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August 6, 2021

The Honorable Martin J. Oberman, Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Dear Chairman Oberman:

Thank you for the opportunity to share Canadian Pacific's (CP's) perspective on the issues facing the international intermodal supply chain and the specific information you have requested concerning conditions at CP's U.S. intermodal terminals and the policies and practices we employ to maintain fluid operations at those terminals.

We have been closely monitoring the recent industry-wide increase in intermodal volumes and the instances of congestion at some terminals that appear to have prompted the concerns expressed in your July 22 letter. Although CP's four U.S. intermodal terminals (Bensenville and Schiller Park at Chicago, Detroit, and Minneapolis) have remained fluid, we have seen meaningful increases in the number of containers awaiting pick-up by our customers as well as the average dwell for containers in those facilities.

Our best assessment is that this phenomenon is primarily the result of logistics challenges affecting intermodal shippers' access to, and decisions on how to allocate, the resources (chassis, draymen, loading dock space, etc.) needed to handle inbound intermodal shipments, leading them to delay the pickup of loaded containers that have arrived by train at our terminals. This is seen by comparing the trends in the volume of inbound intermodal shipments (loaded containers arriving by train at our terminals) with the pace at which loaded containers are moved out the gate at those facilities.

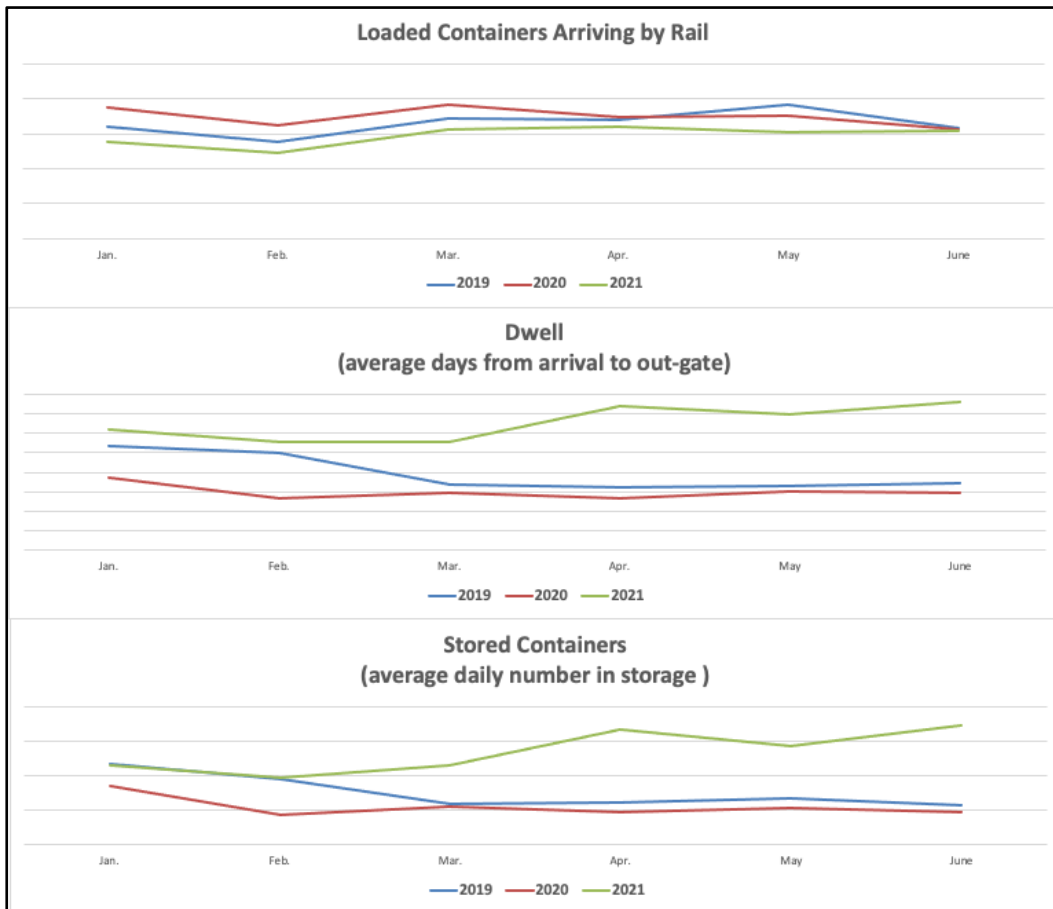
In the first six months of 2021, CP's four U.S. intermodal terminals handled fewer loaded containers arriving by rail than in the same period in 2019 or 2020, as shown in the Table below. Yet despite the lower total volumes of arriving loads, the average dwell time increased noticeably in 2021, which in turn led to more containers being stored (i.e., in the terminal past the free period). More than half of all containers still depart our terminals within the free period (i.e., without incurring any storage charges), but that percentage is lower in 2021 than in 2019 or 2020. In other words, the issue is not more containers flowing into CP's intermodal terminals by train, but those containers are staying in the terminals longer before being picked up by customers.

**Containers Handled at CP's U.S. Intermodal Terminals
 First Six Months of 2019, 2020, 2021**

	2019	2020	2021
Loaded Containers Arriving (Avg./Mo.)	16,534	17,489	14,746
Loaded Containers Stored (Avg/Mo.)	752	547	1,342
Average Dwell	2.0 days	1.5 days	3.3 days
Average Percentage of Arriving Loaded Containers Departing During Free Time	67.9%	74.8%	56.2%

These trends are captured in the charts below, which depict how dwell and stored containers have increased in 2021 despite relatively stable volumes at our U.S. terminals.

Month-to-Month Trends at CP's U.S. Intermodal terminals



Fortunately, CP's terminals have not become congested, though we are closely monitoring the situation so that we can avoid the kind of gridlock that could require extraordinary measures (like embargoing further rail shipments into the terminals until terminal capacity is freed up). CP has taken proactive steps to avoid conditions that might lead to congestion. For example, earlier this year we worked collaboratively with a major international intermodal shipper to route containers to

an alternative terminal in order to minimize the potential for congestion at the original destination terminal.

Container storage charges are another important tool in protecting against terminal congestion. Storage fees function in some respects like demurrage charges, and they are a vital way to ensure that customers have appropriate incentives not to use our facilities as “free parking,” which would render terminal capacity unavailable to other users and ultimately result in the kind of gridlock that would interfere with the efficient flow of intermodal traffic. Intermodal receivers are the parties responsible for arranging drayage, supplying chassis, and performing many other steps in the integrated and interdependent intermodal supply chain regarding international traffic, and as with other participants in that chain appropriate incentives are required to ensure that the entire chain functions effectively for the benefit of all stakeholders.

CP has also been investing in our terminals to make them more efficient and increase capacity. We have introduced “FastPass,” a technology that enables more rapid processing of arrivals and departures at our terminal gates. And we recently expanded our intermodal terminal in Minneapolis by constructing a new depot for empty intermodal containers, a second truck entry and exit, and additional working tracks to speed loading and unloading and increase throughput.

In the balance of this letter, I respond to each of your specific information requests.

Items 1 and 2: Appendix A sets forth the schedule of storage fees at each of CP’s U.S. terminals, including the number of “free days” allowed before fees begin to accrue and the daily fee schedule after any free days expire. Although the focus of your letter appears to be on international intermodal, our U.S. intermodal terminals handle both international (steamship) and domestic (both intra-U.S. and cross-border) shipments, and thus storage fees apply across the full range of container types, as shown in Appendix A.

Item 3: CP has not made any change to the fees or free time policies reflected in Appendix A since January 1, 2021. CP did increase storage fees at Bensenville applicable to customer-supplied equipment for “Steamship Line Private Marines in Import / Export Service” from \$150 to \$200 for all chargeable 24-hours periods effective January 1, 2021 to incentivize customer pickups over the weekend (when this terminal remains open) so that the terminal would remain fluid.

Item 4: CP’s daily storage charges continue to accrue each day a container is left at the terminal, without any cap on the total storage charge.

Item 5: Customers are able to retrieve containers from CP’s terminals using their own chassis. CP’s U.S. intermodal terminals are configured and operated as “grounded” facilities meaning that when a loaded container arrives at the terminal by rail it is placed on the ground in a staging area until it is picked up by the customer, whose drayman brings its own chassis into the terminal in order to take the container out of the terminal for delivery to the receiver’s facility.

Item 6: CP’s approach to intermodal storage charges is one of proactive engagement with our customers. CP reviews our structure of charges on an ongoing basis in the same manner as with demurrage charges for regulated carload traffic. Our customers have visibility through our web portal, known as “Customer Station,” into the estimated time of delivery of their containers at the destination terminal, and we provide them with Electronic Data Interchange (EDI) notices when a container is available for pick-up. Those notices indicate the amount of free time before storage charges will begin to accrue. We also encourage customers to log issues regarding storage charges on Customer Station, and we monitor those charges so as to proactively address with our customers emerging issues that may result in significant fees. We have not received complaints about any of these policies or practices.

Item 7: The Table below shows the average daily volume of stored containers, broken out by month from July 2020 to June 2021 (the most recent month for which data is available).

Average Daily Volume of Containers in Storage Status

Terminal	2020						2021					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Bensenville	159	264	341	284	321	474	428	482	495	918	745	757
Schiller Park	99	89	232	181	164	280	372	268	263	253	279	298
Detroit	33	56	87	58	80	121	124	82	139	167	142	216
Minneapolis	200	112	188	175	215	289	218	139	237	325	261	444

Should the Board require additional information, please have your staff contact Senior Vice President James Clements at (403) 319-7470, James.Clements@cpr.ca.

Sincerely,



Keith Creel,
President and Chief Executive Officer

- cc: Honorable Pete Buttigieg, Secretary, United States Department of Transportation
- Honorable Daniel Maffei, Chairman, Federal Maritime Commission
- Mr. Amit Bose, Deputy Administrator, Federal Railroad Administration
- Honorable Senator Maria Cantwell, Chair, Senate Committee on Commerce, Science and Transportation
- Honorable Representative Peter DeFazio, Chair, House Committee on Transportation and Infrastructure

Appendix A

Canadian Pacific's Storage Fees at U.S. Intermodal Terminals as of July 29, 2021¹

Storage terms for EMP equipment <i>Item 53</i>						
Asset Supplier	Equipment Type	Terminal	Free time at terminal	Weekends/Legal Holidays	First 5 Chargeable Days (per day)	Subsequent Days (per day)
CP or Other Railroads	EMP	Minneapolis Schiller Park	48 hours	If Sundays & legal holidays fall within free time, they do not count towards asset use	\$150	\$150
		Bensenville	48 hours		\$225	\$150
<small>Asset Use starts at next 00:01 after unit is available for pick-up Asset Use ends at 23:59 on the day of departure or removal from storage EMP equipment not used in substitution at CP's discretion and booked via Blume Global is subject to Blume Global rules</small>						
Storage on Customer supplied equipment <i>Item 54</i>						
Steamship Line Private Marines in Import / Export Service						
Detail	Minneapolis Schiller Park		Detroit		Bensenville	
Free time at terminal	48 hours		72 hours		48 hours	
Weekends / Legal Holidays	All the days the terminal is open count towards asset use					
First 3 chargeable 24-hour periods	\$150		\$75		\$200	
Subsequent 24-hour periods	\$150		\$125		\$200	
All other Privates, including Marines in US and Cross-Border Service						
Detail	Minneapolis Schiller Park		Detroit		Bensenville	
Free time at terminal	48 hours					
Weekends / Legal Holidays	All the days the terminal is open count towards asset use					
First 5 chargeable 24-hour periods	\$150		\$100		\$225	
Subsequent 24-hour periods	\$150		\$150		\$350	
<small>Asset Use starts at next 00:01 after unit is available for pick-up Asset Use ends at 23:59 on the day of departure or removal from storage</small>						

¹ These fees and free-time policies are set forth as Items 53 and 54 of CP's Supplemental Intermodal Tariff 3, located here: <https://www.cpr.ca/en/customer-resources-site/Documents/tariff-3-intermodal-supplemental-services-jul-01-2021.pdf>.