

The 2009 Goalshare or Personal Incentive Plan (PIP) for the TCRC-RTE has been approved.

It is my pleasure to advise that the total average payout for the TCRC-RTE group was 4.68% of eligible earnings versus a target of 5%. Individual payouts will range from 3.0% to 5.0% depending on performance against the targets set for personal safety and personal attendance. Congratulations!

You will recall that the program had 4 components:

- 1) A corporate component worth 2% that was based on achieving key financial targets such as free cash. This was fully met.
- 2) A personal safety component worth 1% in total that was based on achieving each of 4 key personal safety targets;
 - 0 CRVs
 - 0 FRA Personal Injuries
 - 0 human-error FRA reportable train accidents
 - 0 non-FRA reportable human-error train accidents.

Attaining the full 1% is contingent on meeting all 4 safety targets. For each component not met, the 1% is reduced by 0.25%.

- 3) A personal attendance component worth 1%, payable if an individual exceeded the service area attendance average from the previous year. Failure to meet this hurdle results in 0% payout.
- 4) A fuel conservation component based on achieving our fuel consumption target and adoption of use of fuel trip optimizer (FTO). This was fully met (4.60l/000GTMs vs a target of 4.63).

Payouts will be processed the week of February 22 with direct deposits made no later than February 26th.

Congratulations to all who contributed to a successful goalshare year.

Our 2010 program is very similar in structure to 2009 and we look forward to your participation as we strive to achieve key safety, service and financial targets. A copy of the program is appended for your review along with a description and Q&A on how each one of us can contribute to the targets.

I look forward to your participation and our collective success.

Mike Franczak
Group Vice-President
Operations

TCRC RTE PIP PROGRAM

The following is the 2010 TCRC RTE PIP program.

“Together, we can become the safest, most fluid railway in North America”

Category	Objective	Target	Payout	Mechanism
Corporate Financial	Operating Income (OI)	OI Target	2.00%	Payout on corporate performance
Personal Safety				
	Personal accountability			Payout on individual basis
	no CRV's	0	0.25%	
	no FRA Personal Injuries	0	0.25%	
	no FRA Train Accidents (Human Error)	0	0.25%	
	no non-FRA Train Accidents (Human Error)	0	0.25%	
Personal Attendance				
	Individual attendance better than Service Area average	Service Area Average (from 2009)	1.00%	Payout on individual basis
	Alberta	98.28%		
	BC Interior	98.65%		
	Manitoba	97.98%		
	Montreal	98.52%		
	NOSA	98.74%		
	SOSA	98.76%		
	Saskatchewan	98.10%		
	Vancouver	98.36%		
Fuel Conservation				
	Fuel consumption in liters per 1000 GTM.	Year End Target 4.55L/000GTM	1.00%	Payout on System basis.
	Target	Actual		
January	4.84			
February	4.82			
March	4.71			
April	4.69			
May	4.63			
June	4.38			
July	4.34			
August	4.29			

September	4.34			
October	4.44			
November	4.58			
December	4.70			
	Trip Optimizer Utilization	Target 95% or better requirement for any payout of Fuel Conservation Objective		
			5.00%	

Note 1. In order for the fuel conservation objective to payout, both the fuel consumption (Canada) and trip optimizer metrics must be met.

The following questions and answers will assist in understanding the program.

Corporate Financial

Q. What is the corporate financial objective for 2010?

A. Operating Income

Annually, the Board of Directors of Canadian Pacific Railway establishes metric(s)/target(s) upon which PIP payouts are based. The metric(s)/target(s) used for the non-unionized Performance Incentive Program, will be the same metric(s)/target(s) used for the 2010 TCRC RTE PIP Program. For 2010, target will be based upon **Operating Income**. The specific target value for this objective will be determined later in February by the Board of Directors.

_Q. How can an employee positively impact this metric?

A. All employees can impact this metrics in a number of ways.

To the extent possible, we need to ensure that our trains remain fluid.

One key contributor to fluidity is “on time” train performance (at origin, destination and enroute) which ensures that the efficiency of our overall product design is leveraged. This will have a positive impact on equipment an crew utilization.

Fluidity can also be impacted by such activities as the accurate and timely execution of work lists as well as the accurate and timely submission of work list recaps.

Reducing casualty costs (train accidents and personal injuries) is also key. Any activity employees engage in to promote and/or improve safety in our workplace directly benefits all employees and the Company. Considering that approximately \$1M in revenue has to be earned for every \$200K spent in connection with accidents or incidents, a safer workplace also positively contributes to our financial performance.

Ultimately, the safer and more expeditious a manner that a railcar can be loaded, moved, unloaded and repositioned for another such cycle (referred to as "velocity of assets"), the greater will be our Company's efficiency.

The positive results of this include a higher probability of good corporate financial health, individual benefit through incentive compensation programs and an improved product offering to our customers.

In terms of operating expense, fuel is a major cost at CP (second only to compensation) so its efficient use is very important to us all and while rail is inherently one of the most efficient ways to transport goods, the environment benefits as well.

Finally, little things can also have a very positive impact when everyone pitches in e.g. printing documents double sided (where available) reduces paper use. Due consideration when replacing and consuming other company supplied materials such personal protective equipment (PPE) also helps.

Safety

For this objective, employees will be rewarded for their personal safety performance. Employees will be paid on an individual basis.

Q. What kinds of events are considered for this objective?

A. This objective measures CRVs, FRA Personal Injuries, FRA Train Accidents and non-FRA train accidents.

Q. Does this objective consider all incidents?

A. Yes but for Train Accidents and CRVs, this objective only counts incidents based on human error.

Q. Will each type of incident be counted individually?

A. Yes, 0.25% will be allocated to each type of incident.

Q. If I have a CRV during the year, but no other incidents, do I lose this objective completely?

A. No, you will only lose 0.25%.

Q. What is included in the CRV category?

A. Incidents that involve the following situations will be counted:

- Collision between on-track equipment
- Movement of a train, engine or track unit without proper authority
- Failure to provide proper protection for on-track personnel
- Unintended movement of railway equipment
- Failure to protect a hand operated main track switch
- Operation or control of a train, engine or track unit in an unsafe manner

Personal Attendance

For this objective, employees will be rewarded for their personal attendance performance as measured against their Service Area's Average.

Q. How were the targets developed?

A. The targets are actual attendance averages that were calculated from January 1 to December 31, 2009.

Q. What is considered an absence for the purposes of this program?

A. Only status CMA codes "S" and "X" (Sick and Missed Call) are deemed absences for the purposes of this program.

Q. How are status codes "F", "G" and "O" (Off Duty Injury, On Duty Injury and Laid Off) handled?

A. All designated time off on injury, WIB or laid off status is not counted against your personal attendance performance level i.e. if you were off work for two months due to an injury, your attendance would only be measured during the 10 months that you were in active service.

Q. If I am either laid off or off due to injury how will this affect my potential payout?

A. The portion of the year spent in this status would be prorated out of the potential payout. For example, if the payout for attendance is 1% for attaining or exceeding 98% attendance, an individual who was either laid off and/or off on injury for half of a given year would be eligible to receive a 0.5% payout, based upon eligible earnings during that period, if they achieved the target attendance level for the 6 month portion of the year they were in active service.

Q. Were the targets calculated using the same criteria that will determine my individual attendance performance level?

A. Yes.

- Q. What happens if I have erroneously been shown as having missed a call in CMA? Will this reflect against my attendance record for the purposes of this program?
- A. In the event that you were erroneously shown as having missed a call, you may bring this to the attention of your local manager and Local Chairman in the manner you do today. On the authority of your manager, the CMC will "Off Set" the missed call record in CMA.
- Q. If I am advised that my "missed call" has been "Off Set", how will I know when this is actually done and reflected in the attendance reports?
- A. The CMA transaction that "Off Sets" the Missed Call record will be reflected in your CMA Employee Work History by status code "#" indicating Missed Call Offset.

As a result, your attendance will be correctly reflected in the PIP attendance reports which are driven by CMA employee work histories. These reports recognize the significance of the "#" or Off Set record and update the statistics accordingly.

Fuel Conservation

- Q. How is the fuel conservation metric measured?
- A. Litres / 1000 GTM is a measure of how efficiently CP is consuming fuel. A lower rate indicates that we are using less fuel to move freight i.e. fuel is being consumed more efficiently. This metric is calculated by taking the total annual road and yard litres consumed (excludes commuter and work trains) and dividing by the total GTM's (Gross Ton Miles, excluding commuter and work trains).
- Q. Why is this metric important?
- A. This metric is important because it allows all stakeholders know how efficiently we are consuming fuel. Beyond cost savings, we must also remember that improvements in this area will lead to less emissions into the atmosphere.
- Q. What can individual employees do to positively impact this goal?
- A.
- Take advantage of the warm weather and shut down locomotives when they are not going to be used within 15 minutes and are not equipped with a functioning stop/start system.
 - Isolate any excess horsepower
 - Avoid power braking.
 - Train pacing.
 - Throttle modulation.
 - Turn off unnecessary lights and heat when disembarking.
 - Maximize your AESS Shutdown time/savings by isolating the lead unit in a consist when leaving it unattended and properly secured.
 - Adhere to our fuel conservation policies .

Q. What is Trip Optimizer?

A. Trip Optimizer can be likened to cruise control on a car as it regulates the speed of the train by throttle modulation.

Q. What benefit does trip optimizer provide to the company?

A. Trip optimizer will allow the company to improve fuel efficiency with a resultant reduction in cost as well as reduced emissions.

Q. What can employees do to improve trip optimizer utilization?

A. Utilize the system whenever it is available for use and report any issues to the Central Locomotive specialists.

Q. Where will trip optimizer be implemented?

A. Trip optimizer will be implemented between Port Coquitlam and Toronto, Golden to Dunmore and Moose Jaw to St. Paul,

Your cooperation in this regard is appreciated

Work Smart, Stay Safe and your cooperation in this regard is appreciated.

Frank Devine
Service Area Manager
Southern Ontario Service Area

FOPS SAFETY TARGETS FOR 2010

2010 Corporate FRA Personal Injury Target – 1.66
2010 SOSA FOPS FRA Personal Injury Target – 1.76

2010 Corporate FRA Train Accident Target – 1.97
2010 SOSA FOPS FRA Train Accident Target – 0.52