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June 28, 2016

The Honourable Marc Garneau, P.C., M.P.
Minister of Transport
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The Honourable Lawrence MacAulay, P.C., M.P.
Minister of Agriculture
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Chairman Scott Streiner
Canadian Transportation Agency
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Dear Sirs;

I am writing in regard to the upcoming grain crop. Growing conditions on the Prairies are very strong at this time. Some experts are suggesting this year's grain crop for Western Canada will be significantly bigger than the five-year average, perhaps just 4 to 5 million metric tonnes (MMTs) below the record set in 2013/14.

There are still a few months until harvest commences, and much can change in the period from now to then, but I thought it appropriate to share some details on what CP is doing, along with other grain supply chain partners, including our customers, to ensure the supply chain is as prepared as possible for moving what could be an historically large crop.

As always, CP is keen to work collaboratively with all supply chain partners to continue moving record amounts of grain, as we did in 2013/14 and 2014/15. I am hoping that the energy consumed by finger-pointing in the past can be put instead to a collective effort to work together to move even higher volumes of grain from the Canadian Prairies to customers in the U.S. or international markets. Not only is finger-pointing counter-productive; it unfairly tarnishes Canada's reputation as a world-class supplier, and it distracts us all from the most important task: moving grain to the benefit of Canadian producers and companies. Ultimately, that's how we all win. And that's what will grow the Canadian economy.

CP and Supply Chain Investment

Over the past few years CP has invested record amounts of private sector capital into capacity-building improvements. These record levels of investment are in three key areas: basic capital infrastructure, capacity/speed enhancements, and technology.

Our focus remains on providing reliable, safe infrastructure, while growing our capacity. CP has invested in projects that are enhancing both system capacity and velocity. Major investments include expanding centralized train control (CTC), constructing new and extended sidings, and terminal improvements. We have constructed 22 new and extended sidings on our North Line between Edmonton and Winnipeg, four new extended sidings on the Western corridor through BC, and nine new sidings through the Upper Plains states to Chicago. These capacity-enhancing infrastructure investments allow us to move more commodities - including more grain - in an efficient and safe manner. This will improve our service and reliability, and it will accelerate our growth in lock-step with our customers.

We are also pleased to see there have been a number of new investments by our supply chain partners over the past year, especially in grain country elevator capacity and port capacity. For example, a new transfer terminal in Hamilton, ON has been built. Both facilities have 134-car loop tracks capable of loading a full unit train while in continuous motion. Numerous new in-country grain terminals are being built, some with high-throughput loop tracks. A number of port terminal facilities have invested in greater port storage and equipment, which improves the supply chain's ability to move grain. These investments in all of the interconnected elements of the supply chain help inspire confidence in the entire system's capacity to move greater volumes of grain in the future. The supply chain is only as strong as its weakest link so every element is critical to building a strong, efficient, reliable system that has the capacity to move Canada's grain crop each year.

It is a Fully Connected System

The rail network is a system that is the backbone of the Canadian economy, and it moves much more than just grain. Under the common-carrier obligation, CP, like other federally-regulated railways, has a legal obligation to move all commodities requiring shipment, without giving preferential treatment to one over others. Moreover, the ability of the system to move products is dependent on many interconnected components. In the winter of 2013/14, for example, all railroads in North America had significant efficiency challenges, and this hampered the fluidity of critical rail hubs, such as Chicago. It also constrained CP's ability to move grain to locations where there is access to other railways.

In order for the system to move record volumes of grain, it is essential that port terminals such as Vancouver remain fluid, and that the Seaway - especially the Port of Thunder Bay - stays open as long as possible. Thunder Bay is an important outlet for Canadian grain. Its closure from late December to March/April every year significantly reduces grain supply chain capacity. Utilizing other outlets like Thunder Bay takes pressure off Vancouver. Over the last few years we have seen ever-increasing dependence on Vancouver as an outlet for Canada's grain. Like all terminal complexes, Vancouver has finite capacity; trying to push more grain than can be accommodated causes congestion that ripples through the entire system. It's like putting more trucks onto an already gridlocked highway.

We also need to carefully consider and understand the impact of speed restrictions and other operational changes that reduce system velocity. Slowing trains through Toronto, for example, will impact our ability to move goods and commodities through other parts of the network. The same is true at the border or any area of the network where overall system velocity is reduced.

New Product Offerings - Dedicated Train Program

Following the record grain crop of Winter 2013/14, CP made some fundamental changes to our grain service offering after lengthy discussions with customers. We removed the “tragedy of the commons” that was inherent in the open-request system and introduced direct commercial accountability between CP and its grain customers through a Dedicated Train Program (DTP). Under the DTP before each crop year CP sits down with customers to determine their train load capacity needs for the upcoming year. Commercial agreements are reached that guarantee the supply and use of that capacity.

Our customers have provided positive feedback on this approach, under which they have a clear, guaranteed amount of rail capacity upon which they can sell to. If our customers can utilize these assets more effectively - through either investments or by operating more efficiently – then they get the direct benefit themselves. We will also be developing, in conjunction with our customers, additional new commercial product offerings that provide guaranteed capacity to our customers.

We are currently in discussions with our customers on their capacity needs for the upcoming crop year. CP is willing and able to commit the rail capacity that they need to continue to be successful in the global marketplace. Commitments are the key link in driving accountability through the system.

From Now to Harvest

Currently, CP has thousands of covered hopper cars and hundreds of locomotives sitting parked. This is unused, idle capacity in the system. It would be unfortunate if a significant amount of supply chain capacity is lost due to customers wanting to wait for a specific price to sell their grain, as we experienced in the summer and early fall of 2013. Obviously, our customers determine when and what they want to ship, as they should. That said, I respectfully submit that if forecasts for historically large volumes of grain for this autumn are correct, then all of us will benefit if the Canadian grain supply chain moves as much as possible over the coming months to reduce carry-in into the next crop year, thereby lowering the total volume to move during the peak. The grain supply chain in Canada, like all efficient supply chains, is not built to move total annual volumes of a commodity in a short, peak period of time and then sit idle for the rest of the year.

Operational Improvements

CP will be operating 24-7, 364 days of the year to move Canada’s goods and commodities, including grain produced by farmers across the Prairies. As always, we welcome any discussion on how we can collectively harness our energy to build the most efficient, collaborative, interconnected grain supply chain possible, with the capacity and velocity to move Canada’s grain to customers, so that the entire Canadian economy can reap the maximum benefit. This is particularly true if we are facing another historically large grain crop and a surge in demand to move the product over the fall and winter.

Operationally, CP is eager and prepared to move grain this coming crop year. As we continue to execute our Scheduled Precision Railroad model, our network has never been in better shape to perform. Case-

in-point: CP's network train speed this current quarter (Q2 2016) is 30 percent faster than the same period in 2013 (just before the record 2013/14 crop). This increased velocity has been achieved through the aforementioned investments, and through the disciplined execution and constant refinement of our operating plan. This, in turn, has improved service and significantly decreased cycle times across all car fleets, and such focus on performance will continue.

With respect to resourcing, CP is maintaining and repairing both stored cars and locomotives to add capacity this harvest, in line with the supply chain's ability to efficiently handle the volume, and is positioned to recall employees to ensure our running-trade and mechanical crew-base can handle such volume, if and where required.

In closing, I reiterate that CP is a willing and active partner in collaboration with you, our customers, and other supply chain partners to move Canada's economy - including historically large grain volumes - to export markets around the world. Now is the time to prepare collectively. I would welcome any opportunity to discuss this matter further with you.

Sincerely,



E. Hunter Harrison

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