

220526

BNSF-2



**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 35081

**CANADIAN PACIFIC RAILWAY COMPANY, ET AL.
- CONTROL -
DAKOTA, MINNESOTA & EASTERN RAILROAD CORP., ET AL.**

**BNSF RAILWAY COMPANY'S COMMENTS ON THE
ENVIRONMENTAL REVIEW PROCEDURES PROPOSED IN THE
APPLICATION BY CANADIAN PACIFIC RAILWAY COMPANY, ET AL.
FOR APPROVAL OF CONTROL OF DAKOTA, MINNESOTA AND
EASTERN RAILROAD CORPORATION, ET AL.**

Richard E Weicher
Jake P DeBoever
BNSF Railway Company
2500 Lou Menk Drive
Fort Worth, TX 76131
(817) 352-2368

Adrian L Steel, Jr
Kathryn A Kusske Floyd
Jay C Johnson
Mayer Brown LLP
1909 K Street, N W
Washington, DC 20006
(202) 263-3237

Attorneys for BNSF Railway Company

Dated October 24, 2007

**ENTERED
Office of Proceedings
OCT 24 2007
Part of
Public Record**

TABLE OF CONTENTS

	Page
INTRODUCTION	1
ARGUMENT	2
I THE "PROPOSED TRANSACTION" BEFORE THE BOARD INCLUDES CPRC'S ACQUISITION OF DM&E'S PRB RIGHTS.	2
A The Application demonstrates that acquisition of DM&E's PRB rights is a central part of the proposed transaction	2
B Construction of the PRB line is a reasonably foreseeable result of the proposed transaction	4
II BECAUSE THE APPLICATION DOES NOT ADDRESS THE ENVIRONMENTAL EFFECTS OF CPRC'S ACQUISITION OF THE PRB BUILD-IN RIGHTS, THE BOARD SHOULD REQUIRE SUPPLEMENTATION OR MODIFICATION OF THE APPLICATION	5
A The Application improperly seeks indefinite deferral of the Board's NEPA obligation to study environmental impacts posed by PRB coal traffic on IC&E and CPRC lines	5
1 NEPA requires consideration of environmental impacts before agency decisions are made	5
2 Deferring environmental review of a proposed transaction until after it is approved does not satisfy NEPA	8
3 Applicants' own statements confirm that sufficient data exists to perform an environmental review under NEPA	10
4 Applicants have not explained how CPRC's acquisition of the PRB build-in rights would affect BNSF's operations and the regional transportation system in and around Chicago	12
B The Board should require Applicants to supplement the Application, or modify the Application to exclude the PRB rights	14
CONCLUSION.	15

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 35081

**CANADIAN PACIFIC RAILWAY COMPANY, ET AL.
– CONTROL –
DAKOTA, MINNESOTA & EASTERN RAILROAD CORP., ET AL.**

**BNSF RAILWAY COMPANY'S COMMENTS ON THE
ENVIRONMENTAL REVIEW PROCEDURES PROPOSED IN THE
APPLICATION BY CANADIAN PACIFIC RAILWAY COMPANY, ET AL.
FOR APPROVAL OF CONTROL OF DAKOTA, MINNESOTA AND
EASTERN RAILROAD CORPORATION, ET AL.**

BNSF Railway Company ("BNSF") respectfully submits these comments on the environmental review procedures proposed in the Application filed by Canadian Pacific Railway Company and Soo Line Holding Company for approval of control of Dakota, Minnesota & Eastern Railroad Corporation and Iowa, Chicago & Eastern Railroad Corporation

INTRODUCTION

Canadian Pacific Railway Company and its affiliates ("CPRC") have entered into a merger agreement under which CPRC will acquire control over the assets of Dakota, Minnesota & Eastern Railroad Corporation and its affiliates ("DM&E"), including the rights to build a new rail line into Wyoming's coal-rich Powder River Basin ("PRB") On October 5, 2007, CPRC and DM&E (the "Applicants") submitted their Application to the Board for approval as a "minor" transaction under 49 C.F.R. Part 1180

At the outset, BNSF emphasizes that it supports market-based behavior in the industry, including increased competition through projects such as the proposed PRB build-in even if such rail lines compete with BNSF Accordingly, BNSF does not object *per se* to CPRC's acquisition

of DM&E. Rather, BNSF's concern is the Application's failure to substantively discuss how the operation of the new PRB line in conjunction with the CPRC network will affect the environment and will interface with other rail operations. BNSF is not asking that the already-completed environmental review be repeated, rather, as we explain in these comments, BNSF believes that the Board should require Applicants to supplement their Application by providing the data necessary to prepare, *before* the proposed transaction is approved, a thorough Environmental Impact Statement ("EIS") examining the effects of transporting PRB coal on the lines currently operated by CPRC and Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). Requiring Applicants to conduct this type of environmental review would put CPRC in the same position it would have been in if it had been the original proponent of the new PRB line.

ARGUMENT

I. The "Proposed Transaction" Before The Board Includes CPRC's Acquisition Of DM&E's PRB Rights.

A. The Application demonstrates that acquisition of DM&E's PRB rights is a central part of the proposed transaction.

The Application describes the "proposed transaction" as "the acquisition of control of DM&E and IC&E by SOO Holding (and, indirectly, by CPRC)." Application at 7. The Agreement and Plan of Merger ("Merger Agreement") annexed to the Application makes clear that, as a result of the merger, "*all* the property, rights, privileges, powers and franchises" of DM&E would be under CPRC's control. Merger Agreement § 2.03 (emphasis added). This includes, of course, DM&E's "authority to construct and operate 282 miles of new railroad lines to serve coal origins in Wyoming's Powder River Basin." Application at 3, *see also id.* at 18 ("The property involved in the proposed transaction includes all the property of DM&E and its subsidiaries.") The Application's discussion of the proposed transaction's purpose accordingly references "a unique opportunity for CPR to assist DME in pursuing its goal of constructing and

operating a rail route to serve the Powder River Basin ” *Id.* at 10, *see also* Green V S at 5 (“The proposed transaction also presents a unique opportunity for CPR-DME to construct and operate a rail route to serve coal origins in Wyoming’s Powder River Basin”) The Application also explains that “CPR’s greater financial capability, its demonstrated expertise in designing and constructing new rail lines, and its extensive coal hauling experience will lend credibility to DM&E’s ongoing efforts to bring the PRB project to fruition ” Application at 10 In light of these statements and the plain terms of the Merger Agreement, the proposed transaction for which the Applicants seek approval from the Board clearly includes CPRC’s control of DM&E’s rights (and ongoing efforts) to build a new rail line into the PRB

In fact, the acquisition of DM&E’s rights to build into the PRB is the central feature of the proposed transaction CPRC’s public statements indicate that DM&E’s \$1.48 billion acquisition price does not stem from the fairly minimal 5,800 carloads of extended haul traffic and 64,000 carloads of organic growth on DM&E’s lines that Applicants project the merger will generate annually (Application at 13) The proposed transaction should instead be viewed, as CPRC explained during a recent call with investment analysts, “as not only buying a regional railroad that shows a lot of growth, but also, the *option to build into the PRB* ” Transcript, CP – Canadian Pacific announces agreement to acquire DM&E Railroad – Conference Call at 6 (Sept 5, 2007) (“Announcement Transcript”) (emphasis added) (attached as Exhibit 1) Anticipating the Board’s approval, CPRC already has agreed to make “additional future contingent payments of up to approximately \$1 billion, based upon commencement of construction of the proposed PRB line, and the volume of coal traffic routed over that line ” Application at 12 This supplemental \$1 billion payment, in addition to the substantial premium that CPRC paid

just to acquire DM&E's PRB rights, underscores the importance to the proposed transaction of DM&E's authority to build into the PRB

B. Construction of the PRB line is a reasonably foreseeable result of the proposed transaction.

Construction of the new PRB line is more than a hypothetical scenario or a long-term goal to be developed over an extended period of time. The Application states that "DM&E is *currently* pursuing the process of acquiring the right-of-way needed to build the PRB line," as well as several other "prerequisites to implementation of the PRB line project." Application at 3 (emphasis added). In other words, CPRC's subsidiary is merging with a railroad that is presently in the process of exercising its authority to build a new line into the PRB. Moreover, "if the proposed transaction is approved," CPRC has committed to "work[ing] diligently with DM&E to accomplish these necessary prerequisites to construction of the proposed PRB line." *Id.* CPRC's "financial capability," as well as its "expertise in designing and constructing new rail lines, and its extensive coal hauling experience" (*id.* at 10), will aid this work. Upon receiving Board approval, CPRC also "will make available to DME \$300 million to upgrade and rehabilitate its tracks, structures (bridges) and rail facilities"—which the Application acknowledges is "substantially the same" infrastructure investment that DM&E planned so its line could meet the operating specifications for PRB unit coal trains. *Id.* at 23-24 n. 7.

CPRC's statement that it "has not yet made a decision to build" the PRB project (*id.* at 24) does not change the fact that eventual construction of the PRB line is a significant element of the proposed transaction, and that, according to the Application, significant steps toward that construction are currently being taken. It is thus reasonably foreseeable that the Board's approval of the proposed transaction will lead to construction and operation of the PRB line by CPRC.

II. Because The Application Does Not Address The Environmental Effects Of CPRC's Acquisition Of The PRB Build-In Rights, The Board Should Require Supplementation Or Modification Of The Application.

STB regulations require that to be complete, an application must contain "all information" specified in the Board's General Acquisition Procedures. *Id* § 1180.4(c)(7)(i). That includes, among a number of other things, "[a] brief summary of the proposed transaction" (*id* § 1180.6(a)(1)(i)), and "[c]nvironmental data prepared in accordance with 49 CFR part 1105" (*id* § 1180.6(a)(8)). A complete application must "present a prima facie case" for approval of the proposed transaction. *Id* § 1180.4(c)(8). The Application in the present case is incomplete because it does not contain *any* substantive information concerning the environmental effects of CPRC's acquisition of DM&E's authority to construct a new rail line into the PRB. Because the Board cannot fulfill its obligations under the National Environmental Policy Act ("NEPA") apart from this information, it should require Applicants to supplement their filing by providing additional environmental data.¹

A. The Application improperly seeks indefinite deferral of the Board's NEPA obligation to study environmental impacts posed by PRB coal traffic on IC&E and CPRC lines.

I NEPA requires consideration of environmental impacts before agency decisions are made

The Board and its Section of Environmental Analysis ("SEA") have previously addressed the significant environmental impacts posed to communities along which DM&E (and CPRC if the transaction is approved) will route PRB coal. At the beginning of this year, the Board

¹ The relevant regulations authorize the Board to "reject an incomplete application by serving a decision no later than 30 days after the application is filed." 49 C.F.R. § 1180.4(c)(7)(ii). But because the same provision states that "[a] revised application may be submitted, incorporating portions of the prior application by reference," the most practical remedy in this case is to require Applicants to supplement their Application with the necessary environmental data.

adopted SEA's recommendation to prepare an EIS for PRB coal traffic over the IC&E lines, which had recently been acquired by DM&E. *See Iowa, Chicago & Eastern R R Corp – Acquisition and Operation Exemption – Lines of I&M Rail Link, LLC (“IC&E Acquisition”)*, STB Finance Docket No. 34177 Mem. to Section Chief Victoria Rutson (Jan. 30, 2007). In light of this decision, Applicants rightly recognize that the Board has an “obligation under [NEPA] to examine the environmental impacts of the transportation of PRB coal trains over the lines of IC&E and CPR ” Application at 25. Yet, rather than presenting environmental data in the Application that accounts for such PRB coal traffic, Applicants request that the Board defer the required environmental documentation “until such time as more definitive information regarding the likely volume and routing of those [PRB coal] trains becomes available ” *Id.* Under Applicants' proposal, this deferral would be accomplished by imposing a routing restriction that prohibits the transport of PRB coal over CPRC or IC&E lines. *Id.* Applicants then claim that the proposed transaction is categorically excluded from environmental review because *without the PRB traffic* “the increased traffic and anticipated changes in train and rail yard activity” will not “exceed the environmental review thresholds prescribed by the Board's regulations ” *Id.* at 23.

This separation of the proposed transaction into two distinct parts—one that allegedly is eligible now for categorical exclusion, and another that will require extensive environmental study at some future date—is incompatible with the Application's request for approval of a single action that includes CPRC's acquisition of DM&E's PRB rights. If the Board is to evaluate CPRC's request for control over all of DM&E assets, including the PRB build-in authorization, NEPA requires that the agency be fully informed of the environmental consequences of the entire proposed action, including the effects of CPRC's acquisition of the planned new line on regional transportation systems and on communities located along the

CPRC and IC&E lines As the Council on Environmental Quality's regulations implementing NEPA explain, "NEPA procedures must insure that environmental information is available to public officials and citizens *before* decisions are made and *before* actions are taken " 40 C F R § 1500 1(b) (emphasis added)

"[B]y focusing the agency's attention on the environmental consequences of a proposed project, NEPA ensures that important effects will not be overlooked or underestimated only to be discovered after resources have been committed or the die otherwise cast " *Robertson v Methow Valley Citizens Council*, 490 US 332, 349 (1989). Put differently, "NEPA was intended to ensure that decisions about federal actions would be made only *after* responsible decisionmakers had fully adverted to the environmental consequences of the actions, and had decided that the public benefits flowing from the actions outweighed their environmental costs." *Jones v District of Columbia Redevelopment Land Agency*, 499 F 2d 502, 512 (D C Cir 1974) (emphasis added), *see also Thomas v Peterson*, 753 F 2d 754, 755 (9th Cir 1985) ("A central purpose of an EIS is to force the consideration of environmental impacts in the decisionmaking process ") If a proposed federal action or decision may have significant environmental impacts, NEPA demands that those impacts be studied and considered up front by the relevant federal agency *See* 40 C F R § 1500.1(b) Thus, because CPRC's acquisition of DM&E's PRB rights is central to the proposed transaction here at issue, the Board must understand and publicize the environmental effects of that acquisition before making any decision on the Application ²

² Unlike many other federal statutes, NEPA is a procedural statute that is meant to be action-forcing—it requires federal agencies to solicit the public's involvement before the agency acts, thereby protecting the public interest and the environment *See, e g* , 40 C F R § 1500 1(a) ("action-forcing provisions . . . make sure that federal agencies act according to the letter and spirit of the Act"), 40 C F R § 1502 1 ("The primary purpose of an environmental impact statement is to serve as an action-forcing device to insure that the policies and goals defined in the Act are infused into the ongoing . . . actions of the Federal Government ") Any process

2 *Deferring environmental review of a proposed transaction until after it is approved does not satisfy NEPA*

Applicants suggest that the agency's NEPA obligations can be satisfied by deferring the requisite environmental study until some unknown future date and imposing routing restrictions on PRB traffic in the meantime. See Application at 25. This approach, although the Board has used it in some prior cases, defeats one of NEPA's fundamental purposes. In a prior proceeding that involved DM&E's PRB line project, the Board cited *Sierra Club v FERC*, 754 F.2d 1506, 1509-10 (9th Cir. 1985), for the proposition that "courts have recognized that there is no violation of NEPA where proposed actions would not effect a change in the status quo." *IC&E Acquisition*, Decision at 18 n.38 (July 22, 2002).³ *Sierra Club* involved a "preliminary permit" for licensing of a hydroelectric facility, the "sole purpose" of which was to maintain "priority" for a limited period while the applicants prepared a detailed license application. 754 F.2d at 1508. Because this sort of "preliminary permit" did not "allow the applicants to conduct any studies on federal lands," the court concluded that the agency's decision "[did] not change the status quo," and therefore that "no EIS was required." *Id.* at 1509, 1510.

In this case, Applicants acknowledge that the agency's decision to approve the proposed transaction—which necessarily includes approval of "the transportation of PRB coal trains over the lines of IC&E and CPR"—*does require* NEPA review. See Application at 25, See also *IC&E Acquisition*, Mem. to the Board from Victoria Rutson, Chief, Section of Environmental Analysis ("SEA Mem.") at 3 (Jan. 26, 2007) (concluding that an EIS is necessary before PRB

whereby the public is deprived of the opportunity to participate until after the decisionmakers have approved a proposed action undermines this basic objective of NEPA.

³ The Board imposed a routing restriction to maintain the "status quo" in *IC&E Acquisition*, but it appears that the deferral of environmental review in that case was not challenged. For the reasons discussed in this section, the decision to postpone environmental review in *IC&E Acquisition* was contrary to NEPA.

coal can be routed over the IC&E lines) The only question is when that review will take place Applicants would prefer that the Board postpone the fulfillment of its NEPA obligations until after their proposed transaction has been approved Application at 25 For reasons discussed above, this is not an option NEPA mandates that environmental information be available before a decision is made 40 C F R § 1500 1(b) The Board therefore must study and publicize the environmental impact of sending PRB coal over the CPRC and IC&E lines before it can approve CPRC's request for control over DM&E ⁴

Other cases cited by the Board in prior proceedings are equally unsupportive of deferring a full NEPA review in this proceeding In *Kleppe v Sierra Club*, 427 U S 390, 410 n.20 (1976), for example, the U S. Supreme Court said that NEPA "does not require an agency to consider the possible environmental impacts of less imminent actions when preparing the impact statement on proposed actions" unless those "contemplated actions later reach the stage of actual proposals

" As discussed above, the instant case involves a single, undivided proposal to give CPRC control over all of DM&E's assets, including its PRB construction rights Accordingly, CPRC's acquisition of DM&E's PRB rights is not some "less imminent action" that need not be considered at the present time; it is an integral and reasonably foreseeable part of the "proposed

⁴ Moreover, unlike the decision at issue in *Sierra Club*, the decision now facing the Board is in no way "preliminary" Approval of the proposed transaction would permanently alter the status quo by transferring DM&E's PRB rights to CPRC, which operates a substantially larger and more expansive rail network It is this transfer of DM&E's PRB rights to a party that operates lines not studied during the PRB Construction proceeding that triggers the Board's NEPA obligations See Application at 25, *IC&E Acquisition*, SEA Mem at 3, cf *Western Land Exch Project v United States Bureau of Land Mgmt*, 315 F Supp 2d 1068, 1088 (D Nev. 2004) (finding that NEPA applies when a change in ownership was "highly likely" to change the use of the property) In other words, because CPRC would enjoy *both* full authority to construct a new line into the PRB *and* full control over down-line routes not studied as part of the PRB Construction EIS, NEPA requires the Board to evaluate the environmental impacts of PRB coal on those down-line routes See *IC&E Acquisition*, Comments of U S Dep't of Transp. at 3 (noting that DM&E's acquisition of the IC&E lines allowed consideration of "down-line" environmental impacts)

action” now before the Board for approval. The fact that Applicants have agreed to postpone environmental review of this one aspect of the proposed action does not lessen the Board’s obligation under NEPA to “insure that environmental information is available to public officials and citizens before decisions are made and before actions are taken.” 40 C.F.R. § 1500.1(b). Since the transaction that Applicants ask the Board to approve includes CPRC’s acquisition of DM&E’s PRB rights, the environmental review required by NEPA cannot be postponed. See 40 C.F.R. § 1502.2(g) (“Environmental impact statements shall serve as the means of assessing the environmental impact of proposed agency actions, rather than justifying decisions already made.”)⁵

3 *Applicants’ own statements confirm that sufficient data exists to perform an environmental review under NEPA*

As a practical matter, Applicants rest their proposed postponement of any environmental study regarding the movement of PRB coal trains over the CPRC and IC&E lines on the absence of volume and routing information. See, e.g., Application at 24 (“It is not possible . . . to evaluate in meaningful fashion the potential environmental impacts (if any) of future coal transportation operations.”). According to Applicants, DM&E must “secure[] contracts with shippers for the movement of PRB coal” before they can estimate “the volume of coal that would be transported for each customer, the destinations to which such shipments would move, and the routing of such shipments beyond DM&E’s lines.” *Id.* This fact-based argument contradicts both DM&E’s assertions in a petition to the Board last year and CPRC’s public statements

⁵ The Board has also cited *Public Utilities Commission of California v. FERC*, 900 F.2d 269, 282-83 (D.C. Cir. 1990), in support of the deferral of NEPA environmental review. In that case, the D.C. Circuit held that an agency can make a final decision without completing the environmental review “so long as it assessed the environmental data before the decision’s effective date.” *Id.* at 282. Here, the Board has not been asked to postpone the effective date of its decision on the Application pending an environmental review of PRB traffic over the CPRC and IC&E lines.

In May 2006, DM&E filed a petition with the Board stating that “environmental analysis” of PRB coal traffic on the IC&E lines “can be commenced *now* without being unduly hypothetical . . . ” *IC&E Acquisition, Petition of Iowa, Chicago & Eastern Railroad Corp and Dakota, Minnesota & Eastern Railroad Corp to Reopen and Partially Modify Conditions at 8* (May 12, 2006) (emphasis added) Contrary to statements in the Application, DM&E told the Board in 2006 that it was “relatively unrealistic” to expect contracts to be in place before traffic routings could be determined *Id* Instead, DM&E stated that “sufficiently reliable data is available for an analysis of IC&E coal routings,” pointing out that “much of the underlying information for such an analysis is already of record in the PRB Construction proceeding ” *Id* Similarly, during a recent conference call with investment analysts announcing its planned acquisition of DM&E, CPRC was asked whether existing utilities on its rail lines use PRB coal CPRC responded in part by explaining that it had *already* “been through every utility that we currently have access to, anything we might have access to, what we do today, what we don’t do today, [and] what the competitive issues are ” Announcement Transcript at 19 This sort of information presumably could be used to determine potential routings and volumes in the context of an environmental analysis All of these statements belie the Application’s contention that the existing data is insufficient to perform an environmental analysis of PRB coal routings over CPRC and IC&E lines ⁶

⁶ As the Board and SEA are aware, DM&E’s PRB project has been highly controversial from the start, drawing significant environmental concerns from communities and governmental authorities seeking consideration by the STB of mitigation for the project’s impacts These communities and broader environmental interest groups have twice appealed the STB’s handling of the environmental aspects of the PRB project to the Eighth Circuit There is every reason to believe that similarly affected communities and governmental authorities impacted by the new proposed transaction involving the transfer of the same PRB rights and new routings will raise additional environmental concerns, which must be heard as part of the whole record before the STB in determining whether to approve the proposed action Indeed, the City

In any case, NEPA does not require absolute certainty of underlying facts before an environmental review is performed. *See, e.g., City of New York v. United States Dep't of Transp.*, 715 F.2d 732, 746 n.14 (2d Cir. 1983) ("The fact that effects are only a possibility does not insulate the proposed action from consideration under NEPA.") Agencies often must rely on estimates and predictions to evaluate the potential environmental impacts of proposed actions. The Board's Final EIS in the PRB Construction case, for example, used a series of tiered traffic projections to analyze the potential impacts of PRB coal traffic on the DM&E lines. *See Powder River Basin Expansion Project, Final EIS* at 9-35. The Board projected in that proceeding that DM&E would eventually haul up to 100 million tons of PRB coal annually, amounting to approximately 37 coal trains per day traveling on the DM&E lines to and from the PRB. *See id.* Applicants fail to explain why the same sort of projections could not be used with respect to traffic on the IC&E and CPRC lines, which together would likely handle a significant portion of the 37 daily PRB coal trains that DM&E plans to haul.

4 *Applicants have not explained how CPRC's acquisition of the PRB build-in rights would affect BNSF's operations and the regional transportation system in and around Chicago*

In its comments filed in the *IC&E Acquisition* proceeding, BNSF noted "that transporting PRB coal over the [IC&E] lines would have substantial impacts in the Chicago Gateway that merit further consideration." *IC&E Acquisition*, BNSF Comments at 30 (Dec. 11, 2006). BNSF's comments explained that "[t]hese potentially severe effects on BNSF's system in and around Chicago would in turn have impacts on the environment and existing transportation

of Winona, Minnesota and Chicago's commuter rail authority, Metra, have already filed comments with the Board in this proceeding asking for further consideration of the environmental and operational effects of the proposed transaction. *See also Dakota, Minnesota & Eastern R.R. Corp. – Construction into the Powder River Basin*, STB Finance Docket No. 33407, Comments of the City of Winona, MN (March 2, 2001) (discussing potential impacts to Winona, which is located on the CPRC line).

systems " *Id.* at 32-33. The Board ultimately concurred with BNSF's conclusion that an EIS should be prepared before PRB coal is routed over the IC&E lines. *See IC&E Acquisition*, Mem to Section Chief Victoria Rutson (Jan 30, 2007). With CPRC in control of DM&E and its PRB rights, the probability of the anticipated PRB coal traffic materializing has now become significantly greater. The potential for operational and environmental impacts thus exists if PRB coal is routed into Chicago over CPRC lines, and nothing in Applicants' Operating Plan or elsewhere in the Application addresses how CPRC would deal with such impacts.

The most likely routing of PRB coal into Chicago via CPRC proceeds over CPRC's main line to Chicago from a connection with the DM&E main line at Minnesota City. This line crosses BNSF's main line at La Crosse, Wisconsin, where the (at grade) crossing is known as Grand Crossing. BNSF currently operates approximately 40 trains per day through Grand Crossing, including several pairs of time-sensitive intermodal trains between Chicago, Minneapolis/St. Paul and the Pacific Northwest. In addition, BNSF operates a yard near Grand Crossing. Switching at that yard often requires BNSF to occupy Grand Crossing. CPRC also has a yard located just west of Grand Crossing, and its trains likewise regularly occupy the crossing while work is performed at that yard. If PRB coal shipments cause CPRC to increase its traffic volume at Grand Crossing, it could significantly impact BNSF's (and CPRC's) operations there. Those impacts and their effect on the environment, neither of which are addressed in the Application or the Applicants' Operating Plan, should be studied as part of the Board's NEPA review before a decision is made on the proposed transaction.

The potential for operational delays and corresponding environmental impacts would appear to increase as PRB coal trains approach the Chicago Gateway over CPRC's line through Milwaukee. Between Milwaukee and Chicago, CPRC operates an existing freight service with a

projected 2010 density of around 45 million tons without considering PRB coal ⁷ Application Exhibit 14 BNSF understands that CPRC also currently operates 16 daily Amtrak trains, as well as 60 daily commuter trains for Metra, on its lines into and from Chicago Union Station. Although adding even a portion of the estimated 37 PRB coal trains per day to the CPRC line could significantly disrupt traffic throughout the regional freight, commuter and passenger transportation system, Applicants have remained silent about their plans for routing PRB coal into Chicago. As the Board found with respect to PRB coal traffic routed over the IC&E lines (see *IC&E Acquisition*, SEA Mem at 4), preparation of an EIS is the best way to evaluate these potential impacts from PRB coal routings.

B. The Board should require Applicants to supplement the Application, or modify the Application to exclude the PRB rights.

In sum, as discussed above, the Board has neither legal nor practical justification for deferring its obligation under NEPA to study the environmental impacts of PRB coal movements on the CPRC and IC&E lines. The Board and the public should have an opportunity to examine those impacts before the Board decides whether to approve the proposed transaction now before it, which includes approval of CPRC's acquisition of DM&E's authority to build a new line into the PRB.

Because the Application does not discuss these potential environmental impacts, the Board should order Applicants to supplement their filing by providing additional environmental data to SEA. See 49 C.F.R. § 1180.4(c)(7)(ii). Consistent with the Board's conclusion in *IC&E Acquisition*, SEA would use this environmental data and its own investigation to prepare an EIS.

⁷ CPRC's freight trains diverge from their main line onto the Union Pacific main line south of Rondout at Techny Junction (Tower A-20). That line eventually merges with the IC&E main line (operated by Metra) just west of CPRC's Bensenville Yard. From Bensenville, CPRC coal trains on this route would proceed eastward on Metra trackage to connections with Illinois Harbor Belt Railroad and Belt Railway Company of Chicago.

analyzing the environmental effects of routing PRB coal over the CPRC and IC&E lines before the Board decides whether to approve the proposed transaction⁸

Alternatively, if Applicants truly wish to defer the Board's consideration of environmental impacts from CPRC's acquisition of the PRB rights, they could revise and resubmit their Application in a manner that allows the Board to consider CPRC's acquisition of DM&E existing physical assets *separate from* acquisition of DM&E's PRB rights⁹ Cf Green V S at 6 (asserting that the proposed transaction "is structured to reflect the separate nature of the decision whether to proceed with the PRB line project"). When CPRC determines that it is prepared to go forward with the PRB project, it can return to the Board for a separate approval, separately subject to NEPA, of the acquisition of DM&E's PRB rights.

CONCLUSION

For all the reasons discussed above, the Application as submitted does not fully address core environmental issues that will arise as a result of the proposed transaction Pursuant to NEPA, the Board should require supplementation with information concerning the environmental effects of PRB coal traffic on the CPRC and IC&E lines, or modification to exclude acquisition of DM&E's authority to build into the PRB at this time

⁸ In the event the Board determines to order Applicants to supplement the Application, the proposed procedural schedule submitted by Applicants with the Application (CPR-3/DME-3) should be modified to allow for the supplementation See *Kansas City Southern – Control – The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and the Texas Mexican Railway Company*, Finance Docket No. 34342, Decision No 2 (served June 9, 2003)

⁹ There are a variety of ways that CPRC and DM&E might choose to restructure the transaction to postpone acquisition of the PRB rights One possibility might include the use of a voting trust for DM&E's PRB rights

Respectfully submitted,



Richard E. Weicher
Jake P. DeBoever
BNSF Railway Company
2500 Lou Menk Drive
Fort Worth, TX 76131
(817) 352-2368

Adrian L. Steel, Jr.
Kathryn A. Kusske Floyd
Jay C. Johnson
Mayer Brown LLP
1909 K Street, N.W.
Washington, DC 20006-1101
(202) 263-3237

Attorneys for BNSF Railway Company

Dated October 24, 2007

Exhibit 1

FINAL TRANSCRIPT

Thomson StreetEvents™

CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Event Date/Time: Sep. 05. 2007 / 11:00AM ET

THOMSON

www.streetevents.com

Contact Us

© 2007 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Sep. 05. 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

CORPORATE PARTICIPANTS

Janet Weiss
Canadian Pacific - Assistant Vice President, Investor Relations

Fred Green
Canadian Pacific - President and CEO

Mike Lambert
Canadian Pacific - EVP and CFO

Kathryn McQuade
Canadian Pacific - COO

CONFERENCE CALL PARTICIPANTS

Fadi Chaamoun
UBS Securities - Analyst

James David
Scotia Capital - Analyst

Scott Flower
Bank of America Securities - Analyst

Tom Wadewitz
JPMorgan - Analyst

Bill MacKenzie
TD Newcrest - Analyst

Cameron Jeffreys
Credit Suisse - Analyst

Ken Hoexter
Merrill Lynch - Analyst

Randy Cousins
BMO Capital Markets - Analyst

Ed Wolfe
Bear Stearns - Analyst

Robert Fay
Canaccord Adams - Analyst

David Newman
National Bank Financial - Analyst

Walter Spracklin
RBC Capital Markets - Analyst

John Barnes
BB&T Capital Markets - Analyst

Tim Krone
The Free Press - Media

Chris Sorenson
The Toronto Star - Media

Wally Wheart
The Distinct Today Magazine - Media

Sep. 05, 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Hugo Miller
Bloomberg News - Media

Dennis Gall
The Associated Press - Media

PRESENTATION

Operator

Welcome to Canadian Pacific's DM&E Acquisition Conference Call. At this time, all participants are in a listen only mode. Following the presentation, we will conduct a question and answer session. If anyone has any difficulties hearing the conference, please press star, zero for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Wednesday, September 5th at 11 a.m. Eastern Time.

I will now turn the conference over to Ms. Janet Weiss, Assistant Vice President, Investor Relations of Canadian Pacific. Please go ahead, ma'am.

Janet Weiss - Canadian Pacific - Assistant Vice President, Investor Relations

Thank you, [Kieran], and thank you, ladies and gentlemen, for joining us. This morning, Canadian Pacific is here to discuss our recently announced agreement to acquire the Dakota Minnesota and Eastern Railroad Corporation and its subsidiaries.

With us today are Mr. Fred Green, our President and Chief Executive Officer, Mike Lambert, our Chief Financial Officer, and Kathryn McQuade, our Chief Operating Officer. Following some opening remarks by Mr. Green and Mr. Lambert, we will conduct a question and answer session.

Before we get started, let me remind you that our remarks this morning contain forward-looking information. Actual results may differ materially. The risks, uncertainties and other factors that could influence actual results are in our press release of September 4th announcing the agreement to acquire the DM&E. Please read carefully, as these assumptions could change throughout the year.

All dollars quoted in our formal remarks this morning are Canadian unless otherwise stated. Please feel free to queue up for questions now or at any time by pressing the star, followed by the one on your touchtone phone.

Here then is our President and CEO, Mr. Fred Green.

Fred Green - Canadian Pacific - President and CEO

Good morning, everyone. This morning, CP announced the acquisition of the Dakota Minnesota and Eastern Railroad Corporation, a railroad with a quality traffic base, good potential for significant organization growth and exciting options to pursue new coal volumes in the Powder River Basin.

Subject to Surface Transportation Board Approval, CP's network will expand by approximately 2,500 miles, we'll add over \$275 million to our revenue immediately and with substantial growth opportunities beyond that and our EBITDA will increase well in excess of \$100 million a gain with more visible growth on the horizon.

Sep 05 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

The acquisition of the DM&E will create significant long term shareholder value and is accretive to earnings. This is a strong, growing regional railroad with solid growth potential.

Today, Mike, Kathryn and I are pleased to be here and to share with you why we believe the acquisition of the DM&E is a terrific strategic addition for CP and how the financial structure of the deal delivers value in both the short term and the long term. I'll take you through the highlights of the business and Mike will address the financial structure and the benefits.

So, let me start by saying that the DM&E is an excellent property. To those of you who are not familiar with their franchise, it's the largest regional railroad in the US serving eight states in the Midwest. It's a high quality, growing regional enterprise with a strong diversified product base and a rapidly expanding ethanol business.

It connects with all of the class one railroad through major interchanges at Minneapolis, St. Paul, Chicago and Kansas City, giving it efficient access to markets and it's among the most efficient railroads in the US with an operating ratio of 70.2% in 2006.

Also, through the perseverance of President and CEO Kevin Schieffer and his management team, the DM&E has secured STB approval to build and operate a new rail line into the Powder River Basin or PRB, the largest producing region of low sulfur thermal coal in North America. The DM&E represents a unique opportunity. And as most of you know, there aren't many prospects to acquire a rail property of this size and quality.

We characterize this acquisition as particularly attractive. And I say this for four principle reasons. First, for CP, it compliments what we do and creates a new footprint for growth. The grain franchise compliments our current \$1 billion grain franchise. The industrial products business has common products and customers and the fast growing ethanol business is a segment that we've been seeking to participate in.

Second, we're acquiring a business we understand very well in a geography we're very familiar with. Third, because of the end-to-end nature of these franchises, we can quickly realize the benefits that come from the unique blend of class one capabilities and regional railroad effectiveness. And finally, the DM&E has a great core franchise that will deliver earnings immediately.

When you stand back and look at it, we are the most logical buyers of this franchise. And I must say that DM&E's authority to build into the PRB offers an extraordinary growth prospect.

As many of you know, the growth of demand for low sulfur thermal coal from the PRB has been very strong. Today, this is a 470 million ton market and it's projected to grow significantly over the coming decades.

The opportunity to participate in a large rapidly growing market is rather unique. If the PRB building goes ahead, the expansion project would effectively introduce a desired third railroad into the region adding coal hauling capacity, establish a dedicated, more direct route for coal from the PRB to the Midwest markets to serve the broader agenda of US national energy independence and provide a great growth opportunity for CP.

Before handing off to Mike, I'd like to comment that up until recently, CP has largely been focused on growing within the reach of our franchise. Our recently announced plans to build into the industrial heartland, serving the Canadian oil sands market and now the DM&E are allowing us to grow by expanding the reach of our franchise. We believe our track record of improving results shows our commitment to execution excellence. And now, we can and should grow externally for the benefit of our shareholders and customers.

This acquisition has been well considered and we have a carefully thought out plan for integration that will allow us to realize the DM&E's potential while staying absolutely focused on our existing safety, productivity and people objectives. The DM&E is the right size and in the right place to make it an acquisition that will create shareholder value.

Now, I'll turn it over to Mike to talk about the structure of the deal.



Sep. 05. 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Mike Lambert - Canadian Pacific - EVP and CFO

Thanks, Fred. Let me start by saying that the DM&E represents an excellent opportunity for CP to grow its franchise and enhance long term shareholder value. When we looked at this business opportunity, we asked ourselves, does CP have the management team to achieve success? Does this opportunity have the fundamentals and the strategic fit to make it more than additive? And finally, does CP have the financial strength to continue to pursue other opportunities if they present themselves?

The answer to all three questions is yes. The DM&E is an acquisition that has been structured in a way that ensures transaction payments are aligned with the realization of shareholder value. The deal preserves CP's financial flexibility and investment grade status and is set up so that upside PRB payments are contingent upon actual progress on the expansion project.

The DM&E is an excellent railroad that has delivered a compound average growth rate of 35% on revenues and 38% on EBITDA over the 2001 to 2006 timeframe through a combination of both organic growth, growth and acquisitions.

As we stated in our press release, the agreement to acquire the DM&E consists of a 1.48 billion US cash payment at closing with future contingent payments that could total approximately 1 billion US if construction on the Powder River Basin expansion project occurs and certain coal tonnage thresholds are exceeded prior to December 31, 2025.

Now, I'd like to take a few minutes to walk you through the mechanics of the deal and our financing plans. CP's acquisition of the DM&E is subject to Surface Transportation Board or STB review and approval. And until the transaction is authorized, the shares of the DM&E will be placed into an independent voting trust. Earnings from the DM&E will flow into our income statement in the form of equity income.

We're currently anticipating the STB approval process will take less than a year. We expect to close in the next 30 to 60 days and have secured acquisition funding that will carry us through the STB review period and beyond.

Permanent financing will focus on the efficiency of our capital structure with the objective of maintaining our investment grade rating. We expect to finance this acquisition through a combination of cash and debt.

So, looking forward, with the STB approval, we'll begin to realize the synergies built into our model. A couple of examples of baseline improvements include extended lengths of haul and reduced casualty costs as a result of improving safety performance.

The DM&E gives us a new platform for growth. At the same time, we'll be bringing a best in class safety focus, which is going to benefit everyone - employees, communities and shareholders. We've designed the acquisition to pay for the core franchise and the PRB opportunity and structured future incremental payments to the DM&E owners to correspond with the achievement of key milestones.

I like this transaction structure because it ensures the consideration paid by CP mirrors progress with the PRB building. Simply stated, we've built a structure where we pay as we go and we only pay for what we get.

As you know, the DM&E has received STB approval to build and operate a line into the PRB. However, in order to make the project viable, there are a number of milestones that need to be met before we'll consider proceeding. These milestones address customer and construction elements of the project.

Contingent payments will be made if the project goes ahead and certain volume thresholds are achieved prior to 2025. More specifically, future contingent payments of 350 million US will be paid with the implementation of construction and additional future contingent payments of up to approximately 700 million US, which aren't likely to start for four or five years, will be due upon the movement of specified volumes of coal from the PRB.

Sep. 05. 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

As I said, the agreement is structured in a way that ensures transaction payments that are aligned with the creation of shareholder value

In conjunction with this transaction, we have elected to suspend our share repurchase program. As we have stated in the past, our priorities for free cash focus on investing in the franchise and pursuing growth investments with attractive return. We think this investment is an appropriate way to build long term value for our shareholders and is accretive in the short term. We now expect our average number of diluted outstanding shares in 2007 to roughly equal 156 million and our EPS to remain within the previously announced range of \$4.30 to \$4.45.

We look forward to sharing more about our expectations for this property at our Investor Day on October 30th in New York. Back to you, Fred

Fred Green - Canadian Pacific - President and CEO

Well, thanks, Mike. So, let me summarize. The DM&E is a great acquisition for CP that has been structured in a way that preserves CP's financial flexibility and investment grade status and matches transaction payments with the realization of value.

This is an acquisition that provides for immediate financial benefits and the potential for long term growth. We're excited by the possibilities and look forward to presenting our plans to the STB.

With that, Mike, Kathryn and I would be happy to field some questions.

QUESTIONS AND ANSWERS

Operator

Thank you. One moment please.

[OPERATOR INSTRUCTIONS.]

Your first question comes from Fadi Chaamoun from UBS Securities. Please go ahead.

Fadi Chaamoun - UBS Securities - Analyst

Good morning.

Fred Green - Canadian Pacific - President and CEO

Morning, Fadi.

Fadi Chaamoun - UBS Securities - Analyst

The way it seems to be split, sort of, you're paying 1.5 billion for the existing assets. And my first question is the shape of these assets is viewed to be a little bit in need of upgrade. So, I want to know, first of all, how much of an upgrade, how much of a potential cash that will be needed sort of to upgrade the infrastructure of DM&E that you have today? And what are the costs savings that you're assuming in the accretion for 2008?



Sep. 05. 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Mike Lambert - Canadian Pacific - EVP and CFO

So, Fadi, it's Mike Lambert. Let me talk first the asset that we're buying. We don't view it as, the down payment, as buying the existing assets. We view the down payment as not only buying a regional railroad that shows a lot of growth, but also, the option to build into the PRB. So, that's, in terms of the 1.48 billion, that's what's in the down payment.

In terms of the accretion, the EBITDA that we're acquiring is in excess of 100 million. And we think that within the next five years, that could almost double. And two-thirds of that comes from growth. Only a third of that comes from synergies.

And – but, yet, despite the growth opportunity, it's accretive in the short term. It'll be accretive in the first full year of operation in 2008 to CP.

In terms of the capital investment, I'll turn it back to Fred.

Fred Green - Canadian Pacific - President and CEO

Fadi, with regard to that aspect, we have stated that we expect to spend about \$300 million to upgrade the assets that are in place today. So, we'll probably spread that over. We'll use our discretion once we're on the property a little bit more robustly. But, I would say minimum of over three years, possibly spread it over five, might even be five. Just depends on the circumstances.

But, we clearly see opportunities to upgrade that, a handful of sidings probably and certainly upgrading the infrastructure. With that will come the benefit of greater speed, greater asset turns, that type of thing. And obviously, the whole driver or the primary driver is to take the safety level to – as much as they've done a good job improving, we think we can take it substantially further down that path. And that's why we're the safety railroad in North America for train accidents.

Fadi Chaamoun - UBS Securities - Analyst

Okay. Any ideas how much it would cost to expand it to the PRB? And I'll go back into the queue. Thanks.

Fred Green - Canadian Pacific - President and CEO

I think at this point, Fadi, we probably – there's been so many rumors out there about what the numbers are. We're not going to really speculate on that at this point in time because we're trying to treat this as a separate decision.

The way we've structured this deal, as we get on and deal with the, what is today the regional railroad, we – as Mike says, we think we can do a lot more with this. We're excited about that.

And then, there's a second set of decisions about do you even build in? And only if we tick the box on some critical criteria with regard to return on investment and other, I'll call them primary needs that we would have will we make those decisions. So, we'll try and characterize that more fulsome, in a more fulsome way at the October meeting.

Mike Lambert - Canadian Pacific - EVP and CFO

One thing I can assure you, Fadi, is that we don't spend a dime, an incremental dime unless there's more than a dime of value created.

Sep. 05, 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Operator

Your next question comes from James David from Scotia Capital Please go ahead

James David - Scotia Capital - Analyst

Thank you Good morning, all When you talk about the additional, Fred, 300 million in cap ex over three, four, five years, is that on top? I think the run rate right now is \$100 million Is that incremental to that?

Fred Green - Canadian Pacific - President and CEO

Whatever -- yes Those dollars that we've spoken about, James, would be incremental to the pace at which they'd been investing I think it's ramped up quite a bit in the last couple of years And it's reflected in some of their success on improving their safety record

That said, we think there's a whole step function improvement beyond that that drives both fluidity and safety and it'd be a pretty wise investment on our part

James David - Scotia Capital - Analyst

Okay I think, Mike, you mentioned one-third of the upside to this over the next few years is synergies - cost synergies, presumably So, let's call it \$33 million Do you expect that that flows through more near term than medium term because, again, just trying to nail down what the kind of accretion you're pointing to for 2008?

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah Thanks, James It's good that you're picking up on that It's around, pretty close to the number you just said So, we think this thing can get to 200 million over the next five years, but two-thirds of it comes from growth So, I don't want you to forget that

James David - Scotia Capital - Analyst

Uh-huh

Mike Lambert - Canadian Pacific - EVP and CFO

In terms of the synergies, it would be wrong to characterize it as mostly cost Some of these synergies are length of haul I'd split it in rough terms half and half - some cost savings and some top line increments through length of haul.

But -- and it would also be wrong to characterize it as labor savings It's mostly cost savings by the size and by what we bring to the equation

Fred Green - Canadian Pacific - President and CEO

I think, James, maybe I'll just jump in on that, too When you think about the expense side, think about asset utilization So, think equipment rent When you think about another cost side is the casualty cost because we're going to put more money



Sep. 05. 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

into the infrastructure, which should drive down the train accident rate. Those would be areas that you'd see expense benefits from that we can make happen.

And as Mike says, when you characterize the synergies on the revenue side, A, we have that fundamental growth. But, beyond that, we also have the length of haul approach where stuff that originates on this line, which would previously have been handed off at Chicago, can make it all its way to Toronto or make its way to some Northeastern market that we wouldn't have otherwise -- they wouldn't have otherwise participated in. So, that's the characterization that probably makes the most sense.

James David - Scotia Capital - Analyst

Okay. Many thanks.

Fred Green - Canadian Pacific - President and CEO

Pleasure.

Operator

Your next question comes from Scott Flower from Banc of America Securities. Please go ahead.

Scott Flower - Banc of America Securities - Analyst

Yeah, good morning, all.

Fred Green - Canadian Pacific - President and CEO

Morning, Scott.

Scott Flower - Banc of America Securities - Analyst

When -- one perfunctory question -- when do you expect to make your filing to the STB?

Fred Green - Canadian Pacific - President and CEO

Probably in October, Scott. I think the -- I'm not sure we control all of the timing on all these things. But, it'll be pretty close to early October.

Scott Flower - Banc of America Securities - Analyst

Okay. And then, I'm just wondering -- I know that you all have described -- you obviously are buying the assets and the options relative to the PRB story. But, I mean, are there -- obviously, if you get in there and you find things aren't what you expect, the option won't get used. But, I mean, do you see any foreseeable circumstances where you won't exercise that option? And I put option in quotes. I know it's really more a decision you would make from a business standpoint.

But, I mean, it would seem like, obviously, buying this with the option to go into PRB that you obviously have enough understanding that you think that's a realistic option you may go ahead and do something with.

Sep. 05, 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

We clearly think it's a realistic option. What we – the reason we structured the deal the way we did is that it is very important, I think, to our shareholders that we don't make kind of unsubstantiated wild bets. What we are going to do is bring forward another dialog.

First, we're going to integrate this business, the current business. And at some point in the future, which we hope is not too far down the road, certainly within the next couple of years, we'll be back in the marketplace saying, here's another great opportunity, which we thought was there. We have now validated. These are the risks that we saw and these are the ways we're either going to mitigate the risk or seize the opportunity.

We'll have a team working on that over the course of the foreseeable future. And by the time we make that decision, we will have a very high confidence level in our ability to deliver a great return to the shareholders.

Scott Flower - Banc of America Securities - Analyst

Okay. And then, last question and I'll let someone else have at it – obviously, these attainments have a couple of structures to them. And I know that some of this may be sensitive. But, I mean, if you can give me any sensation, however you might do this. Where on the production side do you actually start kicking in on the 700 million? And I would imagine that scales up, depending on what those tonnage levels get to through 2025. I mean, how low is the threshold for that to be meaningful to kick into those payments?

Fred Green - Canadian Pacific - President and CEO

Yeah. I think, Scott, it would probably be inappropriate for us to be specific about that. It's probably a confidentiality issue that we have, certainly one that we wouldn't want to get into too much detail on for, I'll call it, commercial purposes.

But, let me maybe try and give you an answer directionally. As an organization, the payments that we propose to make should we be successful – and we want to make these payments because if we do, they'll be a great investment for our company. Otherwise, we wouldn't make the investment.

They won't – it's not like you kind of get to a point and the minute you get to the point, you have to start peeling out huge amounts of money. What we're going to do is if this works, the way that the model is set up, we'll get a chance to make some money for this enterprise or whoever invests in it, which we would like it to be us, after which there is subsequent payments.

And so, it's going to be a model whereby you get a return on investment. And then, we subsequently share some mutual benefit as we go forward if we choose to do this.

Mike Lambert - Canadian Pacific - EVP and CFO

And let me add to that, Scott, the way it's been structured in terms of these future payments, which we estimate won't start for about four or five years, the reason we'd be happy to make them is that when we pay those amounts, the value it's creating is a multiple of those amounts.

Scott Flower - Banc of America Securities - Analyst

Got you. Thank you very much, all.



Sep. 05, 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

Thank you

Operator

Your next question comes from Tom Wadewitz from JPMorgan Please go ahead

Tom Wadewitz - JPMorgan - Analyst

Yes Good morning I just wanted a detail here first before kind of a strategic question, I guess Does DM&E have any debt that you're assuming? My sense was they had a couple hundred million in debt

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah, Tom, that's actually a pretty good assumption It's a little bit more than that, but not much more And we're actually, as much as we take it over, we're going to pay it off

Tom Wadewitz - JPMorgan - Analyst

Yeah I mean, is the number 4 to 500 million? That's kind of the number I had in mind in terms of the debt they have Is that ballparkish?

Mike Lambert - Canadian Pacific - EVP and CFO

No, no, no. It's a couple hundred million I think it's around 240 something

Tom Wadewitz - JPMorgan - Analyst

240

Mike Lambert - Canadian Pacific - EVP and CFO

Which we'll pay off, but that's been assumed in terms of the enterprise value that we're acquiring

Tom Wadewitz - JPMorgan - Analyst

But, that's on top of the 1.48 billion cash you're paying?

Mike Lambert - Canadian Pacific - EVP and CFO

No What I'm saying is the enterprise value is 1.48, which you know, enterprise value includes debt

Sep. 05 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Tom Wadewitz - JPMorgan - Analyst

Okay, okay Fair enough I just wasn't sure whether that was included or on top. That's helpful

Fred, when you look at this property, it seems to have a pretty, I guess, interesting growth profile from ag and S&L plants and so forth. So -- and it fits well with your railroad property. Setting aside the PRB project, are you primarily buying this because you see an attractive growth profile in the underlying property or are you primarily buying this because the potential of that PRB project is pretty attractive?

Fred Green - Canadian Pacific - President and CEO

I don't even know if I could split the two, Tom, to be candid with you The nature of the regional railroad is just so consistent with what we do and do so well with our prairie railroading and the nature of the commodities and the customers that to me, that's something that we've been observing and frankly working with DM&E on marketing agreements and other things for several years

And when an opportunity like this comes along, we'd be kind of silly, in my opinion, not to at least pursue it And as we did, we pursued it and saw a great return So, we made -- we pursued that

To me, I look at the PRB as kind of icing on the cake You've got this great enterprise that's not only solid and doing well, but also has growth within it in the ethanol business. And then, you've got this icing on the cake called an opportunity to participate in a massive 470 million market that's growing by I think 6 to 7%. So, it's not either/or It's kind of like, wow, two good things that fit perfectly with our franchise and our capabilities.

Tom Wadewitz - JPMorgan - Analyst

Yeah I mean, if you didn't have the PRB option and you could just pay 1.48 and get the underlying property, that still might be attractive?

Fred Green - Canadian Pacific - President and CEO

That's possible But, we didn't characterize As Mike said at the beginning, we purchased both the regional railroad and the option for the 1.48 And all the contingent payments are based on whether we do or don't proceed with PRB So, I wouldn't characterize that price as something we might or might not have paid We would have had to assess it independently, which we didn't look at it as an independent buy We knew it was a package

Tom Wadewitz - JPMorgan - Analyst

Okay And then, just two more short ones and I'll pass it along But, what's your timeframe for when you would decide whether you go or no-go on the actual PRB project? Is that relatively near-term or is that really, you can do that two or three years out from now?

And then, the second one is just, I believe that Union Pacific has a right of first refusal on the DM&E And I wondered if that's something that was considered ahead of time or if that's already been addressed or how we should view that?



Sep. 05. 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

Well, with regard to the timing, Tom, I wouldn't want to put a pair of handcuffs on myself. The more important issue is not the specificity of the timing as it is ticking the boxes on the critical criteria that will make this an attractive long term investment.

So, if it takes us 12 months, great. If it takes us 18, 24 or 30 months, that's okay, too. What's important is can we create a set of conditions that make this a fantastic next step investment? So, I won't constrain myself with timing. But, it's not going to happen in 12 months and it hopefully won't take as long as 36, so somewhere in that pretty broad range.

Now, with regard to the option, whatever that option or right is will not interfere with our ability to do the deal. So, I don't mean to be elusive, but it's a little complicated legally. And we would not have taken the steps we've taken without clarity that that right or option is not a factor and that we can proceed to close this deal.

Tom Wadewitz - JPMorgan - Analyst

Okay. So, that's already been addressed. We don't need to worry about that. Okay. Fred, I – and Mike, I really appreciate the time. Thanks.

Fred Green - Canadian Pacific - President and CEO

Thanks, Tom.

Operator

Your next question comes from Bill MacKenzie from TD Newcrest. Please go ahead.

Bill MacKenzie - TD Newcrest - Analyst

Thank you. Just, I guess, a clarification on the synergies, the \$33 million over kind of five years - should we expect that to ramp up evenly over the five years or was that more front end loaded? I'm just wondering if you can quantify maybe specifically how much to expect in year one?

Mike Lambert - Canadian Pacific - EVP and CFO

Bill, it's Mike. I may have characterized the synergies incorrectly. What I'm saying is we think the opportunity is for the EBITDA to grow nearly double what it is today. And included in that growth of call it 100 million, two-thirds of it comes from growth and a third is synergies.

The synergies, obviously, we think we'll achieve before then. It won't happen right away, but it'll happen in the next couple of years. But, we think the growth is what's going to drive the EBITDA over the next five years. And it'll be two-thirds of the growth and the synergies will be one-third.

Bill MacKenzie - TD Newcrest - Analyst

And is there an '08 target for synergy that you can give us?

Sep. 05. 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Mike Lambert - Canadian Pacific - EVP and CFO

No, we're not. But, stay tuned for the March 30th analyst call. We'll give more granularity and details then.

Fred Green - Canadian Pacific - President and CEO

We've got a little issue, Bill, that we have to manage because of the STB. Because we go in under a trustee for a period of time and we don't control the timing of the STB decision, it'd be a little impossible, I guess is the best way to phrase it, for us to be that specific with exactly when we'll enjoy these synergies.

What I can assure you of is that while we will be under the STB oversight, we will be working with a strong team, trying to learn as much as we can from what has been a very successful team on the DM&E about how we might work even better together in the future.

So, once we come out of the STB approval process and we move into what we'll call our integration phase, we will be able to move reasonably quickly. But, it's -- we don't control the timing, which is why we need to appropriately leave ourselves a little flexibility for when we'll enjoy these synergies.

Mike Lambert - Canadian Pacific - EVP and CFO

Bill, let me add to this, only because Fred's sitting next to me right here, we've modeled that the synergies are going to be in the 33 million area. But, he's said to the team, he expects more.

Bill MacKenzie - TD Newcrest - Analyst

He always does. Okay, thanks. And then, just one other thing, if I could, on the expansion project -- I know you have STB approval or the project rather has STB approval. But, are there any other major approvals, whether it be environmental or are there any sort of significant issues in the courts related to the project going ahead?

Fred Green - Canadian Pacific - President and CEO

I think, Bill, probably, the answer to that has to be, because it's yes or no, is yes, there are other requirements, but they're almost self imposed and many of them are self imposed milestones where we're going to set certain criteria that will make this such a great investment and only if we get there will we go ahead. So, I would prefer, if it's all right, the better way for us to go here is that to the extent that we can share more information with any kind of formality of the process in October when we have more time in a more fulsome environment, we will do that.

There will clearly, even then, be a handful of items that are, I'm just going to call them commercially sensitive that we would not want to put too much public exposure to until we've satisfied ourselves that we've got them managed.

Bill MacKenzie - TD Newcrest - Analyst

Okay, great. Thanks very much.

Fred Green - Canadian Pacific - President and CEO

Pleasure, Bill.

Sep. 05. 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Operator

Your next question comes from Cameron Jeffreys from Credit Suisse. Please go ahead

Cameron Jeffreys - Credit Suisse - Analyst

Thanks very much Just, correct me if I'm wrong, but the DM&E, I believe, requested a federal loan earlier this year in the amount of roughly 2 billion I would assume that that was for the PRB expansion project, but correct me if I'm wrong Is that a ballpark number in terms of cost if you decide to go ahead with the PRB?

And secondly, would that \$2 billion of cap ex be in addition to the \$1 billion of contingent payments that you'd have to spend in order to get that project going?

Fred Green - Canadian Pacific - President and CEO

Cameron, let me answer the question in reverse order, if I may All of the monies that we have described so far are, the front end is a cash payment and then, the others are contingent payments to the current owners if we proceed and if we're successful meeting certain numbers of tons of product moved So, any build in capital required is, in fact, incremental to the numbers that are being discussed today

Cameron Jeffreys - Credit Suisse - Analyst

Okay

Fred Green - Canadian Pacific - President and CEO

That's one Now, with regard to the quantum, the loan that was sought, I don't know enough about, I'll call it the exact details of why that amount was sought or what its logic was. I don't think it would represent 100% of what it'll take And remember - as you look at a project like this, you look at the physical plant, you look at the locomotives that would be needed, you look at the cars, which are often, in these circumstances, actually acquired by the, either the utilities and/or by the coal companies.

So, the capital is incremental, one And it is comprised of probably those three big buckets - power, cars and the physical infrastructure. And again, as we move to the October analyst or investor day, we'll do our best without compromising ourselves in any way from a commercial perspective to share as much as we can about what we think that might be

Cameron Jeffreys - Credit Suisse - Analyst

Okay, great Thank you And for the -- a couple of other follow ups quickly Can you comment as to whether this was a competitive bid process, number one? And number two, is there a break fee associated with the transaction?

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah, it's Mike It was a competitive process It was a -- and a very thorough process Our due diligence was very thorough, as you can probably imagine, in terms of the detail that we're giving you

In terms of a break fee, typically, in a transaction of this nature where you're buying a private company, a break fee is not required And so, there is no break fee involved

Sep. 05, 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Cameron Jeffreys - Credit Suisse - Analyst

Great Thanks I'll jump back in queue

Operator

Your next question comes from Ken Hoexter from Merrill Lynch Please go ahead

Ken Hoexter - Merrill Lynch - Analyst

Great Good morning You talked a bit about the capital you needed to spend, about 300 million over the next few years If I go back to there, I think it was a \$2.5 billion loan filing It seemed like they were looking for about \$600 million that they had targeted to upgrade the network Have you done any work on arriving at that \$300 million Infrastructure Investment over the next few years as far as targeting it? And do I assume that you can't even begin to do any of that until this trust is broken and the STB gives you approval and whatever up to a year?

Fred Green - Canadian Pacific - President and CEO

Ken, we have had extensive due diligence I am really, really pleased with the level of rigor that our engineering team took to understand what this property is and to understand why we needed to spend this \$300 million to take it to a standard that we would find something that we thought we could run and benefit, the fluidity benefits and the safety benefits, the casualty cost benefits from

So, those numbers are not pulled out of the air Those numbers are the result of a very rigorous effort with our team on the property, working with the DM&E team, who obviously would have loved to have upgraded their infrastructure had they had the cash to do it So, I'm very comfortable that number represents what I'll take to take that property to a higher standard and we can go forward from there Kathryn might wish to comment

Kathryn McQuade - Canadian Pacific - COO

And, Fred, I'll add that the 300 million is the maintenance and capital that we see as necessary to run a safe and reliable railroad, with or without PRB And that decision then is a different decision that would require additional maintenance and may relate back to the number that you saw in whatever filing that DM&E may have had previously

Ken Hoexter - Merrill Lynch - Analyst

What -- Fred, just on the conditions you noted that there are certain conditions you needed before you would go and expand Is that -- does that revolve around upgrading of the network? What are the conditions? I mean, do you -- and can you comment if you already have -- if DM&E already had commitments from utilities that gives you more confidence to go ahead with the capital that you would want to spend?

Fred Green - Canadian Pacific - President and CEO

Ken, it's a fair question But, it's a bit of a tricky one to answer because I don't want to expose all the kind of commercial and behind the scenes rationale for what we would or wouldn't do because it's a little bit like giving your playbook to people who might not want you to do things.

Sep. 05 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

So, let me maybe characterize it this way The two big buckets that we will have a series of hurdles that we'll want to surpass would certainly involve some customer issues And the second issue would be a fulsome understanding on the construction side And that includes everything from land assembly through to making sure we've got firm and binding construction bids, etc

So, those are very broad categories But, I think you can use your imagination that if it were to come back to the Street, which we would hope we're able to do at some point in the next whatever it is, 18 to 24, 36 months, and talk about our intent to go forward, we would want to have eliminated or mitigated the risks to the shareholder and we would want to have done all we could to elevate the likelihood of a successful program going forward

So, I don't mean to be elusive. But, I'm hopeful, Ken, that gives you a sense of the kinds of things that are going to have to be addressed prior to us making that kind of recommendation

Ken Hoexter - Merrill Lynch - Analyst

No, it definitely does I like the bold move here Just one last question - is there any -- looking at the network, looking at the map you'd put up on the system, it doesn't seem like -- and maybe I'm getting this wrong, but is there any synergies of bringing any of that -- I know their whole goal is to move from the PRB eastward to more and more utilities

Is there any ability to get stuff onto your network to then carry it further and further east or do you really have to focus on doing as much upgrading of their network as they needed to do just to get to, I guess, to Minneapolis or Chicago?

Fred Green - Canadian Pacific - President and CEO

Well, I guess the way we'd probably look at it is there are existing utilities that terminate, for instance, on CP So, that's a great opportunity. And to the extent that we can run 100% over DM&E from a source going to a CP destined facility and it's a short miles route, one would think we probably are the most likely player in that market.

There will be some that runs over us -- sorry -- runs over what is the DM&E and then over us to a competitive point as a second category And there'll be some that runs over them and/or us to a, I'll call it, interchange point In certain circumstances, there may be tonnage, either today or in the future, where utilities are located either on us or we can long haul and hand them off and the terminating carrier gets a shorter haul. Or in other cases, we'll simply use the interchange point that exists today, as the case may be

So, that's a function of the competitive marketplace It's a function of your leverage in the negotiations, depending on what else you do with different parties - be it utilities or other railroads, so a little hard to predict

Obviously, we've made what we think are some pretty conservative assessments of what we'll be able to do in that regard should we proceed And anything that we do beyond that is all upside

Ken Hoexter - Merrill Lynch - Analyst

Great Thanks for the time

Fred Green - Canadian Pacific - President and CEO

Pleasure, Ken

Sep. 05. 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Operator

Your next question comes from Randy Cousins from BMO Capital Markets. Please go ahead

Randy Cousins - BMO Capital Markets - Analyst

Morning I guess I'll start at the bottom line. Is there going to be any tax impact on this transaction or are there tax loss carry forwards? Is this going to affect the consolidated tax rate for the corporation once it's all done?

Mike Lambert - Canadian Pacific - EVP and CFO

Randy, that's -- I'll try and give you as much as I can on that. Tax loss carried forwards are not significant. We are structuring this in the most tax efficient manner. And to the extent that US and Canadian tax rates are different, it will affect our consolidated tax rates going forward. But, I wouldn't put too much in terms of positive in that. But, in round numbers, probably 1 or 2% on the total tax provision going forward.

Randy Cousins - BMO Capital Markets - Analyst

That's a reduction?

Mike Lambert - Canadian Pacific - EVP and CFO

Yes

Randy Cousins - BMO Capital Markets - Analyst

Okay. Second question - right now, how much interchange business do you actually do with the DM&E. And assuming you get STB approval, how much interchange -- how much of their business that they currently have would now move ultimately on a CP line?

Fred Green - Canadian Pacific - President and CEO

Randy, it's, again, a bit of a delicate question right now. I think it's a great question, but it's a delicate question because we're in the status of the STB having oversight. And we're not allowed to influence what they do or don't do during this period of time on a short term basis.

So, again, if I may, I would prefer that we don't delve into that. There are clearly synergies. So, what is today a short haul could over time and I believe over time will over time term into a long haul, which is, I think, your question. But, I would prefer that we do not in any way taint the STB process because we would like this to go as quickly and efficiently as possible with the STB. We'd like it to be a minor transaction.

And anything we do or don't do as the case may be that causes the STB to wonder if we're playing by the rules they set is not in our interest. So, please bear with us. To the extent that we've got any ability to give you a bit more color, we'll be prepared at the October analyst day.

Sep. 05 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Randy Cousins - BMO Capital Markets - Analyst

Well, how about just purely factual? How much business on an interchange basis do you currently do with the DM&E?

Fred Green - Canadian Pacific - President and CEO

I don't have it at my fingertips, Randy. But, again, it's something that if it's of interest to people, we can probably provide something like that in October.

Randy Cousins - BMO Capital Markets - Analyst

Final question on the labor side - class one railroads have a labor structure that's usually not the same as class two railroads. If the DM&E becomes part of your system, does this have any labor cost ripple?

Fred Green - Canadian Pacific - President and CEO

I think what we're going to work our way through with the employees of the DM&E is they have certain terms and conditions today. We have terms and conditions on our Delaware and Hudson problem - property. We have terms and conditions with our labor on the Su line. And as a consequence, it is also a matter of us that we need to sit with the employees of these entities. We have modeled, I think, reasonably and conservatively to make sure we had a good business case.

But, I would really prefer that we get through the STB process and that we get the chance to go face to face with the affected parties so that we can ensure that they have the kind of firsthand knowledge and the first knowledge of where we'll end up mutually going with regard to the labor situation.

Mike Lambert - Canadian Pacific - EVP and CFO

Let me add financially to that, Randy. We have modeled that the ripple effect is 100%. That's what we've modeled in terms of the projections. One thing we do like is the relationships they have with their employees.

Randy Cousins - BMO Capital Markets - Analyst

Okay. Thank you.

Fred Green - Canadian Pacific - President and CEO

Thank you.

Operator

Your next question comes from Ed Wolfe from Bear Stearns. Please go ahead.

Ed Wolfe - Bear Stearns - Analyst

Yeah, hey. Good morning, guys. Congratulations on this.

Sep. 05 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

Thanks, Ed

Ed Wolfe - Bear Stearns - Analyst

Fred, you've talked a bit about you're going to make a decision and whether it's 12 months, 20 months, who knows. Assuming you make the decision you're going to build in and it's 12 months from now, it's 30 months from now, whatever it is, what do you think the timing is from that period, having done your due diligence, to the time you would actually see some coal coming out of the PRB? Is that a couple of years? Is that multiple -- how do we think about that?

Fred Green - Canadian Pacific - President and CEO

I think we'd be pretty fortunate to get it done in two years, Ed. And I'd be disappointed if we couldn't get it done in three. So, I don't really have a way to be specific about it until we know exactly the lineup, the routing, the ability to get resources, etc. But, you could model -- I'd say three would be conservative. Maybe that's the best way to look at it. And if we can do it faster, you know we would.

Ed Wolfe - Bear Stearns - Analyst

Yeah. With the contingent payment for when construction starts on the Powder River Basin, how do you define when construction starts?

Mike Lambert - Canadian Pacific - EVP and CFO

It's Mike. It's when we decide to move on it -- so, in other words, we give an order to proceed. And we actually have some language in the contract that says if we move a certain amount of dirt. So, essentially, when we decide to proceed, that's when construction starts.

Ed Wolfe - Bear Stearns - Analyst

Okay. I think it was you, Fred, who said there's some existing utilities on CP's line. Are any of those currently using PRB coal?

Fred Green - Canadian Pacific - President and CEO

Oh, yeah, yeah, certainly.

Ed Wolfe - Bear Stearns - Analyst

So, more than one, it sounds like?

Fred Green - Canadian Pacific - President and CEO

Yeah, I don't remember all the specifics. Our team has been through, as you can appreciate the importance of this for the second phase, they've been through every utility that we currently have access to, anything we might have access to, what we do today, what we don't do today, what the competitive issues are.



Sep 05 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

So, I think maybe a good way to go on this one is rather than give you an ad hoc uncertain answer because I just don't have the details at my fingertips, is why don't we put that on the agenda for October and we'll see if we can give a better perspective on exactly that question for the bigger group in October?

Ed Wolfe - Bear Stearns - Analyst

That makes sense. Michael, switching gears for a second, in your accretion analysis, you say it's slightly accretive. What are you assuming is your cost of interest?

Mike Lambert - Canadian Pacific - EVP and CFO

At current levels, 6.5, 6.5-ish. And I think if we had to go to the market today, that's about where we'd be at. So, that's what we've modeled it at.

Ed Wolfe - Bear Stearns - Analyst

And I think your press release said that the financing's been secured. Is that what you're talking about with that 6.5?

Mike Lambert - Canadian Pacific - EVP and CFO

No. Our financing actually is more a line that gets us out 18 months. And so, that's been secured. And that allows us time to gauge the market when it's appropriate to go into the debt market.

Ed Wolfe - Bear Stearns - Analyst

Okay. And is that 18 month line at 6.5 as good as anything to use for that?

Mike Lambert - Canadian Pacific - EVP and CFO

You could use a little less for that one.

Ed Wolfe - Bear Stearns - Analyst

Fred, last question - somebody before asked the question and said they thought the FRA was a \$2 billion plan with the DM&E for their loan. It was actually a \$2.5 billion FRA loan on a \$6 billion project, some of that not all in the PRB. So, the number was substantially higher than 2 billion than the DM&E was talking about. I guessing, based on your answer, when you start assuming rail cars and power and that kind of stuff, you were thinking of a number well above that. But, is it fair to say it's well above 2 billion when you add all that stuff in?

Fred Green - Canadian Pacific - President and CEO

Now, you said well above 2 billion. Did you mean well above 6 billion?

Ed Wolfe - Bear Stearns - Analyst

Not 6 billion, but closer to 6 than 2 is my question.

Sep 05. 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

Oh, I think it's probably closer to 6 than 2. But, I would think 6 is high. I mean, we haven't got an assessment that says that

Ed Wolfe - Bear Stearns - Analyst

Okay. Thanks a lot for the time. I appreciate it.

Fred Green - Canadian Pacific - President and CEO

Pleasure, Ed.

Operator

Your next question comes from Robert Fay from Canaccord Adams. Please go ahead.

Robert Fay - Canaccord Adams - Analyst

First question for Mike - when you're looking ahead on the revenue growth line over the next five years, how much is coming from price volume and other issues? Can you give us some flavor on that?

Mike Lambert - Canadian Pacific - EVP and CFO

When you say other issues, for me, it's either price or volume.

Robert Fay - Canaccord Adams - Analyst

Okay.

Mike Lambert - Canadian Pacific - EVP and CFO

I think in terms of modeling, it would be fair to say that it's mostly volume. But, there are also yield opportunities.

Robert Fay - Canaccord Adams - Analyst

And where are you going to get this additional volume? How much is organic from customers and how much is new customers that you're going to be able to bring out?

Mike Lambert - Canadian Pacific - EVP and CFO

It's both organic. When you talk new customers, the big growth obviously is ethanol.

Robert Fay - Canaccord Adams - Analyst

Okay.



Sep. 05 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Mike Lambert - Canadian Pacific - EVP and CFO

And so, we're calling that organic in the sense that there are already plants being built and announced, plants being built. But, there's also growth on existing customers. So, we see both

Robert Fay - Canaccord Adams - Analyst

Okay. When we look at the acquisition, just the timing of it, what was sort of driving or pushing this whole competitive process that you've had over the last little while?

Mike Lambert - Canadian Pacific - EVP and CFO

I'm sorry. I don't understand the question

Robert Fay - Canaccord Adams - Analyst

Well, what caused or what basically put DM&E into play (inaudible)?

Mike Lambert - Canadian Pacific - EVP and CFO

We can't really answer that, Bob. What we can tell you is that because we've been working with them over the course of the last really several years looking for marketing opportunities, other synergy opportunities, we don't control when this property comes on the market. So, we will -- we assumed it wasn't for sale and we were working our way through a collaborative co-production joint marketing type approaches. And then, they, the owners of the DM&E, made the decision back, I think it was about mid-April where they basically created a process where they put the property into play for both strategic and financial buyers.

So, we didn't influence it. We simply seized the moment because we've had our eye on the property for a long time

Robert Fay - Canaccord Adams - Analyst

Okay, good. And the last question - I guess when you're looking at financing the building, will that be done on -- oh, I guess it's early for you to say, but would that be done on a non-recourse basis? Would you set up a separate entity to finance and build that project?

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah, Robert, you're right. It is early to say. But, sufficed to say, right now, we're going to keep our options open. We like that we acquired a property that has growth in its own right and that we have this other option to build in. And once we decide to go there, we'll make sure that we finance this as conservatively as is appropriate while maintaining the upside.

Robert Fay - Canaccord Adams - Analyst

Okay. And you're not limited if you went out seeking partners on something like that?

Sep. 05 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DRI&E Railroad-Conference Call

Mike Lambert - Canadian Pacific - EVP and CFO

There are no limitations to this agreement

Robert Fay - Canaccord Adams - Analyst

Okay Thank you

Fred Green - Canadian Pacific - President and CEO

Thank you, Bob

Operator

Your next question comes from David Newman from National Bank Financial Please go ahead

David Newman - National Bank Financial - Analyst

Good morning, gentlemen

Fred Green - Canadian Pacific - President and CEO

Morning, David

David Newman - National Bank Financial - Analyst

Just in terms of the metrics that you would employ in terms of the thresholds that you would consider for, let's say, a US \$6 billion project, what sort of return on vested capital would you be looking for? I'm just trying to understand what sort of operating income you'd be looking for out of the Powder River Basin project, what sort of revenues and what threshold you look at?

Mike Lambert - Canadian Pacific - EVP and CFO

David, you've -- I don't know if you've heard me speak before on this In terms of -- and I'll talk pretax because I think it's simpler to talk pretax But, one of our financial filters in terms of looking at any investments we make are to ensure that our pretax return on capital employed are clearly double digit and north of 15%. And in terms of an IRR, it should be double digit, as well

David Newman - National Bank Financial - Analyst

Okay

Mike Lambert - Canadian Pacific - EVP and CFO

And so, those are very rough numbers Something that's strategic like this, you could try and make an argument that it's less But, while Fred and I are here, we'll always make sure that the returns are at least those amounts

Sep. 05. 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

David Newman - National Bank Financial - Analyst

Okay. And so, if you look at -- let's say it is hypothetically a US \$6 billion project, if you look at the Powder River Basin, which is served by two other class one railroads, and assuming that you gain some of that market, can you scale up the opportunity as you see it right now to generate the sort of pretax returns that you would like.

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah, one of the--

David Newman - National Bank Financial - Analyst

--Early days, but--

Mike Lambert - Canadian Pacific - EVP and CFO

--I'm sorry?

David Newman - National Bank Financial - Analyst

I know it's early days, but

Fred Green - Canadian Pacific - President and CEO

David, let me jump in. I just reversed that question, see. We will not be making an investment unless we can get those kinds of returns. That's probably the simpler way to answer the question. It's a massive market - nearly 500 million tons today, growing at 6 or 7% a year. It doesn't take a very big percentage of that to justify substantial investment.

But, unless we can get that substantial volume or that volume that we need, the investment will not be made. That's my commitment to the shareholders.

Mike Lambert - Canadian Pacific - EVP and CFO

And one thing I should say, because I think a couple of people have said \$6 billion, I think 6 billion is something that's been out there before. It's not the amount that we're considering right now.

David Newman - National Bank Financial - Analyst

Okay. And then, last question - I mean, I know you have a pretty solid relationship with Union Pacific. How did that enter into the equation, if at all?

Fred Green - Canadian Pacific - President and CEO

Well, like everywhere else in North America, there's always end-to-end opportunities and a little bit of overlap opportunities that exist. So, the franchise that we've historically had, we compete with all five of the other class ones in the United States in certain areas and we cooperate with them in certain areas.

Sep. 05 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

So, this is just one more piece of the puzzle. Put in perspective, 500 million tons - we're going to be a small player if we proceed. So, it's -- to me, it's business as usual. We have a very strong working relationship. Nobody likes it when there's a change in the working relationship. But, it's life and I have no reason to believe that it'll be a dramatic change.

David Newman - National Bank Financial - Analyst

Excellent. Thanks, folks.

Operator

Your next question comes from Walter Spracklin from RBC Capital Markets. Please go ahead.

Walter Spracklin - RBC Capital Markets - Analyst

Yeah. Thanks very much. Good morning.

Fred Green - Canadian Pacific - President and CEO

Good morning, Walter.

Walter Spracklin - RBC Capital Markets - Analyst

Just wondering -- in the press release, you had mentioned that you're going to be looking at a capital structure that allows you to maintain your current ratings and that kind of thing. I was just wondering, what is it -- do you have any sense of how are you going to be looking at that? Is it a debt to total capitalization? Is it a coverage ratio that you're going to be targeting and is there any color you can give us on what those type of coverage ratios you'd be aiming at?

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah, Walter, we said we'll always -- our objective will be to maintain investment grade rating. And a good way to look at this is how well our coverage ratios or debt to equity. Depending on the agency, they look at different things, as you can imagine.

Those of you who have heard me talk about this before, I believe the industry as a whole has more debt capacity on both of those fronts, in terms of debt to equity and also in terms of coverage ratios. And so, our debt to equity post this transaction will still be less than 50%. And in terms of our coverage ratios, they'll be similar to what they would have been had we done the share buyback.

So, it's interesting how we've suspended the share buyback and were now using our debt capacity to buy a growth company, which we think is a great opportunity.

Walter Spracklin - RBC Capital Markets - Analyst

Yeah, just on the, just back on the capital cost if you decide to go ahead - I mean, there's been a lot of talk about that \$6 billion number. And I believe it was talked about a lot prior to. But, I think in that number is some upgrade intentions that the company was planning. And that's been lumped in there. And I don't know if you can give us color, but if -- to sort of nip that in the bud so that that \$6 billion doesn't go around.

Sep 05 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Is there any sense of how we can sort of break out that that perhaps is a little high, given that they are looking to upgrade and perhaps, your 300 million is included in there?

Fred Green - Canadian Pacific - President and CEO

Walter, let me give you as much as we can. And then, again, if in October we can put a little more color on it, we will

At this point in time, I would bring you back to the issue - remember, track infrastructure, locomotives and cars. So, the numbers that have historically been thrown around by other parties often, and think arguably always, included the cars. So, remember who buys the cars is generally not the railway. So, you may want to take that amount of money, figure it out and take it out of whatever numbers were there.

Similarly, when you think about the track infrastructure, I don't know with specificity, because I didn't look at it, exactly what other parties had attributed from their track infrastructure investments to, I'll call it, new build versus rehab build. I can tell you that the 300 million that we have spoken about is the number that Kathryn and her team want to bring this property to the standards that will get us the casualty benefits, the solidity benefits. And it is not addressing the PRB.

So, should we decide to proceed, it's conceivable that there may yet be another tier of upgrade in certain leans or corridors that would be beneficial. Again, I would stress for you that if we go ahead -- and again, hope we do. I'd love to make these payments -- that it will only be on the basis that all of that has been taken to account.

And when we get to that stage, we will obviously be coming back to the marketplace to say here is the size of the opportunity, here's the kind of return or the zones of returns that we think we can attain and here's the capital needed to be spent to do that.

Mike Lambert - Canadian Pacific - EVP and CFO

Something else that you can use to bring it down is we think that 6 billion that's been floated out there includes cars that would be normally owned by either the utilities or the pole companies.

Walter Spracklin - RBC Capital Markets - Analyst

Right. Okay. Last question is just on your IRR hurdles. Presumably, now, unlike a typical project, you're going to be including the contingent payments as part of that IRR or the pretax return on invested capital. Is that correct?

Mike Lambert - Canadian Pacific - EVP and CFO

Oh, yeah, all payments, all payments, construction costs, cash on cash.

Walter Spracklin - RBC Capital Markets - Analyst

Right. And is there anything that is going to take this decision out of your hands? Is there any fine print, any clauses in this agreement that -- or is this 100% your decision on whether or not to go forward on this--?

Sep 05 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

--Walter, I'm delighted with the job that Mike and Jane and the team have done to negotiate this. Any decision to go forward on the build is entirely in the hands of the Canadian Pacific team. And we, as I said, we hope we can create the conditions that makes this something we all want to do because it's going to be great for the current DM&E shareholders and it's going to be great for our shareholders if we're able to do that. And we're going to drive to the path that -- or down the path that hopefully allows us to do that. But, it's at the discretion of the Canadian Pacific shareholders.

Walter Spracklin - RBC Capital Markets - Analyst

Okay, that's great color. Thanks very much. Congratulations on the acquisition.

Fred Green - Canadian Pacific - President and CEO

Thanks Walter.

Operator

Your next question comes from John Barnes from BB&T Capital Markets. Please go ahead.

John Barnes - BB&T Capital Markets - Analyst

Hey. Good morning, guys. Congratulations on the transaction. A couple of questions here - in terms of the contingency payments -- and I recognize what you're saying about it's your decision. But, is there any legal resource that the sellers at DM&E have if you choose to push this project off indefinitely to come back in and say, look, you're not making a best faith effort in terms of breaking ground on this PRB expansion project?

Fred Green - Canadian Pacific - President and CEO

I would say, no, John. But, again, I think our interests are so closely aligned that it's kind of a mute point. It's a situation where the best thing we could do, in our opinion, would be to proceed with this if we can get these conditions that we've set for ourselves passed. So, the answer to my knowledge is that there's no recourse. But, it should be a non-issue because we're both aligned to want to build.

John Barnes - BB&T Capital Markets - Analyst

Okay, very good. And then, in terms of your comments about debt capacity, I'm just curious - once you're kind of post-deal, I mean, given that you've got this expansion opportunity out there, does this mean there's really no chance of a further share repurchase at this point, that all of your time and energy is going to be spent on, focused on that PRB expansion opportunity and therefore, you're keeping all your powder dry for that? Or are you willing to go back into the market for a share repurchase? Are you willing to take a look at another acquisition? Or are all other things off the table given this opportunity out there?

Fred Green - Canadian Pacific - President and CEO

Well, John, let me give you a broader overview and I'm going to ask Mike to speak to it. I think it's important that when you look at what we've been doing the last couple of years in particular, we've set some very determined goals and we've ticked the box.

Sep. 05. 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

at the end of each year, surpassing the commitments we've made on EPS. We're making the same commitment for the third year in a row with our EPS this year

I have said to the team that when you make an acquisition of this nature, even though it's so natural for us, it is absolutely critical that we bring it home and bring it home in a first class way. So, Kathryn and the integration team understand where our focus is going to be

So, at a very broad level, I'd say that the two things I'm demanding of the team, and I hope it's appropriate and think it's appropriate, is bring home the base CPR EPS and it will be the same thing for next year -- when I say that, the same level of commitment to bring home whatever we reveal in October -- and bring home an absolutely first class integration that helps us bring home future benefits going forward

We'll have a very small subset of people who are dedicated to the examination of the PRB option. So, this big machine, 99% of it, 99.9% of it is going to be focused on delivering EPS and delivering integration and a handful, a very small handful of very, very deep specialists and knowledgeable folks will be focused on examining the PRB option

So, I don't want to confuse anybody. This Company is not going to go off and start thinking about acquiring thousands of other railroads. We're focused on execution, execution, execution of what we think is a pretty great opportunity right now and a small group examining a further opportunity

Mike Lambert - Canadian Pacific - EVP and CFO

And you can actually use that message for debt, as well. I mean, we're using our debt capacity to acquire this asset. There will be a call on capital in terms of building it in. We're hopeful that we will build in because it means that the returns are there

And so, I wouldn't characterize it as keep your powder dry. But, our focus over the next little while will be that we have the ability to do this and do this on our own. But, we'll pursue other options if necessary in terms of getting other partners if necessary

John Barnes - BB&T Capital Markets - Analyst

Okay. Very good. Again, congratulations. Thanks for your time

Fred Green - Canadian Pacific - President and CEO

Thank you, John.

Operator

[OPERATOR INSTRUCTIONS]

Your first question comes from [Tim Krone] from The Free Press. Please go ahead

Tim Krone - The Free Press - Media

Good morning.

Sep 05 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

Morning, Tim

Tim Krone - The Free Press - Media

I'm calling from Minnesota, southern Minnesota. And my question may be too specific for you, but it's of most interest to our readers in this area. As you know, there has been considerable support for the expansion plan in many areas, but also a lot of opposition in particular Rochester to the east of us and in our Mankato area here. And I'm wondering how you -- people are most concerned here about the route of the track either going through Mankato on existing Union Pacific line or a southern bypass, a new route around Mankato. And I'm wondering if you could speak to that and just speak in general about your approach to constructing some of the new lines or upgrading the lines through Mankato and into Rochester and if you want whistle free zones, things like that?

Fred Green - Canadian Pacific - President and CEO

I think, Tim, I think you've characterized it correctly. It's a little detailed, but I'd love to give you a broader answer if I may.

Tim Krone - The Free Press - Media

Sure

Fred Green - Canadian Pacific - President and CEO

And as we become a bit more familiar, we'll be able to fill in the blanks for you. Tim, our success in the franchise that we have today is highly driven by our relationships with the communities, by our, what we call our community connect activity where we have both people meeting regularly with everything from emergency response to whistling issues, etc.

So, we believe that we've got, I would argue, as good as anybody in the industry, maybe better than most, customer and community relations approach. It is our intention when the time is permitted and right -- and I'll describe that in a moment -- it is our intention, obviously, to bring the best practices that we've learned and experience and had feedback on to other communities now that we will be participating in them.

Because of the nature of the process that we've been through, it would have been completely inappropriate for us to be out on the property in the sense of dealing with communities because we were one of a number of potential buyers. As we move into the STB process, we also have some restrictions with regard to what we can do with regard to, I'll call it, influencing on a day-to-day basis the enterprise today.

The current management must and should run that enterprise under the guidance of a trustee. After the STB process, we will then have the ability to actually influence the actions on a day-to-day basis.

So, there will be a period during STB where I believe -- and I say this because, Tim, I'm still -- first time I've been under the STB trustee role -- I believe we can go out and listen. I don't think we can do or say anything that would influence DM&E management at a local level.

So, if you can bear with us, I would love to bring our best practices to your communities. I believe that the communities will be delighted with how we operate and listen. And the timing of being able to do that is going to be dictated, to a certain extent, by the STB process. And we'd be happy to keep you informed as to the status of that process and when we'll be able to do those things.

THOMSON

www.streetevents.com

Contact Us

41

Sep. 05. 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Tim Krone - The Free Press - Media

All right

Operator

Your question comes from [Chris Sorenson] from The Toronto Star Please go ahead

Chris Sorenson - The Toronto Star - Media

Hi. Just a quick question - you may have touched on this somewhat, but I'm just curious if you could maybe outline what this transaction does for CP strategically in the event of further industry consolidation? I think there's at least one analyst this morning that said that this might accelerate the strategic thinking of your competitors And I guess just a month ago, we were talking about interest from financial parties and trying to purchase CP So, I'm just wondering how this fits into this environment.

Fred Green - Canadian Pacific - President and CEO

Chris, I think the answer to that question is really to stand back and say, what's the responsibility of the management of CPR? We as an organization have consistently stated that we want to run a very efficient organization And when opportunities present themselves to allow us to grow and apply the same kind of knowledge and best practices and approaches that have worked so well in certain places to new places, we would seize that moment That's what this is.

We would not -- I would not characterize this as substantial It will be a minor transaction, we hope and believe, under the STB. I have to leave it for other parties to judge whether they think some grander strategic play has been made Frankly, it's a great regional railroad with growth opportunities in our backyard in the US Midwest That's how we're looking at it with a great big upside opportunity if we decide to go forward in Powder River

So, I'll let other people characterize it as they wish Personally, I think it's just a great next step in what we've always said we wanted to do was just to keep growing and doing what we do so well in the prairie provinces, in the prairie states.

Chris Sorenson - The Toronto Star - Media

Okay Fair enough Thank you

Fred Green - Canadian Pacific - President and CEO

Pleasure

Operator

Your next question comes from [Wally Wheat] from [The Distinct Today Magazine] Please go ahead

Wally Wheat - The Distinct Today Magazine - Media

Thank you for your time, gentlemen Are there any duplicative facilities between the two roads that might be consolidated, particularly in the Chicago area? And have you factored that into your thinking?

Sep. 05. 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Fred Green - Canadian Pacific - President and CEO

Wally, there's really not much in the way -- it's pretty much your almost typical end-to-end facility or railway merger or acquisition. There's very little in the way of duplicative activities. In fact, they actually run on parts of our line in and around the Chicago area. So, I would suggest that, as Mike has very well stated before, this is driven by expense synergies that are actually about making the railway more fluid, not about kind of a diminishment of labor or diminishment of physical assets.

Operator

Your next question comes from Hugo Miller from Bloomberg News. Please go ahead.

Hugo Miller - Bloomberg News - Media

Yes, good morning. I was just wondering if the estimate of 300 million for upgrades is going to be sufficient, given concerns about the quality of the track on the DM&E line. And I ask it because there was some criticism from some people in the Dakotas that it wasn't going to be enough and it would be -- it would require a substantially larger investment.

Fred Green - Canadian Pacific - President and CEO

Hugo, I don't know the source of whoever might have made that comment. So, I won't -- I'm not going to kind of respond to their allegations. But, here's the way I would prefer to look at it.

We had a very strong team of our professional engineers working together with the DM&E's professional engineering team who have exactly the same aspirations that we have. They just didn't historically have as much money as we were able to bring to this.

And collectively, we and they have targeted the improvements, the engineering improvements and the track infrastructure that satisfy us both that we can create a better railway, elevate the speed, a little bit more capacity in certain sidings, which gives you better utilizing of cruse, etc. One of the things I maybe bring to your attention is we are the safest railway in North America when it comes to train accidents. And a lot of that has to do with train operations procedures. But, it also has a lot to do with the engineering infrastructure that we have.

So, those are the same standards that went down and reached that conclusion of 300 million after extensive due diligence. So, I'm going to stick with my guys based on our success and our history.

Hugo Miller - Bloomberg News - Media

Okay. And you were talking about some timelines earlier and I wasn't clear if they were referring to when between now and 2025 that deadline, you can give your best estimate of when you think construction could begin or is it just too difficult to speculate?

Fred Green - Canadian Pacific - President and CEO

I think we can just break it into phases, Hugo. The effort to go through the STB approval process is kind of four to ten months we expect, again, subject to the STB's discretion. The effort to continue the valuation and determine that we've been able to either mitigate any risks or as many as we think are appropriate and ensure that we have a great investment opportunity could take, I'll call it, a further year, maybe year and a half.

Sep. 05. 2007 / 11 00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

So, the way I answered that question before was an attempt to say, look, I don't think you're going to make the decision to build any sooner than 12 months. I'd be surprised if it was beyond 30 months.

So, that's the zone. But, you've got to give me a little bit of flexibility on the basis that you don't always control these circumstances. There's regulators and other parties involved.

So, that's the timeframe that we would probably make the decision. Having made the decision, then, we're saying probably pretty luck to get it built in two years and be disappointed if we couldn't build it in three years. So, now, you build that on top of whenever we make the decision. Is that helpful?

Hugo Miller - Bloomberg News - Media

Yeah, that is. That's -- if you add all those together and even throw in another year for delays, you're looking at what would be about four to five years. So, what's the reason for the deadline being set as far into the future as 18 years from now?

Fred Green - Canadian Pacific - President and CEO

I'll throw it over to Mike

Mike Lambert - Canadian Pacific - EVP and CFO

Yeah. I think, so, the first thing is the 350 million is when we decide to build. The balance of the payments will be paid over a timeframe that could be as late as 2025. Our hope is that we actually pay them out earlier. But, it's reaching certain tonnage levels and it's not all one payment.

So, it's 700 million that is spread into, I think, six different tranches. And those six different tranches would be paid out up to 2025, we think starting out four to five years out.

Fred Green - Canadian Pacific - President and CEO

Yeah, but maybe -- I'm not sure we answered the question entirely. But, if the issue was why such a late date, if you're on the selling side, what you don't want to do is have a party come in and acquire both what we like to think is a really good regional railroad growth opportunity and the option to build PRB and then stall for two years or three years, not build it and then subsequently build it.

So, I'm presuming that it's probably fair to assume that from the seller's perspective, they were protecting that we didn't, we or anybody else didn't play that game. And that's why the extension to 2025.

Hugo Miller - Bloomberg News - Media

And that two years to three years period after the decision period, that's the actual construction as opposed to the start of construction?

Fred Green - Canadian Pacific - President and CEO

That is correct?

Sep 05. 2007 / 11.00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Hugo Miller - *Bloomberg News - Media*

Actual construction Okay Thanks very much

Fred Green - *Canadian Pacific - President and CEO*

Pleasure

Operator

Your next question comes from [Dennis Gail] from The Associated Press Please go ahead

Dennis Gail - *The Associated Press - Media*

Hi. Calling in from Sioux Falls today The DM&E coal train project effort's been going on for a long, long time, as I'm sure you all know But, there have been imminent domain problems in South Dakota There have been some, well, land owner concerns in both Wyoming and South Dakota There have been demands for bypasses in several cities in South Dakota and Minnesota How does this acquisition that's being announced change any of this or does it?

Fred Green - *Canadian Pacific - President and CEO*

Well, Dennis, I think the approach we'd like to take is that there was -- there has been efforts over time and there has been now STB approval granted for the right to build and operate Through that process, as you appropriately point out, not everybody loves the idea

We are not in a position today because we have not closed the transaction -- we will be under STB oversight for a period of time -- to address those issues immediately. The commitment that I make, which actually I've made to another individual, Tim in the Minnesota area, is that we have a process that involves listening and engaging the communities It is my commitment to you, our commitment as a Company to the communities that we will come out and we will listen

You can never guarantee that by listening, you end up with everybody being happy But, I can assure you, there's no intention to ignore the communities either who have supported or have expressed concern about it without a very rigorous listening process. And I hope that out of that will come solutions that are good for everybody

Dennis Gail - *The Associated Press - Media*

Dealing with this in the short term at least would be the DM&E would still have to be doing that

Fred Green - *Canadian Pacific - President and CEO*

The DM&E is managing the property for the foreseeable future until STB approves The DM&E will be the interface. But, we are allowed and it's our intention to create a joint team because although we can't influence the short term, the Powder River Project is in fact a long term project So, we will have a joint team of those who know the property so well and that have done a lot with it together with our parties, our individuals And they will jointly start the process of both educating us and determining where we need to put more energy and more effort using the processes that I've discussed

Sep 05, 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

Dennis Gall - The Associated Press - Media

And not to beat this, but I just thought of one other thing here in this interim, if the DM&E needs help with resources, can the CPR provide resources to help the DM&E fight some of these battles in the short term?

Fred Green - Canadian Pacific - President and CEO

Well, I guess the way to look at that is that we have the ability -- you have to separate the two. If it's a long term discussion -- for instance, the capital programs over the next three to five years -- we are allowed and it would be appropriate for us to be involved. If it's a short term activity, it will be a trustee that the whole -- the President of the DM&E and his whole organization will report to the trustee.

The trustee will have the authority to draw resources from wherever it makes sense to ensure that they're successful. We could be a resource. But, we can't do anything in the short term under the STB rules that would influence the day-to-day operations. So, again, I would leave that to the trustee's judgment in their deliberations with the STB to make sure we do it -- I want this transaction to go in a pristine fashion. We will not do anything to jeopardize the standards that the STB sets.

Dennis Gall - The Associated Press - Media

Thank you

Fred Green - Canadian Pacific - President and CEO

Pleasure

Operator

Mr. Green, there are no further questions at this time. Please continue.

Fred Green - Canadian Pacific - President and CEO

Very good. Well, let me say thank you to everybody who took the time to join us and we look forward to seeing many of you in October at our investor conference.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thanks for participating and please disconnect your lines.

Sep. 05 2007 / 11:00AM, CP - Canadian Pacific announces agreement to acquire DM&E Railroad-Conference Call

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2007, Thomson Financial. All Rights Reserved.

CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of October 2007, a true and correct copy of the foregoing Comments on the Environmental Review Procedures Proposed in the Application by Canadian Pacific Railway Company, et al for Approval of Control of Dakota, Minnesota and Eastern Railroad Corporation, et al is being served on the following by First-Class Mail Postage Pre-Paid or by a more expeditious manner.

William C Sippel, Esq
Fletcher & Sippel
29 North Wacker Drive
Suite 920
Chicago, IL 60606

G Paul Moates, Esq
Terence M Hynes, Esq
Jeffrey S Berlin, Esq
Paul A Hemmersbaugh, Esq
Matthew J Warren, Esq
Sidley Austin LLP
1501 K Street, NW
Washington, DC 20005

Timothy M Zieziula
Knox McLaughlin Gornall & Sennett
120 West Tenth Street
Eric, PA 16501

T. Scott Bannister, Esq
Iowa Northern Railway Company
Paramount Office Building
305 Second Street, SE
Suite 400
Cedar Rapids, IA 52401

Gerald W Fauth III
President
G W Fauth & Associates, Inc
116 S Royal Street
Alexandria, VA 22314

Daniel R Elliott, III
Associate General Counsel
United Transportation Union
14600 Detroit Avenue
Cleveland, OH 44107

Michael C Noland, Esq.
General Counsel
Metra
547 West Jackson Boulevard
Chicago, IL 60661

Robert P vom Eigen, Esq
Foley & Lardner LLP
Washington Harbour
3000 K Street, NW, Suite 500
Washington, DC 20007-5143

Stacey L Drentlaw, Esq
Oppenheimer Wolff & Donnelly LLP
45 South Seventh Street, Suite 3300
Minneapolis, MN 55402

John D Heffner
John D Heffner PLLC
1750 K Street, NW
Suite 350
Washington, DC 20006

David K. Johnson, President
Iowa Traction Railroad Company
PO Box 309
Mason City, IA 50402-0309

Thomas F. McFarland
Thomas F. McFarland, P.C.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1112


