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Douglas Finnson
VP – Teamsters Canada Rail Conference
101, 10820 - 24 Street SE
Calgary, Alberta T2Z 4C9

Mr. Finnson:

Attached is a summary of our initial proposal.

The Company reserves the right to amend, add to, or delete proposals during the bargaining process until such time as an agreement is reached.

As we did during the last round of bargaining, we would like to give you a quick written overview and then a much more detailed conversation about the “why” behind what we have in our offer.

Wages and Term:

We think that there should be a wage increase in every year of the contract. If the contract is of a longer term, we can offer the solid increases that have been seen in our five other Canadian long term agreements. Longer terms lower negotiating and dispute preparation costs and these are cost items that we would rather pass on to our employees in a settlement.

Also, as we have been saying for many months now, let’s accomplish this as soon as possible and we will make the increases effective the day of signing. The most recent group we did this with is the Teamsters Rail Traffic Controllers. Their increases went in effective July 18th and we are pleased that over 94% of votes cast were in favour of that deal.

We also put the Employees Share Purchase plan back in effective the date of signing. As you know the plan is not part of agreements but we have returned it to all the union groups that sign before expiry.

We also agree that the various Benefit plans get updated, as we usually do.

Quality of Working Life:

We hear what our conductors, engineers and their union leaders are saying. Quality of working life is important. What this means varies by individual.

We also know that quality of life and running a more reliable efficient railway are not mutually exclusive goals. We have put in extended runs in an increasing number of locations and it meets both goals. The GC's that were in the last negotiations will recall that they felt at the time this type of run would not be accepted by our employees. Instead these runs have proven to be extremely popular and are typically bid by very senior employees. A win for all.

We'd like to look at solutions that meet the 5 principles (Service, Control Cost, Utilize Assets, Do it safely and People) and can be a win for all involved.

There are a number of ways to make this happen.

Our current system is not really working for either party or for our employees. You and our employees are dissatisfied with time off and we, as well as having the lowest allowed conductor hours in the industry, are unable to maximize crew utilization.

It doesn't have to be this way. We think there are ways to run more miles and enhance employee earnings while providing scheduled days off.

We are making some proposals and are open to listening to those that you have that can improve quality of life and improve service, controlling costs, utilizing assets and doing it all in a safe manner.

This is one idea that we think works. It is based on an approach used in other industries that allows people to setup their work life and bid for what makes sense to them.

Employees would self-designate by exercising their seniority into one of three groups. You could call them Standard, Enhanced and Unlimited earners. In order to stabilize their earnings for the category they select, we'd provide an option to change this designation every 6 months.

You might be thinking, how it could be a positive development for people?

A person has young children and would rather work fewer miles/hours. This person can select positions that operate the lowest run miles/hours, i.e. Standard earner.

Perhaps a person wants to maximize their earnings - then electing an Unlimited earnings position would meet their needs.

All three groups would have a base or certain minimum miles that they would be expected to run. After the baseline is accounted for, the next two groups (Enhanced and Unlimited earners) would handle the work as outlined in our proposal.

This system has been very positive where it has been put in place. Working together we could make something that would work for CP and its running trades employees as well.

Other ideas may come forward as well. The criteria should be the same. Does it help us meet our 5 objectives? Does the solution help us improve the choices and quality of life for existing employees and help us attract and retain new employees?

Yours truly,



Peter J. Edwards
Vice President
Human Resources & Labour Relations



Myron W. Becker
Assistant Vice President
Labour Relations

Canadian Pacific's TCRC (T&E Employees) Bargaining Proposals

Provide employees with Scheduled Work Weeks, including assigned off days, modify method of pay to reflect Scheduled work week proposal and enhance operating flexibility to meet Legislative and Customer Service requirements.

TERM:

- General Wage increase(s) will reflect operating flexibility, length of term of agreement and enhanced employee availability.
- Dependent upon the term of agreement and if an agreement is signed prior to December 31, 2014, negotiated increases may be effective the date the signed settlement was reached.

BENEFITS:

- Annual Increase to Life Insurance, Extended Health & Vision Care maximums, Dental Care.
- Implement modified post-retirement HSA benefit provisions contained within existing ratified agreements with other Unions. For employees hired after January 15, 2015 the post-retirement HSA benefit provisions would be based on \$45.00/per year of service that is capped at \$900.00/yr.

PAY:

- **ESPP** – as a gesture of consideration since the ESPP is not part of these negotiations, if an agreement is reached prior to January 1, 2015 the Company will reinstate the company match for the Employee Share Purchase Plan.
- Establish an all-inclusive base rate of pay per classification. In addition to our proposal we are open to suggestions from the Union that simplifies employee pay.
- In line with the foregoing, modify the current method of pay so employees can maximize their earnings within a scheduled work week/assigned days off environment. During this round of bargaining it is our intent to improve the earnings opportunities and quality of life for employees and in order to achieve this objective we propose the following 3 earnings/availability categories be established for employees to bid for by seniority:
 - **Unlimited Earners** – Paid a high value premium plus the all-inclusive rate. Monthly mileage limitations would not apply to employees who bid this work.
 - **Enhanced Earners** – Paid a medium value premium plus the all-inclusive rate. Increase monthly mileage 20% above existing cap or be governed by the work schedule of the assignment.
 - **Standard Earners** – Paid all inclusive rates, no premium. Increase monthly mileage 10% or be governed by the work schedule of the assignment.
 - Employees who elect Unlimited and Enhanced positions commit to higher earnings/availability/work expectations in exchange with higher earnings opportunity.
- **Spareboards** – with the implementation of Unlimited/Enhanced Earning opportunities and work week schedules/assigned days off, mandatory spareboards will no longer be required.
- **Application** – Balance each terminal with the above earning categories.

WORK WEEK SCHEDULES

In order to address employee work/ life balance concerns, the following schedules may be advertised as either Pool, Assigned Service or Spareboard if required and will be bulletined on a semi-annual basis and consistent with the operational requirements of each Terminal:

- 6 working days with 2 consecutive assigned rest days (**Unlimited Earner**)
- 6 working days with 2 consecutive assigned rest days; followed by 4 working days and 2 consecutive rest days (**Unlimited Earner**)
- 5 working days with 2 consecutive assigned rest days (**Standard/Enhanced Earner**)
- 4 working days with 4 consecutive assigned rest days (**Standard/Enhanced Earner**)
- 4 working days with 3 consecutive assigned rest days (**Standard Earner**)
- 3 working days with 4 consecutive assigned rest days (**Standard Earner**)

TYPES OF SERVICE

- Assigned or unassigned service as terminal requirements necessitate.
- Terminal, Straight-away, Turnaround, Meet & Turn, Turn and Extended Service Run service operations.
- To better reflect our core business and what employees do, amend CBA yard/road/road switcher etc. provisions to Customer Service.

AGREEMENT PROVISIONS:

- In recognition of the establishment of scheduled work week/assigned days off, amend existing CBA to reflect that Legislated by Federal Work/Rest Requirements.
- In order to permit *Enhanced and Unlimited* earners the opportunity to maximize earnings while enhancing customer service opportunities, remove existing road/yard service jurisdictional provisions and amend the CBA to reflect a single classification of "Customer Service."
- The implementation of assigned work and days off for all employees more than adequately addresses the original intent of Earned Days off (EDO); as a result this provision is no longer required.
- To recognize "true flat lining of annual vacation", scheduling will take place over a 52 week period and the annual vacation bid deadline will be adjusted to December 15th.
- With the introduction of the "Pay" components and "Assigned Work Week Scheduling", monthly mileage caps will no longer have applicability for employees in assigned service. Therefore, it is necessary to amend the CBA to reflect that the assigned work week schedule will govern employee availability.
- For unassigned employees the Company proposes to either eliminate the mileage provisions or increase the monthly mileage caps as follows:
 - **Unlimited Earners** – no monthly mileage limitation.
 - **Enhanced Earners** – monthly mileages increased by 30%
 - **Standard Earners** – monthly mileages increased by 20%

- The implementation of assigned work and scheduled days off for all employees provides predictability and avoids the unknown found in today's work environment and as a result all current voluntary rest provisions contained within the CBA's are no longer required. Therefore, it will be necessary to amend the CBA Rest provisions to reflect Max 10 hours rest (plus 2 hour call) at home terminal and Max 8 hours rest (plus 2 hour call) at AFHT.
- All parties have an obligation to not only address but enhance the service requirements of Canada and our Customers. In order to enhance service, any Collective agreement provisions that have the ability to impede service at terminals or enroute must be relaxed to ensure Legislative and Customer service obligations are timely and competitively met.
- In order to meet rapidly changing customer service and Legislative demands the Company proposes the material change provisions be amended to provide implementation of proposed change(s) within thirty (30) days of notice when such change does not include changes to a home terminal. To assist employees in readily understanding how potential adverse effects will be addressed amend the CBA and incorporate recognized and agreed upon provisions that have been used to address adverse effects into the collective agreement. Changes affecting home terminal closures or establishment will not be affected by this change.
- In order to schedule the work week and assigned days off proposed by the Company a single Placement Process will govern all terminals.
- Incorporate suspensions into Admission of Responsibility language.
- CROA was originally intended as an expedited arbitration process to be used by the Union Leadership and Company labour practitioners to address unresolved employee disputes. Historically this has not been the case and rarely is a case heard before CROA that does not involve legalistic arguments involving other than those originally intended. CP would like to adopt the original intent of the expedited arbitration process and consistent with other Union's at CP, modify the CBA to eliminate the CROA process and incorporate other recognized and streamlined arbitration processes mutually agreed upon by the parties. Include in the amendment that all arbitration will be held in Calgary, the location of CP Headquarters.

OTHER:

- The Agreement reached will supercede any former agreement provisions, arbitration awards, and CIRB decisions that may be in conflict.
- Finalize consolidation of Collective Agreements in a manner that is consistent with the above in a settlement and in manner reflects the TCRC's single bargaining certificate with CP.
- Technological advancements provide accessibility to electronic documents from anywhere in the world and negate printed versions of the consolidated Collective Agreement. The Company also recognizes that some employees may prefer a printed version of the CBA to have in their possession while at work. In recognition of this desire, the Company will initially provide each employee with one printed version of the agreed upon consolidated Collective Agreement. Thereafter, employees will be able to access an electronic version of this agreement on the Company's internal web site.