CANADIAN PACIFIC RAILWAY LTD/CN
Form 10-K
February 29, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For fiscal year ended December 31, 2015
OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 001-01342
Canadian Pacific Railway Limited
(Exact name of registrant as specified in its charter)

Canada	98-0355078
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
7550 Ogden Dale Road S.E., Calgary, Alberta, Canada	T2C 4X9
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (403) 319-7000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

As of June 30, 2015 the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock held by non-affiliates of the registrant was $23,580,095,732 million, based on the closing sales price per share as reported by the New York Stock Exchange on such date.

As of the close of business on February 26, 2016, there were 153,021,661 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the definitive proxy statement relating to registrant’s 2016 annual and special meeting of shareholders (the “Proxy Statement”) are incorporated by reference in Part III hereof.

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PART I

ITEM 1. BUSINESS

Company Overview

Canadian Pacific Railway Limited ("CPRL"), together with its subsidiaries ("CP" or the "Company"), operates a transcontinental railway in Canada and the United States ("U.S."). CP's diverse business mix includes bulk commodities, merchandise freight and intermodal traffic over a network of approximately 12,500 miles, serving the principal business centres of Canada from Montreal, Quebec, to Vancouver, British Columbia, and the U.S. Northeast and Midwest regions.

CPRL was incorporated on June 22, 2001, under the Canada Business Corporations Act and controls and owns all of the Common Shares of Canadian Pacific Railway Company ("CPRC") which was incorporated by Letters Patent in 1881 pursuant to an Act of the Parliament of Canada. The Company's registered, executive and head office is located at 7550 Ogden Dale Road S.E., Calgary, Alberta T2C 4X9. CP's Common Shares are listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the symbol "CP".

For purposes of this report, all references herein to "CP," "the Company," "we," "our" and "us" refer to CPRL, CPRL and its subsidiaries, CPRL and one or more of its subsidiaries, or one or more of CPRL's subsidiaries, as the context may require. All references to currency amounts included in this annual report, including the Consolidated Financial Statements, are in Canadian dollars unless specifically noted otherwise.

For additional information regarding CP's network and geographical locations refer to Item 2. Properties.

Strategy

CP is driving change as it moves through its transformational journey to become the best railroad in North America while creating long-term value for shareholders. The Company is focused on providing customers with industry-leading rail service; driving sustainable, profitable growth; optimizing its assets; and reducing costs while remaining a leader in rail safety. Looking forward, CP is executing its strategic plan to become the lowest cost rail carrier centred on five key foundations, which are the Company's performance drivers.

Provide Service: Providing efficient and consistent transportation solutions for the Company's customers. "Doing what we say we are going to do" is what drives CP in providing a reliable product with a lower cost operating model. Centralized planning aligned with local execution is bringing the Company closer to the customer and accelerating decision-making.
Control Costs: Controlling and removing unnecessary costs from the organization, eliminating bureaucracy and continuing to identify productivity enhancements are the keys to success.
Optimize Assets: Through longer sidings, improved asset utilization and increased train lengths, the Company is moving increased volumes with fewer locomotives and cars while unlocking capacity for future growth potential.
Operate Safely: Each year, CP safely moves millions of carloads of freight across North America while ensuring the safety of our people and the communities through which we operate. Safety is never to be compromised. Continuous research and development in state-of-the-art safety technology and highly focused employees ensure our trains are built for safe, efficient operations across our network.
Develop People: CP recognizes that none of the other foundations can be achieved without its people. Every CP employee is a railroader and the Company is shaping a new culture focused on a passion for service with integrity in

everything it does. Coaching and mentoring managers into becoming leaders will help drive CP forward.

Business Developments

During the fourth quarter of 2015, CP proposed a business combination with Norfolk Southern Corporation (“NS”). While CP is firmly of the view that a business combination would deliver improved levels of service to customers and communities while enhancing competition and creating significant shareholder value, to date, NS has rejected CP’s proposal. On February 9, 2016, CP notified NS of its intent to submit a resolution to NS shareholders to ask their Board of Directors to engage in good faith discussions with CP regarding a business combination transaction involving CP and NS that would create a true end-to-end transcontinental railroad that would enhance competition, benefit the public and drive economic growth.

During the third quarter of 2015, the Company completed the sale of approximately 283 miles of the Delaware and Hudson Railway Company, Inc.’s line between Sunbury, Pennsylvania, and Schenectady, New York (“D&H South”) to NS for proceeds of $281 million (U.S. $214 million).

During the first quarter of 2015, CP entered into an agreement to create a joint venture with Canadian Dream Venture LP called Dream VHP Limited Partnership. The joint venture was created to evaluate the Company’s real estate and to explore innovative ways to maximize value, including industrial, commercial and residential development.

During the second quarter of 2014, the Company completed the sale of approximately 660 miles of the Dakota, Minnesota & Eastern (“DM&E”) tracks between Tracy, Minnesota; Rapid City, South Dakota; Colony, Wyoming; and Crawford, Nebraska to Genesee & Wyoming Inc. (“G&W”) for proceeds of $236 million (U.S. $218 million).

Change in Executive Officers

On February 11, 2015, the Company announced that Executive Vice-President and Chief Financial Officer (“CFO”), Mr. Bart W. Demosky, had decided to leave the Company. On May 4, 2015, the Company announced Mr. Mark J. Erceg was appointed Executive Vice-President and Chief Financial Officer. Mr. Erceg joined the Company on May 18, 2015.

On October 27, 2015, the Company announced that Mr. Paul A. Guthrie will retire in the first quarter of 2016. Mr. Guthrie was appointed Special Counsel to the Chief Executive Officer (“CEO”) to support the transition. Mr. Jeffrey J. Ellis was appointed Chief Legal Officer and Corporate Secretary effective November 23, 2015.

Change in Board of Directors

Effective May 14, 2015, Mr. Keith E. Creel and the Hon. John R. Baird were elected to the Board of Directors of Canadian Pacific Railway Limited.

On July 3, 2015, Mr. Stephen C. Tobias resigned as a member of the Company’s Board of Directors. Mr. Tobias joined the Board on May 17, 2012.

On July 20, 2015, Mr. Andrew F. Reardon was elected Chairman of the Board. On July 20, 2015, Mr. Gary F. Colter and Ms. Krystyna T. Hoeg resigned as members of the Company’s Board of Directors. Mr. Colter joined the Board on May 17, 2012 and was the Chairman of the Board from May 1, 2014 until his resignation. Ms. Hoeg joined the Board on May 11, 2007.

Ms. Linda J. Morgan, who was a director of the Company since 2006 and Chair of the Health, Safety, Security, and Environment Committee and Member of the Audit Committee, passed away on November 4, 2015.

On January 26, 2016, Mr. Paul C. Hilal resigned from the Board. Mr. Matthew H. Paull was appointed to the Company's Board of Directors on January 26, 2016 and is currently the Chair of the Audit Committee.

Operations

The Company operates in only one operating segment: rail transportation. Although the Company provides a breakdown of revenue by business line, the overall financial and operational performance of the Company is analyzed as one segment due to the integrated nature of the rail network. Additional information regarding the Company's business and operations, including revenue and financial information and information by geographic location, is presented in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and Item 8. Financial Statements and Supplementary Data, Note 29 Segmented and geographic information.

Lines of Business

The Company transports bulk commodities, merchandise freight and intermodal traffic. Bulk commodities include grain, coal, potash, fertilizers and sulphur. Merchandise freight consists of finished vehicles and automotive parts, as well as forest and industrial and consumer products. Intermodal traffic consists largely of retail goods in overseas containers that can be transported by train, ship and truck and in domestic containers and trailers that can be moved by train and truck.

The Company’s revenues are primarily derived from transporting freight. In 2015, the Company generated freight revenues totalling $6,552 million ($6,464 million in 2014 and $5,982 million in 2013). The following charts compare the percentage of the Company’s total freight revenues derived from each of the three major business lines in 2015, 2014 and 2013:

2015 Freight revenues 2014 Freight revenues 2013 Freight revenues

BULK

CP’s bulk business represented approximately 44% of total freight revenues in 2015.

The following charts compare the percentage of the Company's freight revenues derived from bulk commodities transportation, including per commodity business in 2015, 2014 and 2013:

2015 Bulk revenues 2014 Bulk revenues 2013 Bulk revenues

Canadian Grain

The Company’s Canadian grain business represented approximately 37% of bulk revenues, which is 16% of total freight revenues in 2015.

Canadian grain transported by CP consists of both whole grains, such as wheat, corn, soybeans and canola, and processed products such as meals, oils and flour. This business is centred in the Canadian Prairies (Alberta, Saskatchewan and Manitoba), with grain shipped primarily west to the Port Metro Vancouver in British Columbia ("B.C.") and east to the Port of Thunder Bay in Ontario for export. Grain is also shipped to the U.S., Mexico and to Eastern Canada for domestic consumption.

Canadian grain includes a division of business that is regulated by the Canadian government through the Canada Transportation Act (“CTA”). This regulated business is subject to a maximum revenue entitlement (“MRE”). Under this regulation, railroads can set their own rates for individual movements. However, the MRE governs aggregate revenue earned by the railroad based on a formula that factors in the total volumes, length of haul, average revenue per ton and inflationary adjustments. The regulation applies to Western Canadian export grain shipments to the ports of Vancouver and Thunder Bay.

U.S. Grain

CP’s U.S. grain business represented approximately 18% of bulk revenues, which is 8% of total freight revenues in 2015.

U.S. grain transported by CP consists of both whole grains, such as wheat, corn and soybeans, and processed products such as meals, oils and flour. This business is centred in the states of North Dakota, Minnesota, Iowa and South Dakota. Export grain traffic from this producing region is shipped to ports at Duluth and Superior in Minnesota. In partnership with other railroads, CP also moves grain to export terminals in the U.S. Pacific Northwest and the Gulf of Mexico. Grain destined for domestic consumption moves east via Chicago, Illinois to the U.S. Northeast or is interchanged with other carriers to the U.S. Southeast, Pacific Northwest and Californian markets.

Coal

The Company’s Coal business represented approximately 22% of bulk revenues, which is 10% of total freight revenues in 2015.

CP handles mostly metallurgical coal destined for export through the Port Metro Vancouver for use in the steelmaking process in the Pacific Rim, Europe and South America. CP’s Canadian coal traffic originates mainly from Teck Resource Limited’s mines in southeastern B.C. CP moves coal west from these mines to port terminals for export to world markets, east for the U.S. Midwest markets and for consumption in steelmaking mills along the Great Lakes.

In the U.S., CP moves primarily thermal coal from connecting railways serving the thermal coal fields in the Powder River Basin in Montana and Wyoming. It is then delivered to power-generating facilities in the U.S. Midwest. CP also serves petroleum coke operations in Canada and the U.S., where the product is used for power generation and aluminum production.

Potash

The Company's Potash business represented approximately 13% of bulk revenues, which is 5% of total freight revenues in 2015.

The Company’s potash traffic moves mainly from Saskatchewan to offshore markets through the ports of Vancouver, Thunder Bay and Portland, Oregon and to markets in the U.S. All potash shipments for export beyond Canada and the U.S. are marketed by Canpotex Limited, a joint venture among Saskatchewan’s potash producers. Independently, these producers move domestic potash with CP primarily to the U.S. Midwest for local application.

Fertilizers and Sulphur

Fertilizers and sulphur business represented approximately 10% of bulk revenues, which is 4% of total freight revenues in 2015.

Chemical fertilizers are transported to markets in Canada and the U.S. from key production areas in the Canadian Prairies. Phosphate fertilizer is also transported from U.S. and Canadian producers to markets in Canada and the northern U.S. CP provides transportation services from major nitrogen production facilities in Western Canada and has efficient routes to the major U.S. markets. CP also has direct service to key fertilizer distribution terminals, including via facilities on the Mississippi River system at Minneapolis-St. Paul, Minnesota, as well as access to Great Lakes vessels at Thunder Bay.

Most sulphur is produced in Alberta as a byproduct of processing sour natural gas, refining crude oil and upgrading bitumen produced in the Alberta oil sands. Sulphur is a raw material used primarily in the manufacturing of sulphuric acid, which is used most extensively in the production of phosphate fertilizers. Demand for elemental sulphur rises with demand for fertilizers. Sulphuric acid is also a key ingredient in industrial processes ranging from smelting and nickel leaching to paper production.

MERCHANDISE

CP’s merchandise business represented approximately 36% of total freight revenues in 2015.

The following charts compare the percentage of the Company's freight revenues derived from merchandise transportation, including per merchandise business in 2015, 2014 and 2013:

2015 Merchandise revenues 2014 Merchandise revenues 2013 Merchandise revenues

Merchandise products move in trains of mixed freight and in a variety of car types. Service involves delivering products to many different customers and destinations. In addition to traditional rail service, CP moves merchandise traffic through a network of truck-rail transload facilities and provides logistics services.

Forest Products

The Company’s Forest products business represented approximately 11% of merchandise revenues, which is 4% of total freight revenues in 2015.

Forest products traffic includes wood pulp, paper, paperboard, newsprint, lumber, panel and oriented strand board shipped from key producing areas in B.C., northern Alberta, northern Saskatchewan, Ontario and Quebec to destinations throughout North America.

Chemicals and Plastics

The Company’s Chemicals and plastics business represented approximately 30% of merchandise revenues, which is 11% of total freight revenues in 2015.

Petroleum products represent the largest segment of this business, followed by chemicals and plastics.

Petroleum products consist of commodities such as liquefied petroleum gas (“LPG”), gasoline, diesel, condensate, asphalt and lubricant oils. The majority of the Company’s Western Canadian petroleum products traffic originates in Saskatchewan and in the Alberta Industrial Heartland, Canada’s largest hydrocarbon processing region. The Bakken formation region in Saskatchewan and North Dakota is another source of condensate, LPG and natural gas liquids. Interchange with several rail interline partners gives the Company access to refineries and export facilities in the Pacific Northwest, Northeast U.S. and Gulf Coast, as well as the Texas and Louisiana petrochemical corridor and port connections.

The Company’s chemical traffic includes products such as ethylene glycol, styrene, sulphuric acid, methanol, sodium chlorate, caustic soda and soda ash. These shipments originate from Eastern Canada, Alberta, the U.S. Midwest and the Gulf of Mexico and move to end markets in Canada, the U.S. and overseas.

The most commonly shipped plastics products are polyethylene and polypropylene. Almost half of the Company’s plastics originate in central and northern Alberta and move to various North American destinations.

Crude

The Company’s Crude business represented approximately 17% of merchandise revenues, which is 6% of total freight revenues in 2015.

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Crude moves from production facilities throughout Alberta, Saskatchewan and North Dakota. CP has connections to these production facilities as well as access to pipeline terminals. Oil sands products originating in northern Alberta are delivered by pipeline systems to hub terminals in Edmonton, Hardisty and the Alberta Industrial Heartland, where rail and pipeline are the options for onward transportation. CP connects to numerous Saskatchewan oil-producing regions, including ones in Shaunavon, Lloydminster, Kerrobert and the Bakken formation, and CP has numerous facilities in the North Dakota Bakken oil-producing region.

CP's main crude unloading destination terminal is located in Albany, New York. This terminal is a rail-to-vessel operation that can reach refineries along the Canadian and U.S. East Coast, and the U.S. Gulf Coast. CP also accesses other refineries and terminals on the U.S. East Coast, Gulf Coast and West Coast through established interline partnerships.

Metals, Minerals and Consumer Products

The Company's Metals, minerals and consumer products business represented approximately 27% of merchandise revenues, which is 10% of total freight revenues in 2015.

Metals, minerals and consumer products include a wide array of commodities such as aggregates, steel, consumer products and non-ferrous metals.

Frac sand and cement are the dominant aggregates. Frac sand originates at mines located along the Company's network in Wisconsin and moves to a diverse set of shale formations across North America. The majority of the Company's cement traffic is shipped directly from production facilities in Alberta, Iowa and Ontario to energy and construction projects in North Dakota, Alberta, Manitoba and the U.S. Midwest.

CP transports steel in various forms from mills in Ontario, Saskatchewan and Iowa to a variety of industrial users. The Company carries base metals such as copper, lead, zinc and aluminum. CP also moves ores from mines to smelters and refineries for processing, and the processed metal to automobile and consumer products manufacturers.

Consumer products traffic consists of a diverse mix of goods, including food products, building materials, packaging products and waste products.

Automotive

The Company's Automotive business represented approximately 15% of merchandise revenues, which is 5% of total freight revenues in 2015.

CP's automotive portfolio consists of four finished vehicle traffic segments: import vehicles that move through Port Metro Vancouver to Eastern Canadian markets; Canadian-produced vehicles that ship to the U.S. from Ontario production facilities; U.S.-produced vehicles that ship within the U.S. as well as cross-border into Canadian markets; and Mexican-produced vehicles that ship to the U.S. and Canada. In addition to finished vehicles, CP ships automotive parts, machinery and pre-owned vehicles. A comprehensive network of automotive compounds is utilized to facilitate final delivery of vehicles to dealers throughout Canada and in the U.S.

INTERMODAL

The Company's intermodal business represented approximately 20% of total freight revenues in 2015.

The following charts compare the percentage of the Company's freight revenues derived from intermodal transportation, including the percentage of revenues generated from domestic and international intermodal transportation in 2015, 2014 and 2013:

2015 Intermodal revenues 2014 Intermodal revenues 2013 Intermodal revenues

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Domestic intermodal freight consists primarily of manufactured consumer products moved in 53-foot containers within North America. International intermodal freight moves in marine containers to and from ports and North American inland markets.

Domestic Intermodal

The Company’s Domestic intermodal business represented approximately 56% of intermodal revenues, which is 12% of total freight revenues in 2015.

CP’s Domestic intermodal business moves goods from a broad spectrum of industries including food, retail, less-than truckload, trucking and forest products as well as various other consumer-related products. Key service factors in domestic intermodal include consistent on-time delivery, the ability to provide door-to-door service and the availability of value-added services. The majority of the Company’s Domestic intermodal business originates in Canada where CP markets its services directly to retailers, providing complete door-to-door service and maintaining direct relationships with its customers. In the U.S., the Company’s service is delivered mainly through wholesalers.

International Intermodal

The Company’s International intermodal business represented approximately 44% of intermodal revenues, which is 9% of total freight revenues in 2015.

CP’s International intermodal business consists primarily of containerized traffic moving between the ports of Vancouver, Montreal and New York and inland points across Canada and the U.S. Import traffic from the Port Metro Vancouver is mainly long-haul business destined for Eastern Canada and the U.S. Midwest and Northeast. The Company’s trans-Pacific service offers the shortest route between the Port Metro Vancouver and Chicago. CP works closely with the Port of Montreal, a major year-round East Coast gateway to Europe, to serve markets primarily in Canada and the U.S. Midwest. The Company’s U.S. Northeast service connects Eastern Canada with the Port of New York, offering a competitive alternative to trucks.

Fuel Cost Recovery Program

The short-term volatility in fuel prices may adversely or positively impact revenues. CP employs a fuel cost recovery program designed to automatically respond to fluctuations in fuel prices and help reduce volatility to changing fuel prices. Fuel surcharge revenues are earned on individual shipments primarily based on On Highway Diesel; as such, fuel surcharge revenue is a function of freight volumes. Fuel surcharge revenues accounted for approximately 4% of the Company's total freight revenues in 2015.

Non-freight Revenues

Non-freight revenues accounted for approximately 2% of the Company’s total revenues in 2015. Non-freight revenues are generated from leasing certain assets, switching fees, other arrangements including logistical services and contracts with passenger service operators.

Significant Customers

For each of the years ended December 31, 2015, 2014 and 2013, no customer comprised more than 10% of total revenues or accounts receivable.

Competition

The Company is subject to competition from other railways, motor carriers, ship and barge operators, and pipelines. Price is only one factor of importance as shippers and receivers choose a transportation service provider. Service is another factor and requirements, both in terms of transit time and reliability, vary by shipper and commodity. As a result, the Company's primary competition varies by commodity, geographic location and mode of available transportation. CP's primary rail competitors are Canadian National Railway Company ("CN"), which operates throughout much of the Company's territory in Canada and Burlington Northern Santa Fe, LLC ("BNSF"), which operates throughout much of the Company's territory in the U.S. Midwest. Other railways also operate in parts of the Company's territory. Depending on the specific market, competing railroads and deregulated motor carriers may exert pressure on price and service levels.

Seasonality

Volumes and revenues from certain goods are stronger during different periods of the year. First-quarter revenues are typically lower mainly due to winter weather conditions, closure of the Great Lakes ports and reduced transportation of retail goods. Second and third-quarter revenues generally improve over the first quarter as fertilizer volumes are typically highest during the second quarter and demand for construction-related goods is generally highest in the third quarter. Revenues are typically strongest in the fourth quarter, primarily as a result of the transportation of grain after the harvest, fall fertilizer programs and increased demand for retail goods moved by rail. Operating income is also affected by seasonal fluctuations. Operating income is typically lowest in the first quarter due to lower freight revenue and higher operating costs associated with winter conditions. Net income is also influenced by seasonal fluctuations in customer demand and weather-related issues.

Regulations

Government Regulation

The Company’s railway operations are subject to extensive federal laws, regulations and rules in both Canada and the U.S., which directly affect how operations and business activities are managed.

Operations are subject to economic and safety regulation in Canada primarily by the Canadian Transportation Agency (“the Agency”), Transport Canada, the CTA and the Railway Safety Act (“RSA”). The CTA provides shipper rate and service remedies, including final offer arbitration, competitive line rates and compulsory inter-switching in Canada. The Agency regulates the MRE for the movement of export grain, commuter and passenger access, charges for ancillary services and noise-related disputes. Transport Canada regulates safety-related aspects of railway operations in Canada.

The Company’s U.S. operations are subject to economic and safety regulation by the Surface Transportation Board (“STB”) and the Federal Railroad Administration (“FRA”). The STB is an economic regulatory body with jurisdiction over railroad rate and service issues and reviewing proposed railroad mergers and other transactions. The FRA regulates safety-related aspects of the Company’s railway operations in the U.S. under the Federal Railroad Safety Act, as well as rail portions of other safety statutes.

Various other regulators directly and indirectly affect the Company’s operations in areas such as health, safety, security, environmental and other matters.

Regulatory Change

On May 29, 2014, the Government of Canada enacted the Fair Rail for Grain Farmers Act (the “Fair Rail Act”). This legislation authorizes the federal cabinet to require the Company and CN to move a minimum amount of grain, which amount is determined by and may be adjusted by the federal cabinet. There is currently no minimum grain volume required by the federal cabinet. In addition, the Fair Rail Act expands the terms and conditions associated with the inter-switching provisions of the CTA in the provinces of Alberta, Saskatchewan and Manitoba, provides that the Agency make regulations specifying what constitutes operational terms that may be subject to service agreement arbitration, and gives the Agency the power to order a railway to compensate any person who has incurred expenses because of a failure to meet obligations under Sections 113 and 114 of the CTA, or does not meet its obligations under the terms of a confidential contract that includes a compensation clause. Further, the Fair Rail Act amends the Canada Grain Act to permit the regulation of contracts relating to grain and the arbitration of disputes respecting the provisions of those contracts.

After the tragic accident in Lac-Mégantic, Quebec in July of 2013 involving a non-related short-line railroad, the Government of Canada implemented several measures pursuant to the Rail Safety Act (Canada) and the Transportation of Dangerous Goods Act (Canada). These modifications implemented changes with respect to rules associated with securing unattended trains, the classification of crude being imported, handled, offered for transport or transported, and the provision of information to municipalities through which dangerous goods are transported by rail. The U.S. federal government has taken similar actions. These changes did not have a material impact on CP’s operating practices.

On February 20, 2015, the Government of Canada introduced Bill C-52 “An Act to amend the CTA and the RSA”, which received Royal Assent on June 18, 2015 to come into force upon a date set by Order of Council. Bill C-52 sets out new minimum insurance requirements for federally regulated railways based on: amounts of crude and toxic inhalation hazards/poisonous inhalation hazards moved; imposes strict liability; limits railway liability to the minimum insurance level; mandates the creation of a fund of $250 million paid for by crude shippers, to be utilized for damages beyond $1 billion (in respect of CP); allows railways and insurers to have existing rights to pursue other parties (subrogation); and prevents shifting liability to shippers from railways except through written agreement. It is too soon for the Company to determine the impact that these amendments to the CTA and the RSA will have on the Company’s financial condition and results from operations.

On May 1, 2015, the U.S. Transportation Secretary announced the final rule for new rail tank car standard for flammable liquids and the retrofitting schedule for older tank cars used to transport flammable liquids. The development of the new tank car standard was done in coordination between Transport Canada, the U.S. Pipeline and Hazardous Materials Safety Administration (“PHMSA”) and the FRA. This announcement was followed by publishing the new tank car standard in Canada on May 20, 2015. The new tank car standards require new tanks used to move flammable liquids to have: top-fitting protection; thermal protection including a jacket; the use of 9/16 inch normalized steel for the tank car; full head shield; and improved bottom outlet valves. In the U.S. the new standards also included new operational protocols for trains transporting large volumes of flammable liquids such as the use of electronically controlled pneumatic (“ECP”) brakes for trains carrying 70 or more cars of flammable liquids, routing requirements, speed restrictions, and information for local government agencies. The U.S. rule also provides new sampling and testing requirements for the classification of energy products placed into transport. In Canada, operational protocols such as speed restrictions to 40 miles per hour in census metropolitan areas, crude sampling and testing requirements, and sharing information with municipal first responders, had previously been implemented. CP does not own any tank cars used for commercial transportation of hazardous commodities.

On October 29, 2015, the Surface Transportation Extension Act of 2015 was signed into law. The law extends, by three years, the deadline for the U.S. rail industry to implement Positive Train Control ("PTC"), a set of highly advanced technologies designed to prevent train-to-train collisions, speed-related derailments, and other accidents caused by human error by determining the precise location, direction and speed of trains, warning train operators of potential problems, and taking immediate action if an operator does not respond. Legislation passed by the U.S. Congress in 2008 mandated that PTC systems be put into service by the end of 2015 on rail lines used to transport passengers or toxic-by-inhalation materials. The Surface Transportation Extension Act of 2015 extended the deadline to install and activate PTC to December 31, 2018, allowing the Company additional time to ensure safe and effective implementation of PTC on its rail network.

For further details on the capital expenditures associated with compliance with the PTC regulatory mandate, refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources.

On December 4, 2015 the Fixing America's Surface Transportation ("FAST") Act was signed into law, representing the first long-term transportation legislation enacted in the U.S. in over a decade. The FAST Act contains key provisions on safety enhancements for tank cars moving flammable liquids in the U.S. and ECP train braking. Among those key provisions, the FAST Act requires new tank cars to be equipped with thermal blankets, requires all legacy DOT-111 tank cars moving flammable liquids to be upgraded to new retrofit standards(regardless of how many cars may be in a train), and sets minimum requirements for protection of certain valves. While the law preserves PHMSA's May 2015 final rule mandating ECP brakes on certain trains, it requires an independent evaluation of this braking technology and a real-world derailment test. The FAST Act further calls for the U.S. Secretary of Transportation to re-evaluate its ECP final rule within the next two years using the results of this evaluation to determine whether ECP braking system requirements are justified.

Finally, the STB Reauthorization Act of 2015 was signed into law on December 18, 2015. The law requires numerous changes to the structure and composition of the STB, removing it from under the Department of Transportation and establishing the STB as an independent U.S. agency, as well as increasing STB Board membership from three to five members. Notably, the law vests in the STB certain limited enforcement powers, by authorizing it to investigate rail carrier violations on the STB Board's own initiative. The law also requires the STB to establish a voluntary binding arbitration process to resolve rail rate and practice disputes. It is too soon for the Company to anticipate the impact that these changes and new investigative authorities might have on CP, since the STB has yet to develop and propose rules implementing these laws.

Environmental Laws and Regulations

The Company's operations and real estate assets are subject to extensive federal, provincial, state and local environmental laws and regulations governing emissions to the air, discharges to waters and the handling, storage, transportation and disposal of waste and other materials. If the Company is found to have violated such laws or regulations it could have a material adverse effect on the Company's business or operating results. In addition, in operating a railway, it is possible that releases of hazardous materials during derailments or other accidents may occur that could cause harm to human health or to the environment. Costs of remediation, damages and changes in regulations could materially affect the Company's operating results and reputation.

The Company has implemented a comprehensive Environmental Management System to facilitate the reduction of environmental risk. CP's Annual Corporate Operations Environmental Plan states the current environmental goals, objectives and strategies.

Specific environmental programs are in place to address areas such as air emissions, wastewater, management of vegetation, chemicals and waste, storage tanks and fueling facilities. CP has also undertaken environmental impact assessments and risk assessments to identify, prevent and mitigate environmental risks. There is continued focus on preventing spills and other incidents that have a negative impact on the environment. There is an established Strategic Emergency Response Contractor network and spill equipment kits are located across Canada and the U.S. to ensure a rapid and efficient response in the event of an environmental incident. In addition, emergency preparedness and response plans are regularly updated and tested.

The Company has developed an environmental audit program that comprehensively, systematically and regularly assesses the Company's facilities for compliance with legal requirements and the Company's policies for conformance to accepted industry standards. Included in this is a corrective action follow-up process and semi-annual review by senior management.

CP focuses on key strategies, identifying tactics and actions to support commitments to the community. The Company's strategies include:

- protecting the environment;
- ensuring compliance with applicable environmental laws and regulations;
- promoting awareness and training;
- managing emergencies through preparedness; and
- encouraging involvement, consultation and dialogue with communities along the Company's lines.

Security

CP is subject to statutory and regulatory directives in Canada and the U.S. that address security concerns. CP plays a critical role in the North American transportation system. Rail lines, facilities and equipment, including railcars carrying hazardous materials, could be direct targets or indirect casualties of terrorist attacks. Regulations by the Department of Transportation and the Department of Homeland Security in the U.S. include speed restrictions, chain of custody and security measures, which can impact service and increase costs for the transportation of hazardous materials, especially toxic inhalation hazard ("TIH") materials. Legislative changes in Canada to the Transportation of Dangerous Goods Act are expected to add new security regulatory requirements similar to those in the U.S. In addition, insurance premiums for some or all of the Company's current coverage could increase significantly, or certain coverage may not be available to the Company in the future. While CP will continue to work closely with Canadian and U.S. government agencies, future decisions by these agencies on security matters or decisions by the industry in response to security threats to the North American rail network could have a material adverse effect on the Company's business or operating results.

CP takes the following security measures:

- CP employs its own police service that works closely with communities, other law enforcement and government agencies to promote railway safety and infrastructure security. As a railway law enforcement agency, CP Police Services are headquartered in Calgary, Alberta, with police officers assigned to over 25 field offices responsible for railway police operations in six Canadian provinces and 14 U.S. states. CP Police Services operate on the CP rail network as well as in areas where CP has non-railway operations.

- CP's Police Communication Centre ("PCC") operates 24 hours a day. The PCC receives reports of emergencies, dangerous or potentially dangerous conditions, and other safety and security issues from our employees, the public, and law enforcement and other government officials, and ensures that proper emergency responders are notified as well as governing bodies.

- CP's Security Management Plan is a comprehensive, risk-based plan modelled on and developed in conjunction with the security plan prepared by the Association of American Railroads post-September 11, 2001. Under this plan, CP routinely examines and prioritizes railroad assets, physical and cyber vulnerabilities, and threats, as well as tests and revises measures to provide essential railroad security. To address cyber security risks, CP implements mitigation programs that evolve with the changing technology threat environment. The Company has also worked diligently to establish backup sites to ensure a seamless transition in the event that the Company's operating systems are the target of a cyber-attack. By doing so, CP is able maintain network fluidity.

- CP security efforts consist of a wide variety of measures including employee training, engagement with our customers and training of emergency responders.

Available Information

CP makes available on or through its website www.cpr.ca free of charge, its annual reports on Form 10-K, quarterly reports, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission ("SEC"). Also, filings made pursuant to Section 16 of the Securities Exchange Act of 1934 ("Exchange Act") with the SEC by our executive officers, directors and other reporting persons with respect to the Company's Common Shares are made available free of charge, through our website. Our website also contains charters for each of the committees of our Board of Directors, our corporate governance guidelines and our Code of Business Ethics. This Form 10-K and other SEC filings made by CP are also accessible through the SEC's website at www.sec.gov.

The Company has included the CEO and CFO certifications regarding the Company's public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as an Exhibit to this report.

ITEM 1A. RISK FACTORS

The risks set forth in the following risk factors could have a materially adverse effect on the Company's financial condition, results of operations, and liquidity, and could cause those results to differ materially from those expressed or implied in the Company's forward-looking statements.

The information set forth in this Item 1A. Risk Factors should be read in conjunction with the rest of the information included in this annual report, including Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

As a common carrier, the Company is required by law to transport dangerous goods and hazardous materials, which could expose the Company to significant costs and claims. Railways, including CP, are legally required to transport dangerous goods and hazardous materials as part of their common carrier obligations regardless of risk or potential exposure of loss. CP transports dangerous goods and hazardous materials, including but not limited to crude oil, ethanol and TIH materials such as chlorine and anhydrous ammonia. A train accident involving hazardous materials could result in significant claims against CP arising from personal injury and property or natural resource damage, environmental penalties and remediation obligations. Such claims, if insured, could exceed the existing insurance coverage commercially available to CP, which could have a material adverse effect on CP’s financial condition and liquidity. CP is also required to comply with rules and regulations regarding the handling of dangerous goods and hazardous materials in Canada and the U.S. Noncompliance with these rules and regulations can subject the Company to significant penalties and could factor in litigation arising out of a train accident. Changes to these rules and regulations could also increase operating costs, reduce operating efficiencies and impact service delivery.

The Company is subject to significant governmental legislation and regulation over commercial, operating and environmental matters. The Company's railway operations are subject to extensive federal laws, regulations and rules in both Canada and the U.S. Operations are subject to economic and safety regulations in Canada primarily by the Agency, Transport Canada, the CTA and the RSA. The Company's U.S. operations are subject to economic and safety regulation by the STB and the FRA. Various other regulators directly and indirectly affect the Company's operations in areas such as health, safety, security, environmental and other matters. Additional economic regulation of the rail industry by these regulators or the Canadian and U.S. legislatures, whether under new or existing laws, could have a significant negative impact on the Company's ability to determine prices for rail services and result in a material adverse effect in the future on the Company's financial position, results of operations, and liquidity in a particular year or quarter. This potential material adverse effect could also result in reduced capital spending on the Company's rail network or abandonment of lines.

The Company's compliance with safety and security regulations may result in increased capital expenditures and operating costs. For example, compliance with the Rail Safety Improvement Act of 2008 will result in additional capital expenditures associated with the statutorily mandated implementation of PTC. In addition to increased capital expenditures, implementation of such regulations may result in reduced operational efficiency and service levels, as well as increased operating expenses.

The Company's operations are subject to extensive federal, state, provincial and local environmental laws concerning, among other matters, emissions to the air, land and water and the handling of hazardous materials and wastes. Violation of these laws and regulations can result in significant fines and penalties as well as other potential impacts to CP's operations. These laws can impose strict, and in some circumstances, joint and several liability on both current and former owners and operators of facilities. Such environmental liabilities may also be raised by adjacent landowners or third parties. In addition, in operating a railway, it is possible that releases of hazardous materials during derailments or other accidents may occur that could cause harm to human health or to the environment. Costs of remediation, damages and changes in regulations could materially affect the Company's operating results and reputation. The Company has been, and may in the future be, subject to allegations or findings to the effect that it has violated, or is strictly liable under, environmental laws or regulations. The Company currently has obligations at existing sites for investigation, remediation and monitoring and will likely have obligations at other sites in the future. The actual costs associated with both current and long-term liabilities may vary from company estimates due to a number of factors including, but not limited to changes in: the content or interpretation of environmental laws and regulations; required remedial actions; technology associated with site investigation or remediation; and the involvement and financial viability of other parties that may be responsible for portions of those liabilities.

Global economic conditions could negatively affect demand for commodities and other freight transported by the Company. A decline or disruption in domestic or global economic conditions that affect the supply or demand for the commodities that CP transports may decrease CP’s freight volumes and may result in a material adverse effect on CP’s financial or operating results and liquidity. Economic conditions resulting in bankruptcies of one or more large customers could have a significant impact on CP's financial position, results of operations, and liquidity in a particular year or quarter.

The Company faces competition from other transportation providers, and failure to compete effectively could adversely affect results of operations, financial condition and liquidity. The Company faces significant competition for freight transportation in Canada and the U.S., including competition from other railways, pipelines, trucking and barge companies. Competition is based mainly on price, quality of service and access to markets. Other transportation providers generally use public rights-of-way that are built and maintained by government entities, while CP and other railroads must use internal resources to build and maintain their rail networks. Competition with the trucking industry is generally based on freight rates, flexibility of service and transit time performance. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation, or legislation that eliminates or significantly reduces the burden of the size or weight limitations currently applicable to trucking carriers, could have a material adverse effect on CP's results of operations, financial condition, and liquidity.

The operations of carriers with which the Company interchanges may adversely affect operations. The Company's ability to provide rail services to customers in Canada and the U.S. largely depends upon its ability to maintain cooperative relationships with connecting carriers with respect to, among other matters, freight rates, revenue division, car supply and locomotive availability, data exchange and communications, reciprocal switching, interchange, and trackage rights. Deterioration in the operations or services provided by connecting carriers, or in the Company's relationship with those connecting carriers, could result in CP's inability to meet customers' demands or require the Company to use alternate train routes, which could result in significant additional costs and network inefficiencies.

The availability of qualified personnel could adversely affect the Company's operations. Changes in employee demographics, training requirements, and the availability of qualified personnel, particularly locomotive engineers and trainpersons, could negatively impact the Company’s ability to meet demand for rail services. Unpredictable increases in the demand for rail services may increase the risk of having insufficient numbers of trained personnel, which could have a material adverse effect on the Company’s results of operations, financial condition, and liquidity. In addition, changes in operations and other technology improvements may significantly impact the number of employees required to meet the demand for rail services.

Strikes or work stoppages could adversely affect the Company's operations. Class I railroads are party to collective bargaining agreements with various labour unions. The majority of CP's employees belong to labour unions and are subject to these agreements. Disputes with regard to the terms of these agreements or the Company's potential inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages, slowdowns or lockouts, which could cause a significant disruption of the Company's operations and have a material adverse effect on the Company's results of operations, financial condition, and liquidity. Additionally, future national labour agreements, or provisions of labour agreements related to health care, could significantly increase the Company's costs for health and welfare benefits, which could have a material adverse impact on its financial condition and liquidity.

The Company may be subject to various claims and lawsuits that could result in significant expenditures. The Company by the nature of its operation is exposed to the potential for a variety of litigations, lawsuits and other claims, including personal injury claims, labour and employment, commercial and contract disputes, environmental liability, freight claims and property damage claims. In respect of workers' claims in Canada related to occupational health and safety, the Workers' Compensation Act (Canada) covers those matters. In the U.S., the Federal Employer's Liability Act ("FELA") is applicable to railroad employees. A provision for lawsuits or other claims will be accrued according to applicable accounting standards, reflecting the assessment of the actual damages incurred based upon the facts and circumstances known at the time. Any material changes to litigation trends, a catastrophic rail accident or series of accidents involving freight loss, property damage, personal injury, environmental liability or other significant matters could have a material adverse effect on the Company's results of operations, financial position, and liquidity, in each case, to the extent not covered by insurance.

The Company may be affected by acts of terrorism, war, risk of war or regulatory changes to combat the risk of terrorism or war. CP plays a critical role in the North American transportation system, and therefore could become the target for acts of terrorism or war. CP is also involved in the transportation of hazardous materials, which could result in CP equipment or infrastructure being direct targets or indirect casualties of terrorist attacks. Acts of terrorism, or other similar events, any government response thereto, and war or risk of war could cause significant business interruption losses to CP and may adversely affect the Company’s results of operations, financial condition, and liquidity.

Severe weather or natural disasters could result in significant business interruptions and costs to the Company. CP is exposed to severe weather conditions including earthquakes, floods, fires, avalanches, mudslides, extreme temperatures and significant precipitation that may cause business interruptions that can adversely affect the Company’s entire rail network and result in increased costs, increased liabilities and decreased revenues, which could have a material adverse effect on the Company’s results of operations, financial condition, and liquidity. Insurance maintained by the Company to protect against loss of business and other related consequences resulting from these natural occurrences is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of the Company's damages or damages to others, and this insurance may not continue to be available at commercially reasonable rates. Even with insurance, if any natural occurrence leads to a catastrophic interruption of services, the Company may not be able to restore services without a significant interruption in operations.

The Company relies on technology and technological improvements to operate its business. Information technology is critical to all aspects of CP’s business. If the Company were to experience a significant disruption or failure of one or more of the information technology or communications systems (either a result of an intentional cyber or malicious act or an unintentional error) it could result in service interruptions or other failures, misappropriation of confidential information and deficiencies, which could have a material adverse effect on the Company's results of operations, financial condition, and liquidity. If CP is unable to acquire or implement new technology, the Company may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition, and liquidity.

The state of capital markets could adversely affect the Company's liquidity. Weakness in the capital and credit markets could negatively impact the Company's access to capital. From time to time, the Company relies on the capital markets to provide some of its capital requirements, including the issuance of long-term debt instruments and commercial paper. Significant instability or disruptions of the capital markets and the credit markets, or deterioration of the Company's financial condition due to internal or external factors could restrict or eliminate the Company's access to, and/or significantly increase the cost of, various financing sources, including bank credit facilities and issuance of corporate bonds. Instability or disruptions of the capital markets and deterioration of the Company's financial condition, alone or in combination, could also result in a reduction in the Company's credit rating to below investment grade, which could also further prohibit or restrict the Company from accessing external sources of short and long-term debt financing, and/or significantly increase the associated costs.

Disruptions within the supply chain could negatively affect the Company's operational efficiencies and increase costs. The North American transportation system is integrated. CP's operations and service may be negatively impacted by service disruptions of other transportation links, such as ports, handling facilities, customer facilities, and other railways. A prolonged service disruption at one of these entities could have a material adverse effect on the Company's results of operations, financial condition, and liquidity.

The Company may be affected by fluctuating fuel prices. Fuel expense constitutes a significant portion of the Company's operating costs. Fuel prices can be subject to dramatic fluctuations, and significant price increases could have a material adverse effect on the Company's results of operations. The Company currently recovers a significant amount of its fuel expenses from customers through fuel surcharge revenues, but the Company cannot be certain that it will always be able to mitigate rising or elevated fuel costs through fuel surcharge revenues. Factors affecting fuel prices include: worldwide oil demand, international politics, weather, refinery capacity, supplier and upstream outages, unplanned infrastructure failures, and labour and political instability.

The Company is dependent on certain key suppliers of core railway equipment and materials that could result in increased price volatility or significant shortages of materials, which could adversely affect results of operations, financial condition, and liquidity. Due to the complexity and specialized nature of core railway equipment and infrastructure (including rolling stock equipment, locomotives, rail and ties), there can be a limited number of suppliers of rail equipment and materials available. Should these specialized suppliers cease production or experience capacity or supply shortages, this concentration of suppliers could result in CP experiencing cost increases or difficulty in obtaining rail equipment and materials, which could have a material adverse effect on the Company's results of operations, financial condition, and liquidity. Additionally, CP's operations are dependent on the availability of diesel fuel. A significant fuel supply shortage arising from production decreases, increased demand in existing or emerging foreign markets, disruption of oil imports, disruption of domestic refinery production, damage to refinery or pipeline infrastructure, political unrest, war or other factors, could have a material adverse effect on the Company's results of operations, financial position, and liquidity in a particular year or quarter.

The Company may be directly and indirectly affected by the impacts of global climate change. The impact of global climate change may affect the Company both directly and indirectly. There is potential for significant impacts on CP's infrastructure due to changes in temperature and precipitation as well as increases in extreme weather events such as flooding and storms. These changes may result in substantial costs to respond during the event, recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Government action to address climate change may involve both economic instruments such as carbon taxation as well as restrictions on economic sectors such as cap and trade. The Company is subject to carbon taxation systems in some of the jurisdictions in which it operates and there is a possibility in other jurisdictions in the future. As a significant consumer of diesel fuel, these carbon taxes increase the Company's business costs. While the Company is not currently subject to a cap on emissions, there is also a possibility in the future. Cap and trade programs or other government restrictions on certain market sectors can also impact current and potential customers including thermal coal and petroleum crude oil.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

CP provides rail and intermodal freight transportation services over a 12,500-mile track network, serving the principal business centres of Canada, from Montreal, Quebec to Vancouver, B.C., and the U.S. Midwest and Northeast regions. The Company's railway feeds directly into the U.S. heartland from the East and West coasts. Agreements with other carriers extend the Company's market reach east of Montreal in Canada, through the U.S. and into Mexico.

Network Geography

The Company’s network extends from Port Metro Vancouver on Canada’s Pacific Coast to the Port of Montreal in Eastern Canada, and to the U.S. industrial centres of Chicago, Illinois; Detroit, Michigan; Buffalo, New York; Kansas City, Missouri; and Minneapolis, Minnesota.

The Company’s network is composed of three primary corridors: Western, Central and Eastern.

The Western Corridor: Vancouver to Thunder Bay

Overview – The Western Corridor links Vancouver with Thunder Bay, which is the Western Canadian terminus of the Company’s Eastern Corridor. With service through Calgary, Alberta, the Western Corridor is an important part of the Company’s routes between Vancouver and the U.S. Midwest, and between Vancouver and Eastern Canada. The Western Corridor provides access to the Port of Thunder Bay, Canada’s primary Great Lakes bulk terminal.

Products – The Western Corridor is the Company’s primary route for bulk and resource products traffic from Western Canada to Port Metro Vancouver for export. CP also handles significant volumes of international intermodal containers and domestic general merchandise traffic.

Feeder Lines – CP supports its Western Corridor with four significant feeder lines: the “Coal Route”, which links southeastern B.C. coal deposits to the Western Corridor and to coal terminals at the Port Metro Vancouver; the “Edmonton-Calgary Route”, which provides rail access to Alberta’s Industrial Heartland in addition to the petrochemical facilities in central Alberta; the “Pacific CanAm Route”, which connects Calgary and Medicine Hat in Alberta with Pacific Northwest rail routes at Kingsgate, B.C. via Crowsnest Pass, Alberta; and the “North Main Line Route” that provides rail service to customers between Portage la Prairie, Manitoba and Wetaskiwin, Alberta, including intermediate points Yorkton and Saskatoon in Saskatchewan. This line is an important collector of Canadian grain and fertilizer, serving the potash mines located east and west of Saskatoon and many high-throughput grain elevators and processing facilities. In addition, this line provides direct access to refining and upgrading facilities at Lloydminster, Alberta and Western Canada’s largest pipeline terminal at Hardisty, Alberta.

Connections – The Company’s Western Corridor connects with the Union Pacific Railroad (“UP”) at Kingsgate and with BNSF at Coutts, Alberta, and at New Westminster and Huntingdon in B.C. This corridor also connects with CN at many locations including Thunder Bay, Winnipeg, Regina and Saskatoon in Saskatchewan, Red Deer, Camrose, Calgary and Edmonton in Alberta, Kamloops, B.C. and several locations in the Greater Vancouver area.

Yards and Repair Facilities – CP supports rail operations on the Western Corridor with main rail yards at Vancouver, Calgary, Edmonton, Alberta, Moose Jaw in Saskatchewan, Winnipeg and Thunder Bay. CP also has major intermodal terminals at Vancouver, Calgary, Edmonton, Regina and Winnipeg. The Company has locomotive and railcar repair facilities at Golden, Vancouver, Calgary, Moose Jaw and Winnipeg.

The Central Corridor: Moose Jaw and Winnipeg to Chicago and Kansas City

Overview – The Central Corridor connects with the Western Corridor at Moose Jaw and Winnipeg. By running south to Chicago and Kansas City through the Twin Cities of Minneapolis and St. Paul, Minnesota and Milwaukee, Wisconsin, CP provides a direct, single-carrier route between Western Canada and the U.S. Midwest, providing access to Great Lakes and Mississippi River ports. From La Crosse, Wisconsin, the Central Corridor continues south towards Kansas City via the Quad Cities (which includes Davenport and Bettendorf in Iowa, and Rock Island, Moline and East Moline in Illinois), providing an efficient route for traffic destined for southern U.S. and Mexican markets. CP’s Kansas City line also has a direct connection into Chicago and by extension to points east on CP’s network such as Toronto, Ontario and the Port of Montreal.

Products – Traffic transported on the Central Corridor include intermodal containers from Port Metro Vancouver, fertilizers, chemicals, crude, grain, automotive and other agricultural products.

Feeder Lines – The Company has operating rights over the BNSF line between Minneapolis and the twin ports of Duluth, Minnesota and Superior, Wisconsin. CP maintains its own yard facilities at the Twin Ports that provide an outlet for grain from the U.S. Midwest to the grain terminals at these ports, and a strategic entry point for large dimensional shipments that can be routed via CP's network to locations such as Alberta's Industrial Heartland to serve the needs of the oil sands and energy industry. The DM&E route from Winona, Minnesota to Tracy, Minnesota provides access to key agricultural and industrial commodities. CP’s feeder line between Drake and Newtown in North Dakota is geographically situated in a highly strategic region for Bakken oil production. CP also owns two significant feeder lines in North Dakota and western Minnesota operated by the Dakota Missouri Valley and Western Railroad, and the Northern Plains Railroad respectively. Both of these short lines are also active in providing service to agricultural and Bakken-oil related customers.

Connections – The Company’s Central Corridor connects with all major railways at Chicago. Outside of Chicago, CP has major connections with BNSF at Minneapolis and at Minot, North Dakota and with UP at St. Paul and Mankato, Minnesota. CP connects with CN at Milwaukee and Chicago. At Kansas City, CP connects with Kansas City Southern (“KCS”), BNSF, NS and UP. CP’s Central Corridor also links to several short-line railways that primarily serve grain and coal producing areas in the U.S., and extend CP’s market reach in the rich agricultural areas of the U.S. Midwest.

Yards and Repair Facilities – The Company supports rail operations on the Central Corridor with main rail yards in Chicago, Milwaukee, Wisconsin, St. Paul and Glenwood in Minnesota, and Mason City and Nahant in Iowa. CP owns 49% of the Indiana Harbor Belt, a switching railway serving Greater Chicago and northwest Indiana, and has a major intermodal terminal in Chicago and one in Minneapolis. In addition, CP has a major locomotive repair facility at St. Paul and car repair facilities at St. Paul and Chicago. CP shares a yard with KCS in Kansas City.

The Eastern Corridor: Thunder Bay to Montreal, Detroit and Albany, New York

Overview – The Eastern Corridor extends from Thunder Bay through to its eastern terminus at Montreal and from Toronto to Chicago via Windsor, Ontario/Detroit, Michigan. The Company’s Eastern Corridor provides shippers direct rail service from Toronto and Montreal to Calgary and Vancouver via the Company’s Western Corridor and to the U.S.

via the Central Corridor. This is a key element of the Company's transcontinental intermodal service. Other services include truck trailers moving in drive-on/drive-off Expressway service between Montreal and Toronto. The corridor also supports the Company's market position at the Port of Montreal by providing one of the shortest rail routes for European cargo destined to the U.S. Midwest, using the CP-owned route between Montreal and Detroit, coupled with a trackage rights arrangement on NS tracks between Detroit and Chicago.

Products – Major traffic categories transported in the Eastern Corridor include forest, chemicals and plastics, crude, metals, minerals and consumer products, intermodal containers, automotive products and general merchandise.

Feeder Lines – A major feeder line that serves the steel industry at Hamilton, Ontario provides connections to the Company's Northeast U.S. corridor and both CSX Corporation ("CSX") and NS at Buffalo. The D&H feeder line extends from Montreal to Albany.

Connections – The Eastern Corridor connects with a number of short-line railways including routes from Montreal to Quebec City, Quebec and Montreal to St. John, New Brunswick and Searsport, Maine. Connections are also made with PanAm Southern at Mechanicville for service to the Boston area and New England and the Vermont Railway at Whitehall, New York. Through haulage arrangements, CP has service to Fresh Pond, New York to connect with New York & Atlantic Railway and Philadelphia as well as a number of short-lines in Pennsylvania. Connections are also made with CN at a number of locations, including Sudbury, North Bay, Windsor, London, Hamilton, and Toronto in Ontario and Montreal and at Detroit. CP connects with NS and CSX at Buffalo, NS at Schenectady, New York and CSX at Albany.

Yards and Repair Facilities – CP supports its rail operations in the Eastern Corridor with major rail yards at Sudbury, Toronto, London in Ontario and Montreal. The Company's largest intermodal facility is located in the northern Toronto suburb of Vaughan and serves the Greater Toronto and southwestern Ontario areas. CP also operates intermodal terminals at Montreal and Detroit. Terminals for the Company's Expressway service are located in Montreal and at Milton, Ontario in the Greater Toronto area.

The Company has locomotive repair facilities at Montreal and Toronto and car repair facilities at Thunder Bay, Toronto and Montreal.

Right-of-Way

The Company's rail network is standard gauge, which is used by all major railways in Canada, the U.S. and Mexico. Continuous welded rail is used on the core main line network.

CP uses different train control systems on portions of the Company's owned track, depending on the volume of rail traffic. Remotely controlled centralized traffic control signals are used to authorize the movement of trains. CP is currently in the development stage of its PTC strategy for portions of its U.S. network.

In other corridors, train movements are directed by written instructions transmitted electronically and by radio from rail traffic controllers to train crews. In some specific areas of intermediate traffic density, CP uses an automatic block signaling system in conjunction with written instructions from rail traffic controllers.

Track and Infrastructure

With a track network of approximately 12,500 miles, CP owns approximately 9,000 miles of track. An additional 3,500 miles of track are owned jointly, leased or operated under trackage rights. The track miles reflect the size of CP's network that connects markets, customers and other railroads. Of the total mileage operated, approximately 5,700 miles are located in Western Canada, 1,900 miles in Eastern Canada, 4,500 miles in the U.S. Midwest and 400 miles in the U.S. Northeast. CP's network accesses the U.S. market directly through three wholly owned subsidiaries: Soo Line Railroad Company ("Soo Line"), a Class I railway operating in the U.S. Midwest; DM&E, a wholly owned subsidiary of the Soo Line, which operates in the U.S. Midwest; and the Delaware and Hudson Railway Company, Inc. ("D&H"), which operates between Eastern Canada and major U.S. Northeast markets, including New York City, New York; Philadelphia, Pennsylvania; and Washington, D.C.

At December 31, 2015, the breakdown of track miles is as follows:

	Total
First main track	12,559
Second and other main track	1,203
Passing sidings and yard track	4,285
Industrial and way track	810
Total track miles	18,857

Rail Facilities

CP operates numerous facilities including: terminals for intermodal and other freight; classification rail yards for train-building and switching, storage-in-transit and other activities; offices to administer and manage operations; dispatch centres to direct traffic on the rail network; crew quarters to house train crews along the rail line; shops and other facilities for fueling; maintenance and repairs of locomotives; and facilities for maintenance of freight cars and other equipment. Typically in all of our major yards, CP Police Services have offices to ensure the safety and security of the yards and operations.

The following table includes our major yards and terminals on CP's network:

Major Classification Yards	Major Intermodal Terminals
Vancouver, British Columbia	Vancouver, British Columbia
Calgary, Alberta	Calgary, Alberta
Edmonton, Alberta	Edmonton, Alberta
Moose Jaw, Saskatchewan	Regina, Saskatchewan
Winnipeg, Manitoba	Winnipeg, Manitoba
Toronto, Ontario	Vaughan, Ontario
Montreal, Quebec	Montreal, Quebec
Chicago, Illinois	Chicago, Illinois
St Paul, Minnesota	St Paul, Minnesota

Equipment

CP's equipment includes: owned and leased locomotives and railcars; heavy maintenance equipment and machinery; other equipment and tools in our shops, offices, and facilities; and vehicles for maintenance, transportation of crews, and other activities.

The Company’s locomotive fleet is composed of largely high-adhesion alternating current locomotives that are more fuel-efficient and reliable and have superior hauling capacity, compared with standard direct current locomotives. As of December 31, 2015, the Company had 600 locomotives in storage; as a result, the Company does not foresee the need to acquire new locomotives for the next several years. As of December 31, 2015, CP owned or leased the following locomotive units:

Locomotives	Owned	Leased	Total	Average Age (in years)
Road freight				
High-adhesion alternating current	726	43	769	10
Standard direct current	412	—	412	30
Road switcher	344	—	344	23
Yard switcher	24	—	24	36
Total locomotives	1,506	43	1,549	25

CP owns and leases a fleet of 39,420 freight cars. Owned freight cars include units acquired by CP, equipment leased to third parties, and under capitalized leases. Leased freight cars include all units under a short-term or long-term operating lease or financed equipment. As of December 31, 2015, CP owned and leased the following units of freight cars:

Freight cars	Owned	Leased	Total	Average Age (in years)
Box car	2,160	784	2,944	31
Covered hopper	7,142	12,793	19,935	28
Flat car	1,593	693	2,286	23
Gondola	2,863	2,700	5,563	20
Intermodal	1,333	—	1,333	13
Multi-level autorack	2,875	642	3,517	28
Company service car	2,672	243	2,915	47
Open top hopper	355	352	707	28
Tank car	28	192	220	10

Total freight cars	21,021	18,399	39,420	28

As of December 31, 2015, CP owned and leased the following units of intermodal equipment:

Intermodal equipment	Owned	Leased	Total	Average Age (in years)
Containers	6,625	1,730	8,355	8
Chassis	5,150	856	6,006	12
Total intermodal equipment	11,775	2,586	14,361	10

Headquarters Office Building

CP owns and operates a multi-building campus in Calgary, encompassing the head office building, a data centre, training facility, and other office and operational buildings.

The Company's main dispatch centre is located in Calgary, and is the primary dispatching facility in Canada. Rail Traffic Controllers coordinate and dispatch crews, and manage the day-to-day locomotive management along the network, 24 hours a day and seven days a week. The operations centre has a complete backup system in the event of any power disruption.

In addition to fully operational redundant systems, CP has a fully integrated Business Continuity Centre, should CP's operations centre be affected by any natural disaster, fire, cyber-attack, or hostile threat.

CP also maintains a secondary dispatch centre located in Minneapolis, Minnesota, where a facility similar to the one in Calgary exists. It services the dispatching needs of locomotives and train crews working out of the U.S.

Capital Expenditures

The Company incurs expenditures to expand and enhance its rail network, rolling stock and other infrastructure. These expenditures are aimed at improving efficiency and safety of our operations. Such investments are also an integral part of the Company's multi-year capital program and supports growth initiatives. For further details, refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources.

Encumbrances

Refer to Item 8. Financial Statements and Supplementary Data, Note 19 Debt, for information on the Company's capital lease obligations and assets held as collateral under these agreements.

ITEM 3. LEGAL PROCEEDINGS

For further details refer to Item 8. Financial Statements and Supplementary Data, Note 27 Commitments and Contingencies.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers generally are elected and designated annually by the Board of Directors at its first meeting held after the annual meeting of shareholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year as the Board of Directors considers appropriate. There are no family relationships among our officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. As of the date of this filing, the executive officers' names, ages and business experience are:

Name, Age and Position	Business Experience
E. Hunter Harrison, 71 Chief Executive Officer	Mr. Harrison has been the Chief Executive Officer of CP since February 5, 2013. Prior to his current role he was the President and Chief Executive Officer from June 2012 to February 2013. Prior to joining CP, Mr. Harrison was retired from January 2010 to June 2012 and served as President and Chief Executive Officer at CN from 2003 to 2009 and as the Executive Vice-President and Chief Operating Officer from 1998 to 2002. He served on CN's Board of Directors for 10 years. Prior to joining CN, Mr. Harrison was President and CEO at Illinois Central Corporation ("IC"), and Illinois Central Rail Road Company ("ICRR") from 1993 to 1998, during which time he was also a member of the Board. Mr. Harrison held various positions throughout his time at IC and ICRR, including Vice-President, COO and Senior VP of Operations.
Keith E. Creel, 47 President and Chief Operating Officer	Mr. Creel has been the President and Chief Operating Officer of CP since February 5, 2013. Prior to joining CP, Mr. Creel was Executive Vice-President and Chief Operating Officer at CN from January 2010 to February 2013. During his time at CN, Mr. Creel held various positions including Executive Vice-President, Operations, Senior Vice-President Eastern Region, Senior Vice-President Western Region, and Vice-President of the Prairie Division. Mr. Creel began his railroad career at Burlington Northern Railway in 1992 as an intermodal ramp manager in Birmingham, Alabama. He also spent part of his career at Grand Trunk Western Railroad as a superintendent and general manager, and at Illinois Central Railroad as a trainmaster and director of corridor operations, prior to its merger with CN in 1999.
Jeffrey J. Ellis, 48 Chief Legal Officer and Corporate Secretary	Mr. Ellis has been the Chief Legal Officer and Corporate Secretary of CP since November 23, 2015. Prior to joining CP, Mr. Ellis held various roles at BMO Financial Group, including Executive Vice-President and U.S. General Counsel from April 2013 to November 2015, Senior Vice-President, Deputy General Counsel and Assistant Corporate Secretary, Personal & Commercial U.S. BMO Financial Group from November 2011 to April 2013, and Vice-President, Deputy General Counsel and Assistant Corporate Secretary, Personal & Commercial Canada BMO Financial Group from April 2006 to November 2011. Mr. Ellis has a JD and LLM from Osgoode Hall Law School, an MBA from the Richard Ivey School of Business at the University of Western Ontario and a BA and MA from the University of Toronto. Prior to joining BMO Financial Group,

	Mr. Ellis practiced corporate and commercial law at Borden Ladner Gervais LLP.
Mark J. Erceg, CFA, 46 Executive Vice-President and Chief Financial Officer	Mr. Erceg has been the Executive Vice-President and Chief Financial Officer of CP since May 18, 2015. Prior to joining CP, Mr. Erceg was Executive Vice-President and Chief Financial Officer of Masonite International Corporation from June 2010 to May 2015. Masonite International is a leading global designer and manufacturer of interior and exterior doors with annual revenues of approximately $1.8 billion. Before joining Masonite International, Mr. Erceg worked at Procter & Gamble for 18 years in roles of increasing responsibility. Mr. Erceg has earned the right to use the Chartered Financial Analyst designation and holds a bachelor’s degree in Accounting and an MBA from Indiana University’s Kelly School of Business.
Peter J. Edwards, 55 Vice-President, Human Resources and Labour Relations	Mr. Edwards has been the Vice-President, Human Resources and Labour Relations of CP since June 5, 2013 and was the Vice-President, Human Resources and Industrial Relations from May 2010 to June 2013. Prior to joining CP, Mr. Edwards held senior human resources related positions at Labatt Breweries/Interbrew and CN. He has also co-authored two books on managing a changing railway (How We Work and Why and Change, Leadership, Mud and Why). Mr. Edwards also co-authored "SwitchPoints: Culture Change on the Fast Track to Business Success". Mr. Edwards holds a bachelor's and master's degree in Industrial Relations from Queen's University in Ontario.

Laird J. Pitz, 71 Vice-President and Chief Risk Officer	Mr. Pitz has been Vice-President and Chief Risk Officer of CP since October 29, 2014 and was the Vice-President Security and Risk Management of CP from April 2014 to October 2014. Prior to joining CP, Mr. Pitz was retired from March 2012 to April 2014 and Vice-President, Risk Mitigation, of CN from September 2003 to March 2012. Mr. Pitz, a Vietnam War veteran and former Federal Bureau of Investigation special agent, is a 40-year career professional who has directed strategic and operational risk mitigation, security and crisis management functions for companies operating in a wide range of fields including defence, logistics and transportation.
Michael J. Redeker, 55 Vice-President and Chief Information Officer	Mr. Redeker has been the Vice-President and Chief Information Officer of CP since October 15, 2012. Prior to joining CP, Mr. Redeker was the Vice-President and Chief Information Officer of Alberta Treasury Branch from May 2007 to September 2012. He also spent 11 years at IBM Canada, where he focused on delivering quality information technology services within the financial services industry.
Mark K. Wallace, 46 Vice-President, Corporate Affairs and Chief of Staff	Mr. Wallace has been the Vice-President, Corporate Affairs and Chief of Staff of CP since September 21, 2012 and was the Chief of Staff – Office of the President and CEO of CP from July 2012 to September 2012. Prior to joining CP, Mr. Wallace held the title of Client Partner at Longview Communications from January 2012 to April 2012 and was the head of Investor Relations at Husky Injection Molding Systems Inc. from July 2010 to July 2011. Mr. Wallace has also spent over 15 years in various senior management positions with CN, including leading the Public Affairs function in both Canada and the U.S., holding the role of Chief of Staff in the Office of the President and CEO and working in Investor Relations for over six years.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Share Price and Dividend Information

CP's Common Shares are listed on the TSX and on the NYSE under the symbol "CP". The tables below present for the quarters indicated, information on the dividends declared and the high and low share price of CP's Common Shares. The decision to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Company's Board of Directors, in its sole discretion.

Following table indicates share data of CP's Common Shares listed on the TSX (in Canadian dollars):

		Q1	Q2	Q3	Q4	YTD
2015	Dividends	$0.3500	$0.3500	$0.3500	$0.3500	$1.4000
	Common Share Price					
	High	$245.05	$241.73	$212.06	$204.40	$245.05
	Low	$205.95	$195.69	$172.01	$168.12	$168.12
2014	Dividends	$0.3500	$0.3500	$0.3500	$0.3500	$1.4000
	Common Share Price					
	High	$176.72	$202.08	$236.04	$247.56	$247.56
	Low	$155.02	$156.64	$192.79	$197.14	$155.02

Following table indicates share data of CP's Common Shares listed on the NYSE (in U.S. dollars):

		Q1	Q2	Q3	Q4	YTD
2015	Dividends	$0.2800	$0.2840	$0.2640	$0.2520	$1.0800
	Common Share Price					
	High	$194.66	$198.44	$163.39	$157.82	$198.44
	Low	$173.69	$158.04	$129.83	$122.27	$122.27
2014	Dividends	$0.3130	$0.3260	$0.3160	$0.3010	$1.2560
	Common Share Price					
	High	$159.77	$186.00	$210.87	$220.20	$220.20
	Low	$139.37	$142.73	$179.90	$170.51	$139.37

Share Capital

At February 26, 2016, the latest practicable date, there were 153,021,661 Common Shares and no preferred shares issued and outstanding, which consists of 15,222 holders of record of the Company's Common Shares. In addition, CP has a Management Stock Option Incentive Plan (“MSOIP”), under which key officers and employees are granted options to purchase CP shares. Each option granted can be exercised for one Common Share. At February 26, 2016, 2.7 million options were outstanding under the Company’s MSOIP and stand-alone option agreements entered into with Mr. E. Hunter Harrison and Mr. Keith E. Creel. There are 1.5 million options available to be issued by the Company’s MSOIP in the future.

CP has a Director's Stock Option Plan (“DSOP”), under which directors are granted options to purchase CP shares. There are no outstanding options under the DSOP, which has 0.3 million options available to be issued in the future.

Securities Authorized for Issuance Under Equity Compensation Plans

For further details, refer to Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for information about securities authorized for issuance under our equity compensation plan.

Stock Performance Graph

The following graph provides an indicator of cumulative total shareholder return on the Company’s Common Shares, of an assumed investment of $100, as compared to the TSX 60 Index (“TSX 60”), the Standard & Poor's 500 Stock Index (“S&P 500”), and the peer group index (comprising CN, KCS, UP, NS and CSX) on December 31 for each of the years indicated. The values for the assumed investments depicted on the graph and in the table have been calculated assuming that any cash dividends are reinvested.

Issuer Purchase of Equity Securities

During 2015, CP repurchased 13.5 million Common Shares for $2,748 million at an average price of $202.79. The following table presents Common Shares repurchased during each month for the fourth quarter of 2015.

2015	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 to October 31	577,800	$196.30	577,800	561,992
November 1 to November 30	—	—	—	—
December 1 to December 31	—	—	—	—
Ending Balance	577,800	$196.30	577,800	561,992

ITEM 6. SELECTED FINANCIAL DATA

The following table presents as of, and for the years ended, December 31, selected financial data related to the Company's financial results for the last five fiscal years. The selected financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

(in millions, except per share data, percentages and ratios)	2015	2014	2013	2012	2011
Financial Performance					
Revenues	$6,712	$6,620	$6,133	$5,695	$5,177
Operating income	2,688	2,339	1,420	949	967
Adjusted operating income[1]	2,620	2,335	1,844	1,309	967
Net income	1,352	1,476	875	484	570
Adjusted income[1]	1,625	1,482	1,132	753	538
Basic earnings per share	8.47	8.54	5.00	2.82	3.37
Diluted earnings per share	8.40	8.46	4.96	2.79	3.34
Adjusted diluted earnings per share[1]	10.10	8.50	6.42	4.34	3.15
Dividends declared per share	1.4000	1.4000	1.4000	1.3500	1.1700
Financial Position					
Total assets[2]	$19,637	$16,550	$16,680	$14,433	$13,969
Total long-term obligations[2][3]	9,012	5,712	4,747	4,696	4,771
Shareholders' equity	4,796	5,610	7,097	5,097	4,649
Cash provided by operating activities	2,459	2,123	1,950	1,328	512
Free cash[1]	1,155	725	530	93	(724)
Financial Ratios					
Return on invested capital ("ROIC")[1]	12.9%	14.4%	10.1%	7.3%	8.4%
Adjusted ROIC[1]	15.2%	14.5%	12.3%	10.0%	7.9%
Operating ratio[4]	60.0%	64.7%	76.8%	83.3%	81.3%
Adjusted operating ratio[1]	61.0%	64.7%	69.9%	77.0%	81.3%

(1) These measures have no standardized meanings prescribed by generally accepted accounting principles in the United States of America ("GAAP") and, therefore, may not be comparable to similar measures presented by other companies. These measures are defined and reconciled in Non-GAAP Measures in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(2) 2011–2014 comparative period figures have been restated for retrospective adoption of Accounting Standards Update ("ASU") 2015-17. See further discussion in Item 8. Financial Statements and Supplementary Data, Note 2 Accounting changes. 2011 and 2012 comparative period figures have also been restated for retrospective adoption of ASU 2015-03.

(3) Excludes deferred income taxes: $3,391 million, $2,717 million, $2,559 million, $1,838 million and $1,718 million, and other non-financial deferred liabilities of $991 million, $1,100 million, $898 million, $1,574 million and $1,621 million at December 31, 2015, 2014, 2013, 2012 and 2011 respectively.

(4) Operating ratio is defined as operating expenses divided by revenues.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and the related notes in Item 8. Financial Statements and Supplementary Data, and other information in this annual report. Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars.

Executive Summary

2015 Results

- Financial performance – In 2015, CP reported Diluted EPS of $8.40 while Adjusted diluted EPS climbed to a record $10.10, a 19% improvement compared to the Adjusted diluted EPS of $8.50 in 2014. CP's commitment to operational efficiency produced a best-ever full-year reported and Adjusted operating ratio of 60.0% and 61.0%, beating the previous record, set in 2014, by 470 and 370 basis points, respectively. Adjusted diluted EPS and Adjusted operating ratio are defined and reconciled in Non-GAAP Measures and discussed further in Results of Operations of this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

- Free cash flow – In 2015, CP generated record Free cash flow of $1.15 billion, an increase of 59% over the prior year. The increase was primarily driven by higher cash from operations and proceeds from asset sales, partially offset by higher capital expenditures of $1.5 billion. Free cash flow is defined and reconciled in Non-GAAP Measures and discussed further in Performance Indicators of this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

- Operating performance – CP's continued focus on asset utilization and network investments resulted in significant improvements to CP's key operating metrics. In 2015, CP's network train speed increased by 19% to 21.4 miles per hour, terminal dwell improved by 17% to 7.2 hours and fuel efficiency improved by 4% to 0.994 U.S. gallons of locomotive fuel consumed per 1,000 gross ton-miles ("GTMs"). These metrics are discussed further in Performance Indicators of this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

2016 Outlook

The Company's outlook for the full year 2016 includes:

- Operating ratio below 59%;
- Double-digit EPS growth from full-year 2015 Adjusted diluted EPS of $10.10; and
- Capital expenditures of approximately $1.1 billion.

Performance Indicators

The following table lists the key measures of the Company's operating performance:

For the year ended December 31	2015[1]	2014[1]	2013	% Change 2015 vs. 2014	2014 vs. 2013
Operations Performance					
Freight gross ton-miles ("GTMs") (millions)	263,333	272,862	267,629	(3)	2
Revenue ton-miles ("RTMs") (millions)	145,257	149,849	144,249	(3)	4
Train miles (thousands)	34,047	36,252	37,817	(6)	(4)
Average train weight – excluding local traffic (tons)	8,314	8,076	7,573	3	7
Average train length – excluding local traffic (feet)	6,935	6,682	6,530	4	2
Average terminal dwell (hours)	7.2	8.7	7.1	(17)	23
Average train speed (mph)	21.4	18.0	18.4	19	(2)
Fuel efficiency (U.S. gallons of locomotive fuel consumed /1,000 GTMs)	0.994	1.035	1.060	(4)	(2)
Total employees (average)	13,735	14,498	15,011	(5)	(3)
Total employees (end of period)	12,739	14,352	14,506	(11)	(1)
Workforce (end of period)	12,899	14,698	14,977	(12)	(2)
Safety Indicators					
FRA personal injuries per 200,000 employee-hours	1.74	1.67	1.71	4	(2)
FRA train accidents per million train miles	1.30	1.26	1.80	3	(30)

[1] Certain figures have been revised to conform with current presentation or have been updated to reflect new information.

Operations Performance

GTMs are defined as the movement of total train weight over a distance of one mile. Total train weight comprises the weight of the freight cars, their contents, and any inactive locomotives. An increase in GTMs indicates additional workload. GTMs for 2015 were 263,333 million, a 3% decrease compared with 272,862 million in 2014. This decline was primarily due to a drop in volumes in the Intermodal, Crude and Metals, minerals and consumer products lines of business.

GTMs in 2014 increased by 2% compared with 267,629 million in 2013. This improvement was primarily due to higher shipments in Canadian grain, Crude, Domestic intermodal, and Metals, minerals and consumer products.

RTMs are defined as the movement of one revenue-producing ton of freight over a distance of one mile. RTMs measure the relative weight and distance of rail freight moved by the Company. RTMs for 2015 were 145,257 million, a decrease of 4,592 million or 3% compared with 149,849 million in 2014. This decrease was primarily due to lower volumes of Crude; Metals, minerals and consumer products; and U.S. grain. This decrease in RTMs was partially offset by increased shipments of Potash, Canadian grain and Forest products.

RTMs for 2014 were 149,849 million, an increase of 4% compared with 144,249 million in 2013. This increase was primarily due to higher Canadian originating shipments of grain; volumes in energy-related commodities and frac sand; and Domestic intermodal shipments. This increase was partially offset by lower International intermodal shipments; Fertilizers and sulphur shipments; and U.S. originating thermal coal shipments.

Train miles for 2015 decreased by 6% compared with 2014 and in 2014 decreased by 4% compared with 2013, reflecting continuous improvements in operating efficiency from longer, heavier trains.

Average train weight is defined as the average gross weight of CP trains, both loaded and empty. This excludes trains in short-haul service, work trains used to move CP's track equipment and materials, and the haulage of other railways' trains on CP's network. Average train weight increased in 2015 by 238 tons, or 3%, from 2014.

The average train length is the sum of each car multiplied by the distance travelled, divided by train miles. Local trains are excluded from this measure. Average train length increased in 2015 by 253 feet, or 4%, from 2014.

Both average train weight and length in 2015 benefited from improvements in operating plan efficiency.

Average train weight increased in 2014 by 503 tons, or 7%, from 2013. Average train length increased in 2014 by 152 feet, or 2%, from 2013. Average train weight and length benefited significantly from improvements in operating plan efficiency and increased bulk traffic being conveyed in longer, heavier trains. Both of these improvements leverage the siding extensions completed in 2013 and 2014.

The average terminal dwell is defined as the average time a freight car resides within terminal boundaries expressed in hours. The timing starts with a train arriving in the terminal, a customer releasing the car to the Company, or a car arriving at interchange from another railway. The timing ends when the train leaves, a customer receives the car from CP, or the freight car is transferred to another railway. Freight cars are excluded if they are being stored at the terminal or used in track repairs. Average terminal dwell decreased by 17% in 2015 from 8.7 hours in 2014 on average to 7.2 hours in 2015. This favourable decrease was primarily due to continued improvements in yard operating performance.

Average terminal dwell, the average time a freight car resides in a terminal, increased by 23% in 2014 to 8.7 hours from 7.1 hours in 2013. The unfavourable increase was primarily due to operational challenges in the U.S. Midwest.

The average train speed is defined as a measure of the line-haul movement from origin to destination including terminal dwell hours. It is calculated by dividing the total train miles travelled by the total train hours operated. This calculation does not include delay time related to customer or foreign railways and excludes the time and distance travelled by: i) trains used in or around CP’s yards; ii) passenger trains; and iii) trains used for repairing track. Average train speed was 21.4 miles per hour in 2015, an increase of 19%, from 18.0 miles per hour in 2014. This favourable increase was primarily due to improved train design and operating plan execution.

Average train speed in 2014 decreased by 2%, from 18.4 miles per hour in 2013. The unfavourable decrease was primarily due to operational challenges in the U.S. Midwest. This decrease was partially offset by speed improvements in the fourth quarter of 2014 through improved asset velocity, decreased terminal dwell, and successful execution of the Company’s operating plan.

Fuel efficiency improved by 4% in 2015 compared to 2014. Improvements in fuel efficiency were a result of increased locomotive productivity, operational fluidity, and execution of the Company's fuel conservation strategies.

Fuel efficiency improved by 3% in 2014 compared to 2013. This improvement was primarily due to the continued execution of the Company’s fuel conservation strategy and increased locomotive productivity from higher average train weights.

The average number of total employees for 2015 decreased by 763, or 5%, compared with 2014. The total number of employees as at December 31, 2015 was 12,739, a decrease of 11% compared with 14,352 in 2014. This improvement was primarily due to job reductions as a result of continuing strong operational performance and natural attrition.

The average number of total employees for 2014 decreased by 513, or 3%, compared with 2013. The total number of employees as at December 31, 2014 was 14,352, a decrease of 154 employees compared with 14,506 in 2013. This improvement was primarily due to job reductions as a result of continuing strong operational performance and natural attrition, partially offset by additional Information Technology employees as part of the Company’s insourcing strategy.

The workforce is the total employees plus part-time employees, contractors and consultants. The workforce as at December 31, 2015 decreased by 1,799, or 12%, compared with December 31, 2014. The workforce as at December 31, 2014 decreased by 279, or 2%, compared with December 31, 2013. This improvement was primarily due to job reductions as a result of continuing strong operational performance, natural attrition and fewer contractors.

Safety Indicators

Safety is a key priority and core strategy for CP's management, employees and Board of Directors. The Company's two main safety indicators – personal injuries and train accidents – follow strict U.S. FRA reporting guidelines.

The FRA personal injury rate per 200,000 employee-hours is the number of personal injuries multiplied by 200,000 and divided by total employee hours. Personal injuries are defined as injuries that require employees to lose time away from work, modify their normal duties or obtain medical treatment beyond minor first aid. FRA employee-hours are the total hours worked, excluding vacation and sick time, by all employees, excluding contractors. The FRA personal injury rate per 200,000 employee-hours for CP was 1.74 in 2015, 1.67 in 2014 and 1.71 in 2013.

The FRA train accidents rate is the number of train accidents, multiplied by 1,000,000 and divided by total train miles. Train accidents included in this metric meet or exceed the FRA reporting threshold of U.S. $10,500 or $13,900 in damage. The FRA train accident rate for CP in 2015 was 1.30 accidents per million train miles, compared with 1.26 in 2014 and 1.80 in 2013.

Results of Operations

Income

Operating income was $2,688 million in 2015, an increase of $349 million, or 15%, from $2,339 million in 2014. This increase was primarily due to:

- the favourable impact of the change in foreign exchange (“FX”);
- efficiencies generated from improved operating performance and asset utilization;
- the gain on sale of D&H South;
- lower share-based compensation primarily driven by the change in share price and lower incentive-based compensation;
- lower fuel price; and
- higher land sales.

This increase was partially offset by:

- lower traffic volume;
- higher pension expense;
- higher wage and benefit inflation; and
- higher casualty expenses as a result of more costly mishaps.

Operating income was $2,339 million in 2014, an increase of $919 million, or 65%, from $1,420 million in 2013. This increase was primarily due to:

- an asset impairment charge in 2013;
- higher volumes of traffic;
- efficiency savings generated from improved operating performance, asset utilization and insourcing of certain Information Technology activities;
- lower pension expense;
- the favourable impact of the change in foreign exchange; and
- lower casualty expense.

This increase in Operating income was partially offset by higher incentive and stock-based compensation resulting from improved corporate performance and higher wage and benefit inflation.

Adjusted operating income, defined and reconciled in Non-GAAP Measures of this Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, was $2,620 million in 2015, an increase of $285 million, or 12%, from $2,335 million in 2014. This increase was due to the same factors discussed above for the increase in Operating income except that Adjusted operating income excludes the gain on sale of D&H South.

Adjusted operating income was $2,335 million in 2014, an increase from $1,844 million in 2013. This improvement was primarily due to higher volumes generating higher freight revenues and efficiency savings, partially offset by higher incentive and stock-based compensation resulting from improved corporate performance, and higher wage and benefit inflation.

Net income was $1,352 million in 2015, a decrease of $124 million, or 8%, from $1,476 million in 2014. This decrease was primarily due to the unfavourable impact of FX translation on U.S. dollar-denominated debt and higher interest expense on new debt issued in 2015, partially offset by higher operating income.

Net income was $1,476 million in 2014, an increase of $601 million, or 69%, from $875 million in 2013. This increase was primarily due to higher Operating income, partially offset by an increase in Income tax expense.

Adjusted income, defined and reconciled in Non-GAAP Measures of this Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, was $1,625 million in 2015, an increase of $143 million, or 10%, from $1,482 million in 2014. This increase was primarily due to an increase in Adjusted operating income, partially offset by increased Income tax expense.

Diluted Earnings per Share

Diluted earnings per share was $8.40 in 2015, a decrease of $0.06, or 1% from $8.46 in 2014. This decrease was primarily due to lower Net income, partially offset by lower average outstanding shares due to the Company's share repurchase program.

Diluted earnings per share was $8.46 in 2014, an increase of $3.50, or 71% from $4.96 in 2013. This increase was primarily due to higher Net income and lower average outstanding shares due to the Company's share repurchase program.

Adjusted diluted EPS, defined and reconciled in Non-GAAP Measures of this Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, was $10.10 in 2015, an increase of $1.60, or 19%, from $8.50 in 2014. Adjusted diluted EPS was $8.50 in 2014, an increase of $2.08, or 32%, from $6.42 in 2013. These increases were primarily due to higher Adjusted income and lower average outstanding shares due to the Company’s share repurchase program.

Operating Ratio

The Operating ratio provides the percentage of revenues used to operate the railway. A lower percentage normally indicates higher efficiency in the operation of the railway. The Company's Operating ratio was 60.0% in 2015, a 470 basis point improvement from 64.7% in 2014. This improvement was primarily due to:

- the favourable impact of the change in FX;
- efficiencies generated from improved operating performance and asset utilization;
- the gain on sale of D&H South;
- lower share-based compensation primarily driven by the change in share price and lower incentive-based compensation;
- lower fuel price; and
- higher land sales.

This improvement was partially offset by:

- lower traffic volume;
- higher pension expense;
- higher wage and benefit inflation; and
- higher casualty expenses as a result of more costly mishaps.

The Company's Operating ratio was 64.7% in 2014, a decrease from 76.8% in 2013. This improvement was primarily due to an asset impairment charge in 2013, higher volumes of traffic generating higher freight revenues, and efficiency savings, partially offset by higher incentive and stock-based compensation resulting from improved corporate performance, and higher wage and benefit inflation.

Adjusted operating ratio, defined and reconciled in Non-GAAP Measures of this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, was 61.0% in 2015, a 370 basis point improvement from 64.7% in 2014. The improvement in Adjusted operating ratio reflects the same factors discussed above except that Adjusted operating ratio excludes the gain on sale of D&H South.

Adjusted operating ratio was 64.7% in 2014, a decrease from 69.9% in 2013. This improvement was primarily due to higher volumes generating higher freight revenues and efficiency savings, partially offset by higher incentive and stock-based compensation resulting from improved corporate performance, and higher wage and benefit inflation.

Return on Invested Capital

ROIC is a measure of how productively the Company uses its long-term capital investments, representing critical indicators of good operating and investment decisions made by management, and is an important performance criteria in determining certain elements of the Company's long-term incentive plan. ROIC was 12.9% in 2015, a 150 basis point decrease compared to 14.4% in 2014 due to the issuance of long-term debt, partially offset by the reduction in total Shareholders' equity, primarily due to the Company's share repurchase program. ROIC was 14.4% in 2014, a 440 basis point increase compared to 10.1% in 2013 due to higher income and lower total shareholder's equity, primarily due to the Company's share repurchase program.

Adjusted ROIC was 15.2% at December 31, 2015, compared with 14.5% in 2014 and compared to 12.3% in 2013. These increases are the result of increased Adjusted operating income, partially offset by increased Income tax expense and the reductions in total Shareholders' equity as discussed above. ROIC and Adjusted ROIC, defined and reconciled in Non-GAAP Measures of this Item 7. Management's Discussion and Analysis of Financial Condition and

Results of Operations.

Impact of FX on Earnings

Fluctuations in FX affect the Company's results because U.S. dollar-denominated revenues and expenses are translated into Canadian dollars. U.S. dollar-denominated revenues and expenses increase (decrease) when the Canadian dollar weakens (strengthens) in relation to the U.S. dollar. In 2015, the impact of a stronger U.S. dollar resulted in an increase in total revenues of $553 million, an increase in total operating expenses of $306 million and an increase in interest expense of $37 million.

Canadian to U.S. dollar			
Average exchange rates	2015	2014	2013
For the year ended – December 31	$1.28	$1.10	$1.03
For the three months ended – December 31	$1.34	$1.13	$1.04

Canadian to U.S. dollar Exchange rates	2015	2014	2013
Beginning of year – January 1	$1.16	$1.06	$0.99
Beginning of quarter – April 1	$1.27	$1.11	$1.02
Beginning of quarter – July 1	$1.25	$1.07	$1.05
Beginning of quarter – October 1	$1.33	$1.12	$1.03
End of quarter – December 31	$1.38	$1.16	$1.06

In 2016, CP expects that for every $0.01 the U.S. dollar appreciates relative to the Canadian dollar, it will increase revenues by $30 million, operating expenses by $15 million and interest expense by $3 million on an annualized basis.

Impact of Fuel Price on Earnings

Fluctuations in fuel prices affect the Company's results because fuel expense constitutes a significant portion of CP's operating costs. As fuel prices fluctuate, there will be a timing impact on earnings. In 2015, the impact of lower fuel prices resulted in a decrease in total revenues of $334 million and a decrease in total operating expenses of $403 million.

Average Fuel Price (U.S. dollars per U.S. gallon)	2015	2014	2013
For the year ended – December 31	$2.13	$3.41	$3.47
For the three months ended – December 31	$1.91	$3.11	$3.51

Operating Revenues

For the year ended December 31	2015	2014	2013	2015 vs. 2014 % Change	Total Change	FX Impact[2]	2014 vs. 2013 % Change	Total Change	FX Impact[2]
Freight revenues (in millions)[1]	$6,552	$6,464	$5,982	1	$88	$549	8	$482	$217
Non-freight revenues (in millions)	160	156	151	3	4	4	3	5	1
Total revenues (in millions)	$6,712	$6,620	$6,133	1	$92	$553	8	$487	$218
Carloads (in thousands)	2,628	2,684	2,688	(2)	(56)	N/A	—	(4)	N/A
Revenue ton-miles (in millions)	145,257	149,849	144,249	(3)	(4,592)	N/A	4	5,600	N/A
Freight revenue per carload (dollars)	$2,493	$2,408	$2,226	4	$85	N/A	8	$182	N/A
Freight revenue per revenue ton-miles (cents)	4.51	4.31	4.15	5	0.20	N/A	4	0.16	N/A

(1) Freight revenues include fuel surcharge revenues of $293 million in 2015, $637 million in 2014 and $598 million in 2013.
(2) FX impact is a component of the Total Change.

The Company's revenues are primarily derived from transporting freight. Non-freight revenue is generated from leasing of certain assets, switching fees, contracts with passenger service operators, and logistical management services. Changes in freight volumes generally contribute to corresponding changes in freight revenues and certain variable expenses, such as fuel, equipment rents and crew costs.

Freight Revenues

Freight revenues were $6,552 million in 2015, an increase of $88 million, or 1% from $6,464 million in 2014. This increase was primarily due to the favourable impact of the change in FX of $549 million and an increase in Canadian grain revenue due to increased exports. This increase was partially offset by the impact of lower fuel prices on fuel surcharge revenue of $334 million, and lower volumes of Metals, mineral and consumer products and Crude.

Freight revenues were $6,464 million in 2014, an increase of $482 million, or 8% from $5,982 million in 2013. This increase was primarily due to:

- higher volumes in Canadian grain, Domestic intermodal, Crude, and Metals, minerals and consumer products;
- higher freight rates; and
- the favourable impact of the change in FX.

This increase was partially offset by:

- lower shipments in International intermodal and Automotive, primarily due to the exit of certain customer contracts;

- lower Fertilizers and sulphur shipments primarily due to sulphur production shutdowns; and
- lower shipments in certain lines of business in the first half of the year due to the impact of harsh winter operating conditions.

Non-freight Revenues

Non-freight revenues were $160 million in 2015, an increase of $4 million, or 3% from $156 million in 2014. This increase was due to the favourable impact of the change in FX.

Non-freight revenues were $156 million in 2014, an increase of $5 million, or 3% from $151 million in 2013. This increase was primarily due to higher leasing revenues.

Lines of Business

Canadian Grain

For the year ended December 31	2015	2014	2013	2015 vs. 2014 % Change	2015 vs. 2014 Total Change	2015 vs. 2014 FX Impact[1]	2014 vs. 2013 % Change	2014 vs. 2013 Total Change	2014 vs. 2013 FX Impact[1]
Freight revenues (in millions)	$1,068	$988	$869	8	$80	$38	14	$119	$18
Carloads (in thousands)	285	291	256	(2)	(6)	N/A	14	35	N/A
Revenue ton-miles (in millions)	27,442	26,691	22,864	3	751	N/A	17	3,827	N/A
Freight revenue per carload (dollars)	$3,750	$3,391	$3,397	11	$359	N/A	—	$(6)	N/A
Freight revenue per revenue ton-mile (cents)	3.89	3.70	3.80	5	0.19	N/A	(3)	(0.10)	N/A

[1] FX impact is a component of the Total Change.

Canadian grain revenue was $1,068 million in 2015, an increase of $80 million, or 8% from $988 million in 2014. This increase was primarily due to higher freight rates, the favourable impact of the change in FX, and strong export volumes through Port of Vancouver, partially offset by lower fuel surcharge revenue.

Canadian grain revenue was $988 million in 2014, an increase of $119 million, or 14% from $869 million in 2013. This increase was primarily due to higher shipments as a result of strong export demand and record Canadian crop production, partially offset by reduced freight rates.

U.S. Grain

For the year ended December 31	2015	2014	2013	2015 vs. 2014 % Change	2015 vs. 2014 Total Change	2015 vs. 2014 FX Impact[1]	2014 vs. 2013 % Change	2014 vs. 2013 Total Change	2014 vs. 2013 FX Impact[1]
Freight revenues (in millions)	$522	$503	$431	4	$19	$87	17	$72	$32
Carloads (in thousands)	157	173	182	(9)	(16)	N/A	(5)	(9)	N/A
Revenue ton-miles (in millions)	10,625	11,724	11,119	(9)	(1,099)	N/A	5	605	N/A
Freight revenue per carload (dollars)	$3,326	$2,909	$2,359	14	$417	N/A	23	$550	N/A
Freight revenue per revenue ton-mile (cents)	4.91	4.29	3.87	14	0.62	N/A	11	0.42	N/A

[1] FX impact is a component of the Total Change.

U.S. grain revenue was $522 million in 2015, an increase of $19 million, or 4% from $503 million in 2014. The increase was primarily due to the favourable impact of the change in FX, partially offset by a decrease in volumes of 9% primarily due to the reduction in export volumes, and lower fuel surcharge revenue.

U.S. grain revenue was $503 million in 2014, an increase of $72 million, or 17% from $431 million in 2013. This increase was primarily due to: higher freight rates; increased volume to the Pacific Northwest, which has a longer length of haul, in the second half of the year; and the favourable impact of the change in FX. This increase was partially offset by the impact of harsh winter operating conditions in the first quarter of 2014.

Coal

				2015 vs. 2014			2014 vs. 2013		
For the year ended December 31	2015	2014	2013	% Change	Total Change	FX Impact[1]	% Change	Total Change	FX Impact[1]
Freight revenues (in millions)	$639	$621	$627	3	$18	$12	(1)	$(6)	$6
Carloads (in thousands)	323	313	330	3	10	N/A	(5)	(17)	N/A
Revenue ton-miles (in millions)	22,164	22,443	23,172	(1)	(279)	N/A	(3)	(729)	N/A
Freight revenue per carload (dollars)	$1,978	$1,985	$1,904	—	$(7)	N/A	4	$81	N/A
Freight revenue per revenue ton-mile (cents)	2.88	2.77	2.71	4	0.11	N/A	2	0.06	N/A

[1] FX impact is a component of the Total Change.

Coal revenue was $639 million in 2015, an increase of $18 million, or 3% from $621 million in 2014. This increase was primarily due to the favourable impact of the change in FX and higher freight rates and volumes of U.S. originated thermal coal, partially offset by lower fuel surcharge revenue and a decline in volume in Canadian coal business.

Coal revenue was $621 million in 2014, a decrease of $6 million, or 1% from $627 million in 2013. This decrease was primarily due to lower shipments of U.S. originating thermal coal, partially offset by higher Canadian originating shipments of metallurgical coal, and increased freight rates.

Potash

				2015 vs. 2014			2014 vs. 2013		
For the year ended December 31	2015	2014	2013	% Change	Total Change	FX Impact[1]	% Change	Total Change	FX Impact[1]
Freight revenues (in millions)	$359	$347	$312	3	$12	$28	11	$35	$12
Carloads (in thousands)	124	118	114	5	6	N/A	4	4	N/A
Revenue ton-miles (in millions)	15,117	14,099	13,231	7	1,018	N/A	7	868	N/A
Freight revenue per carload (dollars)	$2,887	$2,941	$2,745	(2)	$(54)	N/A	7	$196	N/A
Freight revenue per revenue ton-mile (cents)	2.37	2.46	2.36	(4)	(0.09)	N/A	4	0.10	N/A

[1] FX impact is a component of the Total Change.

Potash revenue was $359 million in 2015, an increase of $12 million, or 3% from $347 million in 2014. This increase was primarily due to the favourable impact of the change in FX and an increase in volumes where growth in export Potash, which has a lower revenue per RTM, outpaced domestic Potash growth.

Potash revenue was $347 million in 2014, an increase of $35 million, or 11% from $312 million in 2013. This increase was primarily due to: the favourable impact of the change in FX; higher shipments, driven by export volumes in the second half of 2014 and higher domestic shipments in the first half of 2014; and higher freight rates. This increase was partially offset by the impact of harsh winter operating conditions in the first quarter of 2014.

Fertilizers and Sulphur

				2015 vs. 2014			2014 vs. 2013		
For the year ended December 31	2015	2014	2013	% Change	Total Change	FX Impact[1]	% Change	Total Change	FX Impact[1]
Freight revenues (in millions)	$272	$234	$258	16	$38	$23	(9)	$(24)	$11

Carloads (in thousands)	62	61	71	2	1	N/A	(14)	(10)	N/A
Revenue ton-miles (in millions)	4,044	4,180	4,939	(3)	(136)	N/A	(15)	(759)	N/A
Freight revenue per carload (dollars)	$4,410	$3,801	$3,615	16	$609	N/A	5	$186	N/A
Freight revenue per revenue ton-mile (cents)	6.71	5.59	5.22	20	1.12	N/A	7	0.37	N/A

(1) FX impact is a component of the Total Change.

Fertilizers and sulphur revenue was $272 million in 2015, an increase of $38 million, or 16% from $234 million in 2014. This increase was primarily due to the favourable impact of the change in FX, higher freight rates and a shift in mix of traffic to fertilizers, which generally has higher freight rates than sulphur.

Fertilizers and sulphur revenue was $234 million in 2014, a decrease of $24 million, or 9% from $258 million in 2013. This decrease was primarily due to lower shipments resulting from weak demand and high inventory levels at destination, and a delayed return to full production of sulphur customer facilities. This decrease was partially offset by the favourable impacts of the change in FX and higher freight rates.

Forest Products

For the year ended December 31	2015	2014	2013	2015 vs. 2014 % Change	2015 vs. 2014 Total Change	2015 vs. 2014 FX Impact[1]	2014 vs. 2013 % Change	2014 vs. 2013 Total Change	2014 vs. 2013 FX Impact[1]
Freight revenues (in millions)	$249	$206	$206	21	$43	$24	—	$—	$12
Carloads (in thousands)	62	59	66	5	3	N/A	(11)	(7)	N/A
Revenue ton-miles (in millions)	4,201	3,956	4,619	6	245	N/A	(14)	(663)	N/A
Freight revenue per carload (dollars)	$4,026	$3,493	$3,132	15	$533	N/A	12	$361	N/A
Freight revenue per revenue ton-mile (cents)	5.92	5.20	4.46	14	0.72	N/A	17	0.74	N/A

[1] FX impact is a component of the Total Change.

Forest products revenue was $249 million in 2015, an increase of $43 million, or 21% from $206 million in 2014. This increase was primarily due to the favourable impact of the change in FX, improved pricing and a change in traffic mix to lumber and panel products, which generally have higher freight rates than pulp and paper.

Forest products revenue was $206 million in 2014, unchanged from 2013. Increases within Forest products were due to strong lumber demand with existing customers, the favourable impact of the change in FX, and higher freight rates. These increases were offset by the exit of certain lumber customer contracts in Western Canada and lower pulp and paper shipments due to customer production issues.

Chemicals and Plastics

For the year ended December 31	2015	2014	2013	2015 vs. 2014 % Change	2015 vs. 2014 Total Change	2015 vs. 2014 FX Impact[1]	2014 vs. 2013 % Change	2014 vs. 2013 Total Change	2014 vs. 2013 FX Impact[1]
Freight revenues (in millions)	$709	$637	$565	11	$72	$84	13	$72	$32
Carloads (in thousands)	203	198	197	3	5	N/A	1	1	