

**Letter of Understanding
Between CPR and the TCRC
To Address
Letter # 15 of the
Memorandum of Settlement of November 13, 2004**

1. OVERVIEW

2. Further to Letter #15 of the November 13, 2004 Memorandum of Settlement between the parties, the current Expressway Agreement is abolished, effective Sunday, December 18, 2005. In its place, the Company and the TCRC agree to establish a double-ended unassigned freight pool for the purpose of operating Expressway trains between Milton and Smiths Falls. One-third of this work will go to Smiths Falls Conductor-only crews (2). Two-thirds will be handled by Toronto Conductor-only crews (4), with Home Terminal at Milton. The Montreal – Smiths Falls leg of Expressway Service will be run Conductor-only out of the Smiths Falls Winchester Subdivision pool, unless otherwise agreed by the parties. The required Bulletins advertising vacancies effective December 18, 2005 will be issued and posted by Friday, December 2, 2005, with closing date on Monday, December 12, 2005.

METHOD OF PAY

A fixed mileage of 260 miles will be paid for a completed trip in Expressway Service between Milton and Smiths Falls. The outer main track switch for Milton is established at M26.3 of the Galt Subdivision (Hornby East). Train performance will be monitored for the 90 days immediately following implementation for the purpose of establishing an accurate threshold that will be calculated using average initial and final terminal times plus 60 minutes. In the interim, 180 minutes shall be used. If the trip is not completed, the Combination Service provisions of the respective Collective Agreements will apply. The parties agree that CT payments will not apply when cutting or coupling the train at crossings, loading pads, or at another location within the Expressway Facility in order to position a block of cars at the loading pad. If the Company decides to double when the train would have otherwise fit into a single track of sufficient length, CT payment will apply.

DEADHEADING

Straightaway deadheads between Milton and Smiths Falls will be paid at 150 miles, with the following exception. Subsequent to working or deadhead service, if an employee books in excess of four hours personal rest, and by doing so misses what would have

otherwise been their Expressway train, and the Company elects to deadhead the crew to the home terminal, a 100 mile deadhead will apply. If the train is missed account MTOD alone, and the Company elects to deadhead the crew to the home terminal, a 150 mile deadhead would apply.

Toronto-based spare crews required to enter and or exit Expressway Service at Milton will be paid a 50 mile deadhead at Conductor-only rates of pay. Employees who elect to use other than Company-provided transportation to deadhead between Toronto and Milton will be paid \$0.30 per kilometer for the 58 kilometer distance.

Fifty mile deadhead claims will be bypassed when identifying a previous tour of duty to establish/claim general holiday payments

RELIEF

Toronto-based spare crews required to relieve Expressway crews en-route will not have their D1 claim (time based deadhead prior to working service) included as part of their minimum day. Subsequent to providing relief en-route, the 50 mile deadhead payment from Milton to Toronto will also not form part of the minimum day, and will be submitted as a separate wage claim. As in the past, Trenton will be the division point between Toronto-based and Smiths Falls-based relief.

AWAY FROM HOME TERMINAL

Spare crews from either Smiths Falls or Toronto that relieve any Expressway pool crew en-route will be confined to the Expressway pool on arrival at the away from home terminal. For example, a spare crew from Toronto will not be placed in the Belleville pool upon arrival at Smiths Falls on an Expressway train.

If prior to going off duty at Smiths Falls, a spare crew is advised that they will be deadheading immediately to Toronto they will be entitled to a 100 mile deadhead. If instead remaining in the away from home Expressway pool at Smiths Falls but ultimately called to deadhead, a 150 mile deadhead payment will apply.

EARLY RETIREMENT OPPORTUNITIES

On the condition that this Letter of Understanding is not canceled, two Early Retirement opportunities will be made available to Running Trades employees at Smiths Falls, effective June 18, 2006. The TCRC General Chairmen will advise the Company of the candidates. If there are no prospective candidates as of June 18, 2006, the opportunities will be banked for application at a later date of TCRC choosing.

COLLECTIVE AGREEMENTS

Unless specifically mentioned in this Letter, the provisions of the respective Collective Agreements will apply.

CONSULTATION

Should substantial issues develop through the course of implementation, the parties commit to meeting in an expeditious manner with a view to proactively dealing with the matters, and actively pursuing collectively beneficial resolutions.

GRIEVANCES

Should the parties not resolve any particular issue, the TCRC or the Company may expedite the matter to the final step of the Collective Agreement grievance procedure.

DURATION

The parties agree that the content of this Letter is specific to this particular application, and that it will not be used as the basis for potential similar undertakings in the future. On June 18, 2006 either party may serve three months Notice to cancel this Letter of Understanding. Should that occur, the parties will revert to the terms of the Letter #15 in the November 13, 2004 Memorandum of Settlement.

SIGNED, November 23, 2005

Mike DeGirolamo (signed)
Assistant Vice President

George Smith (signed) (for)
General Manager, Field Operations

Christopher Jones (signed)
Director, Operations - Expressway

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Daniel Genereux
General Chairman

Tim Beaver
General Chairman