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U.S. House Transportation Committee Chair Says CN Voting Trust 'Not in the Public Interest' in Letter Submitted to STB

CALGARY – July 26, 2021 – Canadian Pacific Railway Limited (TSX: CP) (NYSE: CP) ("CP") today announced that U.S. Rep. Peter DeFazio, Chair of the U.S. House Transportation and Infrastructure Committee, submitted a letter to the Surface Transportation Board opposing CN's request for a voting trust.

The text from the letter reads as follows:

Ms. Cynthia Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: Finance Docket No. 36514, Canadian National Railway Company, et al. – Control – Kansas City Southern Railway Company, et al.

Dear Ms. Brown:

I am writing to express opposition to the voting trust proposed by Canadian National Railway Company (CN) in its proposed merger with Kansas City Southern Railway Company (KCS). I am concerned that this proposed trust is not in the public interest. The trust would reduce competition and prejudice the outcome of the Surface Transportation Board's merger proceeding.

In its May 14, 2021, submission to this docket, the Antitrust Division of the U.S. Department of Justice explained how voting trusts reduce competition both in general for railroad mergers and in particular to the consideration of a voting trust for CN and KCS. In general, putting two formerly competitive businesses under a single holding company immediately reduces the parties' incentives to engage in competition. While the Surface Transportation Board regularly allowed railroad trusts throughout the many railroad consolidations of the 1980s and 1990s, the Board has made the requirements to approve a voting trust more stringent since 2001 as part of an overall reform of merger rules. Now, according to 49 CFR 1180.4(b)(4)(iv), applicants must demonstrate that trusts would be in the public interest. Approving a CN-KCS trust would signal to the rest of the rail industry that the STB is engaging in business as usual, despite the requirement to consider the public interest, and could launch a new round of mergers.

Specifically with regard to the potential for a CN-KCS trust, I am concerned that approximately 300 current customers overlap on the CN and KCS networks. A single holding company responsible for this traffic would likely change rail traffic patterns in the significant areas of parallel service overlap and that would reduce the rail service options these 300 customers currently enjoy. I am also troubled that this combination of Class I railroads serving all three nations in North America will exacerbate U.S. job losses from cross-border trade agreements that prioritize profits over people and inflict harm on worker's rights, consumer safety, and the environment.

I trust that the Surface Transportation Board will look at the specific facts of this action and conclude that approving a trust is too much, too soon. Too much authority in one company to somehow keep two companies competing against each other that have significant service overlap and too soon because allowing the trust creates a new floor purchase price for any other potential competitive bidders for KCS railroad.

Sincerely,
Peter A. DeFazio
Chair

CP-KCS remains the only viable Class 1 combination

As previously announced, CP continues to pursue its application process to acquire KCS so that the pro-competitive CP-KCS combination can be reviewed by the STB and implemented without undue delay, in the event KCS' agreement with CN is terminated or CN is otherwise unable to acquire control of KCS.

The STB has already approved CP's use of a voting trust and affirmed KCS' waiver from the new rail merger rules it adopted in 2001 because a CP-KCS combination is truly end-to-end, pro-competitive, and the only viable Class 1 combination.

A CP-KCS transaction achieves the goals of President Biden's recent executive order that sent a clear message that no rail mergers should be allowed that reduce competition or hurt passenger service, and that the U.S. economy needs more competition among railways.

CP-KCS would raise none of the anti-competitive concerns cited by hundreds of shippers and other stakeholders opposing CN-KCS. Instead, CP-KCS would *enhance competition*, create new and stronger competitive single-line options against existing single-line routes, as well as taking trucks off the highway. CP-KCS would maintain all existing freight rail gateways and maintains competition in the Baton Rouge to New Orleans corridor, while creating competition on new north-south lanes between Western Canada, the Upper Midwest and the Gulf Coast and Mexico.

CN-KCS brings with it more challenges for existing Amtrak service on CN's lines south of Chicago that already have a history of operating issues and one of the worst on-time performance records in the industry, and challenges for the desired establishment of future passenger service in Louisiana. In contrast, CP has consistently received an A rating from Amtrak, leading the industry for the previous five years-plus, in its annual host railroad report card recognizing its industry-leading on-time performance record. CP is willing to host intercity passenger rail service between New Orleans and Baton Rouge, an outcome with far more operational flexibility and less risk to Louisiana taxpayers.

A CP-KCS transaction would *diminish the pressure* for downstream railroad consolidation by preserving the basic six-railroad structure of the North American rail network: two in the west, two in the east and two in Canada, each with access to the U.S. Gulf Coast. By contrast, a CN-KCS transaction would fundamentally disrupt this balance.

CP-KCS would be a positive step toward more competition – not less – in the freight rail industry and would be better for Amtrak, while CN-KCS would reinforce the problems the order is trying to solve.

For more information on the benefits of a CP-KCS combination and the risks that a CN-KCS transaction would pose to the railway industry and North America, visit FutureForFreight.com.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This news release includes certain forward-looking statements and forward looking information (collectively, FLI). FLI is typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe", "likely" and similar words suggesting future outcomes or statements regarding an outlook. All statements other than statements of historical fact may be FLI.

Although we believe that the FLI is reasonable based on the information available today and processes used to prepare it, such statements are not guarantees of future performance and you are cautioned against placing undue reliance on FLI. By its nature, FLI involves a variety of assumptions, which are based upon factors that may be difficult to predict and that may involve known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by these FLI, including, but not limited to, the following: changes in business strategies and strategic opportunities; estimated future dividends; financial strength and flexibility; debt and equity market conditions, including the ability to access capital markets on favourable terms or at all; cost of debt and equity capital; potential changes in the CP share price; the ability of management of CP, its subsidiaries and affiliates to execute key priorities; general North American and global social, economic, political, credit and business conditions; risks associated with agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures, including competition from other rail carriers, trucking companies and maritime shippers in Canada and the U.S.; North American and global economic growth; industry capacity; shifts in market demand; changes in commodity prices and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped via CP; inflation; geopolitical instability; changes in laws, regulations and government policies, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; disruption in fuel supplies; uncertainties of investigations, proceedings or other types of claims and litigation; compliance with environmental regulations; labour disputes; changes in labour costs and labour difficulties; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; sufficiency of CP's budgeted capital expenditures in carrying out CP's business plan; services and infrastructure; the satisfaction by third parties of their obligations to CP; currency and interest rate fluctuations; exchange rates; effects of changes in market conditions and discount rates on the financial position of pension plans and investments;

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trade restrictions or other changes to international trade arrangements; the effects of current and future multinational trade agreements on the level of trade among Canada and the U.S.; climate change and the market and regulatory responses to climate change; anticipated in-service dates; success of hedging activities; operational performance and reliability; regulatory and legislative decisions and actions; public opinion; various events that could disrupt operations, including severe weather, such as droughts, floods, avalanches and earthquakes, and cybersecurity attacks, as well as security threats and governmental response to them, and technological changes; acts of terrorism, war or other acts of violence or crime or risk of such activities; insurance coverage limitations; and the pandemic created by the outbreak of COVID-19 and resulting effects on CP's business, operating results, cash flows and/or financial condition, as well as resulting effects on economic conditions, the demand environment for logistics requirements and energy prices, restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions, and disruptions to global supply chains.

We caution that the foregoing list of factors is not exhaustive and is made as of the date hereof. Additional information about these and other assumptions, risks and uncertainties can be found in reports and filings by CP with Canadian and U.S. securities regulators. Reference should be made to "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" in CP's annual and interim reports on Form 10-K and 10-Q. Due to the interdependencies and correlation of these factors, as well as other factors, the impact of any one assumption, risk or uncertainty on FLI cannot be determined with certainty.

Except to the extent required by law, we assume no obligation to publicly update or revise any FLI, whether as a result of new information, future events or otherwise. All FLI in this news release is expressly qualified in its entirety by these cautionary statements.

ABOUT CANADIAN PACIFIC

Canadian Pacific (TSX: CP) (NYSE: CP) is a transcontinental railway in Canada and the United States with direct links to major ports on the west and east coasts. CP provides North American customers a competitive rail service with access to key markets in every corner of the globe. CP is growing with its customers, offering a suite of freight transportation services, logistics solutions and supply chain expertise. Visit www.cpr.ca to see the rail advantages of CP. CP-IR

Contacts:

Media
Alert_MediaRelations@cpr.ca

Investment Community
Chris De Bruyn
Tel: 403-319-3591
investor@cpr.ca