



TEAMSTERS CANADA RAIL CONFERENCE DIVISION 320



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September 10, 2009

Subject: Bleak Forecast for 2010 given by CP CEO Fred Green.

Dear Brothers and Sisters,

Appended is a forecast provided by CP Rail CEO Fred Green.

In Solidarity,

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CP puts coal in stocking

Published: September 9th 2009
Source: Scott Deveau, Financial Post

CEO a 'pessimist'

Despite some rosy talk from some forecasters about an economic recovery, the head of Canadian Pacific Railway Ltd. says he's uncertain whether his railway will see its usual "fall peak" this year with the heads of the country's largest retailers indicating they will import fewer goods for Christmas shoppers.

Further, Fred Green, CP chief executive, told a conference in Toronto yesterday he has yet to see any evidence of so-called "green shoots" in the economy and that **he doesn't expect his railway's volumes to show any substantive growth until at least the back half of 2010.**

"I'm going to remain the pessimist," he said. "I am not seeing any evidence anywhere that would cause me to believe that there is a substantive, sustained recovery underway."

Railways are typically a good bellwether for the broader economy with increased shipments indicating the economy is getting stronger.



After meeting with the heads of the major retailers in recent weeks, Mr. Green said he did not hear "overwhelming enthusiasm about their expectations" for this holiday season, with consumer confidence still down. He said they indicated they would reduce their shipments accordingly. **He noted CP's container traffic at places such as the Port of Vancouver, where goods from Asia arrive, are down 30% this year compared with the same period last year.**

Overall, CP's volumes are down 19% so far in the third quarter compared with last year. That is a slight improvement from the 24% drop in the second quarter, but the railway has shrunk its workforce by 2,000 and parked thousands of rail cars this year to deal with declining volumes.

There are some hopeful signs that grain shipments will be robust this year on the back of a strong crop and auto volumes are also benefiting from the U.S. cash-for-clunkers program. But CP's potash and coal volumes continue to suffer, and Mr. Green said it remains to be seen whether any recent improvements were sustainable in the long run after government stimulus dollars run out.

"I don't think we are necessarily done yet with the downside and there could be some blips," he said. "I'm looking at the second half of 2010 before I think we're going to see any substantive growth."

Mr. Green's caution was echoed by Claude Mongeau, Canadian National Railway Co.'s chief financial officer, who will take over as chief executive at the end of the year.

While CN has seen "sequential growth" in its volumes over the past 15 weeks and expects that trend to continue through 2011, it could be three or four years before the country's largest railway reaches the same sort of volumes it reached prior to the downturn last fall, Mr. Mongeau told the same conference. CN's carloads have been down 23% so far in the third quarter, in line with the volume declines it experienced in the second quarter. "We are finding a floor to this economic contraction and we are on the path to the economic recovery," Mr. Mongeau said. "The question is what shape is that recovery. At this point in time, we have to be realistic, there are still risks of a false start.... In any case, we don't think at CN that a recovery will be very rapid."

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(emphasis added by S&C Officer)