

**APPLICANTS' SAFETY INTEGRATION PLAN
SUBMITTED TO FEDERAL RAILROAD ADMINISTRATION**

STB Finance Docket No. 35081

**CANADIAN PACIFIC RAILWAY COMPANY
AND SOO LINE HOLDING COMPANY
- CONTROL -
DAKOTA, MINNESOTA & EASTERN RAILROAD COMPANY
AND IOWA, CHICAGO & EASTERN RAILROAD CORPORATION**

February 4, 2008

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I. INTRODUCTION

This Safety Integration Plan (“SIP”) is submitted in support of the Application of Canadian Pacific Railway Company (“CPRC”); SOO Line Holding Company (“SOO Holding”); Dakota, Minnesota & Eastern Railroad Company (“DM&E”); and Iowa, Chicago & Eastern Railroad Corporation (“IC&E”) (collectively, “Applicants”) for approval by the Surface Transportation Board of the acquisition of control of DM&E and IC&E by SOO Holding (and indirectly by CPRC). The lines affected by the proposed transaction are those lines that are currently operated by CPRC’s U.S. rail carrier subsidiary, SOO Line Railroad Company (“SOO”), as well as the lines of DM&E and IC&E.¹

On October 5, 2007, Applicants filed an application with the Surface Transportation Board (“STB”) pursuant to 49 U.S.C. §§ 11323 *et seq.* for approval of the acquisition of control of DM&E by SOO Holding (and indirectly by CPRC).² The STB determined that the proposed transaction constituted a “significant transaction” under the Board’s regulations at 49 C.F.R. § 1180.2(b), and, on December 27, 2007, accepted the application for consideration.

CPRC and its U.S. Rail carrier subsidiaries, SOO (a Class I railroad) and D&H (a Class II railroad) operate a transcontinental rail network covering approximately 13,000 miles in Canada and the United States, which serves major Canadian cities and 14 states in the midwestern and northeastern United States. DM&E is a privately held Class II rail carrier that, along with its subsidiary the IC&E, operates approximately 2500 miles of rail lines in eight states of the Midwestern United States, and serves the Chicago, IL, Minneapolis/St. Paul, MN, and

¹ CPRC and its U.S. rail carrier subsidiaries, SOO and Delaware and Hudson Railway Company, Inc (“D&H”), are referred to collectively herein as “CP.”

² As fully explained in the STB Application, if the proposed transaction is approved CP subsidiary SOO Holding Company would acquire control of DM&E and IC&E. Because SOO Holding Company is CP’s wholly owned subsidiary, approval would give CPRC indirect control of DM&E and IC&E.

Kansas City, MO metropolitan areas.³ Together, DM&E and IC&E interchange traffic with each of the seven U.S. Class I railroads.⁴

The proposed transaction is largely an end-to-end connection of two complementary rail systems with little overlapping service territory. The existing service and operating designs of DME and CP are similar, and DME's current operations are very efficient. Because of the complementary nature of the two systems and existing terminal service agreements and cooperative operations in the St. Paul, MN and Chicago, IL terminals, Applicants anticipate a smooth and seamless implementation of the proposed transaction. While Applicants do not anticipate any significant new safety issues or challenges arising from common control of the two carriers' systems, they are taking all necessary steps to identify potential safety issues and to address or prepare for them in advance, in order to minimize the likelihood of safety problems resulting from the initial implementation of the transaction.

The proposed control of the DME by CP will facilitate DME's continued safety improvement by making available to DME approximately \$300 million for capital investments necessary to repair and upgrade DME's track, bridges and facilities and implement systems and processes. Moreover, implementation at DME of CP's safety practices, technology, systems, and training – which have made CP one of the safest railroads in North America – should substantially improve and solidify the safety of DME's operations. DME has faced a number of safety challenges in recent years, and the steps it has taken to address those challenges have

³ The approximately 1,322 route miles of rail lines owned or operated by IC&E (in Illinois, Iowa, Minnesota, Missouri, and Wisconsin) were formerly part of the CP system.

⁴ DM&E and IC&E are collectively referred to hereinafter as "DME." The abbreviation "DM&E" will be used to denote discussions that apply only to the Dakota, Minnesota and Eastern Railroad Company, and "IC&E" will denote discussions applying only to the Iowa, Chicago, and Eastern Railroad Corporation. DME and CP are sometimes referred to collectively below as "Applicants."

driven remarkable progress in DME's safety performance in the past three years. Upon approval of the proposed transaction, CP and DME will move quickly to implement the best practices of CP and DME in order to maintain the safety gains DME has achieved, and to make further improvements in DME's safety performance.

This SIP, developed by CP and DME with the input of the FRA, demonstrates that the proposed transaction should enhance DME's safety practices and performance in a number of areas. The SIP follows the format established by FRA regulations, and addresses numerous aspects of railroad safety, explaining with respect to each how Applicants intend to ensure that the transaction is implemented safely and how the combined rail carriers will work to build upon DME's improving safety record.

II. EXECUTIVE SUMMARY

Adoption and implementation of CP's safety programs and practices at the DME will foster continued improvement in DME's safety performance and eventually bring DME's safety record into line with that of CP and other Class I carriers. As discussed in this SIP, DME has already made remarkable progress and improvements in its safety record during the last three years, and CP will work with DME to maintain that safety momentum.

In October 2005, as a result of a number of safety issues at DM&E in 2005 and prior years, DM&E signed a Safety Compliance Agreement with FRA (the "SCA"). That agreement focused on four main issues: operating practices, signals, track, and bridges. The SCA consisted of 12 elements with 30 separate actions, each designed to improve DME safety performance. Since entering the SCA, DM&E has focused much more intensely on safety. In cooperation with FRA, DM&E worked diligently on the areas identified by the SCA, timely implementing all of the actions, procedures and protocols required by the SCA, and taking numerous additional steps beyond those required by that agreement.

As a result of DM&E's successful partnership with FRA in implementing the SCA, and other proactive steps DME has taken to address safety issues and challenges, its safety performance has improved dramatically in recent years. From 2004 to 2007 DME train accident frequency declined by 57%. During the same period, the frequency of personal injuries at DME declined by 49%. Based upon DME's performance, and upon FRA audits and inspections, FRA has terminated twenty-six of the thirty components of the SCA. The remaining four components, which focus on track maintenance, are presently scheduled to be terminated on or before October 17, 2008. DM&E believes it has made solid progress on developing the plans and programs necessary to meet the requirements of those remaining components, and it is optimistic that those components may be terminated and released ahead of schedule.

The proposed combination of CP and DME would substantially enhance DME's ability and means to address track maintenance and replacement requirements and to make other infrastructure investments necessary to further improve DME's safety performance. CP projects that it will make available to DME approximately \$300 million for capital improvements to DME's track, bridges, and other rail facilities and systems and processes in the first three years following approval of the transaction. This capital infusion is a key benefit of the proposed transaction, which should make a very substantial contribution to continued safety improvement on DME. Applicants will target capital expenditures to key locations and critical infrastructure in order to improve DME safety and increase system fluidity. In addition, in the first year following approval of the proposed transaction, Applicants will initiate a 10-year program of track upgrades and replacement that will remove 286,000 pound restrictions on key routes. Applicants believe these substantial investments in track and facility rehabilitation and repair

will generate significant further reductions in FRA reportable train accidents, reduce or eliminate temporary slow orders and excepted track, and produce substantial additional safety gains.

The remainder of this Executive Summary briefly describes some of the other highlights of this SIP. As described in much more detail below, Applicants have carefully evaluated their existing safety systems and performance, identified and prioritized areas for improvement following approval of the proposed transaction, and developed rigorous (but necessarily flexible) plans and timetables for safe and smooth implementation of the transaction and for sustained safety improvement at DME thereafter. Applicants believe that continued effort, focus and commitment to safety at DME, in combination with the safety experience, programs, resources and expertise of CP, will allow them to maintain the safety gains DME has made in recent years and build on those gains to bring DME's safety performance to the level of Class I rail carriers in North America.

Corporate Safety Culture

This section describes the corporate safety culture of the two carriers, and CP's successful efforts over the last decade to improve its safety performance through a multi-faceted approach that has involved all parts of the company and the communities in which CP operates. CP has made safety an integral part of its business and operations, emphasizing broad employee participation, open communication, executive leadership and continuous striving for improvement. CP's approach to safety is comprised of seven fundamental elements:

- Safety is integral to CP's business processes. A CP business process may be changed only if safety impacts of that change are addressed.
- CP addresses and prioritizes safety issues and actions using risk ranking.
- Safety efforts involve employees from all levels of the organization.
- Maintenance of open and free-flowing communication throughout the company on safety matters and issues.

- Establishment of multiple layers of defenses to minimize the likelihood that an error will result in an accident.
- Strong leadership commitment to safety.
- Continuous evaluation and striving for improvement.

This SIP explains each of these critical elements of CP's existing safety culture and how those elements work together to create safety programs and performance that are second to none in the industry. Through the application of this integrated, holistic approach, SOO has achieved dramatic improvements in safety performance over the last decade, reducing its personal injury rate by 78%, and reducing its train accident rate by 81%. Applicants believe that similar results can be achieved at DME using CP's proven approach. Below, Applicants further explain their belief that changing the safety culture at DME – a process that is already under way – is essential to improving DME's safety performance. While DME has markedly improved its safety performance by several measures, Applicants believe that introduction of CP's Class I safety culture and practices at DME will be critical to continued and further improvement in DME's safety performance.

Training

CP and DME will evaluate their existing safety training programs and develop programs and approaches based on the best practices of the two companies. All employees will receive general training regarding safety rule books, risk assessment and awareness, efficiency testing, train accident cause finding, ISROP, grade crossing reporting, verbal communication rules and accident response protocols, as well as annual updates as appropriate. More specific training will be provided concerning employees specific areas of responsibility, including all operating, engineering and mechanical employees.

Operating Practices

For the initial period following CP's acquisition of control of DME, Applicants intend to maintain separate operating practices and documents (such as timetables, manuals, and on-track safety rules). Current operating practices are generally working as intended at the two carriers, and Applicants intend to proceed carefully and deliberately in developing a single common set of operating practices. Their present goal is to establish such common operating practices approximately two years after approval of the transaction.

Applicants plan to create a common Locomotive Engineer Qualification and Certification program in the first year following approval of the transaction. While CP and DME air brake and train handling manuals have very similar instructions, there are a few actual operating condition differences between DME and SOO. During the time period prior to the establishment of common operating practices, Applicants will handle any required changes in operating practices through operating bulletins.

Both CP and DME drug and alcohol policies and programs are fully compliant with applicable federal regulations. Applicants will explore making certain aspects of the Soo and DME programs more uniform following approval of the transaction.

Engineering

Applicants will continue to monitor important elements of the SCA (concerning track, crossing warning systems, bridges and structures) that have been terminated by FRA, in order to ensure that processes established to meet the requirements of the SCA remain in place and effective. CP "Red Book" engineering standards will be adopted by DME for new track, bridge, structures and facilities installations. Applicants will closely monitor those sections of DM&E track that are built on a shale sub-grade in western South Dakota. In the first year following approval of the transaction, DME bridge personnel will be trained on CP's bridge inspection

policies and procedures and DME signals and communications (“S&C”) personnel will be trained on CP policies and practices regarding S&C and crossing warning systems maintenance. In the first year following approval, DME will implement CP policies for track geometry testing, rail flaw detection and rail grinding. DME track maintenance staff will be trained in the practices and policies of CP’s track Red Book.

Hazardous Materials

DME presently transports about 4,500 car loads of hazardous material shipments each year, most of which is ethanol and anhydrous ammonia on the IC&E. In the first two years following approval of the transaction, Applicants will implement CP’s shipment management systems at DME. These systems will improve DME’s documentation of hazardous material shipments and placement of hazmat cars in trains; train DME yard and train crews to access, understand and use the new train documentation; and improve communication with first responders regarding hazardous materials in the event of an emergency. If volumes of hazardous material shipments on DME increase, Applicants will make appropriate corresponding safety enhancements, potentially including steps necessary to meet the requirements of AAR Recommended Practice OT-55 for Key Trains/Routes.

Train Dispatching

For the foreseeable future, DME trains will be dispatched from the same locations as they are today. In the first two years following approval, CP systems, processes and protocols for dispatching will be implemented at DME. All DME operations supervisors will be trained in the use of those systems and protocols. Applicants will also train DME field managers, train crews and maintenance of way personnel regarding relevant elements of those protocols and systems.

Information Systems and Operations Technology

Applicants are developing a detailed, comprehensive plan for implementation of key CP systems (including shipment applications, train control and crew management) at DME. The plan will include data loading, training programs, systems and process changes, resource training, and cutover training and implementation. A copy of the plan will be provided to FRA. The plan will provide for management of separate DME and CP systems until CP systems can be implemented.

III. SAFETY INTEGRATION PLAN

A. Corporate Safety Culture

1. CP's Focus on Safety

Following a major corporate restructuring in 1996, CP embarked on a new safety journey, with a goal to become *"the safest, most fluid railway in North America."* The changes adopted by CP were driven by a determination to improve accident and injury rates; the need to increase employee involvement in and ownership of safety; the need to clarify and improve policies and practices dealing with work place and operational safety; and a desire to integrate safety into our business processes.

Today, CP can proudly characterize its safety culture as being among the most progressive among the North American rail companies. We have taken a people-centric approach and tried to integrate understanding of human factors into our processes. Safety is built into our business processes. It is not a bolt-on activity or afterthought, it is how we do business. Our success is a testament to union and management commitment and involvement in hundreds of safety, health, training and business process activities.

Our approach has had seven fundamental elements:

- We view safety as integral to our business processes. A business process cannot be changed without the safety impacts being addressed.
- We deal with safety issues in a risk-ranked manner.
- We involve employees from all levels of the organization.
- We establish and maintain free-flowing communication on safety issues.
- We try to create multiple layers of defenses in order to minimize the chance of human error resulting in an accident.
- Our leadership is visibly committed to safety.
- We strive for continuous improvement.

In addition to these seven, CP is currently taking steps to add an eighth element – a “Just Culture,” where close-call reporting will be encouraged and employees will not fear retribution for reporting occurrences.

a. Executive Commitment to Safety

Executive commitment to safety starts with CP’s Board of Directors and the members of the Health, Safety, Security and Environment Committee of the Board (hereinafter referred to as the “Committee”). Five Board members comprise the Committee which provides oversight for CP’s environment and safety policies and procedures. Senior executives provide reports to the Committee and have safety discussions twice each year, so the Board can confirm that CP management is placing sufficient emphasis on achieving safety and environmental performance. The Committee also provides advice and direction to management and makes reports to the full Board. The commitment of the members of the Committee is articulated in a Corporate Safety Plan issued each year.

In addition, each year, CP publishes a Corporate Social Responsibility Report. It can be accessed on-line at www.cpr.ca. This report lends transparency to safety, environment, health and other issues at CP.

CP's President and Chief Executive Officer publishes a set of corporate values. Among them is the statement: "*Safety – We make the safety of ourselves, our coworkers, communities and the environment our first priority.*" These values are posted in meeting rooms throughout the company and are published in CP's annual Corporate Safety Plan.

Senior executives in CP's Operations team are responsible for setting the tone and direction for safety management. This includes setting goals and targets, establishing strategies and specific tactics to address issues, creating policies and processes to manage issues and monitor progress and recognizing and rewarding safety achievements. Operations executives visibly commit to safety through activities such as Safety Walkabouts which involve on-property tours and meetings with local managers, Health and Safety Committee members, and employees and occur about six times each year. They result in exchange of views and opinions on a wide variety of safety issues.

b. Safety Policy, Plan and Goals

Each year, CP's Safety Policy statement is reviewed and re-affirmed by the Health, Safety, Security and Environment Committee (HSSE) of CP's Operations Department. The HSSE is comprised of senior Operations staff. It is chaired by the Chief Operating Officer and meets weekly. The Safety Policy statement affirms the safety commitment, roles and responsibilities for all employees and also states that "*No job on our Railway will ever be so important that we can't take the time to do it safely.*" It is signed by the three most senior railway officials responsible for Operations, namely, Fred Green, President and Chief Executive Officer; Kathryn McQuade, COO, and Brock Winter, Senior Vice-President, Operations. The Safety Policy is then posted on safety bulletin boards throughout the work place and is published in the annual Corporate Safety Plan.

Each year, the HSSE also establishes and communicates a Corporate Safety Plan. The Corporate Safety Plan sets out specific goals for the coming year and objectives for a four year time horizon. The plan is designed to be both specific and realistic and provides a formal framework for incorporating safety into day-to-day operations. In addition, it sets out the Corporate Safety Policy and the Vision and Mission statements. It articulates ten strategic foci for safety to enable CP to accomplish its goals. Currently, these are: Demonstrate a Commitment to Health, Safety, Security and Environment; Communicate; Hire, Train and Supervise; Involve Employees and Union Representatives; Comply with Applicable Policies, Rules, Regulations and Standards; Manage Safety Risks; Manage Safety Failures; Manage Medical Fitness to Work and Employee Wellness; Recognize Safety Excellence; and Respond to Community and Customer Concerns.

The executive commitment and the Corporate Safety Plan are the fundamental aspects of the “top down” element of CP’s safety strategy.

c. Safety Framework

The fundamental element of the “bottom up” part of CP’s safety strategy is the annual Safety Framework process. This involves representatives from all local Safety and Health Committees in the development of local Safety and Health Plans. These plans are developed based on local issues and needs – the local accident or incident history and other concerns – using an array of “tools” that have been developed by CP. The Framework involves building site-specific action plans and processes to ensure regular monitoring and follow-up so that the Safety and Health Committees accomplish the actions in their respective plans. These plans are designed to be cumulative from year to year, so that action items introduced one year are maintained in the plans as follow-up actions in subsequent years. For example, the introduction

of peer-based audits such as monitoring crew behavior for the five SOFA⁵ lifesaving rules, were a lot of work the year they were introduced, but have become a regular part of Committee activity. Part of the annual Safety Framework cycle includes processes to monitor the effectiveness of the plans, including incident trend analysis. Plans and activities are adjusted as needed to continuously improve the processes and initiatives. During Safety Walkabouts, the union co-chair of these committees is asked to present and discuss the plans with the HSSE members.

d. Safety Committees

Local Safety and Health Committees are required by Canadian law and their formation, mandate and responsibilities are spelled out in regulation. CP has used these Canadian requirements as a model for Safety and Health Committees throughout its U.S. properties. In the U.S., Safety and Health Committee union members are appointed by the General Chairmen and management members are appointed. Committees are co-chaired by representatives of management and labor. Committee members receive training in their responsibilities. Committees are required to have written terms of reference, to hold monthly meetings, to keep minutes of all meetings and to post those minutes in the work place.

In addition to the work place committees, CP has senior union and management staff on Safety Advisory Boards (SAB). In the U.S. on SOO, there are three SABs, one each for Engineering, Mechanical and Transportation/Operations. The SABs have union and management co-chairs and the members receive additional safety training. The SABs have formal terms of reference, meet between two and four times each year and produce minutes. If a work place committee cannot resolve an issue locally, there is a formal procedure available to

⁵ Switching Operations Fatality Analysis

escalate to the SAB. This total structure – local S&H Committees that encourage the local resolution of safety issues and SAB Committees that permit the escalation and resolution of systemic issues – has proven to be a very successful way of managing safety. This committee structure and the processes we have built into safety management oversight ensure a consistent approach with a constant focus on improving all aspects of safety.

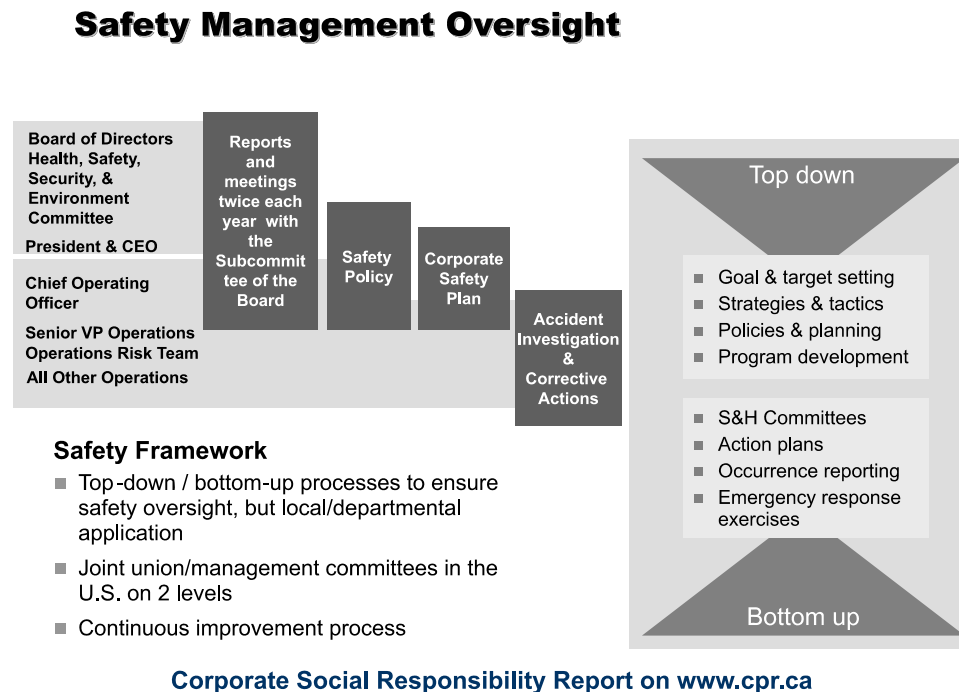
e. Incident Investigation

When a train accident occurs, CP has a very structured approach to determining cause and corrective actions. CP has a small team of professionals (the Incident Investigations and Analysis team) with expertise in track, equipment, track-train dynamics (including computer simulation) and failure analysis. About 1,500 CP managers have been trained in train accident reconstruction and cause-finding methods. Policies, procedures and reference materials have been developed to assist front line managers in determining cause, and the team is available to assist when required. On-site assistance is provided for accidents involving employee fatalities or catastrophic injuries, derailed products requiring an Emergency Response Assistance Plan under Canadian regulations, and accidents with total damages exceeding one million dollars. It may also be provided when field staff have been unable to identify critical site evidence. They also regularly provide analysis of failed components, computer simulations when track-train dynamics may have played a role in an accident and advise field managers in investigations. HSSE also reviews certain train accidents for cause and corrective actions

For significant occurrences, the use of CP's Investigation of Safety-Related Occurrences Protocol (ISROP) is also mandated in order to ensure any human factors contributions are thoroughly investigated, analyzed and included in potential corrective actions. ISROP is a set of

tools that can be used to assist any investigation, although it is mandatory only for level three⁶ occurrences.

The following summarizes CP's top-down – bottom-up approach to managing safety.



f. Safety Performance

CP's corporate vision is to be "the safest, most fluid railway in North America." The safety culture at CP is an integral part of Execution Excellence and we are achieving results. The safety and health of CP employees and the safety of our operations are of paramount importance to everyone who works for this company. In 1996, CP re-aligned its management team and, among other changes, created a consistent, visible focus on safety that has achieved extraordinary results.

⁶ Level three occurrences are defined by a number of criteria including fatalities, significant property damage and degree of regulatory or public concern.

From the 1996 re-organization through 2007, CP personal injuries and train accidents fell by 71% and 61% respectively. Furthermore, in seven of the ten years from 1997 to 2006, CP achieved the best system-wide train accident rate among the North American Class I railways. In 2006, the CP system-wide train accident rate was 1.54 accidents per million train miles. The SOO train accident rate was 1.10 accidents per million train miles. Both of these rates were well below the U.S. rail industry rate of 3.6.

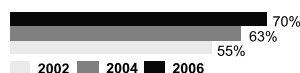
Safety

Our Approach

- Safety integral to business processes
- Priorities based on risk
- Involvement from all levels
- Free-flowing communications
- Multiple layers of defense
- Committed leadership
- Continuous improvement

What Our Employees Say*

- I feel that workplace safety receives appropriate attention here



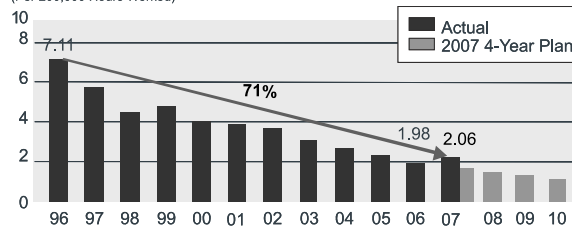
* Hewitt Survey

1. To be the safest most fluid railway in North America

Executing Our Vision¹

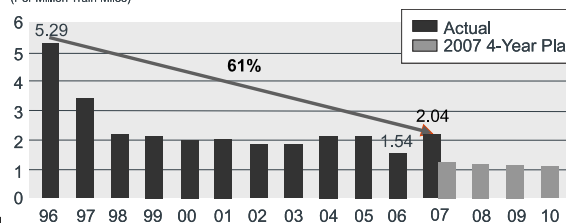
FRA Personal Injuries - CP

(Per 200,000 Hours Worked)

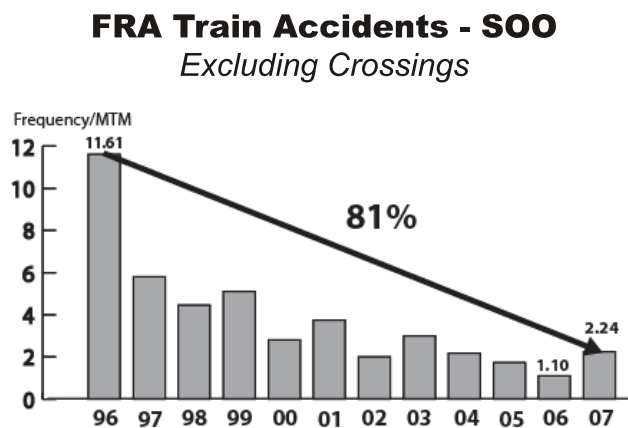
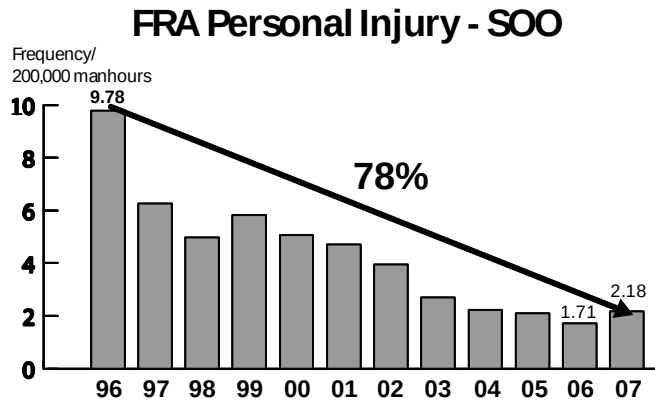


FRA Train Accidents - CP

(Per Million Train Miles)



Over the same period (1996 through 2007), SOO injury and train accident rates declined 78 and 81 percent respectively.



Occurrence data is monitored closely through daily, weekly and monthly summary reports of occurrences. The data is closely analyzed for trends on a monthly basis and regularly discussed on weekly and monthly conference calls. Occurrence data is also provided to Safety & Health committees for them to use in developing goals and action plans for their annual Safety Framework plans and for monitoring the actual results compared to the goals.

g. Supervision and Monitoring

As part of its "top-down" and "bottom-up" approach, CP believes that its local safety and health committees, its crews and its individual employees form an important part of CP's ability to monitor compliance with regulatory and internal requirements for CP's operations. To this end, CP takes a somewhat unique, peer-driven, approach to its SOFA (Switching Operations

Fatality Analysis) and ORCA (Onboard Radio Communications Awareness) programs. Local employee safety and health committee representatives in Field Operations conduct peer audits and provide feedback to individual employees on their observations. Management is not provided any individual employee observations and receives only the blended results for a committee. In this way, the committee representatives are encouraged to provide open and honest feedback to their peers and management receives a good picture of compliance and opportunities for improvement in the SOFA and ORCA programs.

Front line employees are also involved in ensuring the safety of their co-workers through the completion of pre-departure checklists and job briefings. In both cases, employees discuss weather or other local conditions within a crew and review their assignment to ensure consistent understanding of work tasks to be performed and safety practices to be employed. While managers are encouraged to examine pre-departure checklists or question crew members about the effectiveness of their job briefings, these activities are expected to be performed without the presence of managers and crew members are expected to accept responsibility for safe operations and work practices within their peer group.

Safety and Health Committee representatives at CP also monitor customer sidings and plants for compliance with their responsibilities. CP believes that the employees who know these local operations are often best suited to perform an inspection or audit that looks at issues such as the location and condition of derail devices or restricted clearances that could pose a hazard to CP employees in the performance of their duties. These representatives use a red/yellow/green card system to grade the condition of a customer facility and are authorized to issue red cards if they believe that CP should not serve the facility until a condition is rectified.

While CP believes strongly in leveraging its local safety and health committee representatives to provide front line eyes and ears to monitor emerging safety conditions or operations issues, it also strongly emphasizes the need for management supervision and monitoring. Senior management reinforce all of this through Safety Walkabouts or other activities where they get out to local operations, but it is the local management teams who provide the critical ongoing day to day monitoring and supervision activities. Train crews, dispatchers, track workers and mechanical staff are all subject to proficiency testing programs from their managers and supervisors. On a quarterly basis, a full safety data review that analyzes trends and highlights issues is provided to each service area across the CP system. For each of the identified issues, the service areas are directed toward corresponding proficiency tests with the expectation that they will target those tests in the coming quarter. Each front line manager is expected to know the most common causes of incidents or accidents in their service area and to perform proficiency tests that correspond to those causes.

Local managers also routinely download locomotive data and review trips with crews to ensure adherence to safe operating practices. In addition to identifying areas for improvement, managers are expected to provide positive feedback for downloads they review that produce no exceptions. CP encourages open communication and participation at all levels to ensure the highest degree of effective monitoring of its operations.

h. Safety/Environmental Auditing

CP uses regular auditing of work groups or facilities at CP to monitor the quality and effectiveness of the implementation of safety activities and to identify gaps in our processes. This audit program pairs external auditors with a CP team. The combined team then uses over 20 audit protocols to assess approximately six different work groups or facilities each year.

Corrective action planning and implementation from each audit is then tracked for two years following the completion of the audit.

The safety audit program has been included in safety oversight since about 2000. The audit protocol was altered in 2007 to combine safety and environmental audits into one program.

i. Recognition

The recognition of safety excellence is one of the ten strategies in the CP Corporate Safety Plan. There is formal recognition each year for safety achievements. These include a President's Award for:

- The Service Area with the best personal injury performance;
- The Service Area with the best compliance record for reporting occurrences within the standard (two business days) for reporting; and
- The Service Area with the best composite train accident record.

Vice-President's awards are also provided for the Service Area Functional teams with the best injury and accident records.

CP recognizes union employees who exemplify corporate values in the pursuit of safety excellence. Each year, one employee is chosen from each of the following teams: Intermodal, Transportation/Field Operations, Engineering and Mechanical. The winners and their spouses or significant others are awarded a trip to Calgary and an opportunity to tour corporate venues in the area. Both the Service Area awards and the Personal Safety awards are given out at CP's annual Safety Conference during a gala dinner.

The Safety Conference also includes displays and discussion on 10 to 15 safety best practices, with union and management Health and Safety Committee members preparing the displays and presenting their best practice to the top 100 Operating staff. These best practices

are chosen to show-case innovative solutions to local problems where the solutions could potentially have system-wide application.

In the U.S., CP is proud to have been recognized by the Harriman Award process in several recent years. These include:

- D&H - 2004 certificate of continuous improvement
- SOO - 2002, 2003 Certificate of continuous improvement
- 2003, 2004 Silver Award Class C
- CP U.S.⁷ - 2005 Gold Award Class C
- 2006 Silver award Class C

CP celebrates this occasion by having both unionized and management staff attend the luncheon in Washington, D.C. We also hold a dinner the evening before and include an opportunity for sight seeing in the Capital Region. For many participants, this is the first opportunity they have had to visit Washington. CP also invites the CP Hammond award nominee and his/her spouse to Washington to attend the dinner, the luncheon and to participate on the tour.

In addition to the above Corporate awards and initiatives, the Service Areas hold events such as employee appreciation BBQs to recognize local safety efforts and results.

j. Community, Customer and Regulatory Relations

(i) Communities

When a train accident occurs, CP has a simple and clearly communicated response protocol. Our first priority is to ensure the safety of our employees and the community affected by the accident. This is done in collaboration with local leaders and emergency service providers. Our second is to protect the environment and commence remediation as soon as

⁷ Commencing in 2005, the D&H and Soo Line data was combined into CP U.S.

possible. Our third is to investigate the accident, including the identification and preservation of all key evidence, so that a thorough analysis can be done and appropriate corrective actions implemented to prevent a similar occurrence in future. The fourth is to safely restore rail operations. Above all, the safety of people and the environment are key. Only once these are assured does CP embark upon restoring railway operations.

But community safety starts long before any accident. Since 2000, CP has been building elements of our *Community Connect* program. The three pillars of CPR's community relationships are to develop key relationships before an incident; coordinate stakeholder needs during an incident; and meaningful follow-up after an incident. The front-line component of this program is the *Community Connect Line*, which has been operational since 2000. System-wide, CP receives 6,000 to 8,000 calls each year on this 1-800 number. All calls are logged in a tracking system to ensure they are answered as efficiently and effectively as possible. Our community relations representatives draw on an extensive information data base and a net work of front-line and technical experts to respond to the wide variety of queries and complaints from the public, different levels of government and community and CP stakeholders. The calls include inquiries on operational issues such as railway noise, blocked crossings and property questions. Where complaints cannot be readily resolved, CP initiates a dispute resolution process.

The Community Dispute Resolution Process Framework arose out of discussions in 2001 between CP and the Federation of Canadian Municipalities. The process is a multi-layered one. Initially, the parties try to resolve a dispute locally. If no resolution is forthcoming, the parties proceed to engage a third party mediator or facilitation support. Only if this support proves unsuccessful do the parties resort to legal steps. CP believes that where railways and

communities are able to arrive at their own solution to a dispute, the parties are more likely to embrace the solution in the long term and to forge a stronger relationship as neighbors.

Community Advisory Panels are one aspect of CP's dispute resolution framework. These may be formed as a result of community development plans or railway operations.

CP's Police Service (CPPS) also has a number of specific public safety initiatives within communities across our network. These include:

- The 1-800 Safe Passage Program where every public highway/railway crossing on the CP system is marked with a unique ID and 24 hour emergency contact telephone number to assist in reporting incidents.
- The Officer-on-the-Train program brings together rail operations and local law enforcement to highlight the dangers of near collisions and trespassing.
- Activities associated with Operation Lifesaver, a public education program promoting public safety around railways, are coordinated by CPPS.
- Community, Analysis, Response and Evaluation (CARE) is a problem solving model targeted at reducing the incidence of trespassing on railway property.

With CP's Community Investment Program, we try to bring a national voice to important social issues such as hunger and to make a significant and lasting contribution to the communities in which we operate. CP's Holiday Train is just one example of community investment, and one of which CP is very proud. For the past eight or nine years, CP has supported food banks across the United States and Canada. In November and December, a train decorated with thousands of lights and carrying musicians and other performers makes its way across the U.S. and Canada, visiting communities and collecting donations for food banks. To date, the Holiday Train has collected 1.8 million pounds of food and about \$3.6 million for local food banks. CP also uses the Empress Steam Train in cooperation with communities, to raise awareness on issues important to communities.

(ii) Customers

CP has long participated in initiatives aimed at protecting the public in the event of an accident involving chemicals, such as TransCAER® and Operation Respond⁸. In support of TransCAER®, CP participates in about four information sessions each year with community leaders and responders concerning emergency response procedures.

In addition to community and public interfaces, CP has been committed to a safety partnership with its customers. For chemical customers, this includes commitments to Responsible Care® under the Canadian Chemical Producers Association and the American Chemistry Council, and annual Chemical Shipper Safety awards.

The safety aspects of CP's relationship with its customers goes beyond chemical customers. For the past 6 or 7 years, CP has provided all customers with a Customer Safety Handbook that outlines safe handling procedures. We have coupled this with an audit process to ensure customer rail facilities meet CP's safety requirements.

(iii) Regulators

There are a wide array of laws, regulations and rules that impact the operation of CP's network to varying degrees in both Canada and the United States. CP is attentive to local and state (or provincial) level activities that can directly or indirectly affect rail operations, and CP works on maintaining relationships and enhancing understanding of rail operations at these levels so that they involve CP or the industry as appropriate before legislating or regulating in ways that may have consequences for the rail industry. As CP is federally regulated in both Canada and the United States, however, the majority of CP's government or regulatory activities are directed toward the federal level.

⁸ See section G for an explanation of TransCAER® and Operation Respond.

At the federal level, CP works to ensure that relevant legislators and regulators are apprised of CP's key initiatives and strategies. This includes legislative committee members and their staff who deal with transportation issues and it includes regulators with direct involvement in the transportation industry, and particularly the rail industry. While there are a variety of regulatory bodies in the federal sector who deal with issues that impact the rail industry, the two in the United States that have day to day oversight of issues key to CP's business are the Surface Transportation Board for commercial and related issues and FRA for safety and operations issues.

CP's most senior operations officers meet at least once per year with senior FRA officials to review the safety performance of the preceding year and to look ahead to new programs or approaches that CP will pilot or implement in the year ahead. CP also maintains open and ongoing dialogue with FRA officials in Washington. CP participates extensively in virtually all FRA processes where industry input is sought, including the Railroad Safety Advisory Committee (RSAC) and its various subcommittees and working groups. Further, CP seeks through these dialogues to understand areas of interest to FRA for the potential advancement of safety and to work with FRA on examining potential pilot programs or research. This is how, for example, CP became one of two railroads selected to work with FRA on running a close-call reporting pilot. In addition, CP instructs its operations management teams in the field to stay in contact with FRA regional offices and to maintain open channels of communication regarding key activities, significant changes to local operations or significant incidents.

2. DME Safety Management

In many respects, DME is where SOO was in the mid to late 1990's with respect to its safety culture. DM&E and IC&E operate largely as separate entities with separate histories, different training programs, different procedures, and in some areas, different computer systems.

DME has accident and injury rates that are too high, both in absolute terms and in relation to their peers in the rail industry; standards and processes vary, not only between DM&E and IC&E, but within the two companies; safety is not fully integrated into day-to-day business practices; there is little direct employee involvement in safety processes; and the two companies varying policies are either not adequately understood or are not always followed.

At the same time, most employees want to do a good job and are trying to do their jobs safely. Managers are eager to embrace safety improvements and are looking for positive change initiatives. There are pockets of excellence within both DM&E and IC&E, where individuals with experience from other railroads have brought program material and processes with them and applied them to their area of operation. There are also examples of system-wide communication of safety practices that are very good. For instance, on a monthly basis, DME issue a series of posters called “What’s Wrong with this Picture?” The photographs are of real situations that are discovered. The posters are used in safety talks with employees to reinforce employee knowledge and understanding of the proper way to do a task, or how to inspect equipment, or compliance with a rule or procedure

There is also recognition that practices, procedures, and training need to be areas of focus to generate future safety improvements. For example, in the last two years there have been vast improvements to the training provided to locomotive engineers and conductors. In addition, DME will be issuing a common Time Table to consolidate all the practices on the two properties into one uniform set of operating practices. There is further room to improve in other crafts by creating common training programs and standardizing procedures.

In the area of safety policies, there are also different standards in different divisions and areas of DM&E and IC&E. For example, personal protective equipment policies differ, with some Mechanical locations requiring the use of hard hats while other do not.

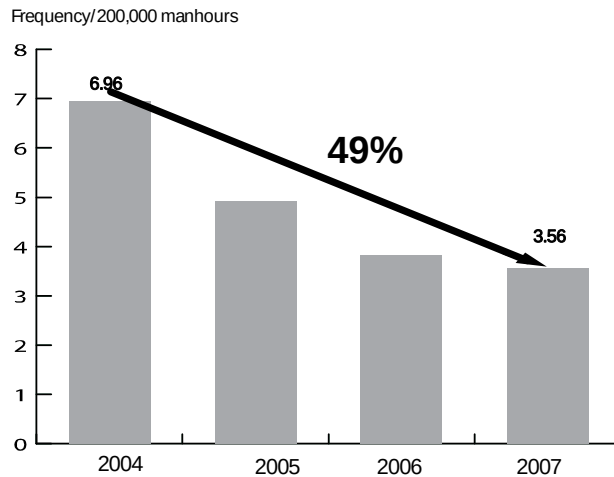
a. Executive Commitment to Safety

For the past two years, senior leaders on DME have worked hard to drive safety change from a “top down” perspective, both in response to the FRA Safety Compliance Agreement and as new issues arise day-to-day. This is still very much a “force feeding” from the top that appears to be largely issue-specific; there is not yet a cohesive vision for how to integrate safety into day-to-day operations. Furthermore, this approach is very dependent on the individuals at DME who have been the visible leaders of change. Without their presence and ongoing attention, the DME safety record might not continue to improve.

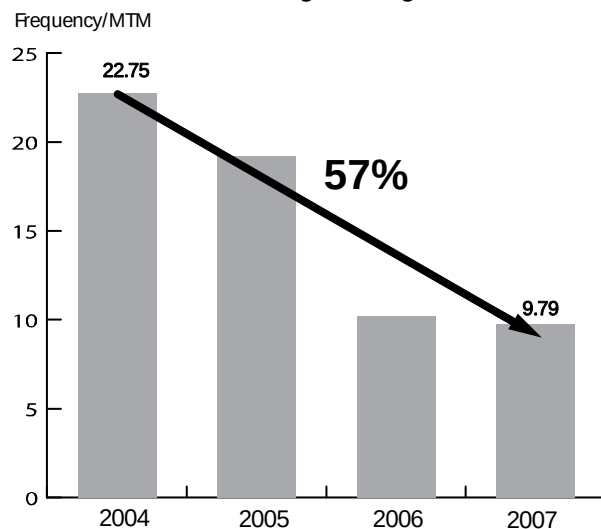
b. Safety Performance

DME employees are justifiably proud of the improvement in the safety record over the past three years, for both train accidents and personal injuries. Between 2004 and August 2007, personal injuries dropped 49%, from 6.96 to 3.58 injuries per 200,000 manhours. Train accidents declined 57% in the same time period, from 22.75 to 9.79 accidents per million train miles.

FRA Personal Injuries - DME



FRA Train Accidents - DME *Excluding Crossings*



DME closely monitors occurrence data using twice-monthly reports sent to all managers in Operations. Each train accident is reviewed at the time of the occurrence to determine root cause and corrective actions. From time to time, Rail Sciences has been utilized to provide accident analysis and to assist field managers determine cause. All personal injuries are reviewed on a monthly conference call held with all operations managers. These reviews include not only what happened, but what local and systemic corrective actions are being put in place to

prevent future accidents. Periodically, special actions are undertaken in response to a particular incident or a concern. For example, recognition of a weakness in the quality of communication during blind shove switching movements recently led to an intense three week efficiency test focus on the communication between conductors and engineers during such moves. Every manager was required not only to perform efficiency tests, but to discuss particular test results with senior managers. These discussions were used as coaching sessions. This effort was not only aimed at employees, but also ensured that all managers understood the rules and that everyone understood that compliance was absolutely mandatory.

The majority of improvement in the DME safety record occurred between 2004 and 2006, with only slight additional improvement in 2007. Thus, the improved record may have plateaued, and new initiatives may be needed to effect further improvement.

c. Opportunities

DME needs to find ways to make safety a more integral part of day-to-day operations.

Some ideas for the near term include:

- having an overall corporate vision for safety along with comprehensive plans/processes to ensure continuous improvement;
- tapping into the whole employee base and systematically using the energy and ideas of all employees to improve safety;
- upgrading and delivering training to managers and employees;
- standardizing processes;
- issuing common policies and standards; and
- creating means to share and implement best practices.

To continue to improve safety in 2008, DME senior operations managers are currently reviewing and considering the introduction of new safety initiatives.

3. Safety Integration – Bringing CP Safety Culture to the DME

Most of the Safety Management Processes on CP can be readily transferred to DME. The safety cultures of the two railways are currently quite different. In order to successfully fold DME staff into CP's people-centric culture mindset, Applicants will have to carefully build the elements of CP's processes in a logical manner – building layer upon layer, achieving general acceptance of the benefits of the approach as we go. DME cannot be expected to integrate ten years of CP's safety programs in one fell swoop, but significant change can be managed in a three year time frame. Nor will DME be expected to completely adopt all SOO safety practices in the early years. There needs to be room to retain the individual character of each railway and to recognize those areas where the current structure or management processes of DM&E or IC&E precludes the wholesale adoption of a CP practice. Our processes will allow some adaptation to better fit the current DM&E or IC&E culture and to retain some of their current initiatives.

Over the three years following STB approval, the Applicants will:

a. Introduce CP's "Top down/Bottom up" model to DME.

This means:

(i) Create a focused and specific Corporate Safety Plan for DME.

Model the Plan after the CP plan, but adapt the various tactics and actions to suit local needs. This Plan will:

- Establish four year safety targets and goals;
- Establish Tactics and Actions;
- Establish expected outcomes;
- Set priorities for implementing changes.

(ii) Establish Safety and Health Committees and Local Safety Plans.

Several actions are required including:

- Form Work-Place Safety & Health Committees throughout the property and either appoint or have members selected;
- Educate Committee members on the Terms of Reference and the Committee Charter;
- Hold one or two large Safety Framework planning sessions with all committee members of local H&S committees. The meetings will produce annual local plans and time and action calendars for implementing 4 or 5 critical immediate changes by each H&S Committee;
- Training on safety roles and responsibilities.

(iii) Establish a Cross-Functional Senior Safety Committee for DME.

This committee will act as an oversight committee for discussion of systemic safety issues that cannot be resolved locally, and may include review of major occurrences.

(iv) Conduct Safety /Environmental Audits

Formal Safety/Environmental Audits⁹ will start in year three. Prior to that time, available resources will be devoted to implementing proven safety tactics and actions rather than auditing. Audits starting early in year three will help determine where additional reinforcement of safety tactics and actions or new ones are required.

b. Implement CP's Train Accident Prevention Program on DME.

Implementing CP's train accident program will require:

- A thorough review of accident history and causes;
- Creation of a three year accident reduction plan based on the data findings;
- Linking this Plan to the DME Corporate Safety Plan;

⁹ These formal audits should not be confused with Dangerous Goods waybill audits that will be performed twice each year commencing during the first year following approval.

- Providing CP's Train Accident Cause Finding Course to DME front line managers; and
- Providing ISROP training to Managers.

The plan should include:

- Goals for reducing train accidents by cause category, e.g. Mechanical, Operating, Engineering, Third Party, Crossings, Trespassing;
- Tactics and actions to achieve the goals;
- Processes to monitor actual train accident results compared to plan; and
- An annual review of the effectiveness of planned/executed actions along with the re-setting of reduction goals by occurrence cause category.

c. Implement an Injury Reduction Plan.

Applicants plan to:

- Create a three year plan to implement CP H&S Policies and Practices;
- Link this to the DME Corporate Safety Plan; and
- Prioritize the tactics and actions in the plan and implement them accordingly.

B. Staffing/Management of U.S. Operations

CP does not presently anticipate any change of operations that will impact workforce duties or responsibilities for the positions referenced in 49 CFR 244.17(j). Barring circumstances unforeseen at the present time, Applicants expect that the Operations on DME will be managed in a manner similar to how it is done presently. The focus will be on local execution in the field with centralized planning that will ensure the success of the overall Integrated Operating Plan (IOP) and the Safety Plan.

C. Training

1. SOO

SOO has one main training facility in St. Paul which is the hub for CP's major training programs in the U.S. The facility houses four training rooms and three locomotive simulators

and has a total of ten training instructors, three for Locomotive Engineer/Rules training, two for conductor/rules training, two for Engineering¹⁰ training, two for Mechanical training and one for Dispatcher training. In addition, one Conductor/Rules instructor is located in Chicago. The instructors all come from the trades they instruct and together, provide over one hundred programs. These programs are categorized into Safety, Rules and Technical topics. The training is mostly instructor-led, enhanced with some computer-based training.

All Operations groups have training organized in cycles – annually for Engineering, Mechanical and Dispatchers and bi-annually for train crews/Field Operations. Topics are based on the regulatory requirements and from the analysis of recent rule violations and safety statistics. Specifics on training provided for each technical subject is detailed in various sections elsewhere in this document.

Training for large programs such as Locomotive Engineer, Conductor new-hires and Engineering new-hires are centralized and students are brought to the St. Paul facility. For most other programs, the instructors travel to the terminal locations to deliver training.

Training design is done by either on staff Instructional Designers or contracted to professionals with instructional design credentials. Design processes are mapped and instructors are provided train-the-trainer sessions for all new training programs.

All training results are entered into a Training Records Management System (TRMS) by the instructors. TRMS records are accessible to managers for the employees who report to them.

2. DME

DME has a training facility located in Sioux Falls, SD. Three training instructors, one each for Field Operations, Engineering and Mechanical, work out of this facility. Training is

¹⁰ Includes track maintenance, S&C, B&B and track programs staff.

provided to meet regulatory and safety requirements and some additional technical training is provided. More specific information regarding DME's various training programs are provided elsewhere in this document.

Large programs such as Locomotive Engineer and Conductor new hire training is provided at their centralized facility in Sioux Falls, while shorter training programs for Engineering and Mechanical are conducted in field locations. Because this training facility does not have a locomotive simulator, Engineer certification is done with written exams and on-board check rides.

Training records for Field Operations are recorded in InfoRail and those for Engineering and Mechanical are kept in spreadsheets.

3. Safety Integration

Future training will consist of the best practices of SOO and DME. Training design will be performed by either internal or contracted Instructional Designers. Training¹¹ will be provided in the following categories:

a. Safety Culture training

This training will be provided to familiarize DME with the CP safety culture. Training will be provided to both managers and employees.

(i) Managers

Training will be provided to all managers. It will be a comprehensive session to articulate CP cultural expectations and provide specific instructions. Modules will include: Safety Rules, Risk Assessment Awareness/Job Briefings, Efficiency Testing, Train Accident

¹¹ In addition, training will be provided on specific systems as they are implemented.

Cause Finding, ISROP, Grade Crossing Reporting, Annual Safety, Verbal Communication Rules, Accident Response Protocol and CP Safety Culture.

(ii) Employees

General safety training will be provided to all employees. It will be a comprehensive session to be presented within the safety culture parameters CP maintains and expects. Modules will include: Safety Rules, Risk Assessment Awareness/Job Briefings, Verbal Communication Rules and CP Safety Culture.

b. Engineering

This training will be provided to all Engineering employees, including managers.

(i) Track Personnel

A training program will be delivered to track engineering employees covering the following topics: Job Briefings, Annual Safety, GCOR Rules/OTS, Track Standards (Red Book), FRA On Track Safety¹² Rules, Hazmat, Hazcom, Emergency Response-Evacuation, Life-Saving Rules, Confined Space Awareness, Security Awareness and Fall Protection. Employees will also be provided training specific to their duties such as Boom Truck, Handling Rolling Stock and CWR (laying and maintenance of rail and the prevention of track buckles).

(ii) Signals

A training program will be delivered to engineering signal and communication employees. Topics will include: Job Briefings, Annual Safety, GCOR Rules, On Track Safety Rules, S&C Standards (Requirements Book), S&C Training, Hazmat, Hazcom, Emergency Response-Evacuation, Life-Saving Rules, Confined Space Awareness, Security Awareness, Fall Protection and Grade Crossing Signal response. Employees will also be provided training

¹² The OTS manual contains specific instructions to preclude persons other than S&C personnel from isolating/deactivating/reactivating automatic warning systems at grade crossings.

specific to their duties such as Grade Crossing Maintenance, Hot Box Detector, Boom Trucks and S&C Training including software management control protocols.

(iii) Structures

A training program with the following topics will be delivered to engineering structure employees: Job Briefings, Annual Safety, GCOR Rules, On Track Safety Rules, Hazmat, Hazcom, Emergency Response-Evacuation, Life-Saving Rules, Confined Space Entry, Security Awareness and Fall Arrest. Employees will also be provided training specific to their duties such as Boom Truck, Rolling Stock and Bridge Inspection.

c. Mechanical

Training will be provided to all Mechanical employees, including managers. The program will include: Job Briefings, Blue Flag, Welding, Hazmat, Hazcom, Annual Safety, Emergency Response-Evacuation, 5-Alive, Security Awareness and Fall Arrest.

Employees will also be provided training specific to their duties such as Track Mobile Operations, All Terrain Vehicles, Shop Track Operations Curriculum-Locomotives/Fueling, Dimensional Load/Measuring & Reporting and FRA equipment safety inspections.

d. Field Operations

The following training will be provided to all Operating employees, including managers.

(i) Locomotive Engineers

Program topics will include: Engineer Recertification, Job Briefings, GCOR Rules Certification, Hazmat, Emergency Response-Evacuation, SOFA, Air Brake & Train Handling and Security Awareness.

(ii) Conductors

Program topics will include: Job Briefings, GCOR Rules Certification, Hazmat, Emergency Response-Evacuation, SOFA, Air Brake & Train Handling and Security Awareness.

(iii) Train Operations Manager

Program topics will include: Job Briefings, GCOR Rules Certification, Hazmat, Hazcom, Emergency Response-Evacuation, Air Brake & Train Handling, SOFA and Security Awareness.

(iv) Supervisors of Operations

Program topics will include: Train Control Systems, Job Briefings, GCOR Rules Certification, On-Track Safety Rules, Annual Safety Rules, Hazmat, Hazcom, Emergency Response-Evacuation, SOFA and Security Awareness.

e. Health and Safety Committees

Health and Safety committee members will receive training in their roles and responsibilities, terms of reference and how to operate effective committees. The training will also provide a variety of tools that can be used by committees to develop and maintain a safe working environment.

f. Training Records Integration

Training records will be integrated into TRMS to provide managers with access to training records.

D. Operating Practices

SOO uses an Efficiency Test Program filed with FRA in compliance with 49 CFR Part 217, and was last audited by FRA in December, 2005. The manual consists of 137 efficiency tests for field operations and engineering. SOO has a monthly test requirement for supervisors that is supplemented by internal reports on additional tests that must be performed based upon monthly reports. SOO efficiency tests are captured in a computer application called the Compliance Assurance Monitoring System (CAMS), which is a module of CP's VIP system. CAMS is also used by other functional teams at CP to track various safety-related efficiency tests.

1. Operating Rules, Practices and Instruction

a. CP

SOO has a Manager of Operating Rules with the responsibility to develop, implement and enforce Operating Rules, On Track Safety Rules, Timetables and Special Instructions, General Orders Train Dispatcher/Control Operator Manuals and training program content as it relates to these documents. This person also participates in RSAC working groups.

SOO uses the following documents:

- General Code of Operating Rules (GCOR) edition April 3, 2005;
- Chicago Operating Rules Association Guide (CORA) in the Chicago Terminal in relation to movement over foreign line railroads;
- Timetables dated October 1, 2007;
- On Track Safety Manual in compliance with 49 CFR Part 214, in effect April 1, 2007. Train Dispatcher and Control Operator Manual which supplements the operating rules and procedures;
- Air Brake and Train Handling Rules book effective April 13, 2003;
- Four function-specific books issued at various dates in 2005, containing the Safety Rules and Recommended Practices/Safe Work Procedures for Intermodal, Transportation/Field Operations, Mechanical and Engineering; and
- U.S. Hazardous Material Instructions for Rail for handling hazardous material.

SOO has Passenger Train Emergency Preparedness Plans in place with METRA and Amtrak which have been filed with FRA. Copies of the plans are located on each Dispatcher desk responsible for dispatching these passenger trains and a copy is also in the Assistant Manager Train Dispatching office. Train Dispatchers are trained and efficiency tested on these procedures.

Over the past 6 or 7 years, SOO has implemented a number of operating practices that were designed to assist with trapping human errors, thereby avoiding operating incidents or train

accidents. In particular, three verbal communication rules have been very effective: verbal confirmation of restrictions; calling out restrictions in advance; and confirming switch positions and then voice communicating “lined, locked, and checked” at switches. SOO also has other practices such as flat switching guidelines, peer-to-peer audit process such as SOFA and ORCA¹³ and crew pre-departure check lists.

b. DME

DME has a Director of Rules and Training with responsibility to develop, implement and enforce all of the DME transportation operating rules.

DME uses the following documents:

- GCOR edition April 3, 2005;
- CORA, which is used by IC&E for operations into the Chicago terminal;
- IC&E Timetable NO 2 effective 0001 Sunday April 3, 2005;
- DM&E Timetable NO 5 effective 0001 Sunday April 3, 2005;
- On Track Safety Manual in compliance with 49 CFR Part 214 effective February 1, 2006;
- an Operations Supervisors Manual which is a supplement to the operating rules and procedures for dispatching trains;
- three Safety Manuals, one each for Transportation, Engineering and Mechanical; and
- the U.S. Hazardous Material Instructions for Rail for handling hazardous material.

DME have an Efficiency Test manual in compliance with 49 CFR Part 217 which consists of 99 different tests. The manual covers tests for field operations, engineering and mechanical. DME set monthly testing requirements which are based on trends in the efficiency

¹³ On-Board Radio Communication Audit

test data base. All tests are entered into a stand-alone software program called InfoRail. No additional safety-behavior related tests are done.

c. Safety Integration

Applicants expect that their respective operating practices and all documents such as timetables, air brake manuals and on-track safety rules, will remain separate in the early stages of safety integration. Likewise, the efficiency test programs will also remain stand-alone in the near term. The various operating instructions and the efficiency test programs are generally working as intended, and current management oversight of these processes will continue to ensure efficiency tests are targeted at activities that will improve safety performance or rules compliance.

Future program consolidation is primarily dependent upon two factors: firstly, the timing of the changes that will be required to both the CP and DME efficiency testing programs in response to changes to 49 CFR Part 217 and secondly, the timing of the adoption of the CP dispatching system by DME. The CP dispatching system will be implemented in the first year following the transaction. Consolidated documentation for GCOR, Timetables, On-Track Safety and Efficiency Tests will be issued by sometime in April 2010, to correspond to the date of the new GCOR.

DME would benefit from some of the specific operating practices, job aids and training in use on SOO, particularly those that address the potential for human error to result in an occurrence. These operating practices will be introduced in the first year in a systematic fashion through operating bulletins, and appropriate efficiency tests will be added to the DME program and computer tracking system. Likewise, some of the specific CP Safety Rules will enhance the current DME practices. These, along with appropriate efficiency tests, will be added to the DME program. The specific items and the timing of their introduction will be developed in the DME

Corporate Safety Plan. By the end of the first two years following approval, a consolidated, common set of operating practices and a common efficiency testing program will be in place. Applicants will explore the use of one computer system to track efficiency tests rather than two currently in use, but since both systems are currently viewed as adequately managing this process, they may continue to use both systems for the foreseeable future.

2. Operating Practices – 49 CFR Part 240 – Locomotive Engineer Qualification and Certification

a. CP

SOO Manager of Operating Practices has the responsibility to develop, implement and enforce operating rules and practices with respect to Air Brake and Train Handling Rules and the content of training programs with respect to Locomotive Engineer Qualification and Certification as filed with FRA under 49 CFR Part 240.

The document on file with FRA consists of seven sections as follows:

Section I. States the name and address of the administrator (SOO Manager of Operating Practices).

Section II. States the requirement for position of Designated Supervisor of Locomotive Engineers (DSLE) – which is to have a minimum of two years of operating experience as a certified locomotive engineer.

Section III. Describes the training program for people previously certified. This program is two days long and includes four program elements: Engineer training – engineer recertification, Road Foremen seminars; Qualification (familiarization) standards and Locomotive Servicing Engineer Update training. The training is conducted on a Type II simulator. The training occurs every three years. (Note: GCOR and Hazmat training are covered during Rules classes which are required every two years.)

Section IV. Describes the testing and evaluation process. A written test, a skills test and vision and hearing acuity exams are done. The skills exam is done on the Type II simulator.

Section V. Describes the training, testing and evaluation of persons not previously qualified. CP provides training to individuals seeking initial certification as a Locomotive Servicing (hostlers) or Train Service Engineer (Locomotive Engineer). Students are tested through written and skill performance exams. The training period for promotion to Train Service Engineers ranges from 22 to 26 weeks, of which 3 weeks is in the classroom and the remainder is on-the-job. The classroom portion consists of one week each on locomotive mechanical systems, locomotive and rail car air brake systems and train handling procedures. Simulators are used for the classroom training. The training period for Locomotive Servicing program consists of one day in the classroom and 11 days of on-the-job training at the St. Paul roundhouse.

Section VI. Describes the processes used to monitor the performance of certified engineers. Engineer performance is monitored once each calendar year. Operational performance skills are evaluated using one of three methods: DSLE train rides, event recorder analysis or Type II simulator. DSLE assigned to a defined territory is responsible to maintain a list of engineers and the status of the annual monitoring.

Section VII. Describes the procedures and routine administration of the engineer certification program. This section contains the summary of the program and its administration.

The Air Brake and Train Handling Rules Manual on SOO consist of ten sections as follows:

- Engineer Certification
- Locomotive Daily Inspection
- Air Brake Test
- Rail Car Equipment

- Locomotive & Train Operations
- Train Handling
- Securing Equipment
- Train Information Braking System (EOT)
- Crew Reports
- Job Aids

b. DME

DME Director of Rules and Training also has the responsibility to develop, implement and enforce operating rules and practices with respect to Air Brake and Train Handling Rules, the content of training programs with respect to Locomotive Engineer Qualification and Certification as filed with FRA under 49 CFR Part 240 and the training of Locomotive Engineers.

DM&E and IC&E presently have separate submissions to FRA. The documents on file with FRA consist of seven sections as follows:

Section I. States the name and address of administrator.

Section II. States the requirement for position of Designated Supervisor of Locomotive Engineers (DSLE) – which is to have a minimum of one year of experience as a railroad supervisor.

Section III. Describes the training program for people previously certified. This program is five days long, is conducted every three years and includes training on GCOR, Hazmat, air brakes, air brake tests, train signals, train handling, track/train dynamics and locomotive daily inspections.

Section IV. Describes the testing and evaluation process. A written test is given. A skills test is done by having the DSLE do a ride check with the engineer before starting the re-certification course.

Section V. Describes the training, testing and evaluation of persons not previously qualified. This is a comprehensive 26 week program with 7 weeks of designated classroom instruction. Students are tested with examinations and evaluated in the field. Classroom training is scheduled throughout the 26 weeks covering rules, safety, hazardous material, mechanical, air brake and train handling. On the job training is 19 weeks scheduled between the weeks of designated classroom instruction.

Section VI. Describes the processes used to monitor the performance of certified engineers. Engineer performance is monitored once each calendar year. Operational performance skills are evaluated using one of two methods, DSLE train rides and event recorder analysis. DSLE assigned to a defined territory is responsible to maintain a list of engineers and the status of the annual monitoring.

Section VII. Describes the procedures and routine administration of the engineer certification program. This section contains the summary of the program and its administration.

The Air Brake and Train Handling Rules Manual on DME consists of eight sections as follows:

- Locomotive Engineer Responsibilities and Certification
- Train Air Brake Test and Inspection
- Locomotive Air Brake Tests and Inspection (Daily Inspections)
- Train Operations
- Train Handling
- Freight Car and Locomotive Components and Charts

- Distributed Power (DP)
- Fuel Conservation

c. Safety Integration

CP will combine the Locomotive Engineer Qualification and Certification program requirements of SOO and DME into one consolidated program in the first year of integration. Training frequency, program content, the use of simulators and the procedures used to monitor operations skills performance will all require harmonization. The revised Locomotive Engineer Qualification and Certification program will be filed with FRA as required under 49 CFR Part 240.

Both Air Brake and Train Handling Manuals used by CP and by DME contain very similar instructions despite the differences in the layout of the chapters. SOO does not currently have any locations where the grades require use of distributed power while the DME does have grades that require distributed power. Distributed power instructions will be incorporated into a consolidated manual. Any train handling practices that require change between the start of safety integration and the implementation of a consolidated manual will be handled by operating bulletins. Where required, strict train handling protocols will be implemented to ensure the safe handling of trains on certain grades.

3. Accident/Incident Reporting

a. CP

CP Policy 1819, the Internal Control Plan (ICP), complies with 49 CFR Part 225. It addresses the reporting of accidents and incidents, provides whistle-blower protection and establishes the need for a policy that forbids harassment and intimidation of employees who report injuries and incidents. CP maintains and regularly updates the ICP as needed. The Policy is posted on CP's internal web site, Rail Town, and on Safety & Health Bulletin Boards

throughout the workplace. It has also been direct-mailed to employees' homes, and is reviewed as part of various training programs. In addition to the ICP, the requirement to report occurrences is stated in Section I, Core Safety Rules, in all four of CP's craft-specific Safety Rules Books. The rule states "Oral and written reports of accidents, incidents, including injuries, and related information are to be reported to a supervisor not later than the end of shift or as soon as possible." The requirement to report is also contained in GCOR Rule 1.1.3

CP uses a module of the VIP system, called MIDaS, to record occurrence data. There are specific forms to be completed depending upon the type of incident reported. Employees and their supervisors complete the forms, which are sent to administrative personnel who enter the data into a front-end data system named Marvin. Safety Information Specialists then transfer the data to the MIDaS system, ensuring required fields are completed and appropriate follow-up is initiated to complete the occurrence record. CP has an internal standard to initiate data entry into MIDaS within two business days of the date of an occurrence. We achieve this standard about 85% of the time. The MIDaS system automatically prepares the required forms for monthly reporting to FRA. The Director, Casualty Management, is the SOO FRA Reporting Officer.

CP's Internal Audit Department performs an audit of the ICP each year. CP's ICP and reporting practices were last audited by FRA in February 2006.

b. DME

DME is fully compliant with the regulatory requirements for reporting accidents, for providing whistle blower protection and for having explicit instructions forbidding harassment and intimidation, as required by 49 CFR Part 225. DM&E/IC&E/Cedar American Rail Holdings have a common ICP dated July 23, 2007, which is an update of an April 2006 version. DME also has a statement entitled "Reporting Policy Statement and Complaint Procedures" which contains the requirements to report occurrences, the provisions for whistler blower protection

and the protection from harassment/intimidation. It was issued to all employees in April 2006, and has been included in all new hire packages since then. The ICP further articulates the reporting requirements.

Forms that are specific to each type of occurrence are maintained on shared drives and are available to be downloaded as required. Employees and supervisors fill in the forms and send the data to the Manager, Safety. All occurrence data is entered into an Access data base. Separate data bases are maintained for DM&E and IC&E. Occurrences that are reportable to the FRA are re-entered into the FRA application called the Accident Incident Report Generator (AIRG) for monthly reporting to FRA. The Manager, Safety is the FRA reporting officer. Railcar Management Incorporated (RMI) is used to determine train miles for monthly reporting. An averaging system is used to compile hours for local train and yard service and man hours are provided from the payroll department.

c. Safety Integration

There are slight differences in how CP and DME manage occurrence reporting. These will be harmonized.

The DME ICP appears very similar to the SOO ICP with the exception of a lack of explicitness concerning trespass incidents. The ICPs will be reviewed and harmonized documents re-issued on both properties.

The DME use of the Access data base and AIRG system for FRA reporting will continue until MIDaS can be implemented on DME. When MIDaS is implemented, DME will adopt CP's reporting forms. This change will require DME staff to use a different set of hard-copy reporting forms and for those DME personnel involved with the occurrence reporting process to be trained on the CP system.

The response process in the field will be standardized to the CP process to the extent practical, very early in the safety integration. This will ensure the CP approach to protecting an accident site is followed. CP has a clear methodology to follow in the event of a train accident, prior to beginning to restore the operations. These are: (1) protect the safety of the community and our employees; (2) protect the environment and begin environmental remediation as soon as possible and (3) preserve evidence to allow future determination of cause and appropriate corrective actions.

CP has internal requirements for reporting Event-Based Cardinal Rule Violations (EBCRVs). Such reporting is not required by federal regulations, but CP finds this data useful in that these CRVs create opportunities for reducing occurrences including severe personal injuries. Knowing about these violations and adopting corrective actions to avoid them, prevents train occurrences. The adoption by DME of CP's EBCRV program will occur in 2011 following the implementation of and transition to CP's dispatching system.

4. Drug and Alcohol Programs and Reporting

a. Drug, Alcohol and EAP Program at CP

CP has extensive Drug and Alcohol (D&A) programs in place for its Canadian and U.S. Operations, but they are completely separate due to differing legislation and regulation in the two countries. The SOO D&A program follows the requirements for the DOT/FRA/Federal Highway Administration in 49 CFR Part 219 and Part 382. Included is testing for post-accident, reasonable suspicion, pre-employment, random and follow-up testing after completion of a Substance Abuse Professional (SAP) program. FRA regulations require random drug tests for 25% of Hours of Service employees (HOS) and random alcohol tests for 10% of HOS employees. However, SOO chooses to test 25% of HOS employees for both drug and alcohol. Employees required to have Commercial Driver Licenses (CDL) are subject to random test rates

of 50% for drugs and 10% for alcohol. SOO maintains HOS and CDL “pools” for random collections. Supervisors with CDLs are included in the CDL pool.

In addition to federally mandated testing, SOO has its own D&A testing requirements when an Event Based Cardinal Rule Violation or unexplained human response (for cause) occurs. SOO also does return to work drug testing following 90 days off work and follow-up programs for company-required positive tests.

CP has an Employee Assistance Program (EAP) for SOO employees. Pamphlets describing the specific EAP program have been mailed to employees’ homes and are widely available in the work place. Voluntary self referral and co-worker programs are promoted. D&A training is provided to supervisors so that they are better prepared to judge when an unexplained human response has occurred which may require a D&A test. Refresher training is also provided to supervisors in accordance with Federal requirements.

CP has the following company policies which apply to SOO:

- 1807 – Drug and Alcohol Free Workplace and Testing Policy
- 1808 – Drug and Alcohol Testing Regulatory Compliance for FMCSA Covered Employees
- 1809 – Drug and Alcohol Testing Regulatory Compliance for FRA Covered Employees
- 1810 – Troubled Employee
- CP Random Drug and Alcohol Testing Plan – to meet FRA requirements

b. Drug, Alcohol and EAP Program at DME

DME are in compliance with federal D&A requirements in 49 CFR Part 219 and Part 382. DM&E and IC&E have separate but identical company policies which basically reflect the process under the FRA testing but include coverage for voluntary referrals, coworker referrals,

reasonable suspicion testing and consequences. DM&E and IC&E are both covered by the “Company Drug and Alcohol Policy, Effective January 1, 2006”.

The EAP program is outlined in the DME Employee Handbook and information is posted in the workplace with pamphlets available for employees.

c. Safety Integration – Drug and Alcohol

The policies and programs at both CP and DME are fully compliant with U.S. federal regulations and legislation. There are slight differences in the programs. One difference is how the randomization for D&A testing is determined. On CP, the randomization is managed by the Casualty Management Department. Locations and time periods are randomly selected. Local managers then arrange with the vendor to perform the test. The first train crew in and the first train crew out of the terminal are tested. On DME, the HR Department coordinates the testing. The individual is selected and the local manager arranges the testing time sometime within the month, with the vendor. The entire crew working with the individual is tested. The DME program could be strengthened by adopting the CP randomization protocol, which would eliminate any appearance of preferential treatment.

The two railroads use different EAP providers and they will explore the use of a common provider.

5. Hours of Service / Fatigue Management / Crew Dispatching

a. CP

(i) Train crews

SOO is compliant with all aspects of 49 CFR Part 228 for all employees subject to these regulatory requirements. All hours worked and hours in limbo for running trades employees are captured in a system called Crew Management Application (CMA) and Hours of Service violations are reported to FRA monthly. CMA is a system that functions in real-time. The

system uses regulatory requirements and local rules to determine when to call individuals to work. The system handles the automatic calling of employees through interactive voice response technology and is integrated into other train management applications for managing and monitoring train and crew operations.

Information on train line-ups is made available to crews via Voice Response Units (VRU) and the Internet, which many employees can access from home. Data on the VRU is updated in real time as the data in CMA changes. The accuracy of train line-up information is measured and each crew board location has an accuracy target which is monitored and discussed with the Operations Safety Advisory Board.

SOO prepares reports that are reviewed by the Service Area management teams with the Minneapolis OC concerning employee length of runs, deadheading and time away from home.

SOO has implemented a number of work/rest schedules in an effort to improve fatigue management. Three crew home terminal locations – Enderlin, St Paul West and Harvey - have programs in place allowing individuals to take three days off after working eight consecutive days, but crews have a choice to work in the three days off if they have not laid off during the eight day work cycle. A fourth location, Thief River Falls, MN, has a 13/2 cycle in place. At Portage, WI, two of the three boards only have to ‘protect’ 12 hours each day, not 24. In addition, throughout the SOO, upon tying up, Engineers may request an additional two hours of rest if they have been on duty more than 10 hours.

In order to improve understanding of crew fatigue, in 2007, SOO purchased a license to use Faid® Safe software. The software is part of a fatigue risk management system that assesses the fatigue risk associated with crew work schedules and assists with examining the impact of making changes to the boards/schedules. SOO is currently in early stages of a pilot program in

two locations. The plan is to rollout to other locations upon successful implementation of the pilot.

SOO has policies and programs in place to manage other aspects of crews including standards for hotels used for off-duty rest and standards for transporting crews to and from duty.

(ii) S&C employees

Signal employees manually enter their hours of service on the prescribed form and forward them to their respective supervisor who reviews and retains the forms for the required period of time. All hours of service violations are reported as required by FRA regulation.

(iii) Dispatchers

Train Dispatchers for regularly assigned positions are bulletined and have assigned hours of work and two days of rest each week. Train Dispatchers on the Extra Board have two days off each week and at least eight hours notice of their rest days.

Train Dispatcher Scheduler (an Excel spreadsheet) is used to assist with filling vacancies. This scheduler incorporates collective agreement provisions to ensure compliance. For example, the system ensures that a Train Dispatcher filling a vacancy is rested, qualified for the vacancy and scheduled to work only one vacancy. The system also ensures all vacancies are filled. For known vacancies, if a regular assigned Train Dispatcher is required to work on their scheduled rest day, every effort is made to advise them that they will have to work before the rest day starts.

The Train Dispatcher Scheduler verifies that Train Dispatchers are rested for any vacancy they are scheduled to work. All Hours of Service violations are reported monthly to the FRA.

b. DME

(i) Train Crews

DM&E

All records of hours worked for employees subject to 49 CFR Part 228 are manually recorded and exception reports sent to FRA. Since these processes are all manual, there is a risk for unknowingly creating the opportunity for violations, although the actual incidence of violations appears to be small.

DM&E has a policy of 12 hours undisturbed rest at the Home terminal. They have also implemented a 12/3 cycle of days worked/days off, but employees may voluntarily work on their days off. DM&E has train line-up information available on a voice mail which can be accessed by crews. This information is updated three times each day, but recorded information is not subsequently reviewed for accuracy.

IC&E

Crew calling is managed manually but using computerized records in a system application from the Washington Corporation called Crew Calling Program. This program does not incorporate labor agreements. Time worked is recorded manually by train crews and the information is then entered into the computer system.

IC&E has four rest days per month and employees may take these days in two sets of two days each, although one set may be denied each month. IC&E has automated train line-up information available via voice mail. An Excel spreads sheet with train line-up information is also maintained. IC&E posts information on bulletin boards each month with information such as employee time away from home and length of runs.

DME currently has no standards for off-duty rest locations or for crew transportation.

(ii) S&C Employees

Signal employees manually enter their hours of service on the prescribed form and forward them to their respective supervisor who reviews and retains the forms for the required period of time. All hours of service violations are reported as required by FRA regulation.

(iii) Supervisor of Operations¹⁴

Regularly assigned Supervisor of Operation positions are bulletined and have assigned hours of work and two days of rest each week. A Extra Board Supervisor of Operation schedule is posted on a bulletin board and available on the Supervisor Operations computer data base. Their work schedule is posted 2 to 4 weeks in advance and gives them 2 rest days each week.

Unknown vacancies are filled by the Assistant Chief Train Dispatcher using spread sheets to fill any vacancies and track hours of service. A 2 to 4 week work schedule is posted for Supervisors of Operation working on the Extra Board. Any other vacancies are filled by the Assistant Chief Train Dispatcher using spread sheets to fill any vacancies and track hours of service. The Chief Train Dispatcher reports all HOS Violations to FRA.

c. Safety Integration

(i) Train Crews

CP's CMA system will be implemented on DME within the first two years of safety integration. Implementing the system will require the installation of computer kiosks at crew booking on and off locations as well as training and job aids for train crew personnel. The system will reduce the chance for unintentional violations of hours of service requirements. It will also better position DME to manage new hours of service requirements being contemplated by legislators and FRA. Once implemented, train crews will have access to up-to-date train line-up information via VRU's and the internet. Access to this information will allow individuals to

¹⁴ Supervisor of Operations is equivalent to a Train Dispatcher on SOO.

better manage their time off-duty in order to improve the quality and quantity of rest. Monthly hours of service reports with information concerning length of runs etc, will be available.

CP's standards for vehicles used to transport crews to and from work locations will be implemented when the present contracts expire. This standard includes elements such as type and condition of vehicle, driver license and security background checks, training for defensive driving and driving on railway property, and safety equipment such as first aid kits, fire extinguishers and reflective triangles. CP guidelines for hotel requirements will be implemented when the present contracts expire.

(ii) S&C Employees

No changes to current processes are required.

(iii) Supervisor of Operations

The use of the Train Dispatcher Scheduler will assist in ensuring that all vacancies are filled in accordance with regulatory requirements.

E. Motive Power and Equipment

1. CP

a. Locomotive and Car Maintenance

CP has approximately 1680 locomotives. There are 1400 in road service, of which 690 are alternating current (AC) 4400 horsepower. Of these, about 400 have air conditioning. About 1,000 locomotives are equipped to operate in both the U.S. and Canada. All road freight locomotives are equipped with solid-state hardened memory event recorders, alerters and complete dynamic braking capability. CP has initiated a multi-year program to equip all AC road freight locomotives with forward looking video camera recorders, with 160 equipped to-date. All road locomotives are designated to home-shop locations in both Canada and the United States where regular inspections, maintenance and repairs are performed in compliance with FRA

regulations and manufacturer warranty service agreements. CP has six major locomotive inspection and repair facilities in Canada and one in the U. S. at St. Paul, MN. In St. Paul, mechanics and electricians perform the maintenance and repair work on 340 road locomotives. Maintenance advisories and other communication keep all shop facilities up-to-date on emerging trends, issues and practices for the performance of the work. The St. Paul facility performs day-to-day maintenance and component change outs with back shop or heavy repair work being performed at contract facilities.

All locomotive maintenance and defect tracking is managed through an automated computer system called Systems, Applications and Products (SAP). SAP feeds other systems used by Transportation to ensure maintenance information is readily available for those planning locomotives maintenance. Locomotive defects and failures are recorded in SAP by locomotive specialists at the Network Management Centre in Calgary, AB. They also provide 24/7 trouble shooting support to train crews via radio and telephone. Prior to releasing any locomotive from a maintenance facility, the scheduled and unscheduled notifications in SAP must be reviewed and completed.

CP has approximately 62,000 owned/leased freight cars that are maintained at eight locations in Canada and two in the United States – St Paul, MN and Chicago, IL. Cars that are found defective en-route are setoff and repaired by road trucks at 14 Designated Repair Locations on file with FRA under 49 CFR Part 232. CP also has minor freight car and locomotive maintenance locations on branch lines in both Canada and the U.S. where light running repairs are performed.

Qualified Carmen perform freight car inspection and repair in accordance with AAR interchange rules and FRA regulations. Freight car maintenance and billable repairs are tracked

in the Car Information Management system (CIM). This system is also used to change the status of freight cars from good-order to bad-order. CIM communicates with other transportation systems allowing users to view the status of freight car equipment.

b. Train Inspection

Train Service Schedules for each road train operated by CP are maintained in a subject area data base known as CM422. These schedules dictate the inspection and brake test requirements for each train, the location where the inspections will take place, the 1000 mile inspection locations, and block swapping agreements, if any. As designated in these schedules, qualified Carmen perform Class 1 and 1A brake tests at U.S. mechanical locations in accordance with FRA regulations. CIM can identify each car on a track within a terminal, the status of each car and maintenance advisories along with maintenance history. CIM transfers bad-order or maintenance advisories to TYES.

c. Mechanical Safety Equipment and Processes

CP has invested heavily in AC locomotives since 1995 and has 690 in operation today. These locomotives are equipped with dynamic brakes and electronic systems used to improve train control such as the use of distributed power for much of our bulk train business in Canada. Distributed power is currently not used by CP in the U.S. due to radio frequency issues. All CP end-of-train devices have two-way communication which allows the crew to put the train in emergency electronically from the lead locomotive.

Wayside detection systems on SOO include hot box detectors spaced at about 25 mile intervals on the main line, two wheel impact load detectors at MP 94.55 on the Paynesville subdivision and MP 378.8 on the River subdivision and a truck performance detector located at MP 12.8 on the Paynesville.

Mechanical training programs are delivered by the St. Paul based training staff and records are maintained in TRMS. Managers monitor TRMS to ensure qualifications are kept current. Efficiency testing is done by managers to ensure compliance with both company policy and regulations and the support the training efforts. Records are maintained in the CAM's data base.

2. DME

a. Locomotive and Car Maintenance

DME has 146 locomotives, the majority of which are on long term lease. Their primary shop for maintenance and repair is at Huron SD, with secondary facilities at Mason City, IA and Nahant, IA. DME employs a single craft known as a Mechanic to perform all locomotive inspections, electrical and maintenance work in compliance with FRA regulations. The DME uses spreadsheets maintained at each mechanical facility to track scheduled and unscheduled work.

DME has a car fleet of approximately 7200 freight cars, the majority of which are leased. Most car maintenance takes place at the same three major locations listed above. The largest portion of freight car repairs is performed outdoors, with Huron, SD having the only indoor facility. DME also have seven road repair trucks to perform repairs on cars set-off en-route. Car maintenance is completed by qualified Mechanics in accordance with AAR interchange rules and FRA regulations. Mechanics use a system called Internet Rail Information System (iRIS) to capture maintenance performed on freight cars and billable repairs. Heavy maintenance may sometimes be done by contractors.

b. Train Inspection

Qualified Mechanics perform inbound inspections on freight car equipment at initial terminals prior to trains being switched and built. Qualified train crews perform all pre-

departure inspections and air brake tests on DME. Defective equipment found during the inspection or brake test will be set off and forwarded to the mechanical facility for repairs. Tracking bad-order equipment is done manually.

c. Mechanical Safety Equipment & Processes

Efficiency testing plays a large role in DME safety management and coaching of employees. All efficiency tests are documented in a system called InfoRail. Employee training records are also placed in InfoRail to assist managing training programs that are in place, which includes apprenticeship programs for both locomotive and freight car maintenance. DME has some wayside detection systems consisting of dragging equipment detectors and hot box detectors. All end of train devices used are two way communication capable of placing trains in emergency from the head end. DME conducts locomotive inspections to meet FRA regulations. All locomotives are equipped with event recorders and 90 % of the fleet is equipped with dynamic brakes. A locomotive cab upgrade program is currently underway, including replacement of cab doors, installing heated windows that meet Part 223 standards, upgrade of cab seats, cab floor replacements and application of non-skid walkways.

3. Safety Integration

a. Locomotive and Car Maintenance and Repair

No major changes are planned for the handling of motive power and freight car equipment on the DME during the early years post safety integration. CP's St. Paul locomotive facility may provide heavy repair support to DME as well as overflow relief. Two new computer systems will be deployed at DME -- SAP for locomotive Maintenance and CIM for Car Maintenance. This will improve tracking of inspection results and bad order equipment.

b. Train Inspection

All car inspections will continue to comply with FRA inspection requirements, with no immediate changes taking place at Applicants' yards. DME trains will be placed in the CM422 database to document train inspections and brake tests.

F. Engineering

1. CP

a. Bridges and Structures

CP maintains policies and processes governing inspection and maintenance of bridges, retaining walls and culverts. At a minimum, inspection of structures is done once each year. Employees are trained and use checklists to record inspection results. Employees inspect the track, the roadbed and structure members for any unusual conditions or for anything that has changed since the last inspection. If this initial inspection indicates an additional inspection is required, bridge and structures specialists do a more detailed inspection. This may include taking measurements, taking core samples on timber piles, monitoring the bridge for any movement, measuring the thickness of bridge members, and inspecting underwater for evidence of scouring from high velocity water movement. CP utilizes special bridge inspection vehicles, which are hi-rail vehicles equipped with a moveable inspection platform. The operator uses the platform to access difficult to reach areas of the structure and to perform a visual inspection as well as take any necessary measurements and photos. The data from all inspections is maintained in an SAP module called the Bridges and Structures Information System (BASIS). This data collection process has been one of recording on paper then transferring the information to the computer data base. A project is currently underway that will enable CP to use electronic devices in the field to record the data directly into the BASIS.

Employees doing routine bridge inspections receive a one day bridge inspection certification training, while the structures specialists are generally either engineers or have a technical degree from a community college.

b. Signals and Communication (S&C)

CP has Standard Practice Circulars (SPC) that provide guidance with respect to policies, installation standards, and inspection and repair requirements for signals and communication equipment, including way-side signals, crossing protection warning devices and way-side detectors. In early 2008, CP will be issuing an S&C Requirements Book to consolidate all mandatory inspection/repair practices from the various SPC's and to meet the regulations contained in 49 CFR Parts 233, 234 and 236. The Requirements Book is a manual that all S&C employees will be required to carry and use to perform their inspection/repair work. Separating requirements from recommended practices will provide clarity for S&C staff in carrying out their regular duties.

The Requirements Book contains instructions for the S&C Manager to report signal failures and grade crossing warning system failures. The S&C Communication Control Center in Minneapolis retains records for all such reports for review by FRA as required. CP's On Track Safety Manual also contains instructions for working on or near crossings with automatic crossing warning systems.

CP has a Software Configuration Management plan to ensure that the software used in processor based signal equipment is the version intended to be in service at each location. This is being implemented by inventorying software and processor equipment at each location, and comparing to engineering designs through the use of an inventory and matching system provided by 10 East. Engineering office software version management is being implemented with a library management tool that will provide traceability and control of production executable code.

New S&C employees receive a basic training program of 6-8 weeks covering topics such as various track circuits, crossing, ABS and CTC. In addition, specific training, as required for a territory, is provided for specific equipment such as wayside detectors, AEI, crossing systems and control systems.

In addition to crossing warning devices, SOO staff maintain 525 miles of Centralized Traffic Control (CTC).

CP has a consolidated S&C desk in the Minneapolis Operations Centres (“OC”), providing 24/7 coverage for monitoring S&C incidents and dispatching personnel to trouble sites.

c. Wayside detectors

On SOO hot box detectors on the main line are installed at nominal intervals of 25 miles. Locations are noted in the timetable. These hotbox detectors are “talkers” with direct voice communication to a train conveying the status of their train.

CP has a network of 13 wheel impact load detectors (WILD), with two located on the SOO at MP 93.5 on the Paynesville subdivision and MP 378.8 on the River subdivision. CP has a three-phased approach to WILD set out criteria. The first level, referred to as BOI or Bad Order Immediately is an instruction from a Dispatcher to set out when actual or speed corrected impact level is above industry norms. The second level, referred to as BOE, or Bad Order when Empty, is computer generated with instructions to set out a car once it becomes empty. The third level, referred to as Opportunistic Level, is computer generated and identifies wheelsets which should be changed out if the opportunity presents itself, for example, when a car is on a repair track.

There is one truck performance detector located at MP 12.88 of the Paynesville subdivision. This was installed in January 2007. CP is presently collecting data from this

detector to determine how to integrate this information into our Equipment Health Monitoring System.

d. Earthquake Response Protocol

CP has an earthquake response protocol to minimize potential consequences of an earthquake on train operations by stopping or slowing rail traffic until the right-of-way can be assessed.

e. Track and roadway maintenance and testing

(i) Track Geometry Testing

CP has two track evaluation cars that inspect 34,000 miles of track each year. CP has a written policy to inspect track based on track class and tonnages carried, with up to 6 tests per year on the highest tonnage lines. Gauge restraint technology was added to these cars in 2002, and joint bar inspection technology was added in 2006. This technology allows CP to identify, inventory and GPS-locate defects; the vision technology analyzes the joint bars for suspected cracks, which are then reviewed and confirmed by the operator and inspected and repaired by maintenance of way employees. Track maintenance personnel use hand held GPS devices to pinpoint required repair locations.

(ii) Internal Rail Flaw Detection

CP uses contractors to test about 49,000 miles of track each year for internal rail flaws. The equipment uses both ultrasonic and induction technologies. The test cars were upgraded in 2005 with B-scan technology, which allows the detection of smaller flaws. Testing intervals are established by policy and are based on tonnage, traffic type, type of rail and past service/detected failures.

(iii) Rail Grinding

CP uses preventative rail grinding to control surface cracks before they become internal flaws and to improve the reliability of ultrasonic rail testing. Rails are reshaped from one to four times annually, based on tonnages carried, to control wheel/rail contact stresses, eccentric loading and vehicle steering. About 12,000 miles of track are ground each year.

(iv) Automated Tie Inspection

CP introduced hi-rail mounted high-definition digital infra-red 3-D imaging technology to inspect tie condition in 2007, testing about 1,500 miles of track.

(v) Training and Qualifications.

CP trains engineering staff on FRA Track Safety Standards using a training package from AREMA. In addition, staff receive both our SPCs, which contain construction standards, best practices and work methods, and the Engineering Services Red Book of Track Requirements, which provides track inspectors, track foremen and other maintenance staff with specific track maintenance instructions in a clear and readable format.

CP has a week long Track Maintenance Supervisor training program, a two day "Track inspection Best Practices" course, a Foreman leadership skills course and periodic Supervisor Best Practices workshops and a new foreman training program being rolled out in 2008.

Engineering Services employees who require on-track safety and GCOR training are re-certified each year and require an 85% mark to pass.

New-hire track maintenance staff for track gangs on CP receive four days of training which includes safety training such as On Track Safety, lockout/tagout procedures, use of respirators, and confined spaces and a field orientation on the use of tools and basic track components.

f. Weather Monitoring

CP subscribes to a weather watch service to assist us in determining when train operations might be affected. We have Timetable Special Instructions to slow-order trains during both very hot and very cold weather and instructions for severe weather warnings. Hotbox detectors are equipped with temperature sensors and the crews are notified by the hotbox “talker” system of the local temperatures

2. DME

In October 2005, DM&E signed a Safety Compliance Agreement with the FRA. Eight of the twelve elements in the agreement concerned track safety and crossing signal safety. DM&E voluntarily applied corrective actions required by the SCA to the IC&E as well. All but one of the elements have been fulfilled to FRA’s satisfaction. The remaining one, which will remain open until October 2008, revolves around track inspection and maintenance and includes the following requirements: DM&E must file track maintenance plans, including any revisions, with FRA; the agency will provide DM&E with an assessment of those plans; and DM&E will provide FRA with the results of geometry testing and internal rail flaw detection testing. Managing track and bridge inspection and maintenance issues will be discussed further in the safety integration section.

a. Bridges and Structures

DME has a bridge inspection policy, which requires annual inspections. These inspection results are kept as paper records, but DME has started the transition to entering inspection data into an on-line data base. For detailed inspections and for a record of those inspections, DME utilize the services of Sharma and Associates, an engineering consultant from Chicago.

b. Signals and Communication (S&C)

DM&E has nine hot box detectors but no wayside signals. DM&E has a signal handbook for inspection and repair of crossing warning devices. New DM&E signal staff attend a one week program delivered by Signal Solutions that concentrates on crossing warning systems, but includes HBD training as required.

IC&E uses a manual of standards for the inspection and maintenance of its signal infrastructure. Signal staff maintain grade crossing warning devices, wayside signals, pole lines and way-side detectors. New signal employees attend an eight week training program at the BNSF school in Overland Park, KS.

Twin City Signal Inc has developed a customized Software Management Control Plan for IC&E, which will be implemented in 2008 to meet new FRA requirements.

For both DM&E and IC&E, the vendors of equipment installed on the respective carriers provide ad hoc training regarding the use of that equipment.

c. Wayside detectors

DM&E has installed nine hotbox detectors and two dragging equipment detectors in conjunction with installation of continuous welded rail (CWR) in locations where DM&E plans to increase track speeds.

IC&E has hotbox detectors on the main line from Chicago to Kansas City at about 25 mile intervals. Elsewhere, as with DM&E, IC&E has installed a few detectors in conjunction with CWR installation and higher track speeds. All hotbox detectors include temperature sensors and provide verbal status of a train directly to the crews.

DME currently has electronic access to data from detectors such as WILDs on other railroads for their own cars.

d. Track and Roadway maintenance and testing

(i) Track Geometry Testing

IC&E contracts with CP to use CP's track evaluation cars to inspect their track once each year. DM&E has occasionally contracted for this service as well.

(ii) Internal Rail Flaw Detection

DME test for internal rail flaws from one to four times each year. Testing frequency is based on tonnage and speed, with additional testing on bolted rail on DM&E. The DM&E and IC&E properties presently have a significant number of defective rails in track, detected by rail flaw detection, that are protected in compliance with FRA Track Safety Standards in 49 CFR Part 213.

(iii) Rail Grinding

DME does some rail grinding each year dependent on equipment availability and financial resources.

(iv) Training and Qualifications.

The Director of Maintenance at DME trains track maintenance staff on FRA Track Safety Standards using the AREMA training package. A consultant coaches and mentors track inspectors and track foremen.

Engineering Services employees who require on-track safety and GCOR training are re-certified each year and require a 90% mark to pass. New hire track maintenance staff for track gangs on DME receive one day of training that includes four hours of classroom and four hours of training in the field on equipment and track components.

e. Weather Monitoring

The DM&E and IC&E timetables are in the process of being merged and re-issued. The new timetable will continue to contain hot and cold weather slow orders and will introduce procedures to be used if there are severe weather warnings.

3. Safety Integration

a. Safety Compliance Agreement

Certain actions implemented to meet the SCA which have been previously terminated by FRA, will continue to be monitored by CP within the first few months post safety integration, to ensure the processes put in place to meet the regulatory requirements and the agreement continue in effect.

For track, these actions include:

- Walking inspection of all main track joint bars at least semi-annually;
- Walking inspection or electronic testing of all 80 pound or less rail segments at least semi-annually;
- Walking inspection of non-mainline track at least once each year and/or when track is re-surfaced;
- Internal auditing of track inspection records;
- A requirement for the Roadmaster to review each track inspector's inspection records each quarter;
- A requirement for the Chief Engineer or Assistant Chief Engineer to accompany each Roadmaster on at least one inspection on each subdivision semi-annually; and
- Training and qualification of employees on FRA Track Safety Standards.

For crossing warning systems, these actions include:

- Procedures to ensure prompt investigation of credible grade crossing warning system malfunctions to determine the nature of the malfunction;

- Record and track credible reports of malfunctions with the following information: location of crossing, time and date of receipt of the report of the malfunction, actions taken to repair and reactivate the repaired system and the time and date of repair; and
- Perform and properly document signal tests as required.

For bridges and structures, these actions include:

- Ensuring annual comprehensive inspection of track-carrying bridges by qualified inspectors; and
- Ensuring increased frequency of inspections for bridges in “less than serviceable” condition.

CP standards and processes for all of the above actions will be implemented in the first year of safety integration, with the exception of two:

1) CP’s standard for walking inspections of joint bars on track with less than 10 million gross ton miles of traffic is once per year, not twice per year. CP will retain semi-annual inspections for joint bars on DM&E in the early stages of safety integration, but will seek FRA concurrence for annual inspections once FRA is satisfied that CP’s processes, including the use of machine vision technology, joint bar maintenance and walking inspections, have adequately addressed their concerns.

2) CP has a “ride with the inspector” program that requires monthly oversight. CP will increase the DME semi-annual oversight inspection to at least once per quarter during the first three years of safety integration.

In addition, DM&E implemented actions under the compliance agreement for Excepted Track and FRA has deemed these actions satisfactory. CP, nonetheless, will develop a strategy for managing the Excepted Track issue, including the addition of capital in the Capital Plan, if required.

b. Other Red Book differences to be “grandfathered”

In addition to the above-mentioned variances from the Red Book, other differences have been identified which CP will “grandfather”. These include:

(i) Spiking and Anchoring Patterns

The spiking and anchoring patterns differ from the CP standards. New installations will conform to CP standards, but all others will be grandfathered.

(ii) Laying temperature of CWR

DME have laid CWR at higher temperatures than the current CP standard. Since the neutral temperature of CWR decreases over time, any problems are likely to decrease over time as well.

(iii) CWR on Bridges

CP places some restrictions on laying CWR in curves and certain individual bridge spans while DME has laid CWR across all bridges. Existing installations will be left in place. New installations will be in compliance with the Red Book.

(iv) Stockpiled re-lay rail

DME has stockpiled re-lay rail that has not been specifically marked as suitable for re-use. The rail has a known origin and CP will determine if such rail has less than or more than 10MGT of traffic since the last ultrasonic test. If less than 10MGT, CP plans to use the rail without marking it. If more than 10MGT, it will be marked and set aside for hand ultrasonic testing prior to re-use or only used in Class 2 track or lower.

c. Sub-grade

Sections of track in western South Dakota that are built on a shale sub-grade will be closely monitored.

d. Bridges and Structures

In the first year of safety integration, DME bridge personnel will be trained on CP's bridge inspection policies and procedures. DME's current data base will be maintained until CP's BASIS data base is implemented to capture bridge inspection records.

e. Signals and Communication (S&C)

In the first year of integration, DME S&C personnel will be trained on CP's Engineering Services Signals and Communications Requirements – the S&C Requirements Book. The Requirements Book will be implemented once all S&C personnel are trained. CP's policies and practices for maintaining crossing warning systems will be implemented in the first year.

f. Wayside detectors

The need for additional hot-box detectors will be evaluated. Once the needs have been assessed, a plan will be developed to include in the long term Capital Plan.

CP has no plans to install other types of wayside detectors on this property for the next several years.

g. Track and Roadway maintenance and testing

(i) Track Geometry Testing

CP's policies for track geometry testing will be implemented in year one.

(ii) Internal Rail Flaw Detection

CP's policies for rail flaw detection will be implemented in year one.

(iii) Rail Grinding

CP will develop a rail grinding plan to be implemented in the first year.

(iv) Track Maintenance

All track maintenance staff will be trained on the CP's Track Red Book in the first year of safety integration. The Red Book will be implemented once this training is complete, with

one exception. CP's practice requires defective rail identified either visually or through automated rail flaw detection to be repaired within 20 to 30 days, depending on annual tonnage, and if not repaired within this time frame, a ten mile per hour speed restriction is placed on the track. Because of the current backlog of defective rails on DME, CP will be unable to adhere to this practice in the first few years of safety integration. Rather, CP proposes a two stage approach to reduce the number of defective rails: (1) include the removal of the defective legacy rail in the Capital Plan over a three year time frame; and (2) implement the Red Book requirement for all newly discovered defective rail.

h. Earthquake Response Protocol

CP's protocol will be implemented on DME in the first year.

G. Hazardous Materials

1. CP

a. Organization

CP handles approximately 160,000 dangerous goods/hazardous materials shipments each year. To ensure safe handling and regulatory compliance on both sides of the border, CP has a corporate Manager of Regulatory Affairs – Dangerous Goods, located in headquarters, a Dangerous Goods Documentation Systems officer in the Customer Service Operations (CSO) centre in Winnipeg, MB, three Field Managers Dangerous Commodities & Emergency Response (Field Managers) located across the network, with one located on SOO, and a system-wide network of Emergency Response contractors. The Field Managers work closely with the contractors, the operating groups, customers, and shippers to ensure the safe transportation of hazardous materials.

b. Training

Dangerous Goods/Hazardous Materials training is a high priority at CP. In the United States, training is provided to all employees covered by DOT's Hazardous Materials Regulations which include train crews, dispatchers, engineering maintenance of way employees, mechanical employees and Customer Service staff who produce waybills. Training includes general awareness, familiarization, function specific items, safety training and security training. The Field Managers receive tank car specialist training, which is a 40 hour course focusing on railroad tank car design, construction, valve repair, damage assessment and derailment response. CP is a member of the Bureau of Explosives of the AAR and also takes advantage of the annual specialized training programs offered.

c. Emergency Response

CP has written Emergency Response Plans for all Service Areas, which provide information such as who to call both inside and outside CP to assist with the emergency, how to report an incident, and maps and directions to assist first responders in locating an accident site on the railway. These emergency preparedness and response plans are regularly updated and tested to ensure rapid and effective action. We have also placed spill equipment kits in strategic locations to ensure a rapid and efficient response in the event of an environmental incident.

While the emergency planning function starts at corporate headquarters, each local area within the CP network has an emergency planning group consisting of an Emergency Preparedness Champion (the most senior management person for that area of operations) who is responsible for providing management support to emergency planning activities, and the Emergency Preparedness Stewards who are directly responsible for all emergency preparedness activities that occur within their area.

CPR conducts emergency response exercises to validate emergency plans, validate emergency response training, familiarize personnel with roles and responsibilities, practice the skills of emergency response, identify opportunities to improve emergency plans, test equipment, test procedures and protocols, develop working relationships with emergency response organizations and create confidence in emergency response organization. CPR engages in three types of exercises:

Table Top Exercises – These are round-table discussions of a potential emergency situation. These are developed to practice the elements of the emergency response plan and are structured to meet the specific objectives identified.

Drills – These are hands-on activities that test specific elements of the emergency response system, such as facility evacuation. They involve activating part of the emergency response organization to handle the described emergency, with the participating group being required to respond to an evolving emergency event run on real time.

Full Simulations – These test the complete emergency response organization. An accident is “staged” and the complete emergency response organization is mobilized to deal with it. A simulation centre is used to generate the outside world, and community resources are invited to participate.

In a typical year, system-wide, CP participates in about 5 emergency planning meetings, 20 table-top “disaster” scenarios, 12 TransCAER®/ER workshops and 10 full-scale mock disaster exercises. These mock exercises generally incorporate both a safety and a security element and involve hundreds of participants.

d. Plan Review and Updating

The Emergency Preparedness Champion and Stewards review and update the Emergency Response Plans.

The corporate Emergency Preparedness Steering Committee conducts an emergency preparedness review every three years during which the emergency response plan and processes for the corporation are examined.

e. Emergency Response Contractor Network

CP has established an emergency response contractor network to provide timely, 24-hour emergency response services to handle release of hazardous materials.

CP works with each of the contractors to ensure they have trained personnel and equipment sufficient to handle railway emergencies. We have sponsored personnel from these contractors to attend training at the Justice Institute in British Columbia and the Transportation, Technology Center Inc. (TTCI) in Pueblo, CO.

CP reviews HAZMAT training with fire departments during table top drills and full scale scenarios along with contractor training. When identified improvements can be made, CP sends both contractors and fire departments to courses, as needed, such as Incident Command, Advanced Tank Car and Tank Car Specialist courses. Four to six classes are sponsored by CP's U.S. operations each year.

f. Key Trains and Key Routes

In accordance with AAR's recommended practice, OT-55 (September 2007), CP has one Key Route. Key Trains as defined in OT-55 are automatically identified in the printed train lists to ensure train crews are aware of the need for special train handling measures. CP's operating instructions also require train crews to determine their Key Train status when the consist is modified en route.

g. United States Hazardous Material Instructions for Rail

CP was one of the railroads involved in developing the United States Hazardous Materials Instructions for Rail. These instructions cover all aspects of rail transportation from

documentation, car inspection, placards and markings, switching, train placement, key trains and emergency response. Train crews are trained in these instructions and are required to carry a copy while on duty. In addition, train crews and managers carry copies of the Emergency Response Guidebook while on duty.

h. Hazardous Materials Documentation

One of the functions of CP's Customer Service Operations (CSO) group located in Winnipeg, MB and Minneapolis, MN, is to support all aspects of hazardous materials shipment transportation and documentation. The CSOs prepare waybills from shipper bills of lading, which may be in the form of a fax or electronic data interchange (EDI). CSO personnel enter information directly into computerized templates to prepare waybills for the shipment. System editing routines for waybill entries, whether from imaging or other electronic sources, are used to ensure that data is entered in required fields with the required coding. EDI data received from shippers and connecting rail carriers are automatically transferred into the fields of a CP waybill. If an error is detected, the EDI is referred to the CSO staff for manual correction.

Train and Yard Execution System (TYES) is the inventory management system used to track the movements of our fleet, build crew work orders and generate train consists. TYES accumulates car inventory by track and train to provide the standing order listing of cars, and adds the required hazardous materials description from waybills. Trains built in TYES will generate paperwork to the appropriate FIT providing crews with train consists, work orders and compressed waybills. The trains built in TYES go through Car Location and Validation Service (CLV) which generates marshalling messages indicating absolute violations or warnings for crews. Crews use printed documents from TYES to switch cars into tracks for destination and to have a listing of shipments in their train. When each train consist is generated, CLV checks for proper "in train" placement of hazardous materials. Train lists also include automatically

generated emergency response information for hazardous materials in the train. In addition train crews are required to carry the Emergency Response Guide book for reference in the event of an incident.

An interface also exists between the train consist program and CP's network of wayside Automatic Equipment Identification (AEI) readers. The AEI readers scan tags affixed to each rail car to verify location of the equipment and provide a listing of the order of all cars in the train. The information obtained from the AEI readers is automatically compared to the train consist and if they do not match, a message is sent to TYES which is monitored by both CSO and the field support personnel for resolution and train crew notification.

Train consists, compressed waybills and other shipping documents for hazardous materials shipments are stored in CP's TRNDOC system and original shipping documents are stored and cross-referenced in our imaging system. This information is readily accessible for emergency response purposes. In addition, the CSO has an established process for providing material safety data sheet information to first responders for non-regulated materials.

i. Consist Accuracy

CP has in place a cross functional Operations/Transportation team supported by technology, with members representing all geographical regions of the operation, who monitor, investigate and correct consist errors. The team meets on a scheduled basis, and ensures exceptions and measured performance are on the agenda and discussed during all daily service area operations conference calls.

j. Audit Programs

CP has a corporate Safety & Environmental Audit program which includes evaluating compliance to hazardous materials regulations. Audit activities include reviewing documentation, placarding, switching and humping activities, marshalling, inspections and

emergency preparedness. In addition, Field Managers conduct periodic reviews of operations during routine inspections.

The CSO conducts audits of waybill accuracy twice per year. The audit consists of reviewing one in four dangerous commodity waybills over a seven day period. Deficiencies identified are reviewed from a system perspective and corrective action implemented, specific deficiencies are reviewed with individual employees and coaching is provided to improve performance.

k. Proficiency Testing

CP has a proficiency testing program, CAMS, to evaluate employee compliance with operating requirements. CP has a series of tests based on the requirements of the U.S. Hazardous Materials Instructions for Rail that cover required documentation, emergency response, train placement, switching, car inspection, placards/markings and Key Trains. Proficiency testing is conducted on CSO employees, train crews, Dispatchers and Yardmasters.

l. Operation Respond Emergency Information System (ORIES)

OREIS is collection of systems that provides a one-stop access point for emergency responders to acquire information about hazardous materials and other incident data. It is a software tool for first-responders to use for safety and security incidents occurring along North American railroads and highways. This application provides responders with a wealth of information that is useful in a variety of situations, including hazardous materials response and clean-up and passenger railroad response and rescue.

OREIS provides on-scene responders with exact information concerning hazardous materials and chemical contents of railcars and motor carriers that have been involved in an incident. Users connect to OREIS through the internet, which connects to carrier databases, including CP's, to provide responders with real-time information.

m. Responsible Care

Responsible Care® is a chemical industry initiative that involves a public commitment by chemical manufacturers and their partners to continually improve their health, safety, security and environmental performance. CP became a Responsible Care® partner of the Canadian Chemical Producers Association (CCPA) in 1998 and a partner of the American Chemistry Council (ACC) in 1999. Member and partner companies are held accountable through a publicly reported verification of their environmental, security, health and safety management systems and community outreach programs every three years. In June 2002, CP was successful in its first verification audit in Canada and was re-verified by the CCPA in 2005. CP is currently working with the ACC on planning our first U.S. certification.

n. TransCAER® Outreach

As part of CP's commitment to Responsible Care®, CP is active in the Transportation Community Awareness and Emergency Response (TransCAER®) program of the Canadian Chemical Producers Association (CCPA) and the ACC. TransCAER® is an information and training program for communities through which hazardous materials are transported. CP participates with the chemical industry in information sessions with community leaders and responders about emergency response procedures in the event of an incident involving hazardous materials.

The material covered in any particular TransCAER® session is dependent on the type of TransCAER® activity conducted such as mock disaster exercises, drills and table top awareness sessions with first-responders. The Field Managers work with first responders and local agencies to develop a program that meets the needs of the concerned parties. In addition to providing information, hands-on activities are also included with access to hazardous material rail cars.

o. Shipper Safety Awards

In 2006, CP presented 31 customers in Canada and the United States with its Chemical Shipper Safety Awards for outstanding performance. Eligible companies must ship more than 400 loads per year of regulated chemicals without a non-accident release.

2. DME

a. Organization

DME handles approximately 4,500 car loads of hazardous materials shipments each year, most of which consists of ethanol and anhydrous ammonia on IC&E. To ensure safe handling and regulatory compliance, DME has two Hazardous Materials Managers who are responsible for hazardous materials and environmental matters. They report to the Chief Mechanical Officer. They have been trained and certified by TTCI. Managers are responsible for emergency response and coordination of incidents, for training of DME personnel on hazardous material awareness and for working with community first responders. In addition, Contractors are used to assist with incident response as required.

b. Training

The Hazardous Materials Managers are responsible to provide hazardous materials training to employees required to be trained by DOT regulations. Training includes hazardous material awareness for new hires and refresher courses for all employees requiring hazardous materials training. Department Managers are responsible to ensure that employees are re-trained as required by regulations.

c. Emergency Response Plans

DME has comprehensive facility-specific Emergency Response Plans that include elements such as evacuation, response and reporting. These plans are not exercised, but are reviewed whenever an incident occurs, and are updated/changed as required by those reviews.

Spill kits are located at some locations, but generally an outside contractor is called to assist with responding to a spill.

DME conducts emergency response exercises with local first responders. When such an exercise or drill is conducted, as many first responders as possible are included within a 50 mile radius. These drills are both table-top and full scale mock exercises. On average, about four or five table-top drills are conducted each year and about two full scale exercises. In addition, training sessions are held for about 15 first responders (fire houses) each year.

d. Key trains and key routes

While there are no DME routes which meet the definition of a Key Route in OT-55, IC&E does have sufficient carloads of anhydrous ammonia at certain times of the year to qualify certain trains as Key Trains. Supervisors of Operations and train crews are aware that wherever possible, key trains will hold the main on passes/meets.

e. United States Hazardous Materials Instructions for Rail

Train crews and managers are trained on and are required to carry the U.S. Hazardous Materials Instructions for Rail and Timetable Special Instructions which provide additional information. They also carry the Emergency Response Guidebook.

f. Hazardous Materials Documentation

DME receives electronic bills of lading from customers for each shipment. A waybill is created when a car is released from industry or brought on in interchange. The RMI system has edits that highlight missing data that must be corrected before the waybill can be completed. Once a waybill is generated, RMI is updated immediately and all switch lists, work lists and train consists reflect the HazMat data on the waybill. DME use the waybill furnished by origin carriers on inbound, interline received and intermediate traffic. Released residue cars are reverse

routed with the residue data from the inbound waybill. Again, all lists furnished to crews show the residue HazMat data from the waybill.

3. Safety Integration

Many of CP's shipment management systems, such as TYES, CLV and FIT, will be implemented on DME during the first two years of safety integration. These systems will improve the documentation of hazardous materials and the placement of such shipments in train. Staff, including those preparing waybills and managing yard inventory, will require training to use these systems. In addition, train crews will require some familiarization training to ensure they understand how to access and use the new train documentation correctly, including the compressed waybills. Once these systems are implemented, first responders with OREIS software will have the capability of verifying shipment information as required in an emergency.

The semi-annual auditing of hazardous materials waybills will commence once the shipment management systems are implemented.

DME does not have sufficient hazardous materials shipments to meet the requirements of AAR Recommended Practice OT-55 for Key Routes. The shipment volumes of ethanol will be monitored and steps will be taken to equip such routes as required.

To ensure consistent application, CP training material and hazardous material instructions will be used for training.

DME emergency response resources and contractors will be evaluated to determine if the response network needs improvement.

DME's first-responder outreach program may need to be strengthened, in which case they will be adopting some of the training material and processes used by CP, such as TransCAER®, table-top and full scale drills, particularly in communities with increased ethanol shipments.

Although DME has site-specific emergency response plans, those plans may be enhanced by using the CP templates.

H. Train Dispatching

1. CP

SOO dispatches trains from an OC based in Minneapolis, MN. Territories dispatched include the SOO and the Delaware and Hudson Railway in the northeastern United States. CP has two other dispatch centers, an OC located in Montreal, QC and a Network Management Center (NMC) located in Calgary, AB. The staff in the two OC's report to the NMC. SOO has a Business Continuity Facility in St. Paul, MN to back up the U.S. dispatching function and CP has one in Calgary to back up the Canadian function. The back-up facilities are regularly tested.

The Dispatcher training program is 20 weeks long and includes General Code of Operating Rules, Timetable Special Instructions, Train Dispatcher Manual, Air Brake and Train Handling Rules and On Track Safety. Trainees must pass periodic quizzes and a promotional exam with a score of 90% or better. Training also includes use of the train dispatching computer systems they use, on-the-job-training, and a territory familiarization trip for the territory they are training on.

Train Dispatchers are required to pass an annual GCOR rules exam with a score of 90% or better. In addition, Train Dispatchers attend daily job briefings to ensure they understand any rule changes and any operational challenges.

Managers in the Minneapolis OC conduct proficiency tests and audits on the Train Dispatchers. A weekly scorecard is produced that lists any event based cardinal rules violations, general rule violations and injuries that have occurred the previous week in the Minneapolis OC, Montreal OC and Calgary NMC. The report is reviewed by the Minneapolis OC for any trends in rules infractions and injuries that have occurred.

The SOO timetable contains specific information on dispatching for all main track. SOO dispatches all main track authority from the Minneapolis OC using the following systems and process:

a. Centralized Traffic Control (CTC)

The CTC signal control system used by Dispatchers provides control of signals, switches and certain track side devices such as switch heaters. Dispatchers monitor and control the system through a graphic display of the territory. Authorities (train and track worker) are issued through a text interface which are represented on a graphic screen. Authority issuance is a two step process; the first step is a rules check to ensure only valid choices are presented and the second rules check is done on completion of the authority. Written authorities are issued by voice and are underscored word-by-word and digit-by-digit to ensure accuracy. CTC authorities are required for protection of track workers, authority to enter main track between signals and joint authority for trains and Engineering foremen. Authorities remain in effect until cancelled or fulfilled.

b. Track Warrant Control (TWC)

The OCS-2 system is used by Train Dispatchers for the issuance and protection of train movement authorities and the protection of on-track workers in non-signaled TWC territory. As the Train Dispatcher issues an authority, the system performs a first rules check that displays only valid choices to the user. After the form has been completed, a second and final rules check is done to ensure compliance. The system verifies continuity between authorities and tracks the position of manual switches. The system requires underscoring of voiced authorities – word by word and digit by digit – to ensure accuracy. The system provides a graphic representation of all authorities in effect on a given subdivision and offers the ability to deliver the initial authority to a crew electronically through a FIT located at remote crew locations.

c. Track Bulletins

Train Dispatchers issue track bulletins to trains using the Tabular General Bulletin Orders (TGBO) system. When a track bulletin is issued, TGBO creates a protection list which advises the Train Dispatchers of trains en-route that do not have the track bulletin. TGBO list the restrictions to a crew in the order in which the train will encounter them. TGBO are delivered electronically to a crew through the use of FIT or facsimile machine.

d. Block Register Territory (BRT)

This is a method of operation in non-signaled territory where trains, men and equipment are authorized to occupy the main track in limits designated by the timetable. The MNS Spur and Bass Lake Spur are so designated.

e. Timetable Special Instructions.

The Fox Lake sub is signaled ABS territory in which movement authority is granted by Timetable Special Instructions and General Orders.

2. DME

DME dispatching is located in Sioux Falls, SD, with a satellite office located in Kansas City, MO. The Sioux Falls office handles dispatching for DME with the exception of 94 miles between Laredo and Kansas City, MO which is handled from the Truman Drawbridge in Kansas City, MO. There is no back-up facility for either office. IC&E has 140 miles of CTC while DM&E is all TWC. Dispatching is done with a system purchased from and maintained by WABTEC called Train Management and Dispatch System (TMDS). The system is rules based and has the capability to dispatch CTC and TWC territory as well as to issue track protection. Operations Supervisors perform the Train Dispatching function, are qualified in CGOR and receive on-the-job training.

3. Safety Integration

Dispatching of all DME trains will remain in their current locations for the foreseeable future. DME will benefit from adopting the CP systems described here used to control and dispatch trains. CP's systems (CTC, OCS-2, TGBO and FIT), processes and protocols will be implemented within the first two years of safety integration. Implementation will require the training of all DME Operations Supervisors on the systems, protocols and processes.

Additionally, training of field managers, train crews and maintenance of way staff will be required. CP's Business Continuity Facility in St. Paul, MN, will be used to provide a backup facility for the Sioux Falls, SD and Kansas City, MO dispatch offices.

I. Crossings and Trespassing

1. CP

SOO has 15 front line Police Officers located as follows: 4 at St Paul; 1 at Milwaukee; 5 at Bensenville and 5 at Detroit. These officers provide protection for employees, railroad property, customers, passengers and the communities we operate through. Officers provide safety and security expertise and provide training to managers, employees, customers, law enforcement, emergency responders, community groups and organizations. Officers liaise with law enforcement at all levels and work with them and community organizations to improve safety and security at crossings and along the property.

CP has posted a toll-free number at all public crossings. The number connects a caller to the Police Communication Centre in Montreal, QC, which is manned 24/7. The communication centre maintains a data base with crossing identifiers cross-referenced to local emergency first responders. When a call is received, CP Police relay the information as required to the local responders and the appropriate NMC or OC, who in turn contact S&C technicians or train crews as required.

Near misses between a train and a motor vehicle are reported by train crews to CP Police, who then trace the license plates and contact the owner of the vehicle. If a commercial vehicle, the company is contacted. If it is a private vehicle, a verbal warning is relayed. Accident and near-miss data are used to target programs such as “officer on the train”. In 2007, SOO conducted five officer on the train programs, and five crossing safety ‘blitzes’ at crossings of interest.

SOO has nine qualified Operation Lifesaver presenters who delivered 54 presentations in 2007 to schools, bus drivers and commercial trucking companies. In 2007, CP Police also participated in four grade crossing collision courses. These courses are for local law enforcement officers to understand the dangers involved at crossings and to learn about the dynamics of trains and crossing signals. They learn about the stopping distances of trains, how the signals operate and the inspection process, the grade crossing statutes, crew responsibilities and what information the employees can provide. Each year, contact is made with every law enforcement jurisdiction that CP track passes through, and reminders of the crossing/trespass problem are provided such as OL calendars or CD’s with OL presentation material.

CP uses a community problem-solving model to target the trespassing problem. The policy, model and guideline all focus on the four E’s – education, environmental design, enforcement and employees. Employees play a very important role in trespass prevention, and they are encouraged to report public safety and security issues. On the enforcement side, CP Police, had contacted 583 trespassers, issued 462 warnings and filed charges against 121 people. Environmental design principles include strategies such as thorny bushes to act as a “living” fence, working with municipal planners to design out the problem, and installing no-trespass signage. Data on trespassers is maintained in a data base.

2. DME

On DME, all signaled crossings have toll-free numbers posted, but crossings with passive warnings (such as cross-bucks) do not. Any calls are answered by the Operations Supervisor, who is available 24/7. DME maintain an Excel spread sheet with the identification number for each crossing, cross-referenced to the local emergency responders. The Operations Supervisor, the S&C technician or the local responders are notified and respond as required by the incident.

When a near miss at a crossing is reported, the information is forwarded to the local manager, who attempts to identify the vehicle/driver through local police. If the vehicle involved is a commercial vehicle or a bus, the manager contacts the company about the incident.

DME has conducted “officer on the train” programs in the past and local police are occasionally asked to monitor a crossing if a problem has been identified.

DME does not have a Police Department but do have trained Operation Lifesaver presenters -- three on DM&E and six on IC&E. A few OL presentations have been delivered in the past few years to school children to warn about trespassing and to driver education classes.

3. Safety Integration

The proposed operating plan has not identified any change in rail traffic patterns that will affect grade crossings. However, the current crossing accident record can be improved. An analysis of vehicle/train collisions at DME crossings over the period from 2004 through mid 2007 identified a potential opportunity to decrease the number of crossing accidents that occur during switching operations. Accordingly, applicants will examine operating instructions concerning manually flagging crossings and switching equipment at level crossings.

A toll-free number, accessible 24/7, will be posted at all public crossings over a three year time frame.

CP's vegetation management program, where all crossings have vegetation reviewed and controlled on four year rotating basis, will be reviewed to determine if a similar program could be implemented on DME.

Public outreach activities such as Operation Lifesaver educational activity, officer on the train programs, anti-trespass signage and the anti-trespass community problem solving model will be examined to determine which priority locations would benefit from this type of activity.

J. Capital Investment

1. Original Annual Capital Expenditures on DME

Within the total capital plan, engineering capital ranges from \$56 to \$59 million over the 2008 to 2011 period, including about \$29 million in basic replacement each year.

(\$ 000s)

	2008	2009	2010	2011
Engineering Capital				
Track, Bridges, Culverts & Structures	51,248	54,272	53,255	55,411
Signals & Communications	1,350	1,100	1,125	1,170
Other	3,841	2,175	2,175	2,236
Total Engineering	56,449	57,547	56,555	58,817
Equipment Capital	7,119	3,500	3,500	3,640
Other	2,589	1,000	1,000	1,040
Total Capital	63,826	62,047	61,055	63,497

2. Proposed Annual Capital Expenditures on DME

CP projects that it will make available approximately \$300 million in capital for improvements to DME's track and ties, bridges and other rail facilities and systems and processes. Following approval of the transaction, the planned expenditures include an estimated

\$70.2 million per year in improvement capital to reduce current operating restrictions on DME core lines and for systems and processes, and \$29.8 million per year in basic replacement capital. Applicants believe the additional planned capital expenditures will make very important contributions to improved safety performance on the DME. The improvement capital allocated to Engineering will reduce or eliminate temporary slow orders at a number of key locations, will permit Applicants to initiate a ten year program to remove 286,000 lb restrictions on selected routes and will further serve to reduce the frequency of FRA reportable train accidents.

(\$ 000s)

	2009	2010	2011
Engineering Capital			
Track, Bridges, Culverts & Structures	92,440	93,600	89,528
Signals & Communications	1,100	925	1,350
Other	6,500	6,500	9,380
Total Engineering	100,040	101,025	100,258
Equipment Capital	3,500	3,500	3,640
Other	1,000	1,000	1,040
Total Capital	104,540	105,525	104,938

Specific projects, quantities and details by subdivision will be determined following detailed field inspection, assessment of Track Evaluation Car field measurements, tie inspection and geometry measurements and review of historical replacements. Similarly, priorities for specific bridge replacements and repairs will be established following the completion of inspections and structural assessments.

3. Annual Capital Expenditures on SOO

There are no changes proposed to the SOO capital plan as it relates to this merger.

Estimates of the types of capital expenditures CP projects it will make on the SOO network are outlined below.

(\$ 000s)

Engineering Capital	2008	2009	2010	2011
Track, Bridges, Culverts & Structures	66,407	71,662	82,069	88,530
Signals & Communications	1,993	4,829	3,422	1,285
Other	126	1,220	5,423	5,544
Total	68,526	77,711	90,913	95,359
Equipment	10,000	8,000	112,000	108,000
Other	5,000	7,000	6,000	4,000
Total Capital	83,526	92,771	208,913	207,359

K. Information Systems and Operations Technology

1. CP

CP's Information Systems are organized under the VP of Business Information and Technology Services (BITS) reporting to the COO. The BITS department consists of 350 employees and 50 contractors closely aligned to CP functional business areas through a Line Of Business structure and includes a team who focus on foundational IT internal services that cross all lines of business such as Help Desk, Subject Area Databases, Communications, and Infrastructure.

CP's Information Systems are used across the CP property in Canada and the United States. Many of these systems are also used in support of partner short-lines to enable a tighter integration of operations.

Over the past several years, CP has invested heavily in IT solutions to support a safe and fluid train operation. Key elements include Shipment and Train Management suite of applications which support the creation and execution of our IOP as well as upgrades to our Train Control system and improvements to procurement and financial systems.

CP has a fully integrated Shipment Management Suite of applications to support the safe execution of the Integrate Operating Plan including the handling of hazardous materials. The suite includes systems such as TYES, VISTA, DELTA, CLV, TrAM, FIT, Nexus, ITM, LMS, MultiRail, and OE (*see Appendix I for specific application descriptions*).

CP has a mature suite of Train Control systems and related training programs with a proven safety record. The suite is GCOR compliant and in addition to CTC and TWC control, offers track protection through the Tabular General Bulletin Order (TGBO) system.

CP's CMA suite provides protection against unintentionally violation of hours of service requirements. In addition it provides train crews with access to up-to-date train line-up information via VRU and Internet. Access to this information allows individuals to better manage their time off-duty in a manner to improve the quality and quantity of rest. The suite also has extended functionality available for crew balancing, auto crew calling and inbound VRU solutions.

CP's subject area databases (SADB) house the relational data that are fundamental to the integration of these key CP systems. These SADB include data in the areas of Equipment Movement Events (EME), Corporate Shipment Data (CSD), Customer Master File (CMF),

Common Track Network (CTN), Industry Reference Files (IRF), Train Subject Database (TSD) and Locomotives (LCMTV).

CP follows generally-recognized ITIL (IT Infrastructure Library) practices in the management of its IT assets. ITIL is a framework for the management of IT processes encompassing service delivery, such as availability management and continuity management, and service support, such as release management and environmental change management. CP's world class IT service providers similarly follow the ITIL framework and meet CP's requirements respecting controls as applicable to application development, support services and infrastructure services.

To protect continuity of rail operations, CP has three Business Continuity Facilities (BCFs) in Calgary, AB, Minneapolis, MN and Winnipeg, MB. These facilities are alternate work locations for employees who perform critical business processes such as train control, crew calling and work order processing. The BCFs are dedicated live back-up facilities that would be activated if the primary buildings were uninhabitable. The BCFs are regularly tested to ensure they will have the functionality needed to continue the key business functions. Each BCF is exercised, "live in production," once per year in order to ensure that the facilities, their infrastructure and their technology are functioning as intended, to ensure that the business continuity plans associated with each BCF are current, clear and comprehensive and to ensure that the staff who would be transposed to the BCF at a time of disaster are familiar with the facility itself.

2. DME

DME Information Systems are organized under the Director Information Technology (IT) reporting to the Chief Financial Officer. The IT department consists of six employees and one manager who support both railway operations and administration functions as needed. The IT

strategic plan includes the support of three footprint applications in the area of Car Management, Train Dispatch and Finance as well as the support of the underlying infrastructure to deliver these and other smaller services.

Car Management is delivered through the use of a third party vendor – Railcar Management Inc (RMI). RMI provides a number of information systems services through their Atlanta, GA data center for a variety of users across DME. The DME IT department supports only the underlying local infrastructure to provide the service to the users to connect to the RMI center.

Train dispatch is delivered through the use of the Train Management and Dispatch System (TMDS) provided and supported by Wabtec Railway Electronics. The DME IT department provides support for the local infrastructure and first level user support in Sioux Falls, SD.

Administrative support is provided by supporting the third party accounting system J.D. Edwards, the corporate network and associated hardware and software.

In addition to these footprint applications, DME has a mix of small use applications that are supported by the Sioux Falls IT team and that are generally locally hosted at the Sioux Falls data center. These include applications to provide assistance to processes such as crew management, accident/incident reporting, efficiency testing, discipline and training records and bridge inspection records.

3. Safety Integration

The Applicants' information systems integration plan is geared to deliver the appropriate IT solutions across the DME to support safety and ensure a seamless transition for employees and customers. CP is in the process of constructing a detailed plan to integrate the key systems within the first two years following STB approval. CP's foundational applications – the

shipment suite of applications, train control and crew management – are tightly integrated. We will be developing a comprehensive implementation plan for these three applications, including data loading, training program development, systems and process changes where required, resource training and cutover testing and implementation. The plan will support the management of the operation with the current systems until such time as each of the CP systems is implemented. This plan is aided by the fact that the DME and CP network and infrastructure are largely compatible. Although the two railways use differing underlying technologies, the business models of delivering to an Integrated Operating Plan, are very similar in nature.

L. Security

1. CP

a. Organization

To ensure secure handling and regulatory compliance on both sides of the border, CP has a corporate Manager of Regulatory Affairs – Security, a Superintendent Corporate Security officer in the CP Police Service and a Manager Border Strategies & Services. These positions work with various stakeholders and partners, both internally and externally, to facilitate constant improvement to our security program and to ensure compliance to policies and procedures related to threat assessment, emergency preparedness, response, incident management and recovery. These positions strive to ensure our security programs are designed and implemented to protect our employees and our infrastructure from threats of terrorism or other acts of violence.

CP has its own Police Service, whose members are sworn police officers and are empowered to enforce all laws within their jurisdiction. CP Police provide pro-active patrols of Company property with uniform/plain clothed officers and perform site security in some areas through the use of uniform security staff. A Police Communications Centre acts as the 9-1-1

service for CP Police, taking complaints from the railway, the public and other emergency services., via a North America wide toll-free number (1-800-716-9132) that is staffed on a 24/7 basis. Depending upon the nature of the call, as well as the location, CP Police may be dispatched to respond, and/or the local police department having jurisdiction may also be notified to provide assistance. In addition to internal resources and expertise, they work closely with federal, provincial, municipal and other law enforcement and security agencies, and play an important role in the safe and secure operation of the railway.

CP Police Service also has a ten member Criminal Intelligence Unit which gathers, analyzes and supplies information and recommendations to support pro-active decisions.

b. Security Program/Plan

CP's security program is based on an industry approach which includes risk assessments and cost / benefit and analysis for all actions and ongoing program monitoring for effectiveness.

CP's security plan is intelligence and risk-based and includes the following.

Railway Security Measures Plan (Dev. 1997): has guidelines on how CP will respond to security incidents by outlining the roles and responsibilities of responding departments, the decision-making process and appropriate actions that should be taken. The security concerns that have been identified for the purpose of this plan include: any deliberate or planned acts that could cause the loss of life, personal injury or serious property damage. These acts would include without limitation: explosions that are not the result of an accident, bomb threats, hijacking of a train, blockade of trackage and hostage taking. This plan is available in both printed and electronic format.

CP Security Plan – General Incidents (Dev. 2002): Provides guidelines to employees depicting actions to be taken during security and emergency situations. These guidelines identify

various security incidents that could occur within the workplace and list actions that should be taken by employees and supervisors. The guidelines also detail reporting procedures.

Security Countermeasures Management Plan (Dev. 2001): Based on and closely follows the AAR “Terrorism Risk Analysis and Security Management Plan.” The plan defines four security alert levels and details the actions to be taken at each level as the terrorist threat increases. Alert level actions are applied in the areas of operations (transportation, engineering, and mechanical), information technology, telecommunications and railroad police. All departments have assigned a representative who annually reviews and updates their plan, as well as participates in the development of policies and processes related to their respective area of operations. All changes are reviewed and signed off by departmental senior management and Superintendent Corporate Security.

High Threat Urban Area Site Specific Plans (Dev. 2006/2007): Include local operational changes required to decrease the time that toxic inhalation cars are unattended or located in High Threat Urban Areas; increase security for en-route storage and cars delayed in transit; as well as, incorporating chain of custody control between carriers and customers for toxic inhalation shipments.

Access to plans is restricted to Management and varies depending on requirements. These plans are reviewed, tested and updated regularly. They are also linked to the Corporate Crisis Management Plan, Hazardous Material Incident Response Plan and Local Emergency Response Plans.

c. Security Countermeasures Management System (SCMS)

CP security plans will be housed in a new security countermeasures management system that will ensure rapid and effective response to an external security risk by giving responsible managers access to our security plan for initiating security alert responses and counter-measures.

The application is designed to contain CP security information such as critical assets and security warning countermeasures from the CP security plan. It will gather and present summary security alert response information and will allow CP to demonstrate that we are in compliance with security procedures appropriate to various alert levels.

d. Training & Security Awareness:

(i) Employees

CP's General Security Awareness training is available through CP's Technical Training department and is provided to all hazardous material employees within 90 days of starting with CP and renewed at least every 3 years. This program is based on an industry security awareness program developed by Rutgers University's National Transit Institute. The program is available to CP employees through a four part video presentation or a web based interactive format and includes an awareness of the security risks associated with hazardous materials transportation, measures designed to enhance transportation security and a component covering how to recognize and respond to possible security threats. All training records are tracked in TRMS.

CP's In Depth Security Awareness Training for Managers, designed to meet the requirements of FRA HM 232 regulations, is available through the Manager, Regulatory Affairs - Security and is provided to division level managers with a responsibility to implement security plans. The division level managers then train their employees under a train-the-trainer plan. Training is provided within 90 days of starting in a security plan development or implementation related role and is renewed every 3 years. The training provides an in-depth review of CP's security plan and the roles and responsibilities for employees who participate in the development and implementation of CP's security plans. The program is provided to senior manager's with a responsibility for implementing security plans.

Running trades employees are also provided with a section on Security in their Timetables.

All employees are further educated through the use of videos, posters, pamphlets and other items and also receive emergency alert broadcasts on security issues as required. The security message is further enforced through job briefings and Health & Safety meetings.

(ii) Community Outreach & Awareness

CP has a number of Safety & Security Outreach programs to enhance public awareness such as training to first responders and law enforcement agencies, 1-800 safe passage program and Operation Lifesaver, a national program to educate members of the public about the potential dangers and penalties related to trespassing on railway rights-of-ways and disobeying railway crossing warning signs and signals. The Police Service delivers hundreds of presentations every year to schools, community groups, boys and girls clubs, recreational groups such as snowmobile and ATV clubs, municipal and provincial police agencies, school bus drivers and truck drivers. Along with Operation Lifesaver the Police Service produces Fact Sheets and other information that it distributes to the public about trespassing issues. Police Service members take part in community events, meetings and displays in communities where problems are identified.

Community members are encouraged to report trespassing and crime to the Police Service. Stickers and refrigerator magnets with the Police Service toll-free number are provided to residents adjacent to railway property. Door to door canvassing by patrol officers improves two-way dialogue, incident reporting and intelligence gathering.

e. C-TPAT (U.S. Customs Trade Partnership Against Terrorism)

In March 2003, CP was made a certified member of the U.S. Customs Trade Partnership Against Terrorism Program (C-TPAT). By signing this agreement CP made a commitment to

U.S. Customs to follow the security recommendations outlined by the C-TPAT program in order to counter terrorism and build cooperative relationships that strengthen overall supply chain and border security. This agreement further solidified CP's commitment to providing a safe and secure workplace and to protecting its employees, its assets, the public, and the environment in compliance with applicable legislation and government regulations both in Canada and the United States.

f. Security Screening

(i) Pre-Employment Screening

In order to eliminate potential workplace security risks CP has developed and implemented a policy on security clearance checks for external recruitment. This policy applies to all new hires; regular full/part-time, temporary, contract, (independent or from an agency) co-op and summer students.

The CP Police Service is responsible for completing preliminary criminal record checks within Canada while an external service provider completes the checks within the United States. A risk assessment committee in consultation with the CP Police Service is responsible for final decisions relating to the hiring of candidates whose security checks reveal a potential security concern.

(ii) Employee Identification Cards

In response to customers increasing security measures across North America, CP has issued all employees with standardized, secure employee identification. CP employees who require access to customer premises can use this identification to verify employment. Employee identification can be confirmed through the CP Police Communications Center.

(iii) Contractor Safety & Security Screening

In December 2006, CP signed an agreement to use an on-line program known as E-Railsafe to provide security clearance screening and railroad safety and security orientation training to US railway contractors who regularly work on our property. Upon successful completion of the above, contract employees are provided with a photo identification badge and are required to wear this badge when on CP property. Many of the other U.S. Class 1 railways are using this same service. The program was rolled out by CP in the U.S. in July 2007 to contractors hired through the Strategic Sourcing processes.

g. Exercises

Portions of CP's security plan are tested and practiced annually through:

- AAR Tabletop Exercises;
- Local Tabletop & Field Exercises; and
- Actual Incidents.

De-briefs are conducted after each exercise and learning's are incorporated into security and emergency plans. Local emergency responders, communities and government representatives are invited to participate in select local table tops & exercises

h. Audit and Inspection Programs

CP's security program is subject to external audits by the Transportation Security Administration (TSA), the FRA and Customs Border Protection (CBP).

It is also subject to various internal reviews through IT Environment Security Audits, Police Service Audits and CP Internal Audit. Security assessments are also conducted by CP Police & Internal Audit at various CP facilities including yards, offices, IT facilities to identify potential security deficiencies and make improvements to physical, environmental and

procedural security. These assessments are generally driven by analysis of crime data, police concerns or facility requests.

i. Tracking TIH Shipments

CP is able to track the location of TIH Shipments in real time to enable immediate and accurate location identification as required to respond to changes in the security alert levels. The process for securing hazmat cargo is:

- Based on multiple decision making / risk assessment steps;
- Flexible to adapt to changing circumstances;
- Built into each department's security plan and is initiated at the time the alert level is escalated;
- Designed to select the lowest risk option (e.g. expedition, locations); and
- Structured to implement specific actions that must be taken to protect "alert trains."

j. Critical Infrastructure:

CP reviews its critical infrastructure on a regular basis and identifies specific actions that must be taken to protect it. The specific actions that must be taken by operating personnel are built into each department's security plan and are initiated at the time the alert level is escalated.

2. DME

a. Organization

DME does not have an internal police organization. Criminal incidents are reported to local authorities for investigation and handling. For terrorism focused security, DME has one person who acts as a rail security coordinator and two that act as alternate security coordinators.

b. Security Program/Plan

DME has a transportation and facility security plan, based on the AAR "Terrorism Risk Analysis and Security Management Plan". The plan is reviewed and updated each year, or more

frequently if situations occur that warrant an update. IC&E operates in three high threat urban areas, Minneapolis/St Paul, Chicago and Kansas City, although at the present time, bulk TIH cars are not operating into Kansas City.

c. Training and Security Awareness

Security awareness training is provided to employees every three years, as required by HM-232. DME uses the Rutgers University's National Transit Institute program provided to the rail industry through the AAR.

d. Security screening and employee ID cards

(i) Pre-employment screening.

DME has implemented a process, using a contractor, to perform security background checks on all new-hires. The HR department has a review process to adjudicate hiring decisions for any individuals with security concerns.

(ii) Employee Identification Cards

DME issues photo ID cards to all employees containing their name, the department, employee number, photograph and company logo. These cards must be carried by employees, although they are not required to visibly wear them. If lost, managers must be notified. DME is working on a process to cancel cards for terminated or retiring employees and for lost cards.

In addition, electronic cards are required to access the headquarters building and the dispatch office.

e. Tracking TIH Shipments

DME has a process to track TIH shipments. TIH cars are monitored by the Manager of Customer Service and car locations are known within an hour. If the security alert level is raised, the Rail Security Coordinator is provided with the locations of cars. If cars are stationary,

arrangements are made for employees or outside security forces to monitor the cars. If cars are in-train, decisions appropriate to the alert level can then be made.

f. Critical Infrastructure

DME has identified its critical infrastructure. In the event of a raised alert level, local managers would assign designated employees to protect designated facilities. In addition, DME has a plan to hire external security forces from Permar Security to protect such infrastructure as needed.

3. Safety Integration

DME will be integrated into CP's security plan and actions required as threat levels escalate will be incorporated into the SCMS. CP's security training program, including the in-depth training required for certain managers, which is very similar to DME current training, will replace current DME training. DME will be added to the E-Railsafe program which includes security background checks and training for selected contractors.

APPENDIX I – CP SYSTEMS GLOSSARY

ACC	<u>Automated Crew Calling.</u> Functionality incorporated into the CMA application and using the IVR/VRU functionality to provide for automation of the “outbound calls for service” function. ACC limits HOS violations.
AEI	<u>Automated Equipment Identification.</u> Provides automated processing of train departures, passing reports, arrivals and interchange receipt/delivery based on equipment passing an AEI reader. Among other things, AEI is used to improve consist accuracy.
BASIS	<u>Bridges and Structures Information System.</u> BASIS is a module from SAP used to capture and report on all inspections for bridges and structures. BASIS enables CP to prioritize work.
CAMS	<u>Compliance Assurance Monitoring System.</u> A module of VIP used to document efficiency tests and record efficiency test results. CAMS data is used to identify safety and rules improvement opportunities.
CIM	<u>Car Information Management.</u> System CIM is the system used to manage all reporting of equipment repairs, capturing foreign car billing, bad ordering of equipment and retrieving UMLER information. CIM improves bad order car handling.
CLV	<u>Car Location Validation.</u> Service Edits train consists and updates the EQUIP database with the last location information on equipment.
CM422	<u>Train Service Schedule.</u> A database that stores the train service schedules. It provides service/ inspection information for each train that CP runs in Canada and the US.
CMA	<u>Crew Management Application.</u> Third-party developed application for managing crew calling, monitoring compliance with hours of service requirements, and paying crews.
CTC	<u>Centralized Traffic Control.</u> Manages occupancy in the Canadian and U.S. lighted (signaled and switched) territories of CP's rail network. CTC decreases the risk of collisions and certain types of train derailments.
DELTA	<u>Dynamic Equipment Logistics Technology & Analysis.</u> DELTA is a real time, automated, 14-day empty fleet planning system. It consists of a suite of applications that match empty equipment demand from our customers with forecasted supply for carload equipment. DELTA is designed to flow empty cars as efficiently as possible, with consideration to operating and financial constraints.

DIMSL	<u>Dimensional Loads.</u> Maintains information on track obstructions and bridge restrictions to assist in the routing of high, wide, long, or heavy loads. DIMSL reduces the opportunity for train accidents.
FIT	<u>Field Information Terminal.</u> Centrally managed crew documents which are distributed to field-located information terminals where the crews retrieve them before commencing work. Used for access to information from OCS-2, TGBO, TYES and CMA.
ITM	<u>Integrated Train Management.</u> A single user interface to the business functions for Locomotive Management (LMS). For other train management functions, see Nexus.
IVR	<u>Interactive Voice Response.</u> – also known as VRU. See VRU for a description.
Loco SADB	<u>Locomotive Subject Area Database.</u> One of the subject area relational databases shared by multiple applications for the storage and retrieval of data related to locomotives and locomotive movements.
LMS	<u>Locomotive Management System.</u> Tracks locomotive inventory information, locomotive requirements and maintenance information. ITM is the user interface to this system.
Marvin	<u>Midas Archival Review Virtual Information Network.</u> Marvin is the repository for all accident/incident reports received from the field along with correspondence for each case.
MIDaS	<u>Management of Incident Data System.</u> MIDaS is the database where all information is stored related to the Marvin accident/incident reporting and it enables CP to report occurrences as required by U.S. and Canadian regulations.
MultiRail	<u>MultiRail.</u> A third party application that allows the CP Product Design team to simulate and test alternative plans in a software environment based on CP's core design principles of velocity, balance, and network fluidity
MTP	<u>Master Train Plan.</u> Used to maintain train schedule and train characteristics such as kind, type, direction, and average length; stores the operating plan specifying the train name and ID, routes, estimated and actual arrival and departure times. This foundational legacy system is integrated with CP's SADB and provides information for other systems such as TYES, Nexus OCS-2, TGBO and others.

Nexus	<u>Nexus</u> . Provides a single interface to manage the execution of the Integrated Operating Plan (IOP) including train lineups, profile lineups and add to plan functions, planned and actual time updates, train document storage and retrieval, locomotive and crew information and other enhanced MTP functions.
OCS-2	<u>Occupancy Control System 2</u> . Allows Rail Traffic Controllers (Canada) and Train Dispatchers (USA) to manage Train and Gang movements on non-signaled track and lowers the risk of collisions.
OE	<u>Order Entry</u> . Process Bill of Lading information and create, update and cancel waybills for operational purposes and revenue collection.
SADB	<u>Subject Area Database</u> . A central source of information used by CP applications including Equipment Movement Events (EME), Corporate Shipment Data (CSD), Customer Master File (CMF), Common Track Network (CTN), Industry Reference Files (IRF), Train Subject Database (TSD) and Locomotives (LCMTV).
SAP	<u>Systems, Applications and Products</u> . An application which provides the capability to manage financial, asset, and cost accounting, production operations and materials, personnel, plant maintenance, and projects.
TrAM	<u>Train Area Marshalling</u> . Manages and alerts to train marshalling violations using the train configuration compared to the track configuration. TRAM improves train handling and reduces the opportunity for train accidents caused by marshalling and train handling.
TGBO	<u>Tabular General Bulletin Order</u> . Web based application used to deliver General Bulletin Orders to trains in the order the restrictions will be encountered by trains. TGBO improves safety by reducing the risk of train crews missing critical operating information.
Train SADB	<u>Train Subject Area Database</u> . One of the subject area relational databases shared by multiple applications for the storage and retrieval of data related to trains and train movements.
TRMS	<u>Training Records Management System</u> . A module of VIP used to track employee training including test scores Managers use TRMS to ensure qualified employees operate certain equipment.
TYES	<u>Train and Yard Execution System</u> . A foundational part of the CP Shipment Management Suite of applications that provides railcar inventory management including train marshalling (with full marshalling rules and protection), and design to execution management of car movements. It is integrated with subject area data bases such as Train and Locomotive and other management systems.

- VIP** **Visually Integrated Personnel, Payroll, Pension.** This is CP's integrated Payroll, Pensions, and H.R system and is the system of record for employee data. Includes many applications, modules and associated interfaces to other CP applications and vendors such as MIDAS, Discipline and Seniority, HR Self-Service, CAMS, TRMS, JobsOnline, and PDP.
- VISTA** **Value-Added Integrated Shipment Tracking Application.** VISTA is designed to provide trip plans and ETAs for both empty and loaded shipments. Using the Integrated Operating Plan as the foundation of the system, VISTA will create trip plans and monitor shipment performance to achieve more consistent delivery.
- VRU** **Voice Response Units.** System used for routing calls from a running trade employee (RTE) to crew dispatchers, auditors and automated functions. Used by RTE to call in for personal information, generic information (profiles), booking on and inputting temporary contact numbers. Also used in the process to place “outbound calls for service” under the ACC functionality of CMA.