



CANADIAN PACIFIC

Canadian Pacific

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Teamsters Canada Rail Conference – Running Trades Employees

Negotiations 2011

Company Proposals:

**Revisions and Changes to Wage Agreements Governing TCRC
Represented Employees East and West**

October 20, 2011

The Company reserves the right to add to, revise, modify, substitute, amend, or withdraw any of the following, at its sole discretion. Any settlement or agreement reached on any item or items is conditional upon the conclusion of a global, total, and comprehensive memorandum of settlement, which has been ratified. The Company reserves the right to withdraw its agreement on any item or items, without prejudice, until such time as a final agreement is signed.

As we enter bargaining it is important for all involved to understand the Company's current position, and the issues that we face moving forward.

Canadian Pacific is the smallest of the Class I railways. Our competitive challenges are as significant as they are obvious, and they demand change. In order to be competitive we must ensure a lower and sustainable cost structure than our competitors. We must be able to more quickly respond to changing market needs and system outages. Not only must we eliminate the risk of losing market share, we must position ourselves to act quickly to gain market share. In other words, we must be more cost effective and more nimble than our competitors. This benefits everyone, as it allows us to attract customers and to provide employment with competitive salaries and benefits. Where we have physical plant constraints we must find ways to overcome those, or generate free cash that can be reinvested to remove such bottlenecks. Finding ways to work that are faster, better and with lower units costs are critical to our continued success.

We continuously strive for excellence and improvement, with focus on our five core beliefs:

- Service
- Safety
- Productivity & Efficiency
- People
- Growth

Service is our product. Service is what our customers are buying and the reason for them to do business with us. It is why we exist. We must enhance our ability to provide service to customers, even in the face of adverse weather. The ability to respond quickly by unilaterally lifting mileage restrictions, or triggering temporary relocations is critical. Work rule flexibility to maximize what our people can do for the time they are being paid is necessary for us to provide more timely service in a cost effective way. Our work rule flexibility is below our competitors.

Safety is a critical component of service. Operating safely is not optional. Canadian Pacific is a leader in safety and will remain so.

Productivity and efficiency improvements are necessary for us to provide great service competitively. We are currently not competitive. Every other Class I railway has an operating ratio in the 60 percent range. Ours is in the 80 percent range. From wages and benefits, including pension costs, to the cost of equipment and facilities, we must continuously ensure that our ability to produce and that our cost to produce is competitive. The TCRC has contracts in place at our competitor. The TCRC well understands that our competitor has a lower operating ratio and generates more free cash. The TCRC also know that the competitor's pension and benefit offerings are far less than those at Canadian

Pacific. This must be corrected to level the playing field. This will bring our costs more in line with the competition. Canadian Pacific has borrowed over \$1.3 Billion to fund our pension plan in the past two years, beyond the significant annual pension cost we normally have. That is neither sustainable nor desirable, and recent market declines have made the situation worse. We want our people to retire with a good pension, and we want to ensure that the pension plan is designed to allow that. That is why we seek change.

Providing great service in a safe and efficient manner will allow us to meet the needs of our customers. That benefits our people, whose employment hinges on satisfied customers.

All of this positions us for growth.

These core beliefs represent apply across all facets of the business, including our collective agreements. The Company demands reflect the need to make the substantive changes necessary. Specifically, the Company is seeking improvements and revisions to the agreement that will promote the following:

- Sustainable cost reduction to position us at or below our competitor
- Increased flexibility in work rules that equal or exceed our competitor
- Enhanced ability to quickly respond to market needs and outages
- Simplicity through standardization and simplification of the collective agreement

This is a time for all involved to take an honest look at where we are, and where we are going. That also means having the foresight and fortitude to make the changes necessary to ensure the long term success of the Company, and of our employees.

The changes proposed are necessary to meet our competitive challenges, and we ask that they be viewed with the urgency they require.

These demands must be seen in the context of the current and future business world in which we need to compete. The need to remove antiquated work rules that were written in, and for, another time is obvious.

We have not served these demands to be confrontational, nor do we perceive these talks as a win/lose proposition. Like all products and services today, customers expect them to be better, cheaper and faster. We are not immune to that, nor are our competitors. Properly positioning the Company for success benefits all, and that necessitates significant change.

Term

1. Implement an agreement with a term of three to five years.
 - a. Purpose – to provide stability for the Company and the employees.

Benefits

The costs associated with our current Benefits and Pensions designs are significant, and are considerably more costly to CP than to our North American competitors. We need to protect the accrued benefits and pensions already earned by our employees and make changes to ensure that future benefits and pensions are competitive and sustainable. To that end, we propose to:

2. Modify the Health Spending Account for current employees to protect accrued levels and to bring future levels in line with our competitor
 - a. Purpose - to reduce the escalating cost associated with post retirement benefits
3. Eliminate the Health Spending Account for new hires
 - a. Purpose – to reduce the escalating cost associated with post retirement benefits
4. Eliminate the waiting period for benefit eligibility for new hires
 - a. Purpose – to provide health benefit immediately upon hire, in recognition of employees' potential health care needs
5. Cap the coverage for the dispensing fee at \$7.50 per prescription, to bring it in line with the mid-line management plan.
 - a. Purpose – to reduce the cost associated with prescription drugs.
6. Introduce the Pay Direct Drug Card
 - a. Purpose – to introduce a more direct method for employees to receive reimbursement for their covered prescriptions drugs, with provisions that are in line with the other pay direct drug card plans already established at Canadian Pacific. We recognize that, in most collective bargaining forums, this is a union demand.
7. Deduct co-pay premiums when employees are on WIB.
 - a. Purpose – to ensure that employees participate in the financial aspect of the benefits process and to standardize the process, in line with other union groups at Canadian Pacific.
8. Initiate a robust discussion during bargaining on the design and projected cost of the pension plan and to find ways to protect accrued pension benefits while ensuring the long term sustainability of the plan.
 - a. Purpose – to manage escalating pension cost and risk. This is consistent with industry trends

Compensation

9. Discuss the size and structure of a wage increase.
 - a. Purpose – to provide fair compensation
10. Eliminate the Performance Incentive Plan

- a. Purpose – given the limited productivity gains realized through this program, it should be eliminated. Currently, the amount paid each year does not relate well to the value it provides to our operation.
- 11. Create a provision that allows the Company to waive some or all of the step rates at any location for a period of time.
 - a. Purpose – to improve the ability to attract and retain new hires at key locations and to rapidly respond to the current market conditions of any given location.
- 12. Modify the Training Rate (RQ Rate and Other Than RQ Rate) schedules.
 - a. Purpose – to fairly recognize the time spent off duty completing training.

Premium/Penalty Payments

- 13. Make all premium and penalty payments, including overtime payments, non-pensionable.
 - a. Purpose – to reduce escalating pension liability
- 14. Make all chargeable premium and penalty payments non-chargeable.
 - a. Purpose – to maximize productivity and earnings.

Mileage Regulation

- 15. Implement a provision to allow the Company to lift the restrictions on maximum monthly miles at any time, at any location(s), for any duration, and for any reason.
 - a. Purpose – to increase flexibility and the ability of the Company to react quickly and effectively to changing conditions.
- 16. Establish the monthly mileage at 4300.
 - a. Purpose – this will enable employees to maximize earnings and enhance employee productivity.

12 hour work day

The ability to unilaterally establish work days that are up to and including 12 hours in all types of service is key to our competitive position. As our competitors have a 12 hour capability already, it is important for Canadian Pacific to have the same in order to maintain our competitive position.

- 17. Provide for the ability to unilaterally set up a work day that is up to and including 12 hours for ESR service.
 - a. Purpose – to secure the ability for the Company to set up an Extended Service Run (ESR) with a guarantee of crew availability for 12 hours. This in line with competitive standards and therefore, is required to ensure our ability to compete.
- 18. Provide for the ability to unilaterally set up a work day that is up to and including 12 hours in Yard Service
 - a. Purpose – to secure greater flexibility for the Company to complete required work to be done.

19. Provide for the ability to establish road assignments that are up to and including 12 hours.
 - a. Purpose – to secure greater flexibility in meeting the needs of the operation.

Terminals

20. Apply the terms for the implementation of the ECCP at minor terminals to all terminals, eliminate restrictions regarding the performance of work when run long, and eliminate 20 mile limitation.
 - a. Purpose – to enable the expansion and simplify the application of the ECCP provision. This allows us to better respond to the needs of our customers, within an agreed upon framework.
 21. Allow trains called in TCS to be run long beyond the home terminal.
 - a. Purpose – to take full advantage of the ECCP, including in Turnaround Combination Service.
 22. Remove the language of Article 4.17 (LE-West), Article 23 (CTY-West), Article 50 (CTY –East) and Article 4.16 (LE-East). This language pertains to terminal expansion.
 - a. Purpose – to allow for greater flexibility in making required changes to the operation.
 23. Establish the ability to set up Common Spareboards at Thunder Bay, Winnipeg, Calgary and Coquitlam, Montreal and Toronto.
 - a. Purpose – to create greater flexibility in the use of spareboard employees in order to protect the operations. This will make those terminals consistent with the other terminals across our network.
 24. Eliminate the restriction regarding changing home terminals for unassigned crews in the CTY-West language.
 - a. Purpose – to increase our flexibility in relocating terminals to better fit the market demands. This will further standardize the language regarding the changing of home terminals.
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Yard Service

25. Eliminate mile restriction currently applicable to yard crews working outside the established switching limits.
 - a. Purpose – to increase flexibility of yard crews. Appropriate familiarization would be provided to support this change.
26. Expand the parameters of the Utility Position.
 - a. Purpose – to make better use of this position and in turn better respond to customer demand.

Road Service

27. Eliminate mile restriction currently applicable to road switcher crews working outside the established switching limits.
 - a. Purpose – to increase flexibility of road switcher crews. Appropriate familiarization would be provided to support this change.

28. Modify the Heldaway from Home Terminal provision so that payment does not commence until employees are held for 11 hours (10 hours for C-only crews) plus the amount of rest booked at the AFHT.
- a. Purpose – to recognize that under current rules, crews, through exercising right to rest, can impact the amount of time held at the AFHT.

Unassigned Freight Service & Conductor-only Train Operations

29. Eliminate restrictions on work that may be performed by Conductor-only crews at initial, final, and enroute locations.
- a. Purpose – to simplify work rules and facilitate the timely movement of traffic in a cost effective manner.

Relocation and Detouring Provisions

30. Modify the voluntary relocation provisions to require employees to stay for multiple periods of time and/or longer periods of time. Allow employees to bring their seniority with them.
- a. Purpose – to maximize the benefit of relocating employees on a temporary basis. By allowing employees to bring their seniority, remove a deterrent to volunteer for a short term relocation.
31. Create and embed a process that allows the Company to quickly detour crews at any time, for any reason, and for any duration
- a. Purpose – to allow the Company to maximize the use of their crews and respond to operating changes quickly.
32. Modify the National Reserve Board language to increase the stay from 31 to 91 days. Further modify the language such that the Company can elect to train the temporary employees only where required. Allow employees to carry their seniority with them to the new location.
- a. Purpose – to allow for enough time for familiarization and the use of the crew. Increase flexibility for Company to use crews as required. Finally, by allowing employees to bring their seniority, remove a deterrent to accept a transfer under the NRB.

General Advertisement of Assignments

33. Eliminate General Advertisement of Assignments.
- a. Purpose – to eliminate duplication of processes. There is no need to conduct a separate General Advertisement of Assignments exercise concurrent with a weekly change. The opportunities available through General Advertisement of Assignments can be made available without such duplication.

Calling Rules and Procedures

34. Standardize calling rules across all terminals.
- a. Purpose – to simplify and standardize our processes and allow for fewer errors.
35. Standard Weekly Placement Process across all terminals.

- a. Purpose – to simplify and standardize our processes and allow for fewer errors.

Time Off

Time off is important to employees and is part of the work/life balance. In order to grant time off while protecting the operation, such time off should be structured and planned. EDOs and AV allows for structured time off, thus balancing both needs.

- 36. Remove the ability for local arrangements to be made in allotting AV. Standardize the process such that all employees have an opportunity to secure their first choice of AV.
 - a. Purpose – to standardize the process used for allotting AV across terminals. This provides consistency to all employees and grants a consistent opportunity for more junior employees to have their first choice of AV.
- 37. Modify Article 67.18 (CTY East and West) and Article 17.18 (LE East and West) to require completed AV bids to be submitted by December 1 of the preceding year to allow time for CMC to handle.
 - a. Purpose – To increase the amount of time the CMC has to handle the AV bids.
- 38. Modify the distribution period for AV to be 52 weeks.
 - a. Purpose – to establish a more even distribution of available weeks of AV throughout the year.
- 39. Modify the provision to buy back the 6th week of AV for a non-pensionable payment.
 - a. Purpose – to reduce pension liability associated with reducing the amount of outstanding AV.
- 40. Add the ability to buy back the 5th week of AV for a non-pensionable payment.
 - a. Purpose – to increase flexibility in meeting the demands of the operation for a cost that will not inflate the cost of the pension.
- 41. Modify the handling of a GH when it coincides with an employee's AV. Provide the ability for the Company to buy back one or more days for a non-pensionable payment.
 - a. Purpose – to improve our crew availability and avoid the overlap of employees being off at once.
- 42. Review language pertaining to the handling of EDOs.
 - a. Purpose – to confirm a mutual understanding of the application of EDOs.
- 43. Modify EDO language to include a blackout period around General Holidays.
 - a. Purpose – to maximize crew availability and maintain operations.
- 44. Modify EDO language to employees working on assignments from earning or taking EDOs.
 - a. Purpose – to ensure that employees who are earning and taking EDOs do so when in unassigned service. This recognizes the fact that

- employees on assignments already have structured time off and therefore, do not require additional time off in the form of EDOs.
45. Adjust the notification period for scheduling EDOs within the assigned window. Increase the notification period from 72 hours to 14 days.
- a. Purpose – to allow for more advanced planning regarding crew resources.

Union Security

46. Discuss adding management positions to the list of positions that are not deemed to be supervisory.
- a. Purpose – to allow for more movement between unionized and non-unionized positions. This allows employees a chance to gain different experiences and enhance their job satisfaction

Seniority

47. Allow new hires from Conductor Training Programs at a post secondary institution such as SAIT, BCIT, George Brown College etc...to start their training program independent of a separate new hire class.
- a. Purpose – to increase our ability to attract and retain graduates from college programs and to train them in a timely fashion.

Labour-Management Relations

48. Add a new rule to the Grievance Procedure specifying that any grievance not docketed for arbitration within 2 years of filing will be considered withdrawn.
- a. Purpose – to ensure the timely handling of grievances.
49. Abolish the CAB, CMA and Line Up Committees.
- a. Purpose – to manage cost and assist in availability.
50. Establish a flat rate of pay for Health and Safety Representatives.
- a. Purpose – to simplify the pay system and reduce the overall cost.
51. Modify all references to “Cranbrook” in the collective agreement books to “Fort Steele”.
- a. Purpose – to recognize the change in reporting location agreed to in 2009.
52. Increase the upper limits of demerits associated with Admission of Responsibility to 20DM.
- a. Purpose – to allow for increased flexibility with the use of AoR.
53. Add the ability to make a modified discipline assessment
- a. Purpose – to increase both parties’ ability to address unique disciplinary situations. Such arrangements would require LR and GC approval.
54. Establish the ability to open negotiations early.
- a. Purpose – to recognize the length of time required to complete collective bargaining.

General Administrative Items

55. Clarify the districts as referenced within Article 65.04.
 - a. Purpose – this article still references the 1992 Superintendent districts. Clarification will simplify the agreement.
56. Embed the 30 day cancellation clause, currently contained in Appendix 37 of the MOS, for local rules into the collective agreement.
 - a. Purpose – to ensure that all local rules have an appropriate cancellation clause.
57. Abolish or archive letters that no longer have application.
 - a. Purpose – to simplify and standardize the collective agreement language.
58. Add the Letter regarding Rest After AV into the collective agreement.
 - a. Purpose – to ensure that all rules regarding AV are documented together for ease of administration.
59. Provision of Health Spending account to current employees in Quebec
 - a. See Letter
60. Notice of Intention to establish Common Pools
 - a. See Letter
61. Cancel agreements
 - a. See Letter of Cancellation:
 1. Sparwood Agreement
 2. Letter of Understanding – re: Time Pools
 3. Local rules that provide for rest beyond 24 hours
 4. Coaching Clinic claim letter
 5. Unfit Pilot Letter

All of the foregoing is respectfully submitted.

Work Smart, Stay Safe



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Alia Azim Garcia
*Director
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October 20, 2011

Mr. T. Beaver
General Chairman- Engineers East
Teamsters Canada Rail Conference
173 Simcoe Street N
Oshawa ON L1G4S8

Mr. B. Hiller
General Chairman- Trainmen East
Teamsters Canada Rail Conference
309-136 Aspen Springs Drive
Bowmanville ON L1C-0H2

RE: Notice to provide HSA as per national negotiated arrangement

Dear Sirs:

This letter is to provide you with appropriate notice that, commencing January 1, 2012, the Company will no longer provide Quebec pensioners who retire on or after January 1, 2012 with benefits that are equivalent to RAMQ.

After that date, all employees retiring from the company will be provided the same Health Spending Account (HSA) Benefits on a consistent application that reflects the nationally negotiated arrangement. No pensioner currently receiving Medavie/Blue Cross benefit will be impacted by this change.

Sincerely,

Alia Azim Garcia
Director, Labour Relations

c.c. Guido DeCiccio, VP Canadian Operations



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October 20, 2011

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Mr. D. Olson
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Mr. B. Hiller
General Chairman- Trainmen East
Teamsters Canada Rail Conference
309-136 Aspen Springs Drive
Bowmanville ON L1C-0H2

RE: Notice of intention to establish Common Pools

Dear Sirs:

This letter is to provide you with appropriate notice that, commencing January 1, 2012, the Company will begin to establish Common Pools in certain terminals. Under a Common Pool, all employees would be in one pool and could be called for any subdivision out of that terminal. This change would not impact the existing collective agreement provisions.

The purpose of this change will create the ability for greater flexibility within each terminal.

Sincerely,

Alia Azim Garcia
Director, Labour Relations

c.c. Guido DeCiccio, VP Canadian Operations



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309-136 Aspen Springs Drive
Bowmanville ON L1C-0H2

RE: Notice of Cancellation

Dear Sirs:

This letter is to provide you with appropriate notice that, effective January 1, 2012, the following agreements will be cancelled:

- Sparwood Agreement
- Letter of Understanding – Re: Time Pools, Scheduled Days off, Job Sharing and Voluntary Layoff at Cranbrook and Fort Steele, dated February 27, 2009
- Local rules at Kamloops, Fort Steele/Cranbrook, Revelstoke that provide for rest beyond 24 hours.
- Coaching Clinic Claims letter, dated January 19, 2006.
- Booking Sick Pilot Letter, October 1, 2007

Sincerely,

Alia Azim Garcia
Director, Labour Relations

c.c. Guido DeCiccio, VP Canadian Operations