every day.”*

**Lisa Bryson** – Assistant Superintendent, Brandon, Manitoba

# EXHIBIT GG

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

CP.TO - Canadian Pacific Railway at Credit Suisse Global Industrials Conference

EVENT DATE/TIME: DECEMBER 05, 2013 / 6:15PM GMT



So where are we along this journey? Clearly we have made significant inroads with our service, I am proud to tell you. We are hauling bulk in record amounts with much fewer assets; our Canadian grain is we are at 20% to 21% as we speak of a larger unit and volumes than we did last year with a pretty good crop year. We are hauling record levels of coal with fewer sets. So all of the bulk commodities are moving very well.

We have gone through really a shakeout and walked away from – others might describe it differently – but some international intermodal business that in our view is just not very profitable, certainly at the cost loads that we have been at and with the low margins we have had.

Hopefully that situation will change a little bit, but the much more exciting story has been the domestic growth of intermodal, the new service offering Keith Creel, our President and Chief Operating Officer, has put in place. Much better business, much better margins, higher class of business. And so from the whole issue of our service offering I feel very, very good. But I would hasten to add that there is much more to do.

Controlling cost area, a little update there. And some of these things, when I say them, some of you that are not that familiar with the rail industry, it is one thing to say you closed a hump yard, others take a year or two to make the decision about whether they are to going to close it and may take a year to do it. Well, this team back in Calgary did it in about 10 days. They made the decisions; we closed four major hump yards, three intermodal facilities which went a long way to start helping controlling cost.

We talked about – and I am just hitting some of the high points -- we've talked about headcount and the impact of these efficiencies and what they would have there. We are clearly way ahead of the, quote, four-year plan. The headcount now is down in excess of 4,500, which was the original four-year plan and we are there in 18 months with the associated benefits that brings.

So from across control standpoint things are really starting to hum and fall together and all of our operating metrics are showing wonderful improvements and velocity whether you want to look at train size, car miles per car day. I could bore you with a lot of the statistics.

On the asset side, rolling side particularly, we are down 450 to 460 locomotives from where we were 18 months ago. In fact, we've taken 100 of those big new -- newer AC units and have leased them to another Class 1 here. We are working with about 11,000 less railcars than we were. So from an asset utilization standpoint all that is coming together. And that to some degree is a little overlap and puts you in a position where you can do the things associated with the headcount when you have fewer assets to maintain.

I mean clearly this whole mandate of a safe, risk-free organization climate, culture, call it what you might, is extremely -- extremely important always in running a railroad and a business, but particularly now given it is almost we can't go a week that something -- some tragedy doesn't happen. I mean this past weekend the horrible tragedy in New York with the commuter train, and that is frustrating to railroaders.

Some of us that woke up that saw the first pictures from CNN and thought guess what, we knew exactly what happened. Now are there exceptions to the rule? Yes, but we were about 98% sure, we happened to be at a white boarding session, but the Lac-Mégantic situation and this whole issue about tank cars and rules and regs, which I have been interviewed and asked a lot about and what is the problems.

I can tell you what the problems are, there is just too many people in committees involved. You can't go through that many groups -- I mean you've heard the old adage of too many cooks in the kitchen, that is what we got. We got one group that wants to pass this, one group wants to do something else, one group has jurisdiction here. Everybody is going to take a year and a half or two to address the problem and it needs to be addressed now and it needs to be addressed immediately and we need to get on with it.

But we are spending a lot of time, in fact we were this week with basic fundamentals with our operating people that are failing tests on examinations that are basically being told, look, that is your first chance, you got one more chance to pass that test and to move up in your knowledge base or you're going to have to find someplace else to work.

On the people side I am extremely pleased -- extremely pleased that at the top of the pyramid of the house I think things have come together very well. I think the first big addition that fills and seals a lot of holes was the addition of Keith Creel as President and Chief Operating Officer I guess eight, 10 months ago now. Keith is -- I have mentored and coached, led Keith for -- since 1994 I think, since -- through all his career. He is a hard-working, bright young man, probably the brightest in my view operating mind in North America.



Last year they got their first bonus short-term in years, okay. Some of them were like you sure this is not a mistake? We have upgraded their compensation and we are going to continue to do those things. And there is just that certain 70% to 75% that are really getting into it and ready to go and they are proud to be part of what is going on.

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**Unidentified Participant**

Hunter, do you think that sort of this infectious positive attitude that is going on throughout the organization, are you seeing customers have a really positive response to that? Are they getting very excited about what you guys are doing?

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**Hunter Harrison - Canadian Pacific Railway Limited - President & CEO**

It's not as infectious as the employees. They kind of postured for a little give us back some of the good times and lower rates and so forth. But I will say this, I think people understand right or wrong in these turnarounds at least I'm pretty hands on, right or wrong.

Customers were very – some of them very vocal about me, my reputation, what I could produce or not produce and what would happen to the Company. And then some of the people in the Company said, if you can remember – I can remember them like they were yesterday. Well if they bring him in this Company it will set it back three years. I challenge that now, come forward.

We have virtually of anything that would get to my attention no complaint. Our grain shippers, what you hear are the grain lobby and I talked to one of them the other day and I said, you know what, I have been working with you for 15, 16 years now, I have never seen you happy. I don't know what we could do to make you happy.

You are a paid lobbyist and you are a paid bitcher, that is what you do, and you do a pretty good job of it. And I don't know what – I could give you a 10% cut and give you cars and so forth and you would figure out something else.

But I think the shipping public, the techs of the world, the potash people, the large grain players, the merchandise business players know that the service offering is much improved, that we do do what we are saying we are going to do. Now we are going to get better, we are not there yet. But we are not telling what we can do two days if we can't do it. I think they feel very, very good about what is happening.

I think a stronger CP is in their interest and, look, as I have told them, we are not trying to stomp out CN, I mean there is plenty of business up here for both of us. We are both two efficient, hopefully well run railroads. And those people up there in Canada, the shippers, have an opportunity to have the best of all worlds. And so, yes, I think they are pretty happy.

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**Unidentified Participant**

Can you talk – I'm sorry.

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**Hunter Harrison - Canadian Pacific Railway Limited - President & CEO**

Excuse me, I didn't mean to take over the program.

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**Unidentified Audience Participant**

Thanks. Your last point was strengthening the balance sheet. How was that defined? Do you want a higher rating? Are you happy where you are? Do you want to be CN?



# EXHIBIT HH



CANADIAN PACIFIC 2013 ANNUAL REPORT



# BUILDING VELOCITY

**Impact of Foreign Exchange on Earnings**

Fluctuations in FX affect our results because U.S. dollar-denominated revenues and expenses are translated into Canadian dollars. U.S. dollar-denominated revenues and expenses increase (decrease) when the Canadian dollar weakens (strengthens) in relation to the U.S. dollar.

| Canadian to U.S. dollar<br>Average exchange rates | 2013    | 2012    | 2011    |
|---------------------------------------------------|---------|---------|---------|
| For the year ended December 31                    | \$ 1.03 | \$ 1.00 | \$ 0.99 |
| For the three months ended December 31            | \$ 1.04 | \$ 0.99 | \$ 1.02 |

| Canadian to U.S. dollar<br>Exchange rates | 2013    | 2012    | 2011    |
|-------------------------------------------|---------|---------|---------|
| Beginning of year – January 1             | \$ 0.99 | \$ 1.02 | \$ 0.99 |
| Beginning of quarter – April 1            | \$ 1.02 | \$ 1.00 | \$ 0.97 |
| Beginning of quarter – July 1             | \$ 1.05 | \$ 1.02 | \$ 0.96 |
| Beginning of quarter – October 1          | \$ 1.03 | \$ 0.98 | \$ 1.05 |
| End of quarter – December 31              | \$ 1.06 | \$ 0.99 | \$ 1.02 |

| Average Fuel Price<br>(U.S. dollars per U.S. gallon) | 2013    | 2012    | 2011    |
|------------------------------------------------------|---------|---------|---------|
| For the year ended – December 31                     | \$ 3.47 | \$ 3.45 | \$ 3.38 |
| For the three months ended – December 31             | \$ 3.51 | \$ 3.47 | \$ 3.45 |

**7. PERFORMANCE INDICATORS**

|                                                                                       |         |         |         | % Change         |                  |
|---------------------------------------------------------------------------------------|---------|---------|---------|------------------|------------------|
| For the year ended December 31 <sup>(1)</sup>                                         | 2013    | 2012    | 2011    | 2013<br>vs. 2012 | 2012<br>vs. 2011 |
| <b>Operations Performance</b>                                                         |         |         |         |                  |                  |
| Freight gross ton-miles ("GTM") (millions)                                            | 267,629 | 254,354 | 247,995 | 5                | 3                |
| Train miles (thousands)                                                               | 37,817  | 40,270  | 40,145  | (6)              | –                |
| Average train weight – excluding local traffic (tons)                                 | 7,573   | 6,709   | 6,593   | 13               | 2                |
| Average train length – excluding local traffic (feet) <sup>(2)</sup>                  | 6,530   | 5,981   | 5,860   | 9                | 2                |
| Average terminal dwell (hours) <sup>(3)</sup>                                         | 7.1     | 7.5     | 8.9     | (5)              | (16)             |
| Average train speed (mph) <sup>(4)</sup>                                              | 18.2    | 18.0    | 15.2    | 1                | 18               |
| Locomotive productivity (daily average GTMs/active horse power ("HP"))                | 216.0   | 179.8   | 166.7   | 20               | 8                |
| Fuel efficiency (U.S. gallons of locomotive fuel consumed /1,000 GTMs) <sup>(5)</sup> | 1.06    | 1.15    | 1.18    | (8)              | (3)              |
| Total employees (average) <sup>(6)(7)</sup>                                           | 15,011  | 16,999  | 16,097  | (12)             | 6                |
| Workforce (end of period) <sup>(8)</sup>                                              | 14,977  | 16,907  | 18,519  | (11)             | (9)              |
| <b>Safety Indicators</b>                                                              |         |         |         |                  |                  |
| FRA personal injuries per 200,000 employee-hours                                      | 1.69    | 1.55    | 1.85    | 9                | (16)             |
| FRA train accidents per million train-miles                                           | 1.78    | 1.67    | 1.88    | 7                | (11)             |

<sup>(1)</sup> Certain prior period figures have been revised to conform with current presentation or have been updated to reflect new information.

<sup>(2)</sup> Incorporates a new reporting methodology where average train length is the sum of each car and locomotive's equipment length multiplied by the distance travelled, divided by train miles. Local trains are excluded from this measure.

<sup>(3)</sup> Incorporates a new reporting definition where average terminal dwell measures the average time a freight car resides within terminal boundaries.

<sup>(4)</sup> Incorporates a new reporting definition where average train speed measures the line-haul movement from origin to destination including terminal dwell hours.

<sup>(5)</sup> Includes gallons of fuel consumed from freight, yard and commuter service but excludes fuel used in capital projects and other non-freight activities.

<sup>(6)</sup> An employee is defined as an individual, including trainees, who has worked more than 40 hours in a standard biweekly pay period. This excludes part time employees, contractors and consultants.

<sup>(7)</sup> 2012 average number of employees has been adjusted for the strike.

<sup>(8)</sup> Workforce is defined as total employees plus part time employees, contractors and consultants.

The indicators listed in this table are key measures of our operating performance. Definitions of these performance indicators are provided in Section 25, Glossary of Terms.

# REDACTED EXHIBIT II

**REDACTED**  
**EXHIBIT JJ**

**REDACTED  
EXHIBIT KK**

# EXHIBIT LL

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

CP.TO - Canadian Pacific Railway at JPMorgan Aviation Transportation and Industrials Conference

EVENT DATE/TIME: MARCH 12, 2014 / 3:00PM GMT



## CORPORATE PARTICIPANTS

**Hunter Harrison** *Canadian Pacific Railway - CEO*

## PRESENTATION

### Unidentified Participant

All right, great. Well, we are going to get going with the next fireside chat here and discussion. It is a real pleasure to have Hunter Harrison here. This is, I think, the third year in a row that we've had Hunter at our conference. I guess it's two years with him at CP. One was expecting to be -- going to CP, I guess we could say. But so, I don't know that there's a lot to say in terms of an introduction. I guess Hunter is probably the man that does not -- that least needs an introduction in transport; certainly well-known by all of you.

Hunter, thank you so much for joining us. We really look forward to the discussion.

One of the topics that's come up a lot, and I think people are trying to understand, is just kind of -- how is weather affecting your network? How do you think about that in terms of the first quarter? So, maybe we can just kind of get that discussion out of the way, if you can give us a few comments on cost impact or how you would frame it. And also maybe what the baseline was. You were expecting a lot of improvement. So, if you say it's whatever the impact is, what would've been a framework for the starting point from that?

---

### Hunter Harrison - Canadian Pacific Railway - CEO

Well, it's a difficult thing to put our fingers on, first of all. We've still got more time in the first quarter. I have not seen all the numbers from the last couple of weeks, a lot of the outside builds and so forth. But if I had to make -- and it's been pretty -- well, I've been doing this for 40-plus years and I've never seen the conditions like this. Only one other time did it approach this.

I mean, we were -- anecdotally, we were to the point where you could not bring trains in minus 40 down the side of that mountain safely. You can lose your air; and you lose your air, the train runs away on you. And we just refuse to push the envelope. So we have had some pretty extraordinary conditions to work under, our employees. And I was -- well, I was irate at the Canadian government in some of the comments about our failure to deliver grain. I didn't see them outing some of the conditions that our people were having to work in. But getting frostbite -- and you look at the news and it says, stay inside and it's dangerous conditions, and people sliding off highways trying to get to work. And it's been pretty bad.

But all that said, we are -- we've had an encouraging four or five days bouncing back, particularly on the grain side. And to put this in some context, last year was a record grain crop, and we are right now, about even on a ton basis from last year. So, in spite of these 60, 70-year conditions that have not existed, I think we've done relatively well. Now, I'm going to have some eyeball-to-eyeball sessions with the Canadian government and we're going to talk about that further.

But I think what you're looking for, if I can characterize it, is this way -- if it had been a quote, "normal" first-quarter winter -- whatever that is, you would describe that; but say something like last year is probably going to cost us CAD0.25, CAD0.30 range. That's about the best guess I can give you at this point -- which I think on the base that you're looking at with us is not -- could be much worse. And if we have some devastating conditions that hit us again -- I mean, yesterday, for an example, I think I was talking to them and it was 50 in Chicago around noon, but they were predicting 10 inches of snow last night. Now you get temperatures warming up and you get melting, and then you get more snow and freezing at night, and you get just horrible conditions. But that's the kind of best way I can characterize first-quarter.

The other thing I would say, I guess, before you ask is, in my view, the quote, "emergency action" of the Canadian government was a sideshow, was strictly political and had not a lot to do with moving grain, and will have virtually no bottom-line impact on CP.



**Unidentified Participant**

To kind of make sure we're framing this right, do you -- I guess CAD1.70, CAD1.80, something like that, is that the right neighborhood to say, well, that's what we come off of for the CAD0.25, CAD0.30? Or what do you --?

**Hunter Harrison - Canadian Pacific Railway - CEO**

That's range-wise, yes. I -- once again, these are moving targets right now. And we haven't been given quarterly guidance. But I would think if you looked at some kind of CAD1.70 and say it was -- you get 30% hit, I would think you're getting towards the, I hope, the low range. And it could be better than I'm thinking and maybe CAD0.20, off a little. So, we are looking at a range of CAD0.25 to CAD0.30 that I just can't put my finger on right now.

**Unidentified Participant**

Sure. Yes, that's fair. Okay. Appreciate your -- the color in first-quarter. What about volume? I think that there's been -- obviously you had one large volume Intermodal shipper that moved over the OCL contracts. So just the optics of volume would look a little worse for you than for others. That's Intermodal's lower revenue per unit. They were -- I think we understand the dynamic of what happened with that. But even adjusting for that, the volume trend has been pretty weak for you in first-quarter. How do you think -- do you think that's dominant -- is whether the dominant factor in that relationship bounce back a lot in March? Or would you say, oh, well, we are going to see down volumes for CP the next couple of quarters? How do we try to frame that?

**Hunter Harrison - Canadian Pacific Railway - CEO**

Well, I think the best way to look at it is, number one, is keep domestic separated from international as you look at it. Because having said your comments, and I might tell you this -- it's my understanding that the competition that the business that we "lost," quote, that there is like 10 to 12 days' business sitting on the docks in Vancouver. We've got a couple of days.

So, people have -- they chose low cost, low price, and that's what they've gotten. I don't want to be in a situation of doing that. There are indications -- and I'm sure you can hear this from both sides -- but there are indications that some of the forwarders, for an example, that still have options of which steamship line to use. As a result of all this backlog at Vancouver, at Delta Port, which is dominated by the competition, have decided to move over to Hapag, which is one of our accounts that we didn't lose. So there's some dynamics there that you have to be very cautious of looking at.

But I don't think you're going to see big increases the remainder of the year international-wise. I don't think it's going to get -- from a seasonality, if you take the seasonality in the first quarter out of it, I think it's going to be kind of a leveling effect of what we saw in October/November time-frame last year. But I think you're seeing now, in spite of the weather, pretty healthy increases domestically, which -- and is which I've said to you many times before, is for us, much, much better margins.

**Unidentified Participant**

If you -- can you comment on the overall volumes, not just Intermodal, but if you say, well, overall volumes have been down pretty significantly first quarter, we think a lot of that's weather but it's hard to know. Should we think of modeling growth in volumes in second quarter if you get beyond the weather? Or should we think of them as flat? Or just a kind of a framework, because it is really hard to see the trend given the (multiple speakers) --?



**Hunter Harrison - Canadian Pacific Railway - CEO**

Well, I think the downward trend — I'm thinking as I'm speaking here, but — is predominantly weather-related. Obviously, we've got all the grain we want to haul according to the numbers; I'm not sure I buy into all the numbers, that this is going to be the norm -- 80 million tons. But if it is, that's wonderful. But we are, for an example, with grain, marginally ahead of last year. So I think our bulk coal/potash/grain is modestly -- and some people in Ottawa would disagree, and the farmer -- modestly impacted by the weather. I think the domestic intermodal is doing very well considering the weather, because that's one commodity that we are very sensitive to. If you miss, you miss. It's not like grain or it's not like coal. If you're a little bit late, you're still going to haul it. If that trailer comes in Friday night and you're not able to handle it, it's probably not going to be there Monday for you.

So we've been very sensitive there. And I think the place that we've seen the softness -- and it's hard to say how much of this is weather-related because of the impacts on their production and getting people to work, and the same things that we go through, is kind of the general merchandise business. But I think, if somebody said, look, if the weather was like you had predicted it was going to be or a normal winter, where would your volumes be? Pretty well where we projected, which is -- I think it was 5% to 7% growth, the guidance. So, I think we are looking for a nice bounce-back with a little sunshine. We're not changing any annual guidance. So, we feel pretty good about the rest of the year.

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**Unidentified Participant**

So the 5% to 7% is revenue growth for the year?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

Yes.

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**Unidentified Participant**

Right, right, okay. What about the earnings for the year? Would you say, all right, we are not going to be where we expected first-quarter, but we've got some pent-up demand, so maybe second-quarter is a little better. There's probably a little bit of -- or maybe a lot of upside to what you originally said. I think it was 30%-plus earnings growth. How would you think about that guidance, given what's happening in first-quarter?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

I'm very comfortable with that. I think you characterized it pretty well. Maybe we ought to change seats here.

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**Unidentified Participant**

(laughter) Let's see. Not really sure even how to respond to that. That's -- but let's see. How do you think about momentum and the, I guess, the cost take-out, the operational improvement? You've taken a lot of headcount out; I think there's more to go. Maybe you could give us a sense of where the headcount number is and kind of what you think it can get to. And I know you've had pieces of capacity that come on, and you've got some things driving culture change, but how do you think about where you're at and what's going to drive further improvement in 2014?

---

**Hunter Harrison - Canadian Pacific Railway - CEO**

Well, the momentum is tremendous in our favor right now. We have -- just to kind of go back a little bit through the plan, the original plan, we have -- we are out of downtown Calgary. We are in our new quarters. People are proud of it. It's a beautiful facility. We hope to have you visit there. It's much more conducive for a railroad operation, so that kind of was Step One.



Personnel changes -- we have, contrary to what I thought initially, in my past experience, we've had more changes made at the top of the pyramid than I originally anticipated. But we just brought on, last week, a new -- now two or three weeks ago now; I lose track of time -- a new CFO, Executive Vice President and Chief Financial Officer from Suncor, Bart Demosky, that's -- already, has been a tremendous help and aid, and has become one of the team. So the teambuilding side of the process, I think, is pretty powerful.

We brought on a new Mechanical Chief. We've had some other railroads calling us saying, quit coming after our people. And I've said, you know, look, if you want to keep them, treat them right and pay them. You know? Why do they want to come to us, this cold place up here in Calgary? They're US citizens. We've got all this baggage and mean, ugly guys; why would they want to come to Calgary? Maybe you ought to take a look at your hold card with your HR people.

But the teambuilding has been -- is coming along very strongly. We have -- we've done reorganization within reorganization. We just -- I finally convinced the group that when you -- areas of this business, it's not a case of quantity; it's quality. And we had had a tendency to solve every problem trying to do it with quantity. And, for an example, in our headquarters' operating control center, we call it, where the dispatchers and the chief dispatchers -- and we're changing those titles. But order of magnitude, we had like 150 people and we're going to 50 or 60. And that's -- the reason is because we've got a better-quality individual. We've got a better-trained individual, better-motivated individual, and so it allows us to do that.

So, all of the operating metrics are ahead of schedule. The thing is starting to really come together. We've still got a few critical siding extensions that are pitch-points a little bit in the area of improving capacity. We are adding capacity at -- particularly in the Edmonton/Hardisty area. We're -- one of your favorite commodities exists there -- crude. The railroad is in better physical shape. I think most people are happier; they're proud to be associated with the railroad that's moving from the bottom to the top, and we're just about there, I think. So, the plan has come together pretty well, and now it's just fine-tune and keep executing.

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#### Unidentified Participant

How does the overall system -- I think, at this conference, there's been a lot of discussion about capacity for the system. How, as you've had kind of multiple punches to the gut -- in Atlanta, Midwest and Western Canada, East, all over -- that, as a system, you've lost some fluidity. And perhaps Burlington Northern that's had a lot of traffic growth, maybe a little tight on capacity beyond just the weather. If you look at their velocity metrics, you could postulate maybe there would be an issue that's broader than weather. So, how do you think about system fluidity? And is there some impact if it takes a little longer for the system to come back, if that holds you back? Or are you pretty much fully in control of your own destiny on that?

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#### Hunter Harrison - Canadian Pacific Railway - CEO

Well, we would be in pretty good shape if we could just take an eraser and take Chicago off the map. (laughter) I tell every one of our shippers -- seriously, if you want your goods to move, don't move them through Chicago. That's a black hole. It's fragile. And I've said this to these type audiences for the last two or three years -- Chicago is fragile. It does not have the right infrastructure. It does not have the right guidance and leadership with the two industrial roads there. We don't have that in Canada, save one place -- and that's Vancouver.

Vancouver is a horrible pitch-point as far as export, as far as potential of moving crude through there. There are a lot of people there that -- where a lot of grain, rightfully so. I'm not arguing against that. There's a lot of problems with the natives and aboriginals. And so -- and it gives our competition, by the way, better leverage and positioning with Prince Rupert. But with the exception of Vancouver, I would say that Canada is in pretty good shape. And where there are issues, they can be fixed quickly, if you want to add a siding or what.

That's not the case in Chicago. Who wants the railroad running through their backyard? Nobody. Okay? We ran downtown Chicago right through the middle of town. If you can imagine if crude was and is going through there now, well, nobody wants crude moving through there, and they are going to move it out of the populous areas. So we're going to go back to the Western suburbs, where I was so stupid and bought the EJ&E Railroad, because nobody wanted it out there. Because it was some of my former rich Republican friends, they didn't want crude for God's sake



going by their horses. That doesn't bother my horses, but it bothers theirs. Nobody wants a railroad in their backyard -- particularly what we're going through.

Chicago is a mess and it's going to be a mess. And that's one of the reasons that my book, one day, is going to talk about that mergers are going to caused, one thing, by Chicago. So, if you take a look at Chicago, if you look at Atlanta, St. Louis, some of the Eastern places, when they get in trouble like this, even if they do their "best operating" -- in quotes, okay? -- there's a problem there.

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**Unidentified Participant**

So how -- so, obviously, Chicago is a big issue. How long do you think it takes for the system to recover where Chicago is not -- I guess, on a near-term basis, not as much of a fluidity challenge? Is that a month? Is that six months? What's your kind of best sense on that?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

Well, we'll see. It's a -- I mean, we've had traffic, as we sit here today, that's been sitting there 14 days that other carriers would not accept. Now, that's wrong. That's wrong for the shipper. You shouldn't be going out and soliciting traffic if you can't handle the traffic. That's like saying come fly my airline and go through Atlanta, but when you get to Atlanta, I don't know if I can't tell you about what you're going to do and what's going to happen.

Chicago is a mess. It's always been a mess and it's tough to fix, and that's why nobody's -- everybody has turned their back on it. But I think you'll see -- maybe this time, for an example, if you say, how was Chicago in November? And how was it when the first snow and then the last? And you will see that it takes three or four weeks for it to bounce back. And then as soon as it bounces back, then you get into maintenance season, and it's just some place I don't want to be.

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**Unidentified Participant**

So how big of an issue is that in terms of your traffic mix? What -- if you can, say, frame how much of your traffic goes through Chicago? Is it --?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

15%.

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**Unidentified Participant**

15%. Okay. So it's not like you're seeing a large portion that goes through Chicago.

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**Hunter Harrison - Canadian Pacific Railway - CEO**

Yes.

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**Unidentified Participant**

That's a frustration but not a (multiple speakers) --



**Hunter Harrison - Canadian Pacific Railway - CEO**

Not for us, you know.

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**Unidentified Participant**

Right. Right, okay. Let's see. What about headcount numbers? I mean, I guess perhaps you get overly focused on that, but you had talked about 4500 (multiple speakers), as much as 6000?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

(multiple speakers) Yes, I think I gave the wrong number this morning, but I will retract it now and get it straight. I think we are about 4800 or 4900 right now as we speak; 4850 or 4860 or something like that. We still have got -- and a lot of those other positions that I talked to you about have not been done yet. So, our -- we are still looking at -- and this is not some obsession and something we've got on the wall that we've got to get to, to be successful; but it still looks like that, within "the plan," quote, that will be somewhere close approaching the 6000 number.

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**Unidentified Participant**

Is that this year? Or next -- over the next couple of years or --?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

No, I think you will see that number hit in probably late 2015. We have a couple of big bubbles there. One is with IT. We have some longer-term contracts with where we contracted out that work, and we don't contract out any more. And then we have a similar type bubble with the people that maintain our track. And those bubbles combined are 700 or 800 people. So that could be a big whack into 2015.

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**Unidentified Participant**

Okay. I'm going to ask an OR question and then I'll turn over to the audience to see if we have questions from the audience. Operating ratio, we model it being a bit below 60, when you get out to 2016. And obviously, you can get to kind of get to different earnings numbers, depending on how aggressive you want to be with revenue, with share buyback, with OR. But how would you think about OR out a couple of years? Do you think it's as much chance you go below 60 as you stay above 60? Or what are the kind of framework for how we might consider operating ratio out a couple of years?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

Well, I think -- I mean we've identified pretty well the cost opportunities to take out with the longer trains and the siding extensions, and eliminating the hump yards, and a lot of those things. There's a couple of other projects right now that we've got going on. We don't -- we do certain things real good. There is a couple of areas we have some weaknesses. We don't -- our engineering productivity land track, rail ties, ballasts, is not where it should be.

Now, when we talk about consultant as opposed to other people, we're talking about two people that I knew 40 years ago that are good people that can walk a piece of track and tell you if there's mud in it and what needs to be done. And so, we're going to make some further improvements there. But most of those larger, big, low-hanging fruit with the hump yards and all that is -- you can say it's, we are 75%, 80% there. The big kicker is going to be how well we convert our service offering into both growth on the merchandise side and the quality of the revenue of that growth. Then we'll make the operating ratio dynamics act a little different than they have in the past.



So, where do I think we'll be or can go? I mean, if I look out and say two or three years or four, if I want the operating ratio to be 60, I can have a 60 OR. Now, do I want a 60 OR, or would I rather have some growth, and looking at and be driven by a return on invested capital and some other things? Probably. But you can't grow where there's not a market to grow.

So --- but, I mean, we have pretty well -- it's not that we know all the tricks; but from a basic rail operation, I'm pretty confident we know what we're doing. And there's more to ring out there. And certainly, if you said, well, just give us a quick and dirty glimpse of the Company in four or five years, certainly, I see a railroad that's low 60s or below throwing off CAD1 billion free cash with some pretty positive growth, and maybe doing some more aggressive share buybacks, if there is not other opportunities in the market to create better returns.

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#### Unidentified Participant

Right. Okay. Do we have any questions from the audience? It looks like we've got one right here in the middle.

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### QUESTIONS AND ANSWERS

#### Unidentified Audience Member

Hunter, just if you could elaborate a little bit more on the revenue growth piece? So now, as you said that you've fixed the service offering, and I know you've done some changes in the sales force and the incentive structure, but in terms of when you or we should think about that working and taking market share from other rail or from truck, and growing the revenue by -- what's the right time-frame (multiple speakers) --?

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#### Hunter Harrison - Canadian Pacific Railway - CEO

You know, it's a slow process. I wish I could say otherwise, but I've seen this. You fail someone for two or three years, and they keep coming in and apologizing, and then the fourth year, they come in and say, we really got it fixed this time. It's hard to convince them.

So it's a little more show me than all talk. And in my previous experiences in challenges like this, I think we could say that the first little inkling of those breakthroughs in market share and gains were 12 to 18 months -- the first signals. And certainly, it's three or four years in until you could think about getting all that's there and bringing it forward. So, I mean we are trying to go -- I mean we are kind of breaking this down. We've got bulk where we've got 10-year contracts with Teck and Canpotex. We've got Canadian Grain, which I'd rather not talk about. It's -- I get out of control.

We are going to be strong in domestic intermodal, and it will be the first place I think you see and are seeing the growth. And then the real opportunities is where what railroads were built on, is the basic merchandise non-bulk, non-intermodal. It's the lumber, it's the paper, it's the plastics, it's the chemicals. Those are the things that we have not paid attention to. They weren't glamorous enough for us. And I don't believe it. I walk into a place and they are showing me -- I'm looking here at a commodity that's had pretty good growth and it's got great margins, and it's like who cares about that? And they look over here and say, we're a crude company.

Well, I look at the crude and the crude is less than 5% of the business with the worst margins in the world. And shame on us. But you know it's kind of a selling by kick. Now, we did some bad contracts early on. We're going to fix. I'm not against hauling crude. We can haul crude safely. I think some people have to -- the same people have to get to the table. And we need some common regs and laws between the two countries. As far as I'm concerned, if I was the policeman, I'd stop DLT 111 tank cars tomorrow. Okay?

And think about something that we've said. Everyone has agreed they are dangerous. How dangerous we could argue about. But if there is, God forbid, a derailment, they are dangerous, they are going to cause more destruction, lives, and all of that. And we are shipping them around, and we are saying, well, it's going to take three or four years, five years. We've been talking about this 20 years. So -- but, I think in the final analysis, we'll get better with crude and we'll turn it into a positive story. I like the volume; I just don't like the margins. And I hope there's no crude shippers in here but --.



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**Unidentified Participant**

Perhaps you could elaborate a bit on what some of the changes in organization structure -- if you want to talk about finance, if you want to talk about marketing and sales, and where you're at with those changes, and how they may affect performance, if you look forward a bit further?

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**Hunter Harrison - Canadian Pacific Railway - CEO**

Yes. I am generally speaking -- I'm trying to -- how to describe it. We recruit -- we try to recruit good athletes as opposed to go looking for the best tight-end. And then we try to take those athletes and shape them, and train them, and put them into the right slots. We are much more team-oriented. We are much more decentralized than a typical rail. We are looking much more for General Managers rather than specialists. And that was contrary to the Company before.

I was amazed -- literally amazed -- about six months ago, there was a -- God forbid, there was a small derailment in Calgary. I happened to be walking by the dispatching office about 6:30 in the evening when I heard it. So, I said, I think I'll go. And everyone said you don't need to go. Yes, I do. And the more they said no, the more I said yes. So I went to the derailment, and the first thing I see is 90 first responders. You know where they are? In the trailer, drinking coffee and doughnuts. Okay? So, I went right past them, right past the TSB, right past everyone, crawled under the cars, went right to the point of derailment -- and not that I'm any genius, but I've done this before -- and figured out the cause in about eight minutes.

But I looked at our local officer, and I said, young man, do you see what happened? He said, no, sir. I sure don't. I said, you see that closure rail there? He said, what's the closure rail? I said it's right there. It moves. You see the frog here? He had no idea of the components of a switch. Now the railroad I came from, you'd go through training and you'd learn a little bit of all of that coming up. We have made specialists, and we are trying to now go back and make people basic fundamental, good, solid railroaders. Okay?

And by the way, I showed him all those things, drew a picture, showed him how the car did this, and it dropped in where it got out of gauge, and then we walked back by the first responders and I stopped at their trailer, and I said, do you want to know the cause? And the inspector looks at me and I said, here's the cause. Here's the location. Here's the time. Here's -- and if you want to go back home, you can. Now, that's sometimes our regulators for us and what they're trying to do.

We're also trying to look in the mirror and be honest with ourselves. I am a stickler for the basic fundamentals and rules. You can't have, in my view, a safe operation, a good operation, unless people know and understand the instructions. And I had a session with a group that you used to be calling 100 Camps. And long story short, I took 33 top officers in the Company and gave them rules examination -- and I'm being as honest as I can -- seven of them passed it -- which is shocking. I mean, it would be grounds for dismissal. And I said to them, look, you've got one more chance. You've got three weeks. How did you all pass these -- you've passed this 15 times before. Well, you wouldn't let us open the book. So I said you had open book tests? Yes. I said, you know, I did pretty good on open book tests. When they made me close the book is when I flunked out.

So, people now understand that's a fundamental basic that you have to know and you have to do. That's what's building the strength in this railroad. It's building a better team. It's giving people better experience. And these people are getting better in their learning curve. Okay? Some of these people are like a rookie that you just picked in the draft. They are going to get better each year. And so, that's why I'm pretty excited about the opportunities.

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**Unidentified Participant**

Where do you think you are at in terms of that culture change and having an organization, broadly, that is good at railroading and thinks about it the way you do?



**Hunter Harrison - Canadian Pacific Railway - CEO**

Boy, that's a tough question. I -- number one, it takes a long time. We had a behavioral psychologist early in my career that came in and talked to us about -- that various things. And I said to him, Dr. Massey, I said, how long does it take to change a culture? And he said, I'm not smart enough to give you the answer, but I can tell you what market meets it. She said you do it one funeral at a time.

It's hard to do. It's very, very hard to do. And -- but it's got to start somewhere. We -- I think we are probably to a point, if I had to give you a number, we've got about 40% or 50% of the people that have really flipped that are onboard that are proud to be part of CP that were tired about hearing about the worst railroad, and are eager to learn more and go forward. Now, at the same time, we had this bottom 10%, 15% that I don't care what you are going to do, they are going to bitch and gripe and moan, and not going to be a player. And we are in the process of weeding those people out.

And it's those people in between there that are kind of trying to understand the changes and what's going on, and why. And that's why I say the way to change the culture is through great leadership. And one of the things that we say at home is this -- there's a difference, a big difference, between leaders and managers. Okay? Managers do things right. Okay? Leaders do the right things. And so, when a leader is out there spending time with his people, changing culture, teaching them different principles, holding them to higher standards, they are having a huge impact. And it's a huge investment in the Company in the future.

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**Unidentified Participant**

All right. And I think, with that, we are out of time. So, thank you so much, Hunter. It's always great to hear your ideas, your insights, and your perspectives. Thank you.

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# EXHIBIT MM

16-Sep-2014

# Canadian Pacific Railway Ltd. (CP)

Morgan Stanley Industrials Conference

...the weather patterns.

Bill J. Greene

Morgan Stanley & Co. LLC

Q

Right. Do the service issues have any impact on this quarter? Do we need to keep this in mind from a costs standpoint, because you've been doing tremendous things on costs? But does that something we need to think about for now?

Keith E. Creel

President & Chief Operating Officer

A

Yeah, not a material impact. No, not from a cost standpoint. Some of the services challenges, some of the pinch points, I would say have constrained a little bit of revenue.

Bill J. Greene

Morgan Stanley & Co. LLC

Q

Okay.

Keith E. Creel

President & Chief Operating Officer

A

But as far as having a material impact on cost, I'd say no.

Bill J. Greene

Morgan Stanley & Co. LLC

Q

Okay. Along these lines as it relates to service, there have been some hearings, there have been some efforts by the government to take a look at some of these service measures that STB's held here. Can you talk about how to think about that, what's the context for that and how should we think about the risks, is that a risk or is it really just monitoring and nothing we have to worry too much about?

Keith E. Creel

President & Chief Operating Officer

A

Well, with all due respect, it's consumed a lot of time. And I'm not sure that it's all warranted. I know that there is grain to move in North Dakota. There is grain to move in South Dakota. It's in our best interest to move it. It happens to be in the same area geographically that has experienced [ph] other (9:02) growth in other commodities. So that's created some concern by those on the other side of the table that think maybe there is some favoritism being played. I can tell you that's not true. I can tell you that the STB is doing their best to bring the parties to the table to make sure those kind of things don't happen, probably isn't helpful for me to say if that is necessary.

My personal views don't matter. At the same time, my professional views are that we're going to move the business. And we have been moving more grain in the face of the facts, at least at CP, specific to CP in the face of the worse winter this company has faced in four decades, five decades, six decades. The third worst ever recorded in history in Chicago. We still moved more grain year-over-year than we did...

Bill J. Greene

Morgan Stanley & Co. LLC

Q

Yeah.

**REDACTED  
EXHIBIT NN**

# EXHIBIT OO

Company Name: Canadian Pacific Railway  
 Company Ticker: CP CN  
 Date: 2015-03-04  
 Event Description: J.P. Morgan Aviation,  
 Transportation and Industrials Conference

Market Cap: 40,131.33  
 Current PX: 242.51  
 YTD Change(\$): +18.76  
 YTD Change(%): +8.384

Bloomberg Estimates - EPS  
 Current Quarter: 2.180  
 Current Year: 10.868  
 Bloomberg Estimates - Sales  
 Current Quarter: 1664.875  
 Current Year: 7127.040

## J.P. Morgan Aviation, Transportation and Industrials Conference

### Company Participants

- E. Hunter Harrison

### Other Participants

- Brian P. Ossenbeck

## MANAGEMENT DISCUSSION SECTION

### Brian P. Ossenbeck

That sounds good. Okay. We'll go ahead and get started here. This is Brian Ossenbeck. I'm the Transport Analyst here at JPMorgan. Very pleased to have Mr. Hunter Harrison here from Canadian Pacific for a fireside chat.

### Q&A

**<Q - Brian P. Ossenbeck>:** So, I'll cover a wide range of topics, but I think the base level we can start with is just how is the railroad performing in the quarter, two-thirds of the way through. There's a lot of puts and takes in terms of energy and weather and labor, of course, but if you could just touch on that and just what the rest of the year you're expecting in terms of...

**<A - E. Hunter Harrison>:** Sure.

**<Q - Brian P. Ossenbeck>:** ...the bigger areas.

**<A - E. Hunter Harrison>:** Well, we came off of a record fourth quarter, from an operating ratio standpoint, which I was very pleased with. First time any railroad has ever broken to the 60% barrier in the fourth quarter. And a couple of us have had some times in the second and third. So, we went into the new year with some momentum built up.

So, the weather has been not quite as severe as it was last year. Particularly in the west, we've had some pretty severe weather from Montréal to Winnipeg, but it looks like the reports are – it's improving every day and it's going to be – so I think we'll get through March without a lot of weather issues.

Our business levels are good. I haven't seen the latest numbers, but we're probably somewhere in the 11% – 10.5% to 11% year-over-year up. I think that'll probably improve with the March numbers. The cost control efforts continue. I guess the only issue I'd like to report, otherwise, is we were not able to reach agreement with the Teamsters. They represent our running trades, the engineers and conductors in Canada, and we'll be going to arbitration shortly with the Teamsters along with a mediator, arbitrator – I've been gone – that to my knowledge has not been appointed yet, but I think we're very optimistic that it won't be worse, and it might set the stage for some improvements going forward.

I know one thing that we – a little bit different from other railroads, we only had a two-day strike before they imposed the back-to-work legislation. But we operated with the managers, we moved and it didn't affect the U.S. obviously. But we moved about 60% of the tonnage those two days, and I can assure you that the next time, the contract is only three years. We've already run over. So by the time we get it settled, it'll be less than 2.5 years away from, again, and next time we walk to the table and sit down will be just about the time I may be walking out the door. But when that

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engaged with.

People talk to us about notification. Tell us what's coming through. I've told everyone of them, we'll tell you everything you want to know, but you're responsible for it. It's in your chain of custody because what you want me – we give them every week or every month or every quarter or every year. They know what's coming through. I mean there's not new chemicals invented every week, but they want a consist. They want a list, the manifest that says, here's where the car is. It's got chlorine. Now guess who else wants that. Somebody who wants to do harm, and we're giving it to them. You don't have to look hard. Here's where it is and here's the number that's on the side of the car.

Now, mayor, if I send that to you, you don't take care of it – so some of them have said, why don't you keep that for now. But when it comes out in the paper, it doesn't look so good. It's something that we're spending a whole lot of time and energy on with this routing protocol, the sourcing. Obviously, we're working very – the industry, I should say, is working very hard on the tank car, the design of the car. And if we knew these commodities, some of them, we're going to be – well, particularly light crude.

If crude's going to be here for a while, there's not going to be other sources of energy and you had confidence in that, you wouldn't design the cars the way they are now. You wouldn't have a car that's only 60 feet long. You might have a train that was integral that couldn't come uncoupled, that had just various what we call the trucks that are the wheels that allow them to turn. You design it differently. But given that people are very suspect at making that type of long-term investment and get caught and so forth. But it's a area that it's not going away.

<Q - Brian P. Ossenbeck>: All right, clearly. Okay. Let's see if we have any questions from the floor. We have a few minutes here.

<A - E. Hunter Harrison>: There's one there.

<Q - Brian P. Ossenbeck>: Going down the front.

<Q>: Maybe two quick questions. Hunter, one maybe just an update on the excess real estate value and what you're doing there. And then, second, on the cost-cutting side, you've done so much. What's left on the – obviously, there's lots of stuff on the marketing and pricing side and so on to take advantage of the better service. But on the plain vanilla cost cut side, are there some specific things still on your sightlines that you've got yet to do? Thanks.

<A - E. Hunter Harrison>: Sure. I think the joint venture we created was with the DREAM and that's not my name, but somebody else came up with it but it's okay. I think they had their first board meeting yesterday. It's hard to put a value on real estate. It's kind of a moving target. And I'm not a real estate expert. But my numbers that I looked at of what we've put in the portfolio, our contribution, I would've put a \$2 billion price tag on. Somebody else might've said \$1.5 billion. It's a lot of money. And there are some tracks that venture will not be that excited about that we'll just take and dispose of them like normally we did with the railroad.

But a lot of the tracks parcels were as a result of the operating rationalization where we closed hump yards, where we had two intermodal facilities and said, let's run one, Schiller Park in Chicago, 50 acres to 75 acres a mile from O'Hare, worth a lot of money. There's three or four large tracks in Toronto. So I'm very excited about what they're going to create for us. It's open-ended. It'll keep moving and I hope it'll be, it gets to the point where it's a positive cash cow and we can look there every year for some contributions there.

On the cost side, I'll be specific in some areas, but I can say this. There's a little bit more at least everywhere. There's not anything that we're perfect and we've gotten all we can get, and we're not going to get anymore.

Locomotive productivity is going to continue to improve. It's saved us probably at this point close to 1,000 locomotives. There's more there. There's more this year by the end of the year, my number is the head count, opposed to the 4,500, will probably be in the 6,000 range. There's a lot of bureaucracy being cut out of Calgary out of the headquarters groups. There's just a lot of things we were doing that I don't think we needed to be doing and we weren't doing in the most effective way.

# EXHIBIT PP

Company Name: Canadian Pacific Railway  
Company Ticker: CP CN  
Date: 2015-10-20  
Event Description: Q3 2015 Earnings Call

## Q3 2015 Earnings Call

### Company Participants

- Nadeem Velani
- E. Hunter Harrison
- Keith E. Creel
- Mark J. Erceg
- Mark Wallace

### Other Participants

- Scott H. Group
- Fadi Chamoun
- Brandon Robert Oglenski
- Walter Spracklin
- Alexander Vecchio
- Chris Wetherbee
- Tom Kim
- Kenneth Scott Hoexter
- Allison M. Landry
- Thomas Wadewitz
- Benoit Poirier
- Matt Troy
- Jason H. Scidl
- Bascome Majors
- J. David Scott Vernon
- Jeffrey Kauffman
- David Tyerman
- Steven I. Paget
- Turan Quettawala

## MANAGEMENT DISCUSSION SECTION

### Operator

Good morning. My name is Aaron, and I will be your conference operator today. At this time, I would like to welcome everyone to Canadian Pacific's Third Quarter 2015 Conference Call. The slides accompanying today's call are available at [www.cpr.ca](http://www.cpr.ca). All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I'd now like to introduce Nadeem Velani, AVP Investor Relations, to begin the conference.

### Nadeem Velani

Thank you, Aaron. Good morning and thanks for joining us. I'm proud to have with me here today Hunter Harrison, Chief Executive Officer; Keith Creel, President and Chief Operating Officer; Mark Erceg, our Executive Vice

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Company Name: Canadian Pacific Railway  
 Company Ticker: CP CN  
 Date: 2015-10-20  
 Event Description: Q3 2015 Earnings Call

which I spoke to you just a moment ago, but the vast majority of that was used to repurchase shares. During the quarter, we repurchased 7.7 million shares for a little over CAD 1.5 billion and year-to-date we've bought back 13 million shares at a cost of CAD 2.6 billion.

Now, the net result of all this activity is that we've increased our financial flexibility by removing restrictive covenant secured debt, we've significantly reduced our weighted average coupon rate, while at the same time, dramatically increasing the weighted average duration of our debt portfolio and we've taken advantage of what we believe is the temporary dislocation in our stock price to aggressively repurchase our shares, all the while being mindful to protect our strong balance sheet and our BBB+ credit rating.

So with that, let me turn the call back over to Mr. Harrison or Mr. Creel.

## E. Hunter Harrison

Thanks, Mark. Let me just make one comment before we take questions about – I would expect that this review of capital and just to give you one example, when we started this journey I guess 3.5 years ago now, we talked about, for example, locomotives that we were going to be able to take a hopefully a three-year to four-year holiday on locomotive acquisitions. Keith tells me now that three years or four years is probably going to extend to at least 2018. So we're looking at, instead of three years or four years, we're looking at six years or seven years.

And if you look at that across the board and if you look at the discretionary spending and the catch-up capital, if you allow me to use that term, that we put in place without effecting the condition of the physical plant and no compromise of safety and all discretionary sidings that we've caught up on, I would expect that we could see our capital spend come down potentially as much as CAD 400 million. So pretty significant of the work that's been done in the past and we'll just now start to begin to reap the benefits from.

And with that, Aaron, we'll be happy to address questions the group might have.

## Q&A

### Operator

Certainly. Thank you. [Operator Instructions] And your first question comes from the line of Scott Group from Wolfe Research. Your line is now open.

<Q - Scott H. Group>: Hey. Thanks. Morning, guys. Welcome back, Hunter.

<A - E. Hunter Harrison>: Hey, Scott. Thank you.

<Q - Scott H. Group>: So there has been – it's been a while since we've heard from you, Hunter, and there have been some media reports. Can you just give us an update, I don't know that we need the history of where you were, but kind of where you are now and how active you are day-to-day and how this kind of impacts your view and vision for CP over the next few years?

<A - E. Hunter Harrison>: Well, I hope it's a non-event, Scott. I'm back on my feet. Most all of the medical issues of any significance are behind me. I'm very similar to where I was before, and I don't see any change in what I had – we previously talked about that the plan is that contractually, I'll be here till the middle of 2017, and unless God forbid, some other issue kicks in, that's where I want to be.

<Q - Scott H. Group>: Okay. Good to hear. And then, so we're in this period of weaker volume, which may or may not continue and if we can't count on the top line as much anymore, how comfortable do you feel about or how low do you feel like you can push the operating ratio lower with things like lower capital, lower head count, the new labor deals? How good could that get? Or is it that in a tougher revenue environment, there is not much more margin to get?

# EXHIBIT QQ

21-Jan-2016

# Canadian Pacific Railway Ltd. (CP)

Q4 2015 Earnings Call



free cash flow that you've been looking forward to. I think, if you look – just spend a moment on full year 2015, our OR came in at 61% and our earnings at CAD 10.10, which was up about 19% year-over-year. I think, for the last three years, we have been by far the strongest in EPS growth year-over-year performance, which will serve us well going forward.

And so let me just spend a couple of moments about some data in advance because I don't want it to get lost, and once again, in some of the Q&A activity. I think we're looking forward to in 2016 an operating ratio below 59%, and there are some wild cards there that says how far below. I think we're still, in spite of the fact of tremendous pressure on the top line, double-digit EPS growth and continue to reduce capital expenditures. So I think some of the initiatives that Keith and his team have initiated are starting to kick in. There are some exciting things going on there that I'm very, very pleased about, so some continued efficiency and productivity improvements we're looking forward to in 2016.

And I think I've talked before about this model of ours that I think it outperforms the competition may be even more so in hard times than it does good times. So I think that's one of the reasons that we will be able to sustain some performance that others think cannot be achieved. So, overall, there's a lot of unanswered questions out there in the market. We're happy to share with you, Mark can at the appropriate time, some of our assumptions. And if you think our assumptions are wrong, you can adjust accordingly.

But overall, I'm very pleased with the performance given, some of the challenges that we've been through and the challenges that have been extending themselves. And I have one more point I would make, if you remember back once again to the proxy contest and we talked about the two plans then. And one of the things that I was concerned about was that my plan, if you will, quote, was pretty conservative on topline revenue growth and the company was very aggressive. And I'm sorry to say I happen to be right there, but I think there's some light at the end of the tunnel. Don't ask me where, but it's there, okay.

And so, with that, let me turn it over to Keith for a moment to give some highlights on the operating [ph] performance (07:54).

Keith E. Creel

*President, Chief Operating Officer & Director*

Okay. Thanks, Hunter. I'll be brief in my comments as well. So the operating metrics that we share with the group this morning, certainly, this is a story of recognizing upfront the things you can't control, which is the economy. And then doing something about those that you can, which obviously is our operating performance day to day.

We finished 2015 in the face of a weak economy in the fourth quarter very strong, year-over-year very strong. This operating performance obviously is a testament to the operating model that we execute day in and day out, and also a testament to the people that execute it across this company.

The story of continually adjusting your assets, [ph] sizing the assets (08:35) versus demand, it's about blocking and tackling across all facets of the operating department, as well as in the headquarter and the support function. It isn't complicated, that requires an understanding of the model first and then disciplined execution day in and day out. Essentially, simply said, less demand when you put that in conjunction with continued step improvements and productivity, must produce an environment where you got fewer assets, fewer locomotives, fewer cars, fewer people across the board. That's what drives an ability to continue to improve productivity, lower cost, provide service, and that's why we're able to reduce head count of the workforce in 2015, about 12%, and an environment where we saw about a 3% volume decline.



Fuel expense was CAD 166 million during the quarter. That was down 43% year-over-year. Lower volumes accounted for CAD 21 million of the reduction and fuel productivity accounted for an additional CAD 12 million. But as of last year, lower fuel prices themselves accounted for the lion's share of the reduction at CAD 97 million. Purchased services was CAD 272 million, and as is typically the case, there were a number of puts and takes within this line item. But in a nutshell, the efficiencies generated through our focus on cost control, outweighs the headwind of a tough land sales comp during the quarter.

Now for 2016 and again for your modeling purposes, we do expect land sales of approximately CAD 75 million, which is roughly in line with our 2015 land sale number. And this reflects our progress in monetizing our real estate portfolio. So, ramping up on our quarterly P&L results, reported net income was down 29%. But when you remove the non-cash loss on U.S. dollar denominated debt and look just at the adjusted diluted earnings per share, we were up 1% at CAD 2.72 per share.

Moving quickly to cash flow and the balance sheet, I think it's important to note that for the full year, we generated record free cash flow of nearly CAD 1.2 billion, that was an increase of nearly 60% versus last year. And the increase was primarily driven by higher cash from operations and proceeds from asset sales, only partially offset by higher CapEx of CAD 1.5 billion.

Now if you start modeling 2016 cash flow, two things that you should keep in mind. First, with our large program spend largely behind us, train speed and other operating improvements ahead of schedule and a softer demand environment, we can now responsibly dial back on our CapEx spending. So you should expect to see about CAD 1.1 billion spend on CapEx during 2016.

Second our cash tax payments will be roughly CAD 370 million higher in 2016. Now I know that's a big number, but this is because during 2015, the company generated full taxable income, which was not offset by loss carry forwards in Canada for the first time since 2007. So, from a cash flow standpoint, the team will effectively be paying two years worth of cash taxes in 2016 because our 2015 Canadian taxes are payable in 2016 and we'll be submitting estimated monthly payments throughout the year.

With regards to the balance sheet, we've taken advantage of our improved credit rating and made significant improvement to our debt portfolio. Specifically, we've extended our weighted average maturity from 12 years to 26 years, while at the same time, reducing our weighted average coupon from 6.25% to 5.625%.

Finally, the last thought I'd like to leave you with today is that, as CFO, I take a great comfort in knowing the company's balance sheet is in very good regard. We have CAD 650 million of cash on hand, no material refinancing requirement until 2018 and an undrawn CAD 2 billion credit facility. So the company has plenty of liquidity and financial flexibility available to us as we start the New Year.

And with that, let me turn the call back to Hunter.

E. Hunter Harrison

Chief Executive Officer & Director

Okay. Thanks, Mark and Keith. And, Chris, we'll be happy to address questions now the group might have.

No. No, we haven't had those discussions. And as far as guidance from Teck, I think they'll come out with their true guidance in February. But right now, we're moving a lot of coal. Similar, we're assuming similar first quarter as last year, which is about 6 million metric tons, and right now, that's really all I can tell you.

We're going to do well by them. Cycle times are down. We're hitting all record lows as far as cycle times, that set records there, which is controlling the operating side of the cost and giving them a reliable supply source. And then the other encouraging fact is I've understand that they're diversifying their book of business, so not as dependent upon China with sales that they're [ph] spending over the year (19:30). So that's encouraging from my standpoint.

Fadi Chamoun  
BMO Capital Markets (Canada)

Good. Thank you.

**Operator:** Your next question comes from the line of Thomas Wadewitz from UBS. Your line is open.

Thomas Wadewitz  
UBS Securities LLC

Yes, good morning. I wanted to see if you could give us some comments on productivity and head count, if you know it. I guess when you've had the strong improvement over the last couple years, and certainly a lot of improvement in 2015 in operating metrics and then big reductions in the head count, everything kind of move in the right way in terms of the productivity. How much further is there to go in 2016? I don't know if that – they kind of maybe velocity comment, but also head count. If you look sequentially where you are in the fourth quarter, how much more of that can go down when we look into 2016?

E. Hunter Harrison  
Chief Executive Officer & Director

Tom, let me make some comments on that, then Keith maybe can add to it if he would choose. If you go back once again where we started with the product [indiscernible] (20:42), we've taken I think 6,000 and 7,000 people out of the count, which has been – predominantly been high percentage, in the high 90%, through attrition because we typically have enough to workforce.

And I think with some of the operating initiatives that Keith mentioned earlier, we feel like that there are some productivity gains and efficiencies. There are probably close to 1,000 additional heads to come out potentially in 2016. So there's still room there. There's still more to accomplish. And the real emphasis here is, as Keith said, what we're focusing on and what we can control, which is execution, which is running that same efficient railroad and provide good service and that's going us service well, but there's still opportunities that you mentioned there.

Keith E. Creel  
President, Chief Operating Officer & Director

The only thing I would add, Tom, is I mean this is – again, it's a similar story. We invest in the railways. The number one, protect that safe operation and number two, to strategically increase our productivity across the board.

So we said that speed is one. Velocity is key to our success. As we drive train, speed up [ph] our own investments (22:16). We own fewer trains, longer trains, faster trains. You create capacity, you reduce your operating expense and reduce your need on locomotors. You reduce your need on the folks that have to maintain those locomotors.

# REDACTED EXHIBIT RR

# REDACTED EXHIBIT SS

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**EXHIBIT YY**

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**EXHIBIT ZZ**

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EXHIBIT AAA

**CERTIFICATE OF SERVICE**

I do hereby certify that on this 26th day of June, 2017, I have served copies of the foregoing Supplemental Opening Statement by hand delivery to:

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/s/ Thomas W. Wilcox \_\_\_\_\_  
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